How Reforms Influence Organisational Practices

The Cases of Public Roads and Electricity Supply Organisations in Norway

by

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A dissertation submitted to BI Norwegian School of Management
for the Degree of Dr.Oecon

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Abstract

With respect to how radical transformation of organisational practices a reform objective presuppose, both moderate and radical public management reforms can be identified. In addition, both radical and more limited transformations of organisational practices can be identified. This puzzle addresses a classic problem in institutional organisation research. This problem is how micro and organisational level processes, and processes in the larger institutional environment are bridged during organisational transformation. To address this problem is the relationship between different reforms, changes in organisational ideology, and transformation of organisational practices explored over time.

These relationships are explored in two sectors and in three studies. In the cautious mover context of Norway, organisational transformation in the public sector meant mostly moderate reforms. One exception is the 1991 liberalisation of electricity supply to consumers. A typical example of a moderate reform is the 1993 quasi-market reform in public roads. The first study is a longitudinal case study of how the implementation of a new organisational form that was forced on the Directorate of Public Roads actually did transform its practices. The second study is a cross-sectional quantitative analysis of changes in organisational ideology and variations in operational practices in electricity supply organisations. The third study is a cross-sectional quantitative analysis of the relationships between different reforms and strategic practices in the public road and electricity supply organisations.

Despite the differences in reform that the two research contexts represents, only limited variations in organisational practices in the two sectors was identified. In cases of moderate reforms, transformation of organisational practices seems to be a product of changes in the interest dimension relative to the idea dimension of organisational ideology. In cases of radical reforms, it seems that transformation of organisational practices is a product of changes in the interest and idea dimensions that appear in a particular order.

The overall conclusion is that organisational transformation is in both its development and effects, related to the benefits of institutionalisation processes within organisations. The *directed process approach* is introduced as an alternative institutional approach for the analysis of organisational transformation. Finally, the suggested concept of practical drift may represent a mechanism from which relationships that increase the transformation potential in institutionalisation can be identified.

Acknowledgements

Reading acknowledgements is one of those few situations giving you a glimpse of the person behind the academic. This thesis would not have been finalised were it not for the invaluable help and support from many fine people.

Thanks to my supervisor professor Svein S. Andersen for coping with me through my Cand.Sociol thesis, one pregnancy, another pregnancy, and one doctoral thesis. He pulled me together when I needed it at most. He also helped me to stop staring at the data and regain my birds-eye view in critical phases.

Thanks to the Directorate of Public Roads for financing a major part of the project. Thanks to professor Johan From, to professor Rune Sørensen, and to the Norwegian research council for financial support. Thanks to administrative manager Ellen A. Jacobsen at the Institute for Public Governance for support, motivation and practical advice.

Thanks to public management practitioners in Norway and academics on international conferences for showing an interest in my work. Thanks to Stine Ludvigsen, with whom I have shared both office and tons of frustration. Thanks to the "Witch Association" of women faculty at NSM for giving me valuable advice on research and multiple opportunities for a healthy laugh: Randi, Ragnhild, Marianne, Ingunn, Joyce, Siw, Marie, Donatella, and many others. Thanks to professor Tor Hernes, associate professor Kåre Hagen, professor Jan Grund, associate professor Bård Kuvaas, all at NSM, and professor Tom Christensen at the University of Oslo for valuable comments on previous versions. Associate professor Nick Sitter at BI deserves more gratitude than I can express in words for his supervision on my English writing. Of course, none of these people are responsible for the final product.

This thesis is dedicated to my mother. She died during the finalisation of the first version nearly 2 years ago. *Ellen-M* was an extraordinary mother in many ways, and a role model for her willpower. The 2 years between the first and the present version gave me loss, but also personal enrichment reaching beyond finalising a doctoral thesis.

Thanks to my close family and my extended family of relatives and friends. Thanks to those who matter most, Pernille, Henriette, and Hampus. Thanks to Håvard, who is my husband and dearest friend.

Sandvika, november 2004   Anne F.

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Part One (chapters 1 and 2)

The Puzzle of Organisational Transformation in the Public Sector

Chapter 1. Introduction

If you ask any person drinking and enjoying coffee whether she remembers her reaction when she first tasted the beverage, there is a good chance she will, and that she was appalled by the taste at the time. If, however, you probe further about her subsequent development to become a regular coffee drinker, chances are she will not remember. The habit of drinking coffee and the practice of being a market-oriented organisation have similarities: both are the result of several different, painful and complex but still integrated, processes. These similarities illustrate the research theme addressed in this thesis: How does a public sector service provider transform from a traditional civil service unit into a more autonomous organisation that are exposed to market mechanisms? This question will be answered through an empirical analysis of the transformation of public road and of electricity supply organisations in Norway.

Public organisations are not generally expected to embrace the introduction of market mechanisms such as liberalisation, privatisation and new public management models that affect how services are produced and delivered in these organisations. Market mechanisms represent risks, challenges, incentives, performance indicators, and bottom lines. Becoming a regular coffee drinker, or in our case a market-oriented organisation, involves a transformation. Transforming an organisation involves what an organisation does, as well as how and why the organisation does what it does, i.e. the transformation of concrete practices. This is such a deep transformation that without it the newcomer would not understand how to operate as a market-oriented organisation, or respond to the demands of market mechanisms. Consequently, the individual organisation would not appreciate the market and would not continue to operate as a market-oriented organisation.

This thesis uses empirical evidence from two sectors; the public road sector and the electricity supply sector. The analysis of organisational transformation in the public sector is performed in these two research

contexts, chosen because they provide a research setting that is particularly suitable for analysis of the complexity of organisational processes in situations of planned organisational transformation. Over the last 15 years, these sectors have been through a profound, planned organisational transformation, which make them well suited for analysis of complex organisational processes.

In 1993, a so-called quasi-market reform was launched in the public road sector. This quasi-market reform was designed to reforming the sector from within, by changing formal structures, work processes, and managerial systems of the organisations in this sector. The minimal effect of the quasi-market reform represented an internal reform of the functioning of these organisations. However, the reform could, if taken to its extreme, result in corporatisation of both functioning and organisational form of organisations in the sector. The quasi-market reform was intended to transform the way organisations produce and deliver public road services, as a result of fundamental change at the organisational level. However, this reform was not intended to change the way the sector was organised.

The electricity supply organisations experienced a market reform launched by the government in 1991. Compared to the quasi-market reform in public roads, the electricity supply market reform was more radical in terms of the fundamental changes in organisational practices it intended to create. The minimal effect of this market reform represented intergovernmental decentralisation across levels of the civil service hierarchy in producing and delivering services. However, the market reform could, if taken to its extreme, result in liberalisation of a former public monopoly.

This thesis investigates transformation processes of organisations in two public sectors in Norway, both of which were exposed to legislative reform necessitating an organisational response. The objective of this thesis is not to discuss whether these reforms were good or bad. Rather, it is to identify to what extent these two reforms have transformed organisational practices in the sectors, i.e. the organisations' day-to-day and strategic activities related to the production and delivering of services (Brunsson 1989: 169). The investigation of how reforms influence organisational practice is based on three studies:

The primary study of this thesis is a longitudinal case study of the transformation of operational practices in the Directorate of Public Roads. This case study is based on qualitative interview data collected in

two rounds, *1995-1997 (time 1)* and *2000-2002 (time 2)*. I describe this transformation process over 10 years and by three sub-processes. The analysis of the transformation of operational practices in the Directorate starts in 1993 when the quasi-market reform was launched, and ends in 2003 when the Directorate voluntarily decided that a new organisational form should be implemented. More specifically, the case study indicates three mechanisms that explain the actual bridging of the three sub-processes that link the transformation episode and particular organisational outcomes over time.

The two other studies are based on quantitative data that reflect more broadly how reforms influence organisational practices. The first study explores the relationships between reform, changes in organisational processes, and variations in operational practices in electricity supply organisations in 2002, ten years after the launching of the market reform. The second study is a between-sector analysis of the direct relationship between differences in the reforms and variations in strategic practices in electricity supply and public road organisations, respectively ten and eight years after their launch.

As indicated by the research contexts chosen for analysis and the design of the three studies, organisational transformation by way of reforms is as complex as the social construction of a coffee lover. Every coffee lover has her own career. No universal pattern has been designed to ensure appreciation of the substance. Coffee drinking is a habit that is socially situated. It develops over time. It involves experimentation with general beliefs and norms of actions embedded in a social context that reaches beyond the concrete situation. More fundamentally, it transforms the person from being a coffee hater to define herself as a coffee lover.

This thesis is located within a social constructivist paradigm in organisation analysis that emphasises the social aspects of organisational actors and their actions. The approach rests on a broad definition of organisational actors and their actions. Actors are seen as whole individuals that act both as strategic agents in pursuit of interests and as social role-models that act upon their identities. Actors participate in formal structures and processes and they participate in informal processes and belief systems. Organisational actors, for example managers, transform organisations through their actions. Actions then reflect the broader aspects of being an actor in an organisation. The broader aspects of actions include actions that differ quite radically from each other. On the one hand actions involve stimulus- response relationships that reflect expressed interests and particular norms of

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action. On the other hand, actions include meaning-creation and education that reflects how different and changing identities and values influence the transformation of an organisation's practices.

This thesis emphasises the relationships between formal structures and formal processes on the one hand, and the social actors on the other. The focus is therefore not on the social construction processes that explain the existence of different beliefs and norms of action. Rather, it is on the outcome of such social processes at the collective level, and on how these processes integrate objective aspects of a particular situation to particular outcomes. Data on these processes and their perceived outcomes are collected from individuals in the organisation. Individuals' actual practices are proxy for the organisation's operational and strategic practices as suggested by Considine and Lewis (1999). Developments in individual managers' perceptions of the effects of a new organisational form are used as a proxy for transformation of operational practices over time. Developments in how the understanding of a new organisational form is communicated among managers are mapped and used as a proxy for the organisational processes that interconnect a transformation episode and particular organisational outcomes. These data on the micro level processes are used to provide explanations of the organisational phenomena of transformation. This thesis is therefore placed within the sociology of organisation and a theory of action, rather than within a view of social constructivism as post-modernism.

The concept of organisational transformation denotes both a philosophical and a more empirical discussion. The philosophical discussion touches upon questions on whether organisations are changeable at all, where the border between organisations and their environment is, and whether organisations exists at all.

The more empirical understanding of the concept of organisational transformation centres around how members in the organisation themselves experience changes that have affected what they perceive to be the core of their practices, i.e. what they do, how they do it, and why. Central questions are: Have perceptions of core practices changed in relation to fundamental aspects such as customer orientation, goal orientation, leadership styles, service delivery focus, and rule orientation?

In this thesis, it is the empirical understanding of the concept of organisational transformation that forms the basis for analysis. This conceptualisation of organisational transformation reflects the larger

issue of how market-orientation of organisational practices in the public sector becomes institutionalised. Therefore this thesis focuses on variables that can explain how market-orientation becomes a natural and meaningful social order for those who practice it in public organisations. More specifically, the focus is on the social processes through which market-orientation in organisational practices are attained.

The empirical understanding of organisational transformation is chosen as the basis for analysis because it enables analysis of transformation of practices. This is more fundamental than transformation represented merely by changes in organisational form, such as new formal structures. This is also the reason why the thesis applies the term organisational transformation rather than the term organisational change. The empirical evidence on the different ways in which reforms influence organisational practices should provide valuable insights about whether it is possible to manage these transformations, and how effective changes in organisational form are for transforming organisational practices.

1.1 Research problem

The question of how reforms influence organisational practices involves a political dimension. What are reforms? How do Norwegian reforms differ from reforms in other countries? What are the roles of politicians and the political interests behind the reforms? These and other questions related to the political dimension of organisational transformation in the public sector are not addressed in this thesis.

The question of how reforms actually work has been subject to much debate in international research. A wide range of existing literature and research on this theme has appeared in the last two decades. The pool of relevant literature available for researchers and practitioners has increased with the spread of reforms labelled under the umbrella concept 'New Public Management'. This literature, however, reveals inconclusive findings and inconsistent understandings of what reforms are (e.g. Lane 1997) relative to how such reforms actually work (e.g. Ferlie et al 1996, OECD 2002).

Norwegian research on how reforms actually work has emphasised the political dimension. Focus has been put on either what reforms have emerged (e.g. Christensen and Lægreid 1996a; 1996b; 2001), on different reform characteristics (e.g. Baldersheim and Rose 2000, From 2003, Røvik 1998), or on what performance improvements they have

generated (e.g. Dahlen and Gomez 2003, Sørensen 2002, Bonesrønning 2003). However, how reforms influence organisational practices is a contested issue. Furthermore, the existing literature on how reforms work has not emphasised the direct relationship between reforms and organisational practices in Norway.

In contrast, the open system perspective within organisation analysis has addressed the various and complex relationships between changes in an organisation's environment and transformation of organisational practices. The direct relationship between reforms and organisational practices has, however, not been the main focus in most of these contributions. Still, data are in many cases drawn from organisations in the public sector. The open system literature then provides valuable insights on how a reform *may* influence organisational practices. This thesis is therefore based on the open system literature. The relevant literature can be classified into three approaches, *the design approach, the restricted outcome approach, and the living process approach.* These approaches differ in how they emphasise (1) the role of reform, and (2) the role of organisational processes, and (3) organisational outcomes.[1]

The design approach is based on public management research that emphasises reforms as plans and rational design of incentives that restrict processes and determine outcomes (e.g. Le Grand and Bartlett 1993, Osborne and Gaebler 1992, Martin and Parker 1997). This approach is based on economic theory, which predicts a direct relationship between differences in reform and variations in organisational outcomes. The design approach also rests on the idea that the organisational process element of organisational transformation is basically a question of designing effective incentive structures.

The restricted outcome approach emphasises reforms as plans that create external pressures for change. These plans are, however, mediated by other institutional factors in the environment that determine the processes and restrict the outcomes (e.g. DiMaagio and Powell 1991). This edited book consists of articles that represent key contributions in this approach. The organisational process element of organisational transformation in this type of institutional analysis rests on the idea that organisational processes are determined by their normative structuring. Several such normative processes have been identified. However, these normative organisational processes are not dynamic in the sense of unique outcomes. Organisations' normative processes represent a

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[1] A more detailed comparison of the three approaches is presented in chapter 2.

standardising of actors and their actions in ways that restrict the outcomes of these processes to symbolic changes rather than actual transformation.

The living process approach emphasises that reforms as plans are more loosely coupled to processes, and decoupled from outcomes (e.g. Brunsson and Olsen 1993). This edited book contains articles that represent key contributions of this approach. The organisation's cognitive processes are seen as the key factor. The relationships between reforms and organisational practices are the result of different cognitive processes that reflect unique aspects of actors' lives, such as meaning-creation and development of institutional identities. These cognitive processes are unique in terms of creating autonomous outcomes. Outcomes are autonomous rather than predictable or restricted, because cognitive processes appear and develop independently from particular reforms, the organisation's normative processes, and from particular outcomes. Thus, dynamic processes have an independent and unique effect on outcome. They represent living processes.

The two latter approaches provide valuable explanations as to why reforms fail. They suggest that reforms as plans are mostly inconsistent with organisational outcomes, and show why a clear relation between ambitions for transformation and real transformation effects does not exist. However, how can one explain cases where a reform leads to transformation of organisational practices, even though the transformation as a process does not develop as planned?

The conceptualisation of organisational transformation that this thesis uses for analysis represents the relationship between the role of reform, organisational processes, and organisational outcomes in a particular way:

For the analysis of the role of changes in organisational processes for transformation, I will focus on the variable of *organisational ideology*. The variable of ideology has previously been introduced in research by Meyer (1982), Brunsson (1989), and Holm (1995). With organisational ideology I mean cognitive and normative influences that constitute and change the sequencing of individual and collective actions during transformation. For the cases presented in this thesis, the outcomes of these different patterns of sequencing interactions institutionalise market-oriented practices as a meaningful social order in (former) public organisations. The question of how reforms influence organisational practices is thus related to issues of institutions and institutionalisation.

As the habit of drinking coffee evolves over time, institutionalisation influences it. An institution represents "…a social order or pattern that has attained a certain state or property; institutionalization denotes the process of such attainment" (Jepperson 1991: 145). In other words, the habit of drinking coffee has become an institution when it provides social order to a person's life. Furthermore, institutionalisation is the standardised interaction sequence that produces and reproduces the habit of drinking coffee as natural and meaningful. The role of organisational ideology is established in this sense in the thesis.

This thesis defines organisational ideology as the representation of a particular set of interests and ideas that define the context of actions and activities that actors invoke in different social settings. Applied to the relationship between reforms and organisational practices, organisational ideology represents a filter through which actors interpret and respond to the reform. I use the variable of organisational ideology because it is a variable which can bridge the various institutionalisation processes that occur in organisations during transformation. More specifically, change in organisational ideology is used as a proxy for the relationship between changes in processes and particular transformation outcomes.

The research problem of this thesis therefore centres around that organisational transformation in the public sector is driven by the dynamics of re-institutionalisation in organisations which in turn are shaped by organisational actions (i.e. the individual and collective acts during periods of transformation). These organisational actions make up the subjective interpretation of and responses to reforms, and therefore give reforms meaning and significance. Organisational actions are either normatively or cognitively based, and both elements change as the transformation process develops.

In an analysis of organisational transformation, cognitive influences are the sequencing interaction that reflects processes that appear at the micro-level of organisations (Johannsson 2002). Examples are processes of communication (Brunnson 1989: 168), creation of cultural ideas (Meyer 1996: 243) and creation of institutionalised meanings (Scott and Meyer 1994: 3). Such cognitive processes are characterised more by the creation and reshaping of aims and preferences, than by the transformation of predetermined aims into structures (Brunsson and Olsen 1993: 11).

A norm tells us how something should be or how someone should act. In an analysis of organisational transformation, normative influences on the sequencing interaction appear at the organisational level, whereas the cognitive processes mostly appear at the micro-level. Examples of the former are the processes through which organisational members coordinate their individual actions in order to act together (Brunnson 1989:168) and the creation of interests (Holm 1995). Such normative influences on the sequencing interaction in organisations then represent the processes through which "hard-wired" externally developed social norms get matched with local purposes and the organisation's interests (Meyer 1996).

Cognitive and normative processes in organisations therefore differ. Cognitive processes reflect the creation of ideas and institutionalised meanings about the past, the future, or things that are far away, whereas normative processes reflect the creation of actions that happens here and now (Brunsson 1989: 169). The question has been raised as to whether these two types of organisational processes are disconnected, interconnected, mutually dependent or compensating for one another (Scott and Meyer 1994, Holm 1995, Johannsson 2002). Questions related to differences and relationships between these two types of organisational processes are in this thesis operationalised in the variable of organisational ideology.

Another important question that has been raised is whether organisations act mostly as fairly rational actors or as 'soft' actors during organisational change (Meyer 1996). This question can also be related to the phenomenon of organisational transformation through the variable of ideology. The use of ideology as a variable in this analysis emphasises the different and changing relationships between cognitive and normative influences on an organisation's actions during transformation. How actors understand the reform, experience the reform's effects, and communicate that understanding among themselves, reflect whether organisations act mostly as fairly rational actors or as soft actors in processes of organisational transformation.

The question of why and how reforms influence organisational practices will be analysed in terms of the relationships between different reforms and differences in organisations' ideology over time. Reforms denote goal-directed actions to create organisational forms that will transform organisational outcomes (Brunnson and Olsen 1993:1). 'Organisational ideology' is used in this thesis because it captures the relative influence of cognitive and normative influences on organisational actors and

actions that standardise organisational processes and produce particular outcomes. The focus is not on transformation of formal structures, but on transformation of organisational practices. The empirical evidence concerning transformation of organisational practices consists of actors' personal experiences, perceptions, and actions. The research problem addressed can therefore be stated as follows:

How do differences in reform and organisational ideology influence the transformation of organisational practices in the public sector over time in Norway?

I started the discussion in this introduction with the metaphor of the habit of drinking coffee and the process of becoming a market-oriented public organisation. I proposed that transformating organisational practices via public management reforms are as complex as the social construction of a coffee lover. I drew on the anecdotic example of how every coffee lover has her own career, that no universal pattern can be designed to create appreciation of coffee, and alluded to the difficulties of measuring appreciation of coffee. The focus in this thesis is not on the social construction of coffee-lovers, but indeed on the social construction of more market-oriented public organisations.

1.2 Thesis outline

The thesis consists of five parts. *Part one* (chapters 1 and 2) focuses on the puzzle of organisational transformation in the public sector that the research problem is advanced to explore, and outlines the critiques that institutional analysis provides for our understanding of organisational transformation in the public sector. The puzzle concentrates on how one can explain that organisational processes that are inconsistent with reform still realise some central reform objectives? Chapter 1 is the present introduction. Chapter 2 outlines the relation between research problem and the two institutional approaches.

Part two (chapters 3-6) contains the first of the three studies of this thesis. This study is a qualitative study of the implementation of a new organisational form in the Directorate of Public Roads. In chapter 3 I present the research design of this study. The research question explored in this case study is under what conditions a purchaser-provider model which is imposed on an organisation transforms its operational practices. Chapter 4 presents findings on operational practice variations and discusses these findings in light of reform cases analysed in 'restricted

outcome' and 'living process' research. Chapter 5 presents results on the process account through which differences in operational practices can be explained, and includes a discussion of these results in light of 'restricted outcome' and 'living process' research. Chapter 6 summarises empirical findings and the analysis.

Part three (chapter 7) presents the second study of this thesis. This study is a cross-sectional quantitative analysis of differences in organisational ideology and operational practices in the case of a radical reform in the electricity supply sector. This study was designed for exploration of the second research question which concentrates on how changes in ideology influence transformation of an organisation's operational practices.

Part four (chapter 8) contains the third study of this thesis. This is a quantitative analysis of whether organisations' strategic practices are more similar than different across sectors, depending on what type of reform the organisations have been exposed to. More specifically, this study explores the extent to which radical reform produces more radical changes in organisational practices than a more moderate reform.

Part five (chapters 9-11) is a reconciliation of key empirical findings from the three studies with possible implications for institutional theory. The aim of this part is to identify contributions for institutional organisation theory that justify the development of an alternative institutional approach.

The aim of chapter 10 is to develop a *directed process approach*, which is an alternative to the design approach and an extension of the two institutional approaches. Its basic idea is that organisational processes are not determined and not random, but directed. These processes, which are more 'living' than rational, are shaped by (1) the organisation's institutional environment, (2) institutionalisation processes within the organisation, and (3) cumulative effects of internal processes of change. Chapter 10 also includes a more detailed discussion of the key assumptions on which the directed process approach is founded, and how a concept of 'practical drift' may contribute to institutional analysis of organisational transformation.

Chapter 11 summarises key empirical findings, presents the overall conclusion, and indicates implications for future research.

Chapter 2. The Puzzle of Organisational Transformation in the Public Sector

This chapter addresses the research problem's theoretical foundation. Theoretical considerations are discussed with respect to longitudinal effects of reform and multiple effects of changes in organisational ideology on the one hand, and the benefits of institutionalisation for transformation of organisational practices on the other hand. I first present the research context that will be applied for analysis. I then present existing approaches to organisational transformation in the public sector. The third section critically reviews major existing approaches. Section 2.4 identifies a puzzle of organisational transformation in the public sector that existing work has not addressed. A key problem for institutional approaches is that they lack an analytical bridge between different institutionalisation processes at macro, organisational, and micro levels. I therefore develop three research questions that I believe increase the possibilities for achieving more complex institutional explanations of how reforms influence organisational practices in the public sector. These three research questions are presented in section 2.5. The chapter is summarised in section 2.6.

The previous chapter identified different conditions under which the transformation of organisational practices was affected. Reforms differ in terms of how radical organisational processes need to be in order to transform practices. Organisational ideology represents cognitive and normative influences that constitute differences and changes in actors' perceptions and responses during such reform processes. Different actions explain the degree to which, and in what way, reforms influence organisational practices. Therefore, this thesis focuses on the relationships between different reforms, organisational ideology, and transformation of organisational practices over time in the public sector in Norway.

In chapter 1 section 1.1. I defined reforms as goal-directed choices among alternative organisational forms. In this sense, a range of reforms have featured prominently in most OECD countries in the last two decades (Ferlie et. al 1996). Reforms include changes in organisational forms such formal structure (Morgan 1995, Hood 1998), but also changes in organisational processes, such as organisational flexibility, adaptability, and customer orientation have been attempted (Osborne and Gaebler 1992, Naschold and von Otter 1996). Such reforms have been seen as reflecting an ideological system characterised by importation of

ideas generated in private sector organisations (Ferlie et al 1996, Lawton and Rose 1994). Thus, reforms in the public sector do not relate only to organisation-environment relationships. An example of case of such reform would be a privatisation and liberalisation of a former public monopoly. Some reforms relate to the technical core of the organisation (Martin and Parker 1997), as in a case of corporatisation. Finally, reform has also been analysed as related to existing general beliefs and social norms within the organisation (Johnson et al 2002) and outside the organisation (Christensen and Lægreid 2002).

2.1 The empirical cases

This thesis uses one longitudinal case study and two cross-sectional studies, from two Norwegian reform cases. A moderate, quasi-market reform was implemented in the public road sector in 1993 , whereas the electricity sector 1991 underwent a radical market reform. This thesis's key questions is to what extent and in what ways changes in practices appeared as the organisational outcome of the implementation of the two reforms in these two sectors. This key question relates to both reform goals and policy means. The goal of the moderate quasi-market reform in the public road sector was a major restructuring that would increase market-orientation of organisational practices. Instruments designed to accomplish such restructuring was an intrasector transformation by way of corporatisation. The goal of the liberalisation of electricity supply to private consumers was a replacement of a public monopoly. Instruments designed to accomplish this reform goal was intersector transformation by way of decentralisation. The following table contrasts the two research contexts that the two reforms represent:

	Public Roads	Electricity Supply
Type of Reform	Moderate Quasi-Market	Radical Market
Focus	Intrasector transformation	Intersector transformation
Core	Public Service Reform	Decentralisation
Intended effect	Corporatisation	Liberalisation

Table 2.1 The two research contexts

2.1.1 Public Roads
Before the 1993 quasi-market reform, the public road sector consisted of 19 regional authorities and one central directorate. The Directorate of

Public Roads had approximately 900 employees, and was the central agency in the public road sector. The sector employed approximately 11 000, and with a yearly budget of 10 billion NOK[2].

The background for the quasi-market reform was a government green paper; NOU 1993: 23. The formal grounding for the restructuring was the white paper on the public road sector; St.melding no.41 1993-1994, which defined the intent of the quasi-market reform in public roads sector. The major objective was to make political control more effective, as well as to increase the Directorate of Public Roads and the 19 regional offices' discretion and increase efficient use of resources. The focus of this quasi-market reform was an intrasector transformation. It aimed at corporatisation by the means of (1) changes in the financing of service delivery such as internal markets, bids and contracts, (2) documentation of effective use of resources and 'competitiveness' of production activities, (3) business models for accounting, calculation and performance evaluations, (4) increased specialisation and more effective use of resources and (5) coordination of logistics and purchasing functions.

As a result of this quasi-market reform, the General Director decided to reorganise the 20 organisations in the sector. A new vision for the sector was therefore presented in the summer of 1994. It was subsequently decided to implement a new organisational form in the Directorate of Public Roads in 1994-95, inspired by the purchaser-provider models that had been implemented in public road sectors in other Scandinavian countries. The new organisational form in the Directorate reflected a corporatisation of the organisation's production and service delivery. The organisational outcomes were, however, not as coherent and all-encompassing as intended in terms of transformation of organisational practices.

2.1.2 The electricity sector
The focus of the reform in the electricity sector was intersector transformation of the supply of electricity services. The core of this reform represents a decentralisation aimed at liberalisation. This reform has been defined as an exception from the so-called 'cautious mover' tradition in the restructuring of the public sector in Norway (Thune 1996), and fostered one of the most liberal power markets in Europe at the time (Olsen 2000). Competition was introduced for generating and trading activities, while the grid companies remained regional or local

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[2] Approximatly 1.25 billion Euro in 2004 exchange rates

monopolies. In contrast to market reforms in other OECD countries, the radical market reform in electricity supply did not include privatisation of public assets. In 2001, 85 per cent of generating capacity was still owned by the state, the counties and the municipalities[3]. The most visible effect of the reform has been the transformation of former municipal utilities into limited companies. Over 70 per cent of all energy utilities were in 2001 organised as limited companies. The market reform thus represented a radical break with the operational practices that had been dominant in this sector for the last 100 years (Thue 1996). The organisational outcome of this radical market reform was, however, more ambiguous and less radical than intended in terms of transformation of organisational practices.

In light of the above, it is clear that the cases chosen will provide sufficient variation across the variables 'reform', 'organisational ideology', and 'organisational practices'. The two reforms differ significantly in terms of focus, core, and intended effects. However, both sectors are dominated by public organisations (as opposed to private ownership), which make them useful for empirical variations in the intermediate variable; organisational ideology. Finally, the depended variable; organisational practices, can be identified and measured in both cases.

2.2 Approaches to organisational transformation in the public sector

Three are three relevant approaches to analysis of organisational transformation in the public sector. They are all related to the open system perspective: the *design approach,* the *restricted outcome approach,* and the *living process approach.* Below I will briefly present their basic ideas as well as compare them, to identify strengths and weaknesses. The aim of this discussion is to define the basis from which I develop the process approach of this thesis, and the operationalisation of three research questions. The three approaches are illustrated in three figures (2.1-2.3). These figures illustrate the theoretical reasoning behind the three approaches, rather than an operationalisation of these approaches. This is the reason why feedback connections are not included in these figures. The different theoretical reasonings behind the three approaches are contrasted is the next section (see table 2.2 in section 2.3)

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[3] Source: Ministry of Petroleum and Energy fact sheet 2001

2.2.1 The design approach

Throughout the OECD public management reform as a strategy for modernisation has been based on a rational choice view of how reforms influence organisational practices. It is assumed that change and transformation can be achieved through rational plans and the design of different types of incentives either outside (e.g. LeGrand and Bartlett 1993, Martin and Parker 1997) or inside the organisation (e.g. Osborne and Gaebler 1992).

In this approach, transformation of organisational practices is basically a matter of implementing plans. Public management reforms reflect plans that restrict actors' interests and behaviour. These processes follow the launch of a reform, and the design of incentives will restrict processes in a way that increases the predictability of outcomes. Such an approach may be labelled a "design approach", because the design of incentives restricts the processes and makes individuals' actions more predictable. Such a restriction of organisational processes increases the predictability of outcomes. Consequently the more radical the reform compared to existing organisational practices, the more radical the incentives that restrict the processes, and the more radical the outcome. A design approach to how reforms influence organisational practices can be illustrated as follows:

Process subject	*Process element*	*Process outcome*
Reform	→ Incentive structures	→ Changes of practices, but not transformation of actors
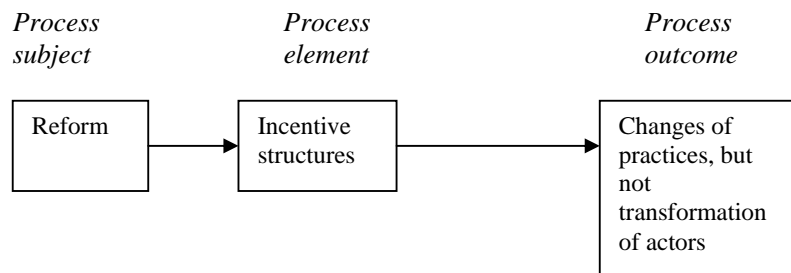
Figure 2.1 A design approach to organisational transformation

This understanding of how reforms influence organisational practices has been contested by the two streams of institutional organisation research that I have called the 'restricted outcome' and 'living process' approaches. These approaches question what reforms are and how they work. The key contribution of these two approaches for this thesis relates to how the organisational transformation is conceptualised.

The design approach views organisational transformation as a set of stimulus and response relationships. In contrast, the two institutional approaches view organisational transformation as a relational and a sociological phenomenon. The focus in this thesis is therefore not only on the unintended consequences of reforms in terms of incentive structures that did not restrict processes in the envisaged ways, but include also the normative and cognitive structuring of processes. These aspects are important factors that may explain the ambiguous relationship between a reform and transformation of organisational practices. This is also the reason why the design approach is of less importance to this thesis, compared to the two institutional approaches.

2.2.2 The restricted outcome approach

In one type of institutional analysis, organisational transformation is viewed as the result of deterministic institutional pressures in the environment (e.g. DiMaggio and Powell 1991). This stream of organisation research suggests that inconsistencies in the organisation's institutional environment explain how the effect of a reform is mediated. The effect of a reform is mediated as organisations decouple structure from practices, in order to become isomorphic with norms that define particular organisational forms as legitimate, and therefore presumably effective. The relationship between reform and organisational practices is then mediated by a normative structuring of the organisation's processes. Thus, this type of institutional organisation research provides convincing explanations for why organisational transformation in the public sector does not follow the plan, or produce intended outcomes. I have called this institutional approach the "restricted outcome approach". The figure below illustrates this approach:

Process　　　　　　*Process*　　　　　　　　*Process*
Subject　　　　　　*Elements*　　　　　　　　*Outcome*

| Reform | → | Normative structuring determined by the environment | → | Symbolic changes in organisational form, but no transformation of practices and actors |
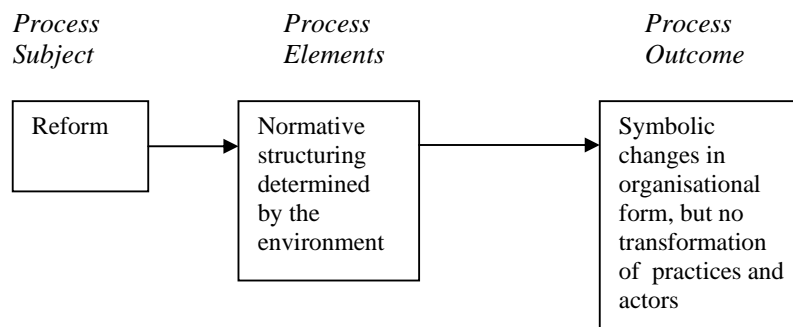
Figure 2.2 A restricted outcome approach to organisational transformation

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The restricted outcome approach studies organisational transformation in the public sector in terms of how reforms constitute new conditions for the organisation through changes in environmental pressure. Such pressures either increase inconsistencies between parts of the institutional environment or between institutional and task environments. Studies have mainly focused on how such inconsistencies increase the potential for institutionalisation in organisations (e.g. Meyer and Rowan 1977, Powell 1988, Tolbert 1988, D'Aunno et al 1991). Institutionalisation in organisations is the product of processes of normative structuring.

Diffusion is the type of institutionalisation process most thoroughly researched in the restricted outcome approach. Diffusion explains how formal structures are adopted as rational myths and taken for granted by organisations (e.g. Meyer and Rowan 1977, DiMaggio and Powell 1991). Furthermore, such adoption cannot be explained by differences in technical or task considerations (e.g. Tolbert and Zucker 1983, Tolbert 1985). Restricted outcome research also states that because organisations tend to adopt organisational forms as rational myths, new organisational forms also become more easily diffused between organisations. Therefore, the organisational outcome of such institutionalisation processes leads toward isomorphism, which is identified when formal structure and organisational form is more similar across organisations and sectors, than within sectors (Meyer and Rowan 1977).

The assessment of the direct effects of institutionalisation in terms of decoupling is important in restricted outcome research. Decoupling is defined as the situation where organisations "…decouple elements of structure from activities and from each other" (Meyer and Rowan 1977:57). Decoupling is described as a fundamental type of organisational action to reduce conflicts and loss of legitimacy when control and coordination of activities appear. Decoupling thus creates changes in formal structure that are effective in terms of increasing possibilities for survival. Later restricted outcome contributions that identified similar types of organisational actions have indicated that decoupling may also appear between decision process and actions (Meyer et al 1983), and incentives and agency (Boeker and Goodstein 1991). These changes, however, are symbolic rather than actual.

Thus, restricted outcome contributions explain unpredictable outcomes as the effects of institutional variables in the environment that mediate the incentives designed to restrict the organisational processes. A restricted outcome explanation of how reforms influence organisational

practices would state that predictability in organisational outcomes is unrealistic- a reform as a plan, in general, does not work as intended because of the many environmental factors that may coincide or conflict with the launching of the reform.

2.2.3 The living process approach

In addition to the restricted outcome approach another type of institutional analysis can be identified in organisational research. I label this second type of institutional analysis of organisations the "living process approach", because this approach pays particular attention to the role of institutionalisation processes within the organisation. The model of institutionalisation underlying this approach emphasises how external institutional pressure releases, but does not restrict, institutional processes internally. This stream of institutional organisation research suggests that inconsistencies between external pressures for change and existing organisational practices explain how a reform will be mediated. The effect of a reform is mediated as organisations tend to change their practices in accordance with their own legitimate beliefs. Thus, organisational transformation in the public sector may be explained as the result of a variety of institutionalisation processes within the organisation (Brunnson and Sahlin-Andersson 2000 Brunsson 1989, Brunsson and Olsen 1993, Scott and Christensen 1995). These various institutionalisation processes represent different types of cognitive processes during organisational transformation. The following figure illustrates the reasoning behind a living process approach:

Process   *Process*   *Process*
Subject   *Element*   *Outcome*

Reform	→	Various forms of cognitive structuring	→	Transformation of actors, but no changes in organisational form
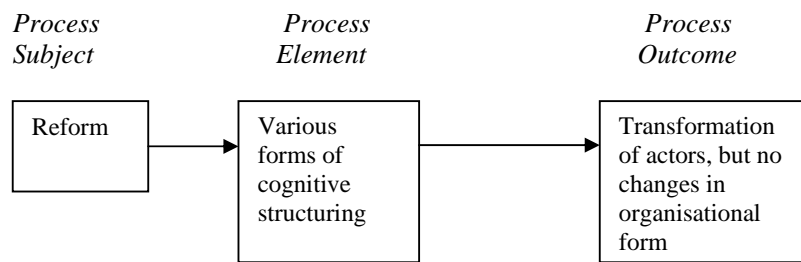
Figure 2.3 A living process approach to organisational transformation

This stream of research has analysed organisational transformation in the public sector with respect to how reform increases inconsistencies between the external environments and existing organisational ideology (Brunsson 1989) or institutional identity (Cznarniawska 1993). Furthermore, multidimensional aspects of institutionalisation are more thoroughly covered in this stream of institutional research than in

restricted outcome research (Meyer 1996). Their results suggest that the more inconsistency between the new environments (e.g. the liberalisation of electricity supplies) or the new organisational form (e.g. the purchaser-provider form in public roads) and organisational practices, the more will institutionalisation processes within organisations be important for organisational transformation in the public sector.

A good example of such multidimensional analysis of institutionalisation as living processes is the theory of organised hypocrisy proposed by Brunsson 1989. Organised hypocrisy is defined as a fundamental type of behaviour in the political organisation to win legitimacy and support from the environment. More specifically, organisations "…talk in a way that satisfies one demand, decide in a way that satisfies another, and supply products in a way that satisfies a third" (Brunsson 1989:27). Hypocrisy can be conceptualised as an effect of institutionalisation within organisations. Whereas decoupling (Meyer and Rowan 1997) in the restricted outcome approach reflects a type of organisational action to adapt to environmental pressures, hypocrisy describes the interaction between normative on the one hand and cognitive organisational processes. The hypocrisy thesis was not developed to explain how reforms influence organisational practices in the public sector. Although Brunsson uses cases of public sector restructuring to elaborate his ideas, the relationship between hypocrisy and *transformation* of organisational practices is not emphasized in his book (1989).

2.3 Comparing and combining institutional approaches

In this section I discuss areas of convergence and divergence in existing works, with a view to further analysis of organisational transformation in the public sector. A comparison of the three approaches discussed so far highlights central features of each approach, and identifies weaknesses in the analytical apparatus that will serve as a basis for the method used in this thesis, the process approach. A summary of the comparison is presented in table 2.1.

Table 2.1 contrasts the three approaches with respect to assumed relationships between reforms, organisational processes and organisational outcomes.

Approaches	Process subject	Process elements	Process outcome
Design approach	Provides plan and detailed incentives	Incentive structures that restrict processes	Predictable outcomes
Restricted outcome approach	Provides plan that may be inconsistent with other environmental variables such as technical and effectiveness considerations	Normative structures creating pressures for (at least) symbolic change	Restricted outcomes in terms of mostly symbolic changes due to other variables in the institutional environment
Living process approach	Legitimating, but loose frame	Reforms do not restrict or determine processes, but trigger living processes	Autonomous outcomes due to existence of institutional variables in the organisation

Table 2.2 Summary of approaches to organisational transformation in the public sector

Both the restricted outcome and living process approaches criticise the design view about how reforms influence organisational practices. It is true that reforms may be important in legitimating or triggering transformation, as suggested in the design approach. However, empirical, theoretical, and methodological questions challenge the explanatory power of the design approach.

Compared to the design approach, both streams of institutional research emphasise that a new organisational practice is institutionalised when it is accepted as legitimate and subsequently taken for granted. In regard to transformation of organisational practices as a result of institutionali-sation *within* organisations, living process research argues that once organisational practices are institutionalised they become relatively stable and sustainable without continuing justification (e.g. Rombach 1993, Cznarniawska-Joerges 1993, Olson 1993). Whereas isomorphism (Meyer and Rowan 1977) in restricted outcome research relates to similarities in organisational form, the autonomous organisational outcomes in living process research relates to the stable nature of existing practices.

The living process approach suggests that the complexity of processes and their loose coupling to the reform from which such processes follow, create processes that are self-reinforcing. It emphasises the voluntaristic aspects of institutionalisation. Furthermore, it explains living processes as the effects of institutional variables within the organisation that mediate the effect of the incentives designed to restrict the organisational processes. However, the specific organisational outcomes of such living processes are unclear, and if particular outcomes of such living processes can be identified, they are not necessarily the result of a particular reform.

We may therefore assume that reforms not necessarily transform organisational practices, but will at best influence them. Reforms do not only influence organisations; organisations also influence their environments, as well as actors affiliated with these organisations.

An intriguing dilemma is presented in institutional organisation sociology: On the one hand, organisations must be exposed to environmental pressures if practices are to transform. On the other hand, too much environmental instability negatively affects the possibility for transformation of organisational practices. Furthermore, there is a significant risk that transformation of organisational practices occurs only accidentally, or is identifiable only after a long period of time, or is even completely absent.

The predictions of the design approach regarding reform, organisational processes, and organisational outcome thus differ quite radically from the living process approach. However, the two institutional approaches also provide explanations that are partly inconsistent with each other. Below I will summarise how the two institutional approaches differ in regard to how reforms influence organisational practices. This is done to define more in detail what type of process approach that will be developed for analysis in this thesis.

2.3.1 The process approach - Understanding organisational transformation

A common denominator in institutional organisation research is the emphasis on why and how the prevalence of norms of action and general beliefs are sources of both organisational isomorphism and endurance of organisational practices. The causal relationship between external pressure, such as a reform, and transformation of organisational practices

is uncertain. Furthermore, research has shown that organisational transformation in the public sector depends on how organisations use symbols to influence the ideas and interests of important external constituencies such as governments, other public organisations, media, and clients, as well as internal constituencies such as professional groups and sub-units. This common denominator forms the foundation from which the process approach of this thesis emerge.

Restricted outcome research underlines that the relationship between reforms and predictability of outcomes depends on the types of external pressures generated by the reforms. Furthermore, reforms are part of the institutional environment because their effects are evaluated by how organisations interpret and respond to them, rather than by objective and technical outcomes. Thus, organisational outcomes are determined by the prevalence and characteristics of external institutional pressures.

A much debated problem within the restricted outcome approach is the issue of strategic action relative to mindless adoption of external existing, legitimate institutions (Suchman 1995, Beckert 1999). Restricted outcome explanations implicitly presuppose that organisations are "…..relatively passive, inefficient manipulators of symbols rather than substance" (Powell 1991: 183) Consequently, this institutional approach pays little attention to the role of the organisation's unique actions and the interaction between different organisational processes in organisational transformation.

Compared to the restricted outcome approach, the living process approach suggests that transformation does not appear independently from unique actions that reflect the individual actor's characteristics. A restricted outcome explanation would suggest that more radical reforms create more restricted outcomes, because such reforms increase organisational inconsistencies, and thus increase the normative structuring of organisational processes. Living process research, however, tends to analyse such internal institutional processes as self-reproducing where organisational outcomes appear mostly independent of the external pressure. From a combination of the two institutional approaches, the following process approach is developed:

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┌─────────────────┐      ┌─────────────┐      ┌─────────────┐
│                 │      │  Process    │      │  Process    │
│ Process Subject │◄────►│  Elements   │◄────►│  Outcome    │
│                 │      │             │      │             │
└─────────────────┘      └─────────────┘      └─────────────┘
        ▲                                            │
        └────────────────────────────────────────────┘
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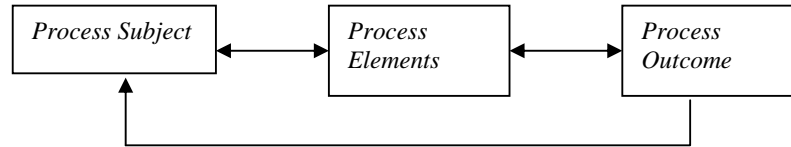
Figure 2.4 The process approach - Understanding organisational transformation

The relationship between process subject, e.g. a reform, and process elements, e.g. normative or cognitive structuring of processes, represents a restricted outcome conceptualisation of change. The relationship between process elements and process outcome represent the phenomenon of change as it is conceptualised in living process research. This thesis, however, is concerned with the larger process of transformation, with regard to the whole set of relationships. The relationships between a reform and process outcomes in the restricted outcome approach does not explain transformation of organisational practices. The same problem can be associated with the living process approach. The loose coupling between different process elements and the particular process subject can explain endurance of practices, but not transformation of practices. To be able to account for the phenomenon of organisational *transformation*, the thesis assumes a feed-back connection between the process subject, the process elements, and the process outcome. The operationalisation can therefore be illustrated as follows:

Process
Subject

Process
Elements

Process
Outcome

| Reform | | Ideology | | Transformation of organisational practices |

Adaptative process

Cognitive process

Normative process
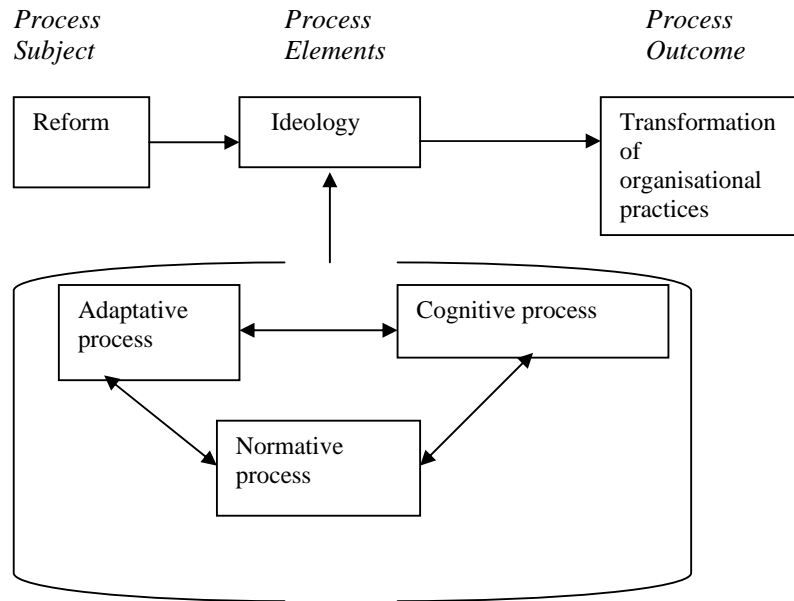
Figure 2.4 Operationalisation of the research problem

This operationalisation is based on a combination of the two institutional approaches. The process approach is developed because the design approach explanations is not able to identify the different environmental conditions (i.e. the effects of a reform in terms of new environments) *and* changes in organisational ideology (i.e. the interaction of adaptive, cognitive, and normative processes) under which reforms will transform organisational practices. Changes in ideology reflect changes in the processes that transform practices. One key argument here is that adaptive, normative, and cognitive processes may appear both in sequence and in parallel. Another key argument is that these processes are bridged in different ways across levels as each of the processes change and develop over time.

The process approach therefore is developed here as an expansion of the two existing institutional approaches. Compared to the restricted outcome approach, the process approach introduces ideology as a changeable filter. How deterministic institutional pressures actually are, and how they restrict organisational outcomes, is thus refocused. Compared to the living process approach, the process approach emphasises how unique actions and living organisational processes are interconnected with regard to particular organisational outcomes.

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This section has identified differences between the restricted outcome, living process and design approaches, and developed a process approach that will be used in this thesis. The process approach is based on a combination of the restricted outcome and living process approaches. The next section presents a more detailed description of how the process approach elaborates the puzzle of organisational transformation in the public sector.

2.4 The puzzle of organisational transformation in the public sector

As we have seen, the design approach is based on a belief in rational analysis and design, whereas the two institutional approaches observe that empirical evidence is often inconsistent with the design approach:

- Organisational transformation does not typically develop according to plan.
- Organisational processes most often develop inconsistently with reform goals.
- Organisational outcomes do not usually develop according to reform.

From the design approach one may assume that if the main concern of implementation is fundamental transformation, then not only organisational form but also practices must transform. The two institutional approaches, however, indicate that it is difficult to establish any causal relationships between reform strategies and real transformation of organisational practices. This observation of organisational transformation is in many ways the zero hypothesis of current public management reform strategies (Naschold 1996).

The observations discussed above lead to the following puzzle: Is it equally unreasonable to assume that more radical reforms will create real transformation of practices, as it is to assume that reforms normally will not result in transformation of organisational practices at all?

This question is intriguing and deserves closer attention. Two dimensions are of particular importance. First, the longitudinal effects of reforms, and second, multiple effects of changes in organisational ideology.

2.4.1 Longitudinal effects of reform and multiple effects of changes in organisational ideology

The longer a public organisation has been exposed to a particular reform, the more experiences it will gain with how the reform works (Olsen 1996), so-called longitudinal effects. Existing institutional analysis also suggests multiple effects of changes in organisational ideology. The direct effects of reform are modified by differences in the cognitive dimension of organisational ideology, because changes in the latter dimension influence the organisation's view of its environment (Ginsberg and Venkatraman 1995, Milliken 1990, Scheidcook 1992, Thomas et al 1994), and subsequent changes in strategy (Kurke 1988, Powell 1988). The direct effects of reform are also modified by differences in the normative dimension of organisational ideology, because changes in this dimension influence what the organisation identifies as legitimate operational practices (Dutton et al 2001, Barley 1986, Townley 1997, Zucker 1987) and legitimate strategic decisions in situations of increased organisational inconsistencies (Arndt and Bigelow 2000, Gammelsæther 1996, Zucker 1977/1991).

Research within the restricted outcome and living process approaches, however, reveals biased emphases with regard to the longitudinal effects of reform, and multiple effects of changes in organisational ideology. Theoretically, the restricted outcome research has emphasised deterministic external institutional pressures, but does not focus on the processes that link reforms to outcomes. It however, provided empirical evidence about various relationships that can explain unsuccessful outcomes. Theoretically, living process research has emphasised internal institutionalisation processes. However, it does not explain how different processes produce particular organisational outcomes, although it has produced profound knowledge on the various aspects of different internal processes.

The suggested longitudinal reform effect predicts that organisational practices and reform objectives will become increasingly coherent over time. The suggested multiple effects of changes in organisational ideology indicate that changes in ideology will increase the possibility for transformation of organisational practices because these changes provide managers, frontline staff and professional groups with experiences.

The idea that the effect of one institutional variable such as a reform is mediated by changes in another institutional variable such as organisational ideology, and that changes in such variables are mutually

dependent, is not new to institutional organisation research. However, in what way institutionalisation may benefit organisational transformation has not been brought to the centre of this research. In the next section I therefore elaborate this aspect of the puzzle in more detail.

2.4.2 The benefits of institutionalisation for organisational transformation in the public sector

In general, both restricted outcome and living process research have provided extensive insights into why the causal relationship between reform and organisational outcome is weak in the public sector. Two factors can shed light on why institutionalisation and its role in transformation processes have been all but neglected in recent research; First, the ambiguity of the variable of institutionalisation, and second, the role of organisational actions.

An institution has been defined as a social order or pattern that has attained a certain state or property (Jepperson 1991: 145; see ch.1). An institution is, in other words, a cultural or social system with a specific set of features. An institution can therefore be an industry, an organisation, a professional identity, a reform, or a particular organisational practice. Focusing on institutionalisation as a process means taking an interest in the longitudinal effects of such 'institutions' (Zucker 1988). This process is the sequencing interaction through which with such institutions 'attains' a certain state or property (Jepperson 1991).

It is assumed that a certain order of actions determines whether transformation of practice is the likely outcome of organisational transformation in the public sector. Institutionalisation is therefore defined as the processes through which a new organisational practice comes to be taken for granted. An organisational practice is institutionalised when actors within the organisation act upon it because it producing and delivering services is perceived as natural and meaningful, as well as effective and legitimate. Institutionalisation, however, does not only develop over time. Institutionalisation of new practices is also the result of multiple effects of changes in different institutional variables.

The multiple dimensions of institutionalisation processes is a heavily researched issue in the living process approach (Meyer 1996, Johannsson 2002). For example, institutionalisation might involve sequential dimensions of normative and cognitive influences on organisation's actions. Brunsson and Olsen's (1993: 8-12) notion of the interaction

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between processes of normative matching through decoupling, modernity and fashion, and the creation of meaning, is a conceptualisation that has traces of multidimensional institutionalisation, and that denotes that reforms are only loosely coupled with any direct improvements in organisational outcomes and results.

On this basis, it is possible to hypothesise that institutionalisation represents a potential for transformation of organisational practices. Underlying this issue is an interest in exploring the benefit of institutionalisation for transformation of organisational practices related to the concrete bridging of various institutional processes as they emerge over time within a public organisation.

Another problem in existing research is the role of organisational actions, and the question of how to determine changes in such actions. Restricted outcome research's powerful explanations of how organisations are sometimes coercively connected to the wider social context, lack theoretical assessments of unique organisational actions. The creative dimension of organisational life is neglected in this stream of institutional organisation research (Meyer 1996). However, the living process approach has emphasised the creative dimension of institutionalisation, and focusing on how actors (individuals, groups and organisations) have different ideas about their reality. Actors change their ideas about reality through the cognitive processes of organisations that create and change meaning and institutional identity.

Despite these significant results, living process approach research has difficulties in explaining the relative influence of cognitive compared to normative influences in the institutionalisation processes. Furthermore, multiple effects of changes in organisational ideology may explain a specific outcome at the organisation level. The specific outcome of particular interest is not the relative endurance, but transformation of organisational practices. For example, both institutional approaches may have de-emphasized that some aspects of organisational practices actually seem to be transformed as intended by public management reform. Both the restricted outcome and the living process research analyse the phenomena of transformation without clear references to the organisations' specific historical development over time. Whereas restricted outcome research emphasises diffusion and the living process research emphasises the travel of ideas, neither emphasises changes in the ideological conditions under which available actions are restricted to blind adoption, or open to import external ideas into their own lives through partly self-reproducing living processes.

As this section has shown, it is equally unreasonable to assume that reforms transform organisational practices as planned, as it is to assume no transformation of organisational practices. Existing approaches to the phenomenon are not able to explain this puzzle.

2.5 Research questions

The preceding discussion has identified an intriguing puzzle: It is equally unreasonable to assume that the implementation of reforms result in transformation of organisational practices as it is to assume that reforms, in general, will not produce any changes in operational practices at all. Two issues remain unresolved. The first relates to the longitudinal effects of reforms and multiple effects of changes in organisational ideology for organisational transformation, the second is the need for an empirical exploration of the transformation potential in institutionalisation processes. The process approach developed for analysis and the operationalisation of the research problem (see ch. 1) reflect and address both dimensions of this puzzle. It is therefore necessary to present the operationalisation of the research problem in more detail. This is done by presenting the three research questions, the reasoning related to the variables of reform, organisational ideologies, and organisational practices and how these variables may vary.

The three research questions explored in the three empirical analyses are as follows:

R.Q 1 explored in study no. 1: Under what conditions will a new organisational form that is imposed on an organisation transform organisational practices?
R.Q 2 explored in study no 2: What changes in organisational ideology will transform organisational practices?
R.Q 3 explored in study no. 3: Will a radical market reform create more radical changes in organisational practices than a moderate market reform?

The two institutional approaches emphasise different environmental and organisational conditions that allow reforms to influence organisational practices. Research associated with the restricted outcome approach has emphasised normative influences on actors and their actions, whereas living process research has emphasised cognitive influences on actors and their actions (Zucker 1977/1991, Meyer 1996, Johannsson 2002). This thesis, however, builds on the assumption that *both* these influences are important for our understanding of organisational transformation in

the public sector. The aim of this thesis research is to provide institutional explanations for how reforms influence organisational practices that capture the *relative* importance of cognitive and normative influences. The three research questions were developed to integrate the role of reform as plans, organisational processes as living, and predictable outcomes, in new ways.

The relative weight of cognitive and normative influences on organisational actions is central in the three research questions. The first research question explores the relationship between the organisational form representing a reform and the sequencing interaction that produce transformation of organisational practices. The second research question explores the relative influence of cognitive and normative influences on the sequencing interaction representing the organisational ideology variables, and how these relationships transform organisational practices. The third research question explores whether a systematic relationship can be identified between different reforms and organisations' subjective perceptions of, and responses to, the environments that these reforms aimed at creating. In the development of operational definitions of how the variables explored in the three research questions may vary, I use existing restricted outcome and living process research.

The restricted outcome approach has provided examples of variables that describe *normatively influenced actions* outside and inside the organisation. Examples of normative influences on actors' actions include local government actions (Tolbert and Zucker 1983), legal arrangements such as property, construction, and building law (Oliver 1992), and cultural norms such as abuse treatment ideologies (D'Aunno et al 1991). Examples of normative influences that can be identified at the organisation level include changes in formal structure (Meyer and Rowan 1977, Meyer et al 1983), composition of board of directors (Boeker and Goodstein 1991), and the installation of new administrative offices (e.g. Tolbert 1988).

With regard to the first research question, which explores under conditions a new imposed organisational form transforms its practices, restricted outcome research would conclude that strong external pressures that legitimate the new organisational form would increase the prospects for implementation. Changes can be identified in variables like formal structure, size, and functional setting. Transformation of organisational practices, however, will not occur as a result of such implementation. Organisational change can be identified as a result of the implementation of a new organisational form. Organisational

transformation in terms of transformation of practices will, however, not be the result.

With regard to the second research question, one example of such an ideal transformation of practices is the market reform objective to generate market-orientation in the electricity supply organisation's production and delivery of services. With regard to this question, restricted outcome research suggests that the implementation of such a market reform will create changes in organisational form, but will not transform organisational practices.

With regard to the third research question, which explores whether radical market reforms produce more changes in organisational practices than moderate reforms, the restricted outcome research would answer "no". Direct effects of any reform, radical or moderate, will according to the restricted outcome approach be mediated by other external institutional variables.

However, given my interest in how different reforms influence organisational practices rather than how they produce restricted outcomes, I have a particular interest in the ways *cognitive influences* on actors and their actions influence organisational practices.

The living process approach has provided examples of cognitively influenced actions inside the organisation. Cognitive aspects of reform processes and how these shape the organisation's actions has been studied as hierarchical vs. ideological reforms (Cznarniawska 1990) and reforms as ideas (Røvik 1998). Studies of cognitive influences on an organisation's actions stemming from inside the organisation have emphasised irrationality in decisionmaking (Brunsson 1985), local conceptualisations of pressure for change as an extraordinary project (Sahlin-Andersson 1986), and the logic of fashion (Røvik 1996), editing (Sahlin-Andersson 1996), and translation (Cznarniawska 1996).

The first research question explore under what conditions a new imposed organisational form transforms the organisation's practice. With regard to this question, living process research would state that some level of transformation of organisational practices will occur if the organisational form implemented is consistent with pre-existing internal institutions. The likelihood of such consistency is, however, limited.

With regard to what changes in organisational ideology variables transform organisational practices, living process research would in

general postulate a positive effect of changes in the cognitive dimension of ideology. The operational definition of changes in the cognitive dimension of ideology is represented by what I have called 'idea variables'. Changes in 'idea variables', such as the installation of new institutional identities through managers with other backgrounds, will create more transformation of organisational practices compared to changes in the normative dimension of ideology. The operational definition of the normative dimension of ideology is represented by variables which I have called 'interest variables' such as the installation of a new formal structure. Yet, the positive effect of organisational ideology is reduced if changes in idea variables do not correlate with an all-encompassing transformation of actors and the pre-existing institutional identities that guide them.

With regard to the third research question, which explores whether a radical market reform might produce more changes in organisational practices than a moderate reform, the living process research would answer "no" too. The reason for this is that the self-reinforcing institutionalisation processes that appear at the micro level of the organisation will mediate the direct effects of any reform, whether radical or more moderate.

Table 2.2 summarise how the different variables are assumed to vary in the three research questions based on the two institutional approaches.

	Restricted outcome	**Living process**
R.Q.1: Under what conditions will a new organisational form that is imposed on an organisation transform its practices?	Strong institutional pressures that legitimate changes in organisational form. Transformation of organisational practices, however, will not occur.	Some level of transformation of organisational practices will occur if the new organisational form is consistent with existing internal institutions.
R.Q. 2: What changes in organisational ideology will transform organisational practices?	Changes in interest variables will not transform organisational practices because such changes reflect changes in organisational form that are ritualistic more than they transform practices.	Changes in idea variables will transform organisational practices if these changes are consistent with existing internal institutions.
R.Q. 3: Will a radical market reform create more changes in organisational practices than a more moderate reform?	No, because other institutional variables in the environment mediate the effect of a radical reform.	No, because the organisation's micro level cognitive processes mediate the effect of any reform, whether radical or moderate.

Table 2.3 The three research questions.

The preceding argument leads to the question of *how the restricted outcome and living process explanations on the three research questions hold up to empirical investigation.*

The assumed relationships between reform, organisational ideology, and organisational practices set out in this section emphasise my argument that existing institutional organisation research lacks an analytical approach to capture the concrete bridging of institutionalisation processes at the macro, organisation, and micro levels in studies of organisational transformation. The three research questions aim at describing three different dimensions of the concrete bridging of such processes, both longitudinally and cross-sectionally.

In study 1 the bridging is explored based on longitudinal and in-depth qualitative data that describe how actors in the Directorate of Public Roads perceive the quasi-market reform in public roads, respond to the reform's effects (i.e. the implementation of the purchaser-provider organisational form), and how they communicate that understanding among themselves over time.

In the second study the data is quantitative and describe the broader relationships of how changes in organisational ideology variables influence transformation, and the degree to which new organisational practices are installed in the electricity supply organisations. This second study explores the relative influence and multiple effects of normative processes (i.e. actions reflecting compliance with reform as a norm) and cognitive processes (i.e. actions reflecting compliance with institutional identities) within the organisation. More specifically, this study describes the bridging of institutionalisation of new organisational forms at the organisational level, and the institutionalisation of new institutional identities at the micro level with regard to how these relationships explain differences in organisations' practices.

The third study explores the bridging of the external institutionalisation process related to the social structuring of reformed sectors at the macro level, and the institutionalisation of new practices in the organisation. The empirical representation of this latter type of bridging is captured in relationships between top managers' perceptions of and responses to the long term effects of the reform their organisation has been exposed to, controlling for whether these organisations are affiliated with the public road or the electricity supply sector. Data in this third study are quantitative survey data.

Empirically, the three research questions explore how internal institutions are pre-existing, but not unchangeable. Changes in internal institutions are the product of changes in organisational ideology. This means that differences in the process pattern under which external pressure presented by a reform at the macro level and internal institutionalisation processes at organisation and micro levels are bridged, reflect a particular type of dynamics. The concrete bridging of these different institutionalisation processes is dynamic in terms of increasing the benefits of institutionalisation for transformation of organisational practices.

Theoretically, the three research questions are based on a re-conceptualisation of institutionalisation as a dynamic phenomenon advanced differently depending on the event that influences it and outcomes produced at the organisational level. Compared to the restricted outcome approach, the need to understand organisational transformation in the public sector that emerges from bottom-up institutionalisation processes within the organisations is highlighted. Compared to the living process approach, the importance of examining particular organisational outcomes of such institutionalisation processes is emphasised.

In this section I have emphasised how external institutional pressures and internal institutionalisation processes are bridged by the re-integration of institutionalisation processes at macro, organisational, and micro levels. This is a key concern in the process approach developed and the operationalisation of the research problem addressed in this thesis. Furthermore, the basic idea underlying the three research questions is that the ways reform and organisational ideology influence transformation of organisational practices, depend on the coupling of these different processes. More specifically I suggest that reforms are coupled in various ways with the cognitive and normative processes at different levels that constitute the organisation's actions. The organisational processes that follow the launching of a reform is then not determined toward specific outcomes. Neither is it reasonable that these processes emerge and develop completely autonomously. Based on this discussion I also believe that the three research questions capture the dynamic relationships between reform, organisational ideology, and transformation of organisational practices sought in this thesis.

2.6 Chapter summary

I stated in the beginning of this thesis that the research problem developed for analysis is how differences in reform and organisational ideology influence transformation of organisational practices in the public sector over time. In this chapter the objective has been to identify the domains of the research problem developed, both theoretically and empirically. This is done to justify and increase our understanding of the variables that explain how some types of reform processes, and some types of changes in ideology seem to facilitate transformation of organisational practices better than others.

So far I have presented institutional organisation research that I believe gives important insights into the puzzle of organisational transformation in the public sector. In addition to this I have outlined theoretical reasons that organisational transformation will involve some form of institutionalisation. Thus, recognizing the potential for a process view of the institutionalisation through which new organisational practices become taken for granted, has inspired the process approach and the research questions set out here. This discussion provides the background for the first phase of the research process. The first phase of the research process is a longitudinal and in-depth case study analysis of the implementation of a purchaser-provider organisational form in the Directorate of Public Roads over a period of 10 years after the reform was launched in 1993. This case study is presented in the next part of this thesis, part two.

Part Two (chapters 3-6)

The Qualitative Study: Organisational Transformation in the Directorate of Public Roads 1993-2003

Chapter 3. The Case of the Directorate of Public Roads: Assumptions and Design

Chapter 2 presented the three research questions that will be explored in this thesis. This study explores the first question: under what conditions will a new imposed organisational form transform organisational practices? Theoretical arguments drawn from the restricted outcome and living process approaches emphasise the relevance of this research question for our understanding of organisational transformation in the public sector. Both restricted outcome and living process research lead to the conclusion that a new organisational form cannot be imposed on an organisation.

The restricted outcome approach suggests that strong institutional pressures legitimating the new organisational form predicts of the decision to implement the new organisational form, but does not predict changes in organisational practices. Thus, changes in organisational practices would not necessarily follow from a new organisational form.

The living process approach suggests that if a new organisational form were consistent with existing internal institutions this would strongly predict the decision to implement such a new organisational form. To some degree, this would also indicate the prospects for change in organisational practices.

A common denominator in the institutional literature is the assumption that reforms produce inconsistencies. Restricted outcome research has emphasised inconsistency between different parts of the environment (Scott 1995) represented by e.g. isomorphism and decoupling (Meyer and Rowan 1977). Living process research has emphasised inconsistency between plans for transformation and institutional identities (Meyer 1996) represented by e.g. normative matching (Brunsson and Olsen 1993) and hypocricy (Brunnson 1989). Such inconsistencies are dealt

with through various institutionalisation processes, both outside and inside the organisation.

Institutionalisation has here in this thesis been defined as the sequencing interaction that a particular social order attains with the status of an institution (Jepperson 1991). In recent years however, there has been a growing recognition that it is unique actions within the organisation that forms the basis for unified changes in organisational processes (Meyer 1996), and subsequent changes in operational practices. The present study describes the longitudinal relationships between perceptions of the new organisational form and its effects, and how this understanding is communicated among members in the Directorate. This description illustrates the role of unique actions in the concrete bridging of different institutionalisation processes that appear at the macrolevel (i.e. outside the organisation), at the mesolevel (i.e. organisational level), and at the microlevel (i.e. groups and individuals).

The chapter is organised as follows: Section 3.1. presents of the case of the Directorate of Public Roads, focusing on the particular organisational setting that the Directorate represent and on the three ways that transformation have been analysed. In section 3.2 I present two sub-questions on the relevant theoretical starting points derived from the restricted outcome and living process approaches. Specific methodological issues related to sample, data collection procedures and measurement issues are discussed in section 3.3. Key empirical findings related to an operational practice account and process pattern accounts are presented in chapters 4 and 5, respectively. The findings are discussed in light of existing restricted outcome and living process research in each of these chapters. I conclude the discussion of findings from this longitudinal case study when I indicate three transformation mechanisms in chapter 6.

3.1 The case of the Directorate of Public Roads

In this study I explore with the support of a longitudinal case study what happened, how it happened, and why it happened when a purchaser-provider organisational form was implemented in the Directorate of Public Roads in Norway. In 1994-1995 the sector went through a major restructuring as the result of a governmental intervention initiated by the quasi-market reform launched in 1993. Four phases can be identified that represent the larger transformation process of the Directorate. The case analysis in this first study identifies empirical relationships between the quasi-market reform, processes elements, and process outcomes that

occur within and across the first three of these four phases. The case study identify operational practices variations, three sub-processes, and three mechanisms that explain the transformation of the Directorate's operational practices from 1993 until the fourth phase of transformation started, by the end of year 2002. Figure 3.2 summarises the case of the Directorate of Public Roads with regard to the four phases of the larger transformation process:
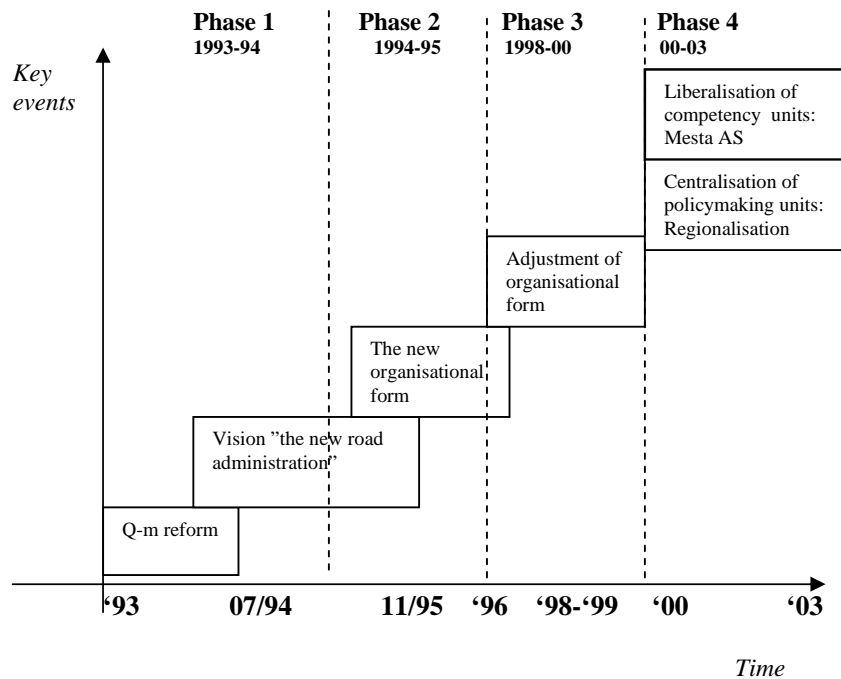
Figure 3.1 The case of the Directorate of Public Roads

3.1.1 1993-94: The transformation episode

The Directorate of Public Roads had in 1993 approximately 900 employees, and was the central agency in the public road sector. The Directorate's formal mandate included direct control of the sector, financially and in terms of quality, and indirect control in terms of policymaking toward regional agencies. In certain functions, however, the Directorate produced services for individual users or Research & Development and consulting services for the regional agencies in the sector.

The launch of a new reform (event) was launched represented a transformation episode for the Directorate, and was closely related to the increased focus on effectiveness, results, and performance management in the public sector in Norway. The foundation for the restructuring of public roads was a governmental green paper; NOU 1993: 23. The formal reasoning behind the restructuring of the sector is the governmental white paper on the public road sector; St.melding no.41 1993-1994. In the latter document, the objective of the reform was defined as " ....making political control more effective, as well as increasing the single unit's discretion and its incentives for exploiting resources as effective as possible" [4]

The green paper NOU 1993:23 and the white paper St.melding no. 41 1993-94 are important sources for describing the transformation episode in the case of the Directorate, as is an internal note on the restructuring of the Directorate dated October 4th 1994. Together, these three documents list a number of objectives and instruments for the transformation of the Directorate. According to these three sources, the main reform objective is to separate politics and service delivery. For the Directorate of Public Roads this meant the separation of policymaking and sector administration from road construction and production. More specifically, the separation between these functions in the Directorate intended to (1) clarify and concentrate policymaking and sector administrative activities, (2) protect and focus knowledge development in road production and construction activities, and (3) clarify agency communication with external stakeholders (i.e. the Ministry of Transport, transport business associations, and individuals) and relations with regional agencies in the sector.

The background documents identify several means as central for fulfilling the objectives of the quasi-market reform, including adjustments in political governance and managerial functions, adjustments in activities and procedures, and changes in organisational form. The consequences of these changes are new tasks such as the responsibility for the construction of a new national road network (Stamvegnettet), the development of new expert competencies, as well as reducing duplication of competencies within the sector.

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[4] White paper (St.melding) no. 41 1993-1994. My own translation

The launch of the quasi-market reform in public roads in 1993 resulted in a new vision: "The New Road Administration", at the end of 1993. Less than a year later, in the summer of 1994, it was decided that a new organisational form should be implemented. The adaptive response process following the transformation episode had by then lasted18 months. The decision to implement a new organisational form took the transformation of the Directorate into a new phase.

3.1.2 1994-1995: The new organisational form

The implementation of this new organisational form was intended to transform the way the Directorate produce and deliver services, i.e. the organisation's practices[5]. The internal document on the implementation of the new organisational form dated October 4th 1994, shows that the new organisational form featured the following formal characteristics:

- Financing of service delivery through internal markets and contracts.
- Documentation of effective use of resources and "competitiveness" of the production unit.
- Business models for accounting, calculation and performance evaluations
- Increased specialisation and more effective use of collective resources.
- Coordination of logistics and purchase functions.

These formal characteristics correspond to the ideal type of changes in public sector organisational practices suggested by Considine and Lewis (1999). According to their classification the changes in organisational form in the Directorate represented a transformation from a traditional public bureaucracy toward a corporate form. The changes in organisational form can be illustrated as follows:

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[5] Inspired from the work of Nadler and Tushman (1997) I define organisational form as the configuration of the formal organisational arrangements, including the formal structures, processes, and systems that make up the organisation.
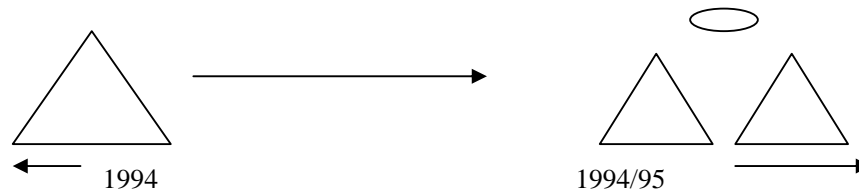
Figure 3.2 The transformation of organisational form in the Directorate

The new configuration of formal organisational arrangements necessitated all-encompassing changes in its practices to work as intended by the quasi-market reform. The internal document dated October 4th 1994 clearly states that the intention is that the new organisational form should make the Directorate more effective and efficient in the way services are produced and delivered, i.e. practices, and that the chosen organisational form will provide the Directorate with practices that are "less complex" and characterized by "clear responsibilities".

The top management team were the architects behind the new organisational form[6]. The top management team expected that the organisational form would replace unwanted bureaucratic rigidity with a less hierarchical way of producing and delivering services. For example, the new organisational form should increase flexibility in division of labour and coordination of tasks in each case based on an ongoing alignment of different knowledge bases, the individual experts, and their units[7]. More specifically, the new organisational form should result in less rigid unit interaction (*samhandling*) and administrative procedures (*saksbehandling*), and better aligned professional knowledge in each task, activity, or service produced in the Directorate[8].

The implementation phase was followed by the third phase of the transformation process, when minor structural adjustments were made to the new organisational form.

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[6] 'Personal interviews' with topmanagement team and three union representatives in 1996
[7] 'Personal interview' with the Director general in 1996
[8] Directorate internal note on restructuring dated october 4th 1994, p. 5

3.1.3 1998-2000: Structural adjustment of the new organisational form

An internal restructuring document dated July 1st 1994 described the "new Directorate". This document stated that the most visible effect of the implementation of the new organisational form was the formal separation of policymaking units and competency units (road construction, production and research and development). This split corresponds with the corporate form, as illustrated in the figure 3.1, which separated the Directorate in two bodies of units: One whose main tasks and activities concern policymaking on traffic issues and sector administration (i.e. policymaking units); one mostly dealing with road construction, road production, and research and development activities (i.e. competency units). Compared to the existing traditional bureaucratic form, policymaking units being gained status and was given the authority to control competency units.

However, the increased status of the policymaking units' status was not formally specified in writing, which became a problem for transformation of practices[9]. The new organisational form did not contain explicit guidelines on how status and authority should be divided between the two bodies in different cases.

These problems lead the units themselves to decide that some minor structural adjustments should be made in the new organisational form, because the problems seemingly delayed the transformation of organisational practices. Both policymaking and competency units saw it as necessary to make adjustments that would decrease these negative effects. Therefore, the top management decided to make changes in some of the formal organisational processes.[10] One example is the transformation from a budgetary to a business model of performance evaluations and resource allocation. Another example is formal changes in the bidding and calculation processes for new road construction projects. A third is the adjustment in the formal processes of HRM and IT support in road production projects.

The new organisational form had resulted in the formal separation of policymaking and sector administration units from road construction and road production units, becoming more intense and specific for those involved. However, formal changes in organisational processes were not

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[9] Four group interviews in 1997 (n=52)

[10] The source here is interviews with top managemet team members in 2000/2001

included in this adjustment. More specifically, formal changes in the organisational processes that help individuals to perform their job in new ways, such as training and education, were not included in this phase of the transformation.

3.1.4 2000-2003: Toward an even more radical organisational form

The third phase of the transformation process was characterized by structural adjustments of the new organisational form implemented in 1994-95. The adjustment involved changes in some of the formal organisational processes, but were not radical in terms of transforming the new organisational form. In the fourth phase of transformation more radical changes in organisational form were implemented. Compared to the adjustments identified in the third phase, the changes that appeared in this last phase of the transformation were more radical, and resulted in the implementation of an even more radical organisational form. In this sense the fourth phase represented a new transformation episode.

In 2001-2002, the Directorate established two new project groups. The first group's mandate was to evaluate and prepare for intergovernmental decentralization of road construction and road production. The other project group should evaluate and prepare for another intrasector transformation of policymaking and sector administration in the form of regionalization. Liberalisation directly affected the competency units in the Directorate with regard to change of institutional context, organisational form, wage and compensation systems as well as physical location. Regionalization indirectly affected the policymaking units in the Directorate. The discussion on regionalization involved reorganisation of the remaining policymaking units into a much slimmer, and more efficient and centralised sector agency.

Based on project groups' the conclusion the top management decided that a new organisational form should be implemented. By January 2003 competency units should be restructured in the form of a publicly owned limited company, i.e. Mesta AS. By the same time the remaining policymaking units should be reorganized into a downsized central policy agency for the sector.

This fourth phase of the transformation process represented an even more radical turn in the development of the Directorate. The creation of new organisational practices, however, was not the result of reform forced on the Directorate. Rather, it seemed to be voluntaristic, more

than a result of incentives that restrict actions. It represented organisational actions motivated by transforming the organisation's environment and a bottom-up development based on transformation of actors, rather than by motives of symbolic adaptation toward deterministic external pressures for change from either task or institutional environments.

3.1.5 Summary of the case of the Directorate of Public Roads

In the previous four sections I have presented the case of the Directorate in terms of four phases of the transformation. These phases are important for the empirical analysis of how this process lead to a transformation of operational practices. It is through these four phases of the transformation process that the new perceptions of the new organisational form and its effects that this study taps into, were changed. Thus, the transformation process at the organisation level is a starting point for the empirical analysis of transformation of organisational practices.

The research question addressed in this study is under what conditions a new organisational form that is imposed on an organisation will prompt transformation of its practices. The above description of the transformation process is useful in the empirical exploration in three ways:

First, the four phases of transformation represent a context for understanding the concrete effects of the new organisational form that respondents saw as meaningful and significant.

Second, the four phases of transformation represent the context within which respondents' perceptions of the new organisational form were communicated within the organisation.

Third, they represent the context within which relationships between respondents' key perceptions and different responses should be inter-preted.

However, the four phases of the transformation also represent particular challenges with regard to operationalisation of the research question. In the next section I therefore present the overall design of the case study.

3.2 The overall design of the case study: Assumptions, sub-questions, and analysis

The present investigation builds on the assumption that organisational transformation in the public sector is the result of the specific bridging of institutionalisation processes outside and inside the organisation. Previous studies of the reform process in the public roads sector in Norway have explored how local level professional ideas and institutional ideas embedded in reforms have influenced the development of road policy reforms (Egeberg 1998). In this study I will focus on the complex interaction between different organisational processes from which organisational transformation in the road sector evolves. More specifically, I focus on how these are socially integrated with each other and the transformation episode and particular organisational outcomes. The aim is to identify mechanisms that explain to what extent a new organisational form that was forced on the Directorate of Public Roads, transformed organisational practices.

Based on the operationalisation of the restricted outcome and living process approaches in chapter 3, I assume the following up front in the present study:

(a) A lack of consistency between the new organisational form that is adopted and operational practices.
(b) The level of inconsistency between organisational form and operational practices will vary over time as transformation develops.
(c) Inconsistency between a new organisational form and operational practices will vary dependent on different units' perceptions of the new organisational form and its effects, and on how actors communicate that understanding among themselves.

Considering these three assumptions it is important that the present study manages to include relationships between what is changing and what is stable. This is achieved by (1) analysing the transformation episode in which a new organisational form was forced on the Directorate, (2) analysing instiutionalisation processes following from this episode, (3) analysing relationships between the transformation episode and the cognitive and normative influences that explain differences in organisational actions, i.e. ideology variables. Based on these considerations two sub-questions were developed:

Sub-question 1: Is it possible to identify transformation of operational practices after the implementation of the new organisational form?

Sub-question 2: What mechanisms can be identified that connect the transformation episode and particular sub-processes to particular organisational outcomes?

The knowledge produced by investigating the transformation episode itself is enlightening and useful. It provides insights into how a quasi-market reform is effective as a means for increasing the effectiveness and efficiency of public organisations. The knowledge produced by investigating the institutionalisation processes that create or hinder transformation of organisational practices is enlightening because it provides insights into the relative influence of fairly rational actions and socalled soft actions (Meyer 1996) on organisational outcomes of planned transformations. Organisational transformation in the public sector is influenced and produced by more complex mechanisms than might be predicted from the transformation episode itself or the complexity of the various organisational processes that follow from this. I performed three analyses on the qualitative data to account for these relationships:

The *first analysis* is an operational practice account, involving a simple count and the creation of empirical categories that reflect differences in effectiveness of key organising principle, unit interaction, and administrative procedures. For each empirical category I counted the number of respondents within one unit that identified the perceptions in that category.[11] This count was used to capture the overall patterns of perceptions within different units over time. The total number of identified perceptions represents an indicator of the various categories of perceptions and changes in these over time. Two types of organisational outcomes appeared from this analysis; *reform posing* and *reform practicing.* These two outcomes will be described in more detail in chapter 5. The figure below illustrates the operationalisation of the operational practice analysis:

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[11] For more details of measurement procedures, see section 3.3.3
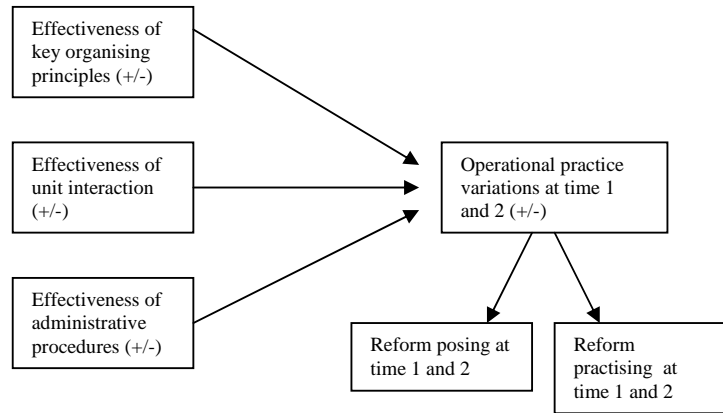
Figure 3.3 Operationalisation of the operational practice analysis

The *second analysis* identified accounts of different organisational actions that bridged different institutionalisation processes across time and units. These different actions represent different types of responses. Two types of responses were identified: *inconsistency and consistency responses*. These responses were compared to further my knowledge of the relative influence of normative and cognitive influences on actions in the different institutionalisation processes. In this analysis the number of times a respondent identified different perceptions of the new organisational form in respectively normatively and cognitively influenced responses, were counted separately. These statements were interpreted as indications that respondents believed the specific actions would or would not create changes in operational practices. With this the analysis identified the extent to which these different responses bridged different institutionalisation processes, and how these different responses were important for transformation of operational practices. Three institutionalisation processes in the Directorate emerged from this analysis: the management of inconsistency; the management of legitimacy; and the management of behaviours. These three processes will be described in more detail in chapter 6. The figure below illustrates the operationalisation of the process analysis:
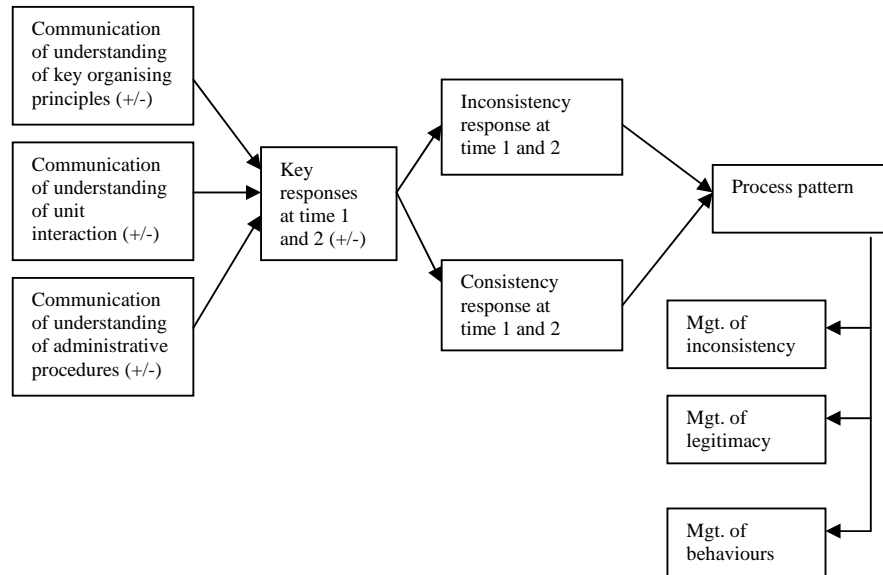
Figure 3.4 Operationalisation of process analysis

The *third analysis* identified effects of the new organisational form and its effects that enabled or hindered respondents achieving transformation of operational practices. This third analysis documents how knowledge about the Directorate, the sector, and other actors in the organisation informed how the respondents used the new organisational form. I identified perceptions of the new organisational form and actions taken towards it to examine what type of knowledge about the transformation process respondents saw as important. I also documented features of the transformation process identified by as facilitators of or hinders[12] to successful transformation.

Facilitators and hinders influenced the probability of success of transforming operational practices. From this analysis of respondents' descriptions of facilitators and hinders, three mechanisms for bridging of different institutionalisation processes appeared. The three types of facilitators and hinders were considered by respondents as they selected actions in the effort to respond to the new organisational form. The three types of bridging are *(1) communication of social obligations embedded in the new organisational form towards stakeholders and future practices, (2) unit and individual level entrepreneurship, and (3)*

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[12] Facilitators would increase effectiveness of practices, whereas hinders would likely cause failure

ecological effects from a majority of other units or neighbouring units starting to practice the new organisational form as intended. These three mechanisms are described in more detail in chapter 6. The figure below illustrates the operationalisation of the mechanism analysis:
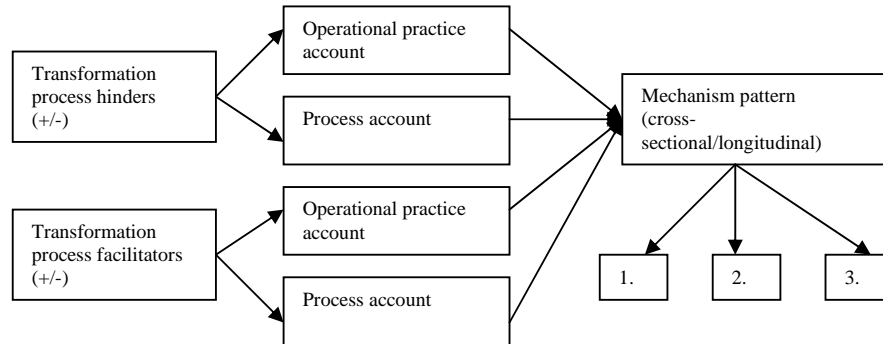
Figure 3.5 Operationalisation of the mechanism analysis

In this section I have briefly summarised key theoretical assumptions that emerge from the two institutional approaches to how reform may influence organisational practices. These assumptions have been operationalised for empirical analysis in one overall research question presented in chapter 2, and two additional sub-questions presented in this section. I have also illustrated how the two sub-questions are operationalised in three different analyses. In the next section I will present the data collection procedures, sample, and measurement and how these issues have been dealt with in the method applied for the empirical analysis.

3.3 Methods

3.3.1 Data collection

Data collection was organised in two phases, 1995-1997 and 2000-2002. Data collection in phase one is based on personal structured interviews (n=51) and semi-structured group interviews (n=52). In the first phase of data collection, data were also collected from content analysis of written documents, and analysis of personal and group interviews. In the second phase, data were collected in follow-up structured interviews with top managers (n=19). All respondents in this second phase of data collection had been interviewed in the first phase. In the period between first and second phase of data collection (2000-2002) I followed the trans-

formation process from a distance while participating in quarterly follow-up meetings with the Organisation Development-unit in the Directorate, and in meetings with the liberalisation and regionalisation project groups.

An important part of this first study was to discern whether and how various units in the Directorate perceived the new organisational form and its effects differently. Another important part was to discern on which normative and cognitive grounds they communicated their perceptions among themselves (i.e. types of processes). A third objective was to discern whether and how these differences vary over time. The fourth objective was to discern via what processes different outcomes and the transformation episode of launching of the quasi-market reform were interconnected (i.e. mechanisms that explain the concrete bridging of different processes).

An interview guide was developed to measure the key perceptions mentioned in respondents' description of operational practice variations over time, and normative and cognitive influences on their actions in these sequences of interaction, i.e. organisational processes. Questions related to differences in perceptions of the new organisational form and its effects capture transformation of operational practices over time. These are presented on the left side of the table 3.1. Questions related to how this understanding is communicated among organisational members capture different actions in the various processes that create these transformations of operational practices. These are presented on the right side of table 3.1. These questions were used in both the first and second round of primary data collection.

How understanding of the new organisational form's effects are communicated in the organisation	Key perceptions of the new organisational form and its effects in the organisation
In your job, what are the most important tasks and activities necessary for the successful implementation of the reform?	How do you understand the concept of purchaser-provider and the content of competency and policymaking functions?
What is your current understanding of the role, responsibilities, and mandate that you and your unit have in the Directorate?	Do you see your job as a competency or a policymaking function? How is unit interaction working?
Could any of the tasks and activities that the Directorate perform to day, be terminated?	What explains that some unit interactions work and some do not? What kind of specific effects do these problems produce?
With whom in other units do you need to collaborate in order to do your job effectively?	How do you see that unit interaction problems can be improved?
How is it to be a manager in the Directorate right now?	How do you see the administrative procedures in the Directorate? -Within your unit?
What is your perception of how the Directorate is managed during this transformation process?	-Between different units? - Across levels? - Between the Directorate and regional agencies and individual users?
Are there any issues you think are important that have not been covered in this interview ?	Are there any issues you think are important that have not been covered in this interview?

Table 3.1 Interview guide.

To control for possible sample biases of the data collected from the target sample, additional data were collected from a control group. The control group data were collected in interviews with 4 respondents (top management group) in two medium-sized regional agencies (n=8). These additional data confirmed categories and sub-categories emerging from the analysis of primary data both in the first and second phase of data collection. Control group data for analysis of the primary data collected in the second round of data collection were drawn from interviews with the same top management team in the two medium-sized regional agencies.

The primary interview data were analysed and presented in a preliminary report. The collection of data in phase 1 (1995-97) were further developed in four group interviews organised as evaluation seminars. One evaluation seminar was arranged for each of the four main areas in the agency; road production, road construction, administrative,

policymaking and traffic units, and top management and sector administrative units. The themes and activities for these seminars were developed based on empirical findings from the analysis of primary interview data in phase one.

The seminars were held outside the Directorate's premises. Each seminar lasted for one day. The number of participants in the seminars ranged from 20 to 35 informants. Of these, approximately one half of the participants in each seminar had not been part of the personal interview study. Validation of preliminary findings and collection of new data were organized in plenary sessions and group interactions. Respondents representing different professional identities, units, and rank jointly verified, adjusted, and further developed my knowledge of what the key problem areas were in the larger transformation process. The data collection procedure is summarised in the following figure:
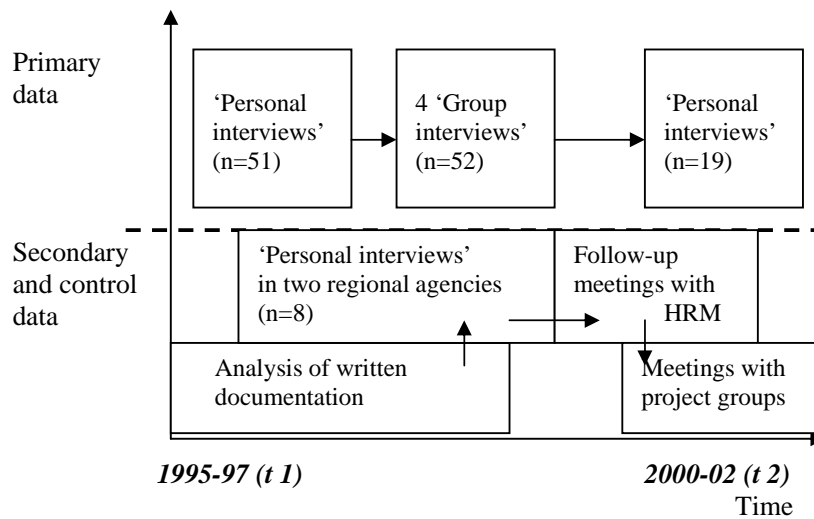
Figure 3.6 Data collection procedure

3.3.2 Sample
The top manager of the Directorate, the Director of public roads (*Vegdirektoratet)*, is the top manager for all 19 regional agencies and the Directorate. Together, these 20 organisations make up the public road sector. The sector's top management team consisted of the top management team in the Directorate, unit managers in the Directorate, and the top management teams in the 19 regional agencies together (n=85). In the top management team of the sector 68 % had technical

53

background, 48% had tenure in the public road sector for 25 years or more, 50 % were over 50 years, and 80 % were male.

The respondents represented all units in the Directorate (i.e. Road Production, Road Construction, Traffic Unit, Sector Administration, Policymaking, Top management, and the Road laboratory). All hierarchical levels were represented. Respondents included in the sample represented ground level and middle management, as well as top management.

3.3.3 Measurement

The measurement procedure was inspired by Miles and Huberman's (1984) categorisation analysis. I started with a list of descriptive categories of three different institutionalisation processes relevant to how reforms influence organisational practices. The first process is *adaptation* through which new organisational forms are adopted (blindly) as suggested by Meyer and Rowan (1977). This is a process that involves the environment of organisations, i.e. institutionalisation at the macro level. The second type of process is *internalisation* that installs confidence in actions through re-legitimizing actions as suggested by Cznarniawska-Joerges (1993). Internalisation is an instiutionalisation process that is observable at the mesolevel (i.e. organisational level). The third type of process is *socialisation* through which members of the organisation are educated with regard to values and routines as suggested by Cznarniawska-Joerges (1993). This third type of institutionalisation process involves people and the creation of meaning. This third type of process is therefore an example of institutionalisation at the micro level.

To accommodate a categorisation analysis, coding schemes for measurement were developed inductively. New categories were added as respondents described new perceptions of the new organisational form and its effects in different interviews. The final set of categories represented a comprehensive synthesizing of the empirical variation in the sample. This measurement process was performed in three steps:

I started with a list of descriptive categories of one proposed effect of institutionalisation; decoupling (Meyer and Rowan 1977). Based on the work by Meyer and Rowan (1977) I defined (chapter 1) decoupling as the situation where organisations separate formal structure from organisational practices. From these authors' contribution I developed a list of codes that emerged from the written documentation on key

organising principles of the new organisational form, unit interaction (*samhandling*) and administrative procedures (*saksbehandling*).

In the second step of measurement I developed a descriptive label for each category. This list of labels allowed me to evaluate which perceptions were important in the described transformation of practices, and how understanding of the new organisational form's effects was communicated. From this I developed a list of sub-categories. Respondents that described their operational practices in ways consistent with a sub-category were coded as "1". In this process I allowed both implicit mentioning and explicit descriptions of the perceptions of the new organisational form, its effects, and the processes through which this understanding was communicated in the organisation. These codes were then counted by unit to create aggregate empirical variations by unit. A unit level category was included in findings as long as it was mentioned by more than 50 % of the respondents from that individual unit. Other descriptions representing less than 50 % of the respondents were included in the analysis as sub-categories.

The third step of the measurement process was a validation of single respondent data through group level data. In phase two of the study more interview data were collected to validate both operational practice and process accounts (n=19). These were counted in a similar way as in the two previous steps. Categories and sub-categories where validated based on the same procedure, first by individual respondent and then by unit. These unit level categories and sub-categories were then refined in group interviews (i.e. the four evaluation seminars). The group interviews confirmed an approximately 80% agreement between my preliminary coding and the data collected in group interviews. The final list of categories captures most of the respondents' accounts of their varying perceptions of the new organisational form, its effects and the way this understanding is communicated within the organisation.

3.3.4 Particular data problems
During the data collection process, two particular data problems emerged:

The first problem relates to a possible informant bias. The second problem relates to the measurement of developments in single respondents perceptions.

The problem of an informant bias was the possibility of misattributing perceptions drawn from organisational level patterns to single

informants, in the course of identifying key informants. The final sample of respondents might therefore turn out to be systematically biased toward specific empirical relationships, rather than representing a broad empirical variation of the case. To control for the existence of such an informant bias, the following procedure was applied for identifying respondents: I asked respondents to identify other respondents in the organisation that would provide perceptions of the issues that most evidently would contradict their own perceptions. Respondents representing contradicting perceptions were in 50 % of the cases included in the total sample of respondents. I believe that this procedure for identifying respondents represent a 'snowball' data collection strategy. This particular 'snowball' strategy maximizes individual *and* organisational level empirical variation while retaining possibilities for recognising patterns, even in cases with much detail.

The second problem relates to the measurement of developments in single respondents' perceptions. The problem was that a single respondent's perceptions of the issues depended to a large degree on what this respondent believed would be the perceptions of actors seen as his or hers "counterparts" in the transformation process. Similar measurement problems are also discussed by Silverman (2000). He proposed to create an experiment situation involving a blind respondent evaluation of own previously recorded perceptions. I, however, chose to deal with this problem by comparing respondents' drawings of the current organisational form represented by an organisational chart. More specifically, I asked seven of the respondents to draw the organisational chart representing their perceptions of the new organisational form at both time 1 and time 2. I then compared these two drawings to identify the development of the single respondent's perceptions over time. This comparison of drawings was then used to validate the developments between time 1 and time 2 recorded by the interviews with the same respondents.

3.4 Chapter summary

The present case study is the major study of this thesis. It was designed to explore empirically the first research question, which explores under what conditions a new organisational form imposed on an organisation transform its practices. The case study of the Directorate was designed to disentangle what mechanisms that influenced the organisational outcome of a quasi-market reform during a 10-year period from its launch in 1993.

In this chapter I have presented the broader picture of the transformation process in the Directorate. This description is an important starting point for the analysis of how the operational practices of the Directorate was transformed. The transformation process is a starting point for operationalisation of two sub-questions, explored in three analyses; one operational practice account, one process account, and mechanism accounts. Along with this, the methods applied in case study are also described in this chapter. This methodological discussion has included data collection, sample, and measurement issues

In the next chapter I will present key empirical findings from the first of the three analyses performed on the case data, i.e. the account of operational practice variations and how these have appeared in different units, and over time.

Chapter 4. The Operational Practice Account: Results and Discussion of Findings

In this chapter I present patterns in respondents' description of transformation of operational practices by unit and over time. This is done in two steps. First, I will present the categories of perception of the new organisational form that were described by respondents and compare these with decoupling as discussed by Meyer and Rowan (1977). Two general categories of operational practices emerged: reform posing and reform practising. Within each category, related practices are discussed. Then I compare the different categories to discern what type of operational practices respondents believed worked. Differences between perceptions of problems and advantages of are used to indicate which aspects of the new organisational form are effective in the different units of the Directorate. These accounts are empirical indications of which operational practices were perceived to be effective or ineffective in the specific transformation discussed here.

Respondents referred to many of the perceptions related to original decoupling features proposed in the work by Meyer and Rowan (1977). In addition, the perceptions of the new organisational form revealed various actions not anticipated in these authors' original decoupling assumptions. The data indicated that decoupling seemed not to be a static phenomenon describing a way of functioning, bur rather a *unique* organisational action. Decoupling appears in this operational practices analysis not as a standardised type of fairly rational actions founded on blind adoption of organisational forms that are normatively legitimate. The decoupling described is not only unique, it is also dynamic, depending on how changes in the ideology influence practices.[13] Decoupling is seemingly a more dynamic phenomenon than assumed in the original work by Meyer and Rowan (1977). I use these perceptions of the new organisational form and a deeper exploration of the perceptions from the first round of data collection (t1), to develop a transformation process-based account of how respondents think differently about implementation of the new organisational form in the Directorate in a later phase (t2).

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[13]The variable of ideology contains both rational and soft action. For a detailed discussion of ideology and the role of different types actions see chapter 1.

4.1 Operational practices: Reform posing and reform practicing

In this section I present the empirically based patterns related to changes in the perceived effectiveness of key organising principles (i.e. the separation of policymaking units and competency units), unit interaction (*samhandling)*, and administrative procedures (*saksbehandling)*. Together these patterns represent different organisational outcomes that are representative for the empirical variation by unit. Changes in single respondents' perceptions of the effectiveness of key organising principles, unit interaction, and administrative procedures reflect transformation of operational practices by units over time. This analysis was presented in more detail in section 3.2. The operational practice analysis is illustrated in the following figure:

```
┌─────────────────┐
│ Effectiveness of│
│ key organising  │─────────┐
│ principles (+/-)│          \
└─────────────────┘           \
                               ↘
┌─────────────────┐         ┌─────────────────┐
│ Effectiveness of│         │ Operational     │
│ unit interaction│────────→│ practice        │
│ (+/-)           │         │ variations at   │
└─────────────────┘         │ time 1 and 2    │
                       ↗    │ (+/-)           │
┌─────────────────┐   /     └─────────────────┘
│ Effectiveness of│  /           ↙        ↘
│ administrative  │─/    ┌───────────┐ ┌───────────┐
│ procedures (+/-)│      │ Reform    │ │ Reform    │
└─────────────────┘      │ posing at │ │ practising│
                         │ time 1and2│ │ at time   │
                         └───────────┘ │ 1 and 2   │
                                       └───────────┘
```
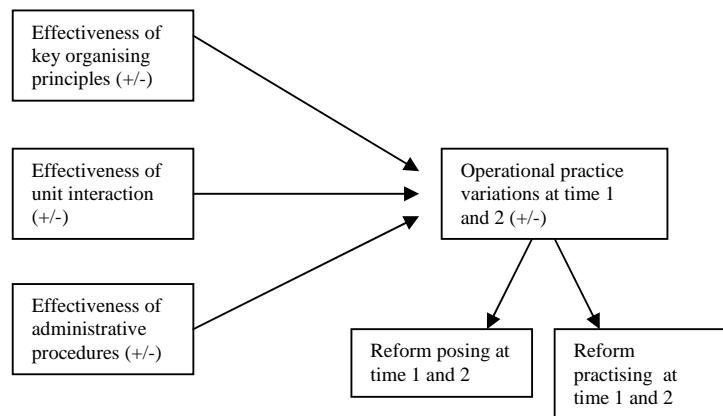
Figure 4.1 Dimensions of the operational practice analysis

I divided organisational outcomes at time 1 and time 2 into two groups of operational practices: Reform posing is the situation where operational practices have a tendency to fall into old routines when possible. Reform practising is the situation when operational practices reflect habits that enhance effectiveness and efficiency of practices. Tables 4.1- 4.3 later in the chapter set out the identified categories and sub-categories by unit. All categories presented in these tables present the empirically based variation of the sample.

4.1.1 Perceived effectiveness of key organising principles

The first dimension of the operational practice accounts, is the relationship between perceived effectiveness of key organising principles and variations in operational practices over time. This relationship is operationalised in the following way:

Perceived effectiveness of key organising principles (+/-)	→	Operational practice variations at time 1 and time 2

Figure 4.2. The first dimension of the operational practice account

The perceptions of the key organising principle in the new organisational form varied according to the respondent's unit affiliation. Analysis showed that policymaking units in the Directorate viewed policymaking tasks as a broad set of activities, namely those relating to "economy", or to "the controlling of the regional agencies". Competency units, however, saw the concept of policymaking as more related to sector administration and less towards the administration of the agency's internal activities, compared to the dominant understanding in policymaking units. Furthermore, the analysis revealed a tendency for competency units to withdraw from policymaking units' authority of control in cases where authority was disputed. Competency units' withdrawal from the control of policymaking units was legitimated by the conceptual ambiguity of the formal separation of policymaking and competency units in the new organisational form, an ambiguity that is supported and further developed in this analysis.

This analysis also shows that the definitions of competency unit practices included a broad range of activities. In one type of understanding, a competency unit activity was defined as "R & D". Another important perception of competency activities was "the grounding on which agency decisions are based". The focus on knowledge and expertise was an important aspect of the dominant perception of competency units' own activities as related to the agency as a whole. Competency units defined their own role as "the place where one knows things" or "the place where the work is done", or " to be the best pupil in class". The dominant force in competency units' formal separation of policymaking from competency, was the interest to increase knowledge and enhance the status of road expertise in the Directorate's unit interaction and administrative procedures. Differences

in perceptions of key organising principles by unit are summarised in the following table:

Perception of key organising principles by unit[14]

	Competency	Policymaking
Category/Sub-category		
Policymaking role		
Control regional agencies	Construction	
Formal responsibility	R &D	
Owner of case	Production	
Implementers		Adminstrative
Policy development		Sectorpolicy
Competency role		
R &D	Prod./Const./Develop.	Adm/Sectorpolicy
Internal Consulting	Prod/Const./R&D	Adm/Sectorpolicy

Table 4.1. Identified categories and sub-categories of perceptions of key organising principles by unit.

4.1.2 Perceptions of unit interaction *(samhandling)*

The second dimension of the operational practice account is the relationship between perceived effectiveness of unit interaction and variations in operational practices over time. This relationship is operationalised in the following way:

Figure 4.3 The second dimension of the operational practice account

The analysis of perceptions of unit interaction shows, as in the analysis of perceptions of key organising principles, that unit affiliation is the variable that organises the major part of the empirical variation. This

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[14] Prod = Production unit, Const.= Construction unit, R & D = Research and Development unit, Adm.= Administrative unit

analysis shows, however, that the role of unit affiliation with regard to differences in perceptions is associated with affiliation with the particular institutional identities represented by the two bodies of units: competency and policymaking units.

I identified three conditions on which a positive perception of unit interaction is based; (1) good informal personal relationships, (2) effective distribution of information, or (3) specific and detailed contracts. Generally, competency units experienced their interaction with policymaking units as problematic. The explanation proposed was the unclear reality of the formal separation of policymaking and competency activities. Interaction between policymaking units with dual mandates in certain areas, such as IT and Human Resource Management, was perceived as particularly difficult.

Competency units identified four conditions as fuelling the lack of unit interaction. These were (1) geographical distance, (2) difficulties with defining necessary competence needs in administrative procedures (3) lack of confidence in policymaking units' abilities to control and supervise, (4) the subordinate - principal ambiguity. Variations in perceptions of these units' interaction depended on the distance from a policymaking unit mandate is to a competency unit's activity.

One example of what was the case of the mandate is the area of external environment and pollution policy in the traffic policy unit. Another example was how far from policymaking units, and how close to the technical- professional road competence a competency unit defined itself. The first type of competency unit has larger problems with interacting with policymaking units than more technical-professional units. However, the latter type of competency unit has less confidence and trust in policymaking units' in general. These relationships are summarised in the following table:

Unit interaction variations[15].

```
---------------------------------------------------------------------------------
                              Competency                  Policymaking
                              -------------------------------------------------


Category/Sub-category
No problem
   Other comp. units    Constr./Prod./R&D.
    Adm.units             R&D                           Sectorpolicy
    Other adm.units                                     Adm.
Some problems
    Within unit          Construction
     Sector policy       Production                     Adm
     Adm.units           R&D
      Production                                        Sectorpolicy
Many problems
     Other comp.units    Construction
     Adm.units           Production
     Sector policy       R&D                            Adm
      Comp.units                                        Sector policy
```

Table 4.2. Identified categories and sub- categories in perceptions of unit interaction

4.1.3 Perceptions of administrative procedures effectiveness *(saksbehandling)*

The third dimension of the operational practice account is the relationship between perceived effectiveness of administrative procedures and variations in operational practices over time. This relationship is operationalised in the following way:

Perceived effectiveness of administrative procedures (+/-)	→	Operational practice variations at time
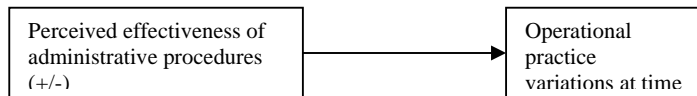
Figure 4.4. The third dimension of the operational practice account

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[15] Prod = Production unit, Const.= Construction unit, R & D = Research and Development unit, Adm.= Administrative unit

Analysis of the perceived effectiveness of administrative procedures by units, revealed similarities with the pattern described for unit interaction in the previous section. The role of affiliation with a particular institutional identity is the variable that organises the major part of the empirical variation with regard to perceptions of administrative procedures effectiveness. The general perception was that problems between competency units and policymaking units create inertia in administrative procedures. Effective administrative procedures are the result of 'fire fighting' rather than of the intended constructive imbalance between policymaking and competency units.

One central intention of the new organisational form was to clarify the boundaries between units. One interpretation of the new organisational form described by respondents was that the Directorate deploys a 'constructive' imbalance between competency and policymaking. This constructive imbalance was the main coordinating mechanism in the new organisational form. Constructive imbalance is understood as a situation where professional and formal administrative authority of different units is partly overlapping or partly undefined.

This constructive imbalance was perceived as disciplining and focusing units' practices. However, the effectiveness of administrative procedures based on such constructive imbalance is only effective so that unit interaction invokes more constructive than conflicting elements. Perceptions of administrative procedures indicated that the level of conflict affected administrative procedures positively it fuelled a mutual adjustment of individual units' operational practices. Thus, the collective use of resources would also be mutually adjusted, ensuing that resources and competencies are distributed more efficiently in administrative procedures. However, perceptions of administrative procedures also showed that the effectiveness of such depended on informal personal relationships within and across units in the Directorate. Where the imbalance between units appeared to have the ideal level of constructiveness, the chosen organisational form positively influenced administrative procedure's effectiveness. The differences in perceptions of administrative procedure's effectiveness by affiliation with unit and institutional identity, are summarised in the following table:

Perceptions of administrative procedures effectiveness by unit[16]

	Competency	Policymaking
Category/Sub-category		
No problem		
Other comp. units	R&D/Production.	
Other Policy mk. units		Adm./Sectorpolicy
Some problems		
Top management	Production	
Adm.units	R&D/Construc/Prod.	
Production		Adm/Sectorpolicy
Many problems		
Develop/construc		Adm /Sector policy
Adm.units	Production	
Sector policy	R&D	
Top management	Construction	

Table 4.3 Identified categories and sub -categories of perceived administrative procedures effectiveness by unit.

In the three previous sections I have presented patterns of perceptions of the effects of key organising principles, unit interaction, and administrative procedures in the new organisational form by unit that represented respondent's affiliation with a particular institutional identity. In the next two sections I present relationships between key perceptions and differences in organisational practices identified in the analyses.

4.1.4 Reform posing and reform practicing
The pattern of empirical variation that constitute the operational practice variations over time is the relationship between reform posing and reform practising at time 1 (1996-97) and time 2 (2000-01). (see table 3.6) These relationships are operationalised in the following way:

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[16] Prod = Production unit, Const.= Construction unit, R & D = Research and Development unit, Adm.= Administrative unit
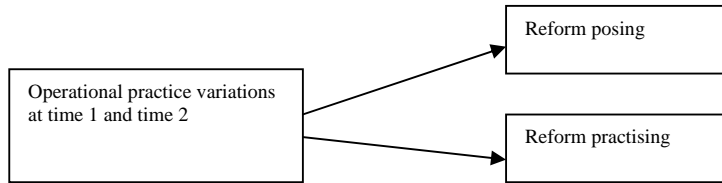
Figure 4.5. The two types of outcomes

Reform posing as a way of producing and delivering services (i.e. practices) was most frequently described as the result of the effectiveness of the key organising principle, characterised by existing expertise at time 1 and by provider dominants at time 2. The most frequently described account of unit interaction that reflect reform posing at time 1 was characterised by resource allocation issues, and on the reliance of personal networks at time 2. Perceived effectiveness of administrative procedures that reflect reform posing at time 1 was most frequently described as 'red tape', and as '80%-decisions' at time 2.

Reform practising as a way to produce and deliver services (i.e. practices) was most frequently described in the following way: At time 1, the perceived effectiveness of key organising principles in the new organisational form was described as mutually dependent processes; at time 2 as a constructive imbalance. The perceived effectiveness of unit interactions varied from 'fire fighting' at time 1 and to 'situated negotiations' at time 2. At time 1, the perceived effectiveness of administrative procedures was most frequently described as double work, whereas it was described as unpredictable but efficient at time 2.

The operational practice variations over time represented by reform posing and reform practising are summarised in the following table:

Operational practice variations over time

Categories	Reform posing		Reform practising	
	t 1	t2	t1	t2
effectives of key organising principles	determined by existing expertise	provider dominant	mutual dependence	constructive imbalance
effectiveness of unit interaction	resource issues	personal networks	fire fighting	situated negotiation
effectiveness of administrative procedures	red tape	80%- decisions	double work	unpredictable but efficient

Table 4.4 Operational practice variations over time.

The two types of organisational outcomes, reform posing and reform practising, appeared differently over time. As a part of the first analysis, categories were counted to create aggregated measures of *transformation* of operational practices over time. The general pattern with regard to development in respondents' perceptions reflecting reform posing and reform practising varied over time, according to what institutional identity their unit affiliation represented. Competency unit respondents' perceptions were, in general terms, reform posing oriented at time 1 and reform practising oriented at time 2. For policymaking units the opposite pattern was identified. Respondents with policymaking unit affiliation were in general terms, more reform practising oriented at time 1 and more reform posing oriented at time 2. These developments in key perceptions of the effects of new organisational form on the split between competency and policymaking, on unit interaction, and on administrative procedures represent measures of transformation of operational practices over time. The developments in perceptions that constitute this transformation are illustrated by the following statements drawn from the personal interviews. I will start with developments in perceptions reflecting reform posing.

4.1.4.1 Developments in perceptions over time that represent reform posing

Perceptions of key organising principle over time
The statement of informant no. 38 represents a more extreme perception of this split at time 1. This extreme perception reflects a reform posing practice identified at time 1. Informant no. 38 is top manager in a competency unit.

"Competency units deliver R&D. Policymaking units control budgets"

The statement of informant no. 39 represents an example of an extreme perception of this split at time 2 that reflect reform posing. This informant is a middle manager in a competency unit.

"Competency is in charge of road construction and road production. Policymaking administrate the agency through regulations and procedures"

Perceptions of unit interaction over time
The statement drawn from the interview with informant no. 3 represents an example of reform posing at time 1. Informant no. 3 is a middle manager in one of the competency units:

"The model resulted in a "religious" focus on R & D from both policymaking and competency units. For example, R & D was used as an argument in resource allocations and budget processes in general. This lead to competency units in every possible way being more tuned onto legitimating their authority on R & D issues. Furthermore, the knowledge bases represented in existing and future R & D activities that the new model aimed at protecting, are not being protected. It is rather the other way around."

Respondents' perceptions of unit interaction at time 2 varied according to the same variables as at time 1, namely by unit affiliation.

Informant no. 33 is a middle manager in a competency unit. This respondent's perception of unit interaction is an example of reform posing with regard to perceptions of unit interaction at time 2.

"What happened to the split between policymaking and competency units?...Unit interaction is ineffective. The pendulum has swung to far in some cases and to short in other cases. For example, contracts that regulate unit interaction are less useful because the very foundations for these contracts are still open for discussion. Unit interaction involves not only the content of contracts but also the how these contracts should come about. One example is the Process Quality Manual where unit interaction becomes problematic

because the top management is distant and reluctant to intervene on these contract issues".

Perceptions of administrative procedures
The following statements illustrate perceived changes in organisational practices with regard to differences in perceptions of administrative procedures effectiveness over time.

The statement of informant no. 11, a middle manager in a competency unit, is an example of reform posing at time 1 with regard to administrative procedures effectiveness:

"Administrative procedures are bad. I, for example, recently received a case that had been in the system for three years.

Perceptions of administrative procedures effectiveness varied according to the same variables as suggested in the first phase of data collection. Respondent no. 16 is a top manager in a policymaking unit. His statement is an example of a typical reform posing with regard to administrative procedures at time 2:

"Decisionmaking has found its practical solution...The practical administrative procedures is not optimal, but still more effective than before. This practical solution is, however, based on that policymaking decisions are not taken by policymaking units but by competency units, and that principles of coordination of unit interaction in administrative procedures are decided far down in the hierarchy."

In this section I have illustrated the general patterns of development in reform posing by statements drawn from personal interviews in the two rounds of data collection. In the next section I will illustrate developments in perceptions that reflect the second type of operational practice variation identified in the data analyses.

4.1.4.2 Developments in perceptions over time that represent reform practising

Perceptions of key organising principle
A typical perception of the split between policymaking and competency representing reform practising at time 1 is the statement drawn from the interview with respondent no. 25. This respondent is the top manager in a competency unit.

"With competency I understand the people with specialist competencies and the place where people are asked for advice in professional matters. With policymaking I understand the units that receive and interpret policy statements from the Government and implement these policies".

The statement of informant no. 8, the top manager in a policymaking unit, represents a typical example of reform practising at time 2 related to perception of the split between competency and policymaking*:*

"Competency units are the provider of R&D. Policymaking units is responsible for R&D"

Perceptions of unit interaction
The statement of informant no. 23, a ground level employee in a competency unit, is a typical example of a perception of unit interaction associated with reform practising at time 1:

" In general competency units do not have any ambitions to interfere in policymaking. Competency units, however, are forced to involve in these tasks because policymaking units do not have the relevant authorities, do not have the necessary competencies to separate between major principal cases and less important cases, and do not have the relevant information on IT and personnel issues to evaluate the work that competency units perform".

A typical perception of unit interaction at time 2 associated with reform practising is represented by this statement drawn from the interview in the second round with informant no. 30, who is a top manager in a policymaking unit:

"Unit interaction is now somewhat easier and more clearer...One reason is a cultural shift because many of the people from the mid-1990s have left the agency. Another reason is that annual plans and contracts that regulate unit interaction are more coherently managed and sanctioned. A third reason is the adjustment in formal structure that solved the major problem with overlapping authorities related to the policymaking and competency unit split in the Traffic area".

Perceptions of administrative procedures
Informant no. 2, a top manager in one of the policymaking units, reported a perception of administrative procedures effectiveness that is typical for reform practising at time 1:

"When a case becomes important enough the administrative procedures works as intended. This means that the ability to make decisions exists, but the new model does not provide proper guidance for what cases should be our primary priority"

Another statement from the second round of data collection illustrates a typical example of reform practising with regard to administrative procedures at time 2. This statement is drawn from the second interview with respondent no. 32. This respondent is a middle manager in a competency unit.

"The practical parts of decisionmaking were in the beginning related to competition over resources. Now decisionmaking is more related to competition over tasks and cases. Increased internal competition is both good and bad for unit interaction. Now this new type of competition is mostly for the good".

In this section I have illustrated the development in respondents' perceptions of unit interaction and administrative procedures that reflect the second type of operational practice (i.e. reform practising) that this analysis have identified. In the next section I summarise and discuss key empirical findings with regard to operational practice variations.

4.2 Operational practice – concluding remarks

This chapter has presented key empirical findings from the analyses of differences and developments in perceptions of the effects of the new organisational form. The analyses showed that the new organisational form imposed on the Directorate as a result of a quasi-market reform, did create measurable transformation of operational practices over time. The identified transformation of operational practices varied according to two larger categories: practicing the reform and posing the reform. I also identified that transformation of operational practices varied according to affiliation with a particular institutional identity represented by the unit a respondent belong to (i.e. competency units or policymaking unit). This overall pattern of operational practice variations by unit and over time is summarised in the following table.

Operational practice variations by unit over time[17]

	Competency units		Policymaking units	
	t 1	t2	t1	t2
Categories				
effectiveness of key organising principles	reform pos.	reform prac.	reform prac	reformpos.
effectiveness of unit interaction	reform pos.	reform prac.	reform prac.	reform pos.
effectiveness of administrative procedures	reform pos.	reform prac.	reform prac.	reform pos.

Table 4.5 Operational practice variations by unit over time.

Based on the analysis of data with regard to whether transformation of operational practices can be identified in the Directorate over time, the following results appear:

Transformation of operational practices in the Directorate was identified. The level of transformation, however, varied over time and by unit. Reform practising was identified in policymaking units and reform posing in competency units 2 years after implementation of the new organisational form (t1). Reform posing was identified in policymaking units and reform practising in competency units 6 years after implementation of the new organisational form (t2). The overall conclusion with regard to transformation of organisational practices is that six years after implementation of the new organisational form and seven years after the launch of the quasi market reform, only a small majority of units in the Directorate reported practices that were consistent with operational practices as intended by the reform objective.

17 Reform prac. = reform practicing, Reform pos. = reform posing. Competency units include department of Road Construction, Road Production and R & D (including Road laboratory). Policymaking units include

Administrative departements, Central Sector and Traffic Policy departements.

I assumed, based on existing institutional organisation research, that this result can be explained by the fact that organisations do not easily transform. In particular is it difficult to achieve transformation of organisational practices in organisations with strong institutional ideas, such as large and professionalized bureaucratic organisations. Based on restricted outcome research it is reasonable to assume that the organisation will make all-encompassing changes in organisational form, but transformation of operational practices will not appear. Moreover, it is reasonable to assume that if transformation of operational practices can be identified, the organisational processes prior to this particular organisational outcome have been more complex and alive than assumed.

In the following sections I discuss the results from the empirical exploration of the first sub-question in light of existing restricted outcome and living process research. This discussion of the results from the operational practice account will focus on two aspects of how reforms influence organisational practices. These two aspects are causes of institutionalisation in organisations and organisational outcomes of such institutionalisation. I will start with previous restricted outcome and living process research that has provided explanations of why institutionalisation is important for our understanding of the how reforms influence organisational practices in general. More specifically I link previous research contributions that help explain why the organisational form that was forced on the Directorate to some extent actually did create transformation of organisational practices.

4.3 Causes of institutionalisation: Reforms as producers of inconsistency

Both restricted outcome and living process research emphasise different causes of institutionalisation in organisations. Applied to the analysis of how reforms influence organisational practices, the two streams of institutional organisation research shed light on reforms as producers of inconsistency. Restricted outcome and living process research differ, however, with regard to what type of inconsistency a reform produces. I will start with restricted outcome research which emphasises reforms as producers of environmental inconsistency.

4.3.1 Environmental inconsistency
The restricted outcome research has investigated institutionalisation as both a variable and as a process (e.g. DiMaggio and Powell 1991). The studies of particular interest to the results discussed here are those that

investigate institutionalisation as processes. Early studies that investigated institutionalisation as a process focused on how the inconsistency of the environment increases the latitude for institutionalisation.

For example, Meyer and Rowan (1977) build their article on the view that institutions are complexes of cultural rules, and they emphasise the impact of changes in the wider institutional environments on organisational forms. Powell (1988) finds evidence consistent with this in his study comparing an academic book-publishing company and a public television station. Organisations located in environments in which conflicting demands are made, will be especially likely to generate complex organisational structures with disproportionately large administrative components and boundary spanning units. Thus, higher levels of inconsistency in environmental pressures increase the scope for institutionalisation of outcomes.

Tolbert (1988) addressed this by showing how the organisation can gain control over its environment. According to this study organisations have two options when institutional pressures for change increase. First, organisations select which environmental elements they allow to penetrate their borders. Second, organisations modify the elements that are penetrating them. The conclusion is that internal structures (e.g. reliance on formal socialisation mechanisms) determine organisational actions when environments cause inconsistencies. The initial findings derived from these early studies are developed further in a more recent restricted outcome contribution, for example in D'Aunno et al (1991).

D'Aunno et al (1991) studied diversification in community health centres. They explain institutionalisation as caused by the organisation moving from one type of environments that imposes consistent pressures (the traditional polity) into another type of environment (the new polity) that imposes inconsistent pressures on the issue of drug abuse treatment. These aspects were measured in the prevalence of different models of staffing and service provision in drug abuse programs. The results show that hybrid organisations reflected the conflicts in their environments by attempting to incorporate some features consistent with both mental health and the drug abuse institutional practices. Consequently, conflicts in the environment were reflected in both the new structures and the new practices.

The restricted outcome studies presented above focused on inconsistent environments as causes of institutionalisation. Inconsistent environ-

mental pressures are asserted as facilitators of institutionalisation that affect both reforms' symbolic function and organisational outcomes. Causal relationships between reforms and results are rejected. Furthermore, various aspects of inconsistency should clearly be included in the analysis because a source of institutionalisation may emerge in similar situations. This is one theoretical point of divergence between the restricted outcome and living process researches. Another theoretical point of divergence is the lack of emphasis on individual and collective actors as sources of institutionalisation in the restricted outcome research. This latter issue will be explained more in detail in the following section.

4.3.2 Organisational inconsistency

In the living process approach external events are not perceived as drivers of organisational transformation in the public sector. The organisational processes themselves drive institutionalisation. Consequently, the adoption of a reform is not separate from its implementation. Thus, users of such reforms are not passive recipients of reforms invented elsewhere.

In living process contributions, reforms have been analysed as more or less top down managed. As pointed out by Cznarniawska-Joerges (1993), although the remedy for transformation that she recommends involves a realignment of ideological and hierarchical reforms, the underlying nature of transformation is portrayed as highly dependent on micro level organisational characteristics. Hierarchical reforms are initiated, controlled, and implemented from the top. Ideological reforms are implemented through processes of translations in which actors are convinced to take active part in the reform process (Cznarniawska-Joerges 1993). Hence, where restricted outcome approach emphasises reforms as producers of environmental inconsistency, living process research emphasises the role of reforms as producers of different forms of inconsistency at the organisational and micro levels.

The findings on transformation of operational practice in the Directorate underline the importance of reforms as inconsistency producers at the organisational and micro levels. The finding that operational practices vary by institutional identity represented by respondent's unit affiliation illustrates that inconsistencies between the external event of the launching of a reform and existing organisational practices may be causes of institutionalisation. Furthermore, the finding that trans-formation of operational practice not only varies across units but also over time, indicates that the conditions that allow a reform to influence

the organisation's practices are not environmental inconsistencies alone, but seemingly also related to the extent to which environmental inconsistencies creates organisational inconsistencies with regard to creation of identity and other cognitive processes within the organisation.

With the support of living process research, the present study illustrates that institutionalisation of an organisation's processes during increased environmental uncertainty interferes with results defined by the reform, but not with the outcome defined by the organisational processes. The findings of variations in transformations of operational practice is also an example of how it becomes difficult to establish empirically where the external environment stops and where the internal environments begin. The analytical separation of external institutional environments and internal organisational processes is important in restricted outcome analyses of how reforms influence organisational practices. The case of operational practice variations in the Directorate sheds light on how this border is not only changeable, but also a subject of institutionalisation itself. The emphasis on reforms as producers of organisational inconsistency, indicated here by the findings of operational practice variations, is supported in more recent living process contributions. For example, Brunsson and Sahlin-Andersson (2000) argue in their conceptual article that the border between environments and organisational life internally is analytically not very useful in explaining what a reform is and what it is not.

The restricted outcome and living process contributions presented in this section focused on reforms as producers of different types of inconsistencies. The findings drawn from the analyses of transformation of operational practices in the Directorate illustrate these two types of inconsistencies produced by a reform. One type of inconsistency relate to environmental characteristics that increase the latitude for institutionalisation in organisations. This type of inconsistency has been emphasised in restricted outcome research. The other type of inconsistencies relates to organisational conditions in which inconsistencies between reforms and organisational and micro level processes increase the latitude for institutionalisation. This latter type of inconsistency has been emphasised as important in living process research.

The present study underlines that both these types of inconsistencies are conditions that allow the sequencing interaction (i.e. institutionalisation) to affect how a reform influence organisational practices. The discussion of findings with regard to transformation of operational practices in light

of restricted outcome and living process research, have indicated two ways from which the causal relationship between reforms as rational plans and organisational practices as outcomes should be rejected. First, various aspects of organisational inconsistency should clearly be included into the analysis because this is a source of institutionalisation which is equally important as environmental inconsistency for explaining whether reforms influence organisational practices. Second, organisational and micro level actors as sources of institutionalisation in restricted outcome research need to be accounted for in analysis.

In the next section I discuss the findings with regard to transformation of operational practices in the Directorate in light of restricted outcome and living process research that have emphasised how institutionalisation produce organisational outcomes that are only loosely coupled to reforms.

4.4 Organisational outcome of institutionalisation: Reforms and organisational practices as loosely coupled

Both restricted outcome and living process research emphasise different ways in which reforms and organisational practices are loosely coupled. Applied to the analysis of whether transformation of operational practices can be identified as the result of a new imposed organisational form, the two streams provide competing explanations on the organisational outcomes of institutionalisation. The restricted outcome research focus on the normative structuring of processes that restrict outcomes. The living process research shed light on the cognitively structured processes that produce autonomous outcomes. I will start the discussion of the findings with regard to transformation of operational practice in the Directorate in light of restricted outcome research.

4.4.1 Restricted outcomes
The normative structuring of processes that restrict organisational outcomes has been an important factor in contributions within restricted outcome research, which claims it is reasonable to assume that organisational outcomes of reforms will be heavily influenced by the *diffusion* of organisational forms. Furthermore, organisations tend to deploy different forms of *decoupling*. Finally, the organisational outcomes of such institutionalisation processes tend toward *isomorphism*.

Decoupling was defined previously in chapters 2 and 4. Diffusion and isomorphism can be identified when formal structure and organisational

form are more similar across organisations and sectors than within sectors (Meyer and Rowan 1977). The finding that units in the Directorate alternate between two different types of operational practices over time, one representing a close fit between the new organisational form and practices (i.e. reform practising) and the other representing a decoupling of organisational form and practices (i.e. reform posing) indicate that these forms of organisational outcomes are more complex and dynamic than suggested by Meyer and Rowan in their original work.

The variations in transformation of operational practices raise questions about *how* these effects of institutionalisation (i.e. diffusion, isomorphism, and decoupling) on organisational outcomes may occur. The case study has identified organisational outcomes with regard to transformation of practices that are different from the types of restricted outcomes represented by diffusion, isomorphism and decoupling, but still related to them.

The interplay between environmental and organisational variables believed to determine organisational outcomes, has also been in focus in a study by Kraatz and Zajac (1996). The three proposed organisational outcomes investigated in their study are organisational inertia, institutional isomorphism, and the legitimacy imperative. Data were longitudinal for 631 liberal arts colleges facing strong institutional and increasingly stronger technical environmental pressures over a 15-year period (1971- 1985).

What is unique in this study is the total number of predictions investigated in the same population over time. First, colleges changed contrary to institutional demands by professionalising or vocationalising their curricula. Second, global and local technical environmental demands, such as changes in students' preferences and local economic and demographic differences, were strong predictors of the changes observed. Third, colleges became less, rather than more, homogeneous over time. Fourth, colleges generally did not mimic their most prestigious counterparts. Fifth, changes that contradict pre-existing norms for legitimate organisational forms had no negative (and often positive) performance consequences for enrolment of new students and survival.

The brief review of restricted outcome research presented above support the general pattern in the analysis of the Directorate that the launching of reforms will often not create the organisational outcomes intended. The results in this study have, however, also provided evidence that the

assertions about isomorphism suggested in restricted outcome research need to be applied with care. The findings with regard to operational practice variations underline the fact that reforms represent externally imposed inconsistencies that provide the impetus for institutionalisation in organisations. In the case of the quasi-market reform launched in 1993, the Directorate was socially obliged to adapt to and subsequently implement various formal arrangements and policies. As shown by the present analysis, however, these adaptations may very well be in direct competition with the reform's intentions.

So far I have identified and summarised strengths and weaknesses in the restricted outcome approach explaining how reforms are producers of inconsistency and how this explains why transformation of organisational practices is likely not to appear as the organisational outcome of reform processes: organisational outcomes are normatively restricted. In the next section I discuss alternative explanations drawn from living process research that have emphasised organisational conditions as causes of institutionalisation. Focusing on organisational rather than environmental conditions explains why reforms will not transform organisational practices; transformation is the result of autonomous cognitive processes not determined by norms and interests. More specifically, the discussion below sheds light on how the loose couplings between the reform and the new organisational form in the Directorate produced organisational outcomes that were not only normatively restricted as suggested in restricted outcome research, but to a large degree also autonomous.

4.4.2 Autonomous outcomes
The findings that operational practices in the Directorate varied by unit and that these patterns of transformation of operational practices were not stable but dynamic, underline that institutionalisation develops over time. The identification of the two types of operational practices (i.e. reform posing and reform practising) between which units alternate illustrates that institutionalisation develops as normative processes provide stability and cognitive processes provide meaning to actors and their actions.

The dynamic aspects of transformation of practices in the Directorate are difficult to explain in light of restricted outcome research. Living process research, however, focus on the *cognitive aspects* of organisational outcomes, which makes transformation of operational practices not determined, but autonomous. A common factor in living process research is that once organisational practices are institutionalised, they

become relatively stable and sustainable over long periods of time without continuing justification. They are the result of cognitive processes that produce their own results independently of the event that caused turbulence to the organisation as a behavioural system.

Authors within the living process approach explain the issue of stability and endurance of organisational practices as opposed to the restricted outcome of institutionalisation, by emphasising the interaction between two variables: (1) the role of construction of meaning and (2) the acknowledgment of reforms' symbolic functions for the individual actor.

The basic view in the living process approach is, for example, that transformation cannot be planned. If transformations of organisational practices appear, this is most likely the result of translation of reforms as an exogenous idea. Scott and Christensen (1995) and Cznarniawska and Sevon (1996) represent this view by deploying a theory of social action. However, the development is done without clear links to the analysis of outcome of translation process at the organisational level. In these contributions, the cognitive processes themselves are seen to trigger transformation.

Such a form of loose coupling between reforms and practices can also be traced in the findings in the Directorate. The identification of the two types of outcomes (i.e. reform posing and reform practising), underline that transformation of practices is the result of transformation of stable, self-reinforcing, and autonomous organisational practices. However, the finding that a minor majority of units in the Directorate at the two different times of data collection actually practiced the new organisational form as intended, also illustrate that existing practices may be autonomous, but not completely unchangeable. The question of whether organisational practices are autonomous and therefore unchangeable, or autonomous but still changeable, involves the issue of unique organisational actions in institutionalisation.

A common denominator in living process research is the acknowledgement of unique actions based on a collective apparatus of cognitive influences. One example drawn from the findings from the Directorate is the variations reflecting the role of a common institutional identity with which the unit affiliation associates different respondents and their unique practices. Compared to the restricted outcome research, the living process research emphasises the collective apparatus of cognitive influences on actors, rather than the normative influences on organisational actions. In living process research, however, organisa-

tional actions do involve unique actions in autonomous cognitive processes, but do not include strategic actions to fulfil social norms perceived as important.

The focus on the role of unique actions in institutionalisation indicates that organisational outcomes are the result of a blend of institutional identities that provide meaning to the individual actor. This assumption, suggested by Cznarniawska and Joerges (1996), is a typical example of living process research. The assumption is in clear opposition to the idea of restricted outcomes based on normative stability that can be traced in the empirical finding of reform posing practices in the Directorate. Reform posing has clear associations with normative restrictions on outcome.

However, the other type of operational practices, reform practising, has clear associations with cognitively autonomous outcomes as suggested in living process research. Moreover, the finding that units alternate between these two different types of practice also supports the living process assumption that the outcome of institutionalisation is not based on (normative) determinism, but as much on unique actions at the micro level. Furthermore, the findings also illustrate that the actions are unique both in terms of being a result of strategic actions to adapt to normative pressures, and of autonomous cognitive influences with regard to the reform launched. Based on this living process assumption suggested by Cnarniawska and Joerges (1996), which also supports a major part of the findings, one may conclude that a reform's success with regard to how it influence practices depends on the persons evaluating it and not on specific organisational outcomes. Sahlin-Anderson's study (1986) addressed this issue in a similar vein.

Sahlin-Andersson (1986) evaluated the actions of a public organisation to increased inconsistency caused by a governmental initiative. Based on this, she conceptualised reforms as extraordinary projects. The finding of operational practices variations in the Directorate supports the conceptualisation of how reforms influence practices as extraordinary projects for those involved. Based on Sahlin-Andersson's study from 1986, one may also conclude that reforms are not processes that can be planned, implemented and then evaluated on results. Reforms are processes of learning. However, the current study has shown that organisational outcomes of such institutionalisation are more paradoxical than would be assumed based on Sahlin-Andersson's study from 1986. One reason for this is that Sahlin-Andersson's research focused primarily on the cognitive dimensions of institutionalisation and learning, and not

on transformation of practices as the autonomous outcome of such processes.

The autonomy of organisational outcomes with regard to how reforms influence practices has, however, been in focus in a more recent living process research. According to Cznarniawska-Joerges (1993), talk is the main instrument for implementation of reforms. However, talk is not always only talk. Talk mobilises actors thinking and behaving. The action dimension included by Cznarniawska-Joerges (1993) in her research, however, does not include how motive and choice are invoked at the organisational level. Findings of transformation of operational practices in the Directorate have indicated that ideas (i.e. new organisational form) always have exogenous aspects (i.e. the transformation process at large). However, the findings also show that these external aspects seemingly have no specific and determined organisational outcomes. Based on Cznariawska-Joerges (1993) one may suggest that transformation of organisational practices then involve the routine use and modification of these ideas.

Based on the conceptualisation suggested by Cznarniawska–Joerges (1993) one may interpret the paradoxical aspects of actions with regard to how reforms influence organisational practices reflected in the findings from the Directorate in a particular way. The findings of the Directorate can be interpreted as an indication that even though outcomes are autonomous, they may still be a result of actors' strong focus on symbolic behaviours that relate to norms for how things should be or how one should act in institutionalisation processes. The findings illustrate that reform practising is an example of an autonomous outcome of institutionalisation as suggested in living process research, but also illustrate that such cognitively influenced outcomes do not appear completely autonomously of outcomes that reflect the normatively restricted outcomes suggested by restricted outcome research. Furthermore, this also indicates that the role of unique actions in the way that living process research conceptualises it, produces autonomous organisational outcomes which still influenced by norms of actions represented by symbolic behaviours.

The role of symbolic behaviour in institutionalisation processes has been emphasised in other living process approach contributions. However, the role of cognitive influences has been overemphasised compared to normative influences. This argument is explained in more detail below when I discuss how some other contributions in the living process

approach have conceptualised organisational outcomes of institutionalisation.

Sevon (1996) outlines the distinctions between imitation and innovation in organisational change. In imitation organisations learn not only beliefs about the connections between action and outcome, but also desired outcomes. Even though the study of the Directorate was designed to analyse organisational transformation rather than organisational change, the identification of reform practising as one type of operational practices in the Directorate supports the notion of imitation by Sevon (1996). Furthermore, the development in perception of the effects of the new organisational form also indicates clear associations with how transformation of practices involves how individual actors learn. Individual actors lean what is desirable outcomes according to other members of the organisation with whom they share institutional identity. However, this finding also indicates that if the results of imitation also included desired outcomes, actions would also be influenced by perceptions of how things should be or how someone should act (i.e. norms of action).

The findings with regard to transformation of operational practice in the Directorate then also illustrate that cognitive processes related to the creation of meaning may very well create autonomous outcomes. On the other hand, the cognitive influences and processes that produce such autonomous outcomes are seemingly not autonomous to the same degree. The findings indicate that both outcomes, those that are restricted by norms and outcomes that are cognitively autonomous, are equally possible alternatives in explanations on how reforms influence practices. Moreover, the findings indicate that these two outcomes are equally possible alternatives because norms motivate actions, which again influence the specific bridging of external and internal institutionalisation processes most socially desirable and, thus, most important to fulfil for the organisation. If organisational actions are motivated by the following of rules, cognitive or normative, on desirable outcomes, both these process elements should most reasonably have an indirect influence on organisational outcomes. Both these process elements will have an in-direct effect on outcomes through its direct influence on the foundation defining the uniqueness of actions in different cases.

Cognitive processes have in living process research an influential role in explaining why organisational outcomes of institutionalisation are the autonomous result of unique actions. Applied to an organisational context such unique actions are stronger related to the creation of

meaning than to normative structuring and stability. The influential role of such actions and how such actions define the influential role that cognitive processes has for organisational transformation is also represented in the work by Sahlin-Andersson (1996). When Sahlin-Andersson (1996) conceptualises transformation in terms of editing, transformation occurs through editing processes. A focus on cognitive influences on the outcome of institutionalisation processes is in her work is represented by a stronger emphasis on editing processes, than on the variables that influence the formation of the editing rules.

I previously suggested that the reform practising outcome identified in the case of the Directorate is an example of an autonomous outcome compared reform posing which is normatively restricted. The findings that reform practising changes over time, however, also indicate that the editing rules themselves are changed. It is therefore a problem in the analysis of how reforms influence practices when the living process model of institutionalisation asserts that such rules are implicit. This becomes a particular problem for analysis of transformation when the role of such editing rules is not subject to actor's choices through which they must be internalised within the individual actor. The current study of the Directorate indicates that such editing rules if they at all exist, are not an implicit but an explicit and changeable property of the transformation. For example, the explicit properties of single respondent's perceptions of the reform changed over time. There is therefore a chance that explaining transformation as editing, reveals nothing more than editing rules that have been followed and not the explicit editing processes of such rules. The findings with regard to whether the new imposed organisational form has transformed operational practices therefore also indicate that the concrete bridging of cognitive and normative processes that influence the change of such editing rules, needs to be further investigated.

4.5 Chapter summary

In this chapter I have summarised and discussed key empirical findings related to the first sub-question explored in the case of the Directorate. This sub-question explored whether transformation of operational practices can be identified after the implementation of a new organisational form that was forced on the Directorate. The key empirical finding is that transformation of operational practices has appeared as intended. However, only a small majority of the units in the organisation reported practices that were consistent with target practices

in both first and second round of data collection. The other key finding is that transformation of operational practices not only varied over time, but also in accordance with what institutional identity that the respondent's saw themselves as associated with through their unit affiliation. The discussion of these empirical findings in light of restricted outcome and living process research have identified in what ways the findings are supported by existing research. This discussion, however, has identified on what issues that the two institutional approaches provide less explanatory power.

In the next chapter I will present empirical findings from the analysis of the data related to how perceptions of the new organisational form and its effects were communicated among organisational members during this transformation. In this second analysis data were categorised to explore the second sub-question addressed in this case study. The aim of this second sub-question was to explore what mechanisms can connect the transformation episode and particular sub-processes to particular organisational outcomes. More specifically, the second analysis performed on the data to try to identify a process pattern that can explain why and how the two types of organisational outcomes appear differently by unit, and over time.

Chapter 5. The Process Account: Results and Discussion of Findings

The results presented in the previous chapter shed light on whether and how operational practices transformed over time as a result of the new imposed organisational form. Two types of organisational outcomes were identified: reform posing and reform practising. In this chapter I present the key empirical findings with regard to the processes through which the transformation episode and these two types of organisational outcomes are linked. The question explored is therefore what sub-processes the Directorate used to transform its practices. The operationalisation of the present process account analysis is illustrated in chapter 3 (see figure 3.4). The mechanism account, which will be used to investigate the relationship between the operational practice account and the process account, is presented in chapter 6.

Section 5.1 presents the key response account, which shows that key responses toward the new organisational form varied by unit and over time. Section 5.2 presents patterns in the three sub-processes. Variations in key responses by unit and over time generate two categories of responses at the organisation level; 'inconsistency' and 'consistency' responses. Variations in these two types of key responses at the organisation level can be seen to represent three sub-processes that transformed operational practices in the Directorate. In section 5.3 I present more detailed descriptions of the three sub-processes. The process account conclusion is presented in section 5.4, and discussed in light of restricted outcome and living process research in sections 5.5 and 5.6. In section 5.5 I discuss the process account in light of research that has emphasised the travelling of reforms and different types of instiutionalisation processes. In section 5.6 I discuss findings in light of research that has emphasised direct effects of institutionalisation such as decoupling and hypocrisy. A chapter summary is presented in section 5.7. This chapter first presents a brief summary of the empirical variation and the analytical operationalisation that underlie the process account in this chapter.

5.1 Summary of variation and operationalisation

As shown in chapter 4 respondents described different ways in which the understanding of the effects of the new organisational form was communicated among actors in the organisation. One group of respondents identified specific ways of understanding that reflected

communication of solutions to the problem of inefficient unit interaction. Another group were more implicitly concerned with this problem, and this was communicated internally as a concern for the increased illegitimacy of the Directorate's existing practices among important user groups. More than half of the identified concerned the communication of effects of the new organisational form, such as decreased effectiveness of administrative procedures, lowered flexibility and quality, and less effective resource allocation. Respondents, however, also communicated internally a concern for administrative and technical functions such as Human Resource issues, registration systems, and contracting and bidding procedures.

Other respondents' understanding was communicated internally as related to their position as employees: involving loss of autonomy, increasing workloads for managers, and unclear lines of authority. Within the two types of units in the Directorate, i.e. competency and policymaking units, responses were relatively similar when the respondent's formal hierarchical status was controlled for. Furthermore, respondents also reported that these different understandings competed for attention in the organisational processes. For example, some units were legitimating their own responses based on what they perceived would be other units' responses.

The responses' developments over time constitute a pattern of organisational processes. The operationalisation of the process analysis was presented in chapter 3. The different dimensions of the process account that will be presented in this chapter are illustrated in the following figure:
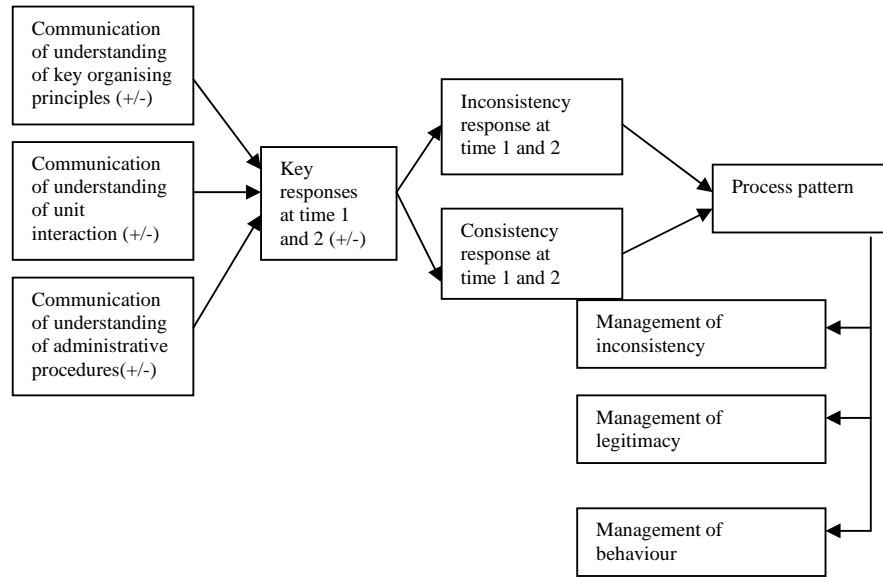
Figure 5.1 Dimensions of the process analysis

5.2 Patterns in account of key responses

The process pattern in the case of the Directorate emerges from differences in how respondents' understandings of the new organisational form's effects was communicated, identified between the first phase of data collection at time 1 (1995-97) and time 2 (2000-02). This first dimension of the process account is operationalised in the following way:

Communication of understanding of key organising principles (+/-)

Communication of understanding of unit interaction (+/-)

Communication of understanding of administrative procedures (+/-)

Key responses at time 1 and 2
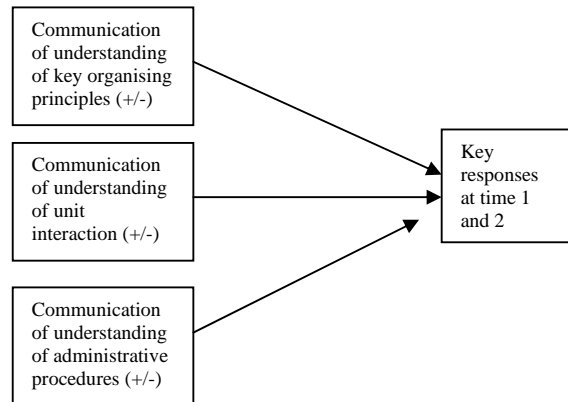
Figure 5.2 The first dimension of the process account

A difference of communication of understanding of the new organisational form is the result of three separate institutionalisation processes. These are the management of inconsistency, the management of legitimacy, and the management of behaviour processes. These three sub-processes of the transformation are presented in more detail in section 5.2. Together they define an overall process pattern, which emerged from developments in respondents' interpretations.

When data collection ended at time 1, the inconsistency between operational practices as defined by the new organisational form and actual practices was substantial in competency units. The lack of transformation of operational practices was the result of different organisational actions that can be categorised as expressed *resistance*. The operational practices of these units could be described as reform posing. This is a type of outcome that can be associated with decoupling as suggested by Meyer and Rowan (1977).

By contrast, the transformation of practices in policymaking units at time 1 was influenced by *pragmatism*. More specifically, transformation of operational practices could be identified at time 1 as these units understood the new organisational form as giving them higher status.

At time 2, however, the process pattern had developed in another direction. Policymaking units' responses at time 2 represented an aborted excursion, toward *designation*. Operational practices could at this time

be characterised as a stable decoupling between the new organisational form and operational practices. Furthermore, policymaking units tended to fall back to existing practices when possible at time 2. The organisational form of policymaking units had changed but neither actors nor practices had been transformed with regard to how services were produced and delivered.

Competency units, however, had during the years between time 1 and time 2 moved from responses representing resistance to responses representing a careful *exploration* of the opportunities embedded in the new organisational form. The communication of the understanding of the new organisational form and its effects at time 2 indicated changes in ideas about legitimate practices. Thus, competency units were now in a situation where understandings of what they do, and how and why they do it, were transformed in ways that actors themselves experienced as fundamental. More specifically, competency units were at time 2 transformed with regard to both organisational form and how they produced and delivered services.

The overall pattern of key responses over time is now elaborated through examples of how single respondents' understanding of administrative procedures and unit interaction developed between time 1 and time 2.

5.2.1 Developments in the policymaking units' responses: From pragmatism to designation
The general pattern of how understanding of administrative procedures and unit interaction has been communicated in policymaking units, reflects developments in single respondents' explanations of the *reasons* why the new organisational form did not increase effectiveness. A difference in the reasons identified reflects how a specific understanding of the new organisational form's effects is communicated differently over time in these units. A typical example of how the respondents' understanding have moved from responses characterised by pragmatism at time 1 and toward designation at time 2, is represented in the statements of three respondents from three different policymaking units. These statements are drawn from identical questions introduced to the respondent at time 1 and time 2. I will start with typical and extreme examples of understanding of administrative procedures or unit interaction.

Informant no. 13 was a top manager in a policymaking unit. The way this respondent communicated its understanding of administrative

procedures represent an *extreme example* of the pragmatism identified in these units at time 2:

> *"Administrative procedures are time consuming even if though the issue of who is "case owner" is clear. The reason for this is attempts at manipulation of the model from units that have lost authority".*

Informant no. 8 was a top manager in a policymaking unit. This respondent's understanding is a *typical* example representing pragmatism at time 1. The respondent explained why administrative procedures between policymaking and competency units were sub-optimal. The major reason identified was the unclear split between these two types of units. This statement illustrates a typical understanding of administrative procedures effectiveness at time 1:

> *"Decisionmaking that involve both competency and policymaking units are time consuming and unclear due to a lack of clarity in formal authority between these units...".*

Informant no 16 was a top manager in a policymaking unit. This respondent's understanding of administrative procedures is another *typical* example of the pragmatism in policymaking units identified at time 1:

> *"Decisionmaking is inefficient. The problem of rivalry over who "owns" a case is one reason. Another reason is that policymaking units are overloaded with cases that we are not staffed for, neither in terms of number of employees nor the competencies needed".*

These three statements are typical and extreme examples of understandings of administrative procedures effectiveness at time 1 in policy making units. The next two statements represent typical examples of how two of these respondents experienced that these understandings was communicated. This particular way of communicating this understanding represents a form of collective *pragmatism* at time 1.

The following statement drawn from the interview with respondent no. 8 is a *typical* example of how understanding that reflects pragmatism toward the new organisational form was communicated among members in the policymaking units:

> *"...deadlines and written procedures, however, are not pursued in practice. The negligence has no consequences for the relevant units. For example, competency units want speeding up ".*

The statement of respondent no. 16 is another *typical* example of how pragmatism toward the new organisational form was communicated in policymaking units :

"…One example is the bicycle track proposition. The case was confronted in the media and press by different units, and administrators made decisions without knowing the top management's official view…"

The five statements from three respondents presented above represent typical and extreme examples of how the new organisational form was understood and how this understanding was communicated within policymaking units in the Directorate at time 1. The next five statements drawn from identical questions presented for the same respondents at time 2, represent how their understanding and the way they were communicated, had developed over time.

At time 2, understanding and communication of understanding of the new organisational form reflected a collective *designation* in policymaking units. Single respondents' understanding and communication of this understanding had developed from the previously identified pragmatism. The pragmatism identified at time 1 was described as a result of a dysfunctional structural split between different units. The designation toward organisational form at time 2, however, was the same respondents described as the result of dysfunctional effects of the structural split between units related to authority issues across hierarchical levels. The following two statements are one typical and one extreme example of the understanding of the new organisational form that represent designation in policymaking units at time 2.

The statement of informant no. 16 is a *typical* example:
"Decisionmaking in administrative procedures has found its practical solution… This practical administrative procedures, however, is not optimal."

The statement of respondent 8 represents a *extreme* example:
"Administrative procedures are unclear. The reason for this is now, however, not the unclear split between competency and policymaking units, but rather the unclear relationships between managerial levels".

The two statements presented above represent examples of how the understandings of single respondents in policymaking units developed over time in ways that reflect a designation toward the organisational form in these units at time 2. The three statements below are typical examples of how the same respondents experience that the communication of this understanding has developed between time 1 and time 2.

The statement of informant no. 13 is a *typical* description of policymaking unit's designation with regard to how understanding of the organisational form of was communicated at time 2*:*

> " *Administrative procedures are not worse than before. Reasons are that informal "rules" for unit interaction are in place, top management is willing to sanction these informal rules, and units are physically relocated".*

The statement of respondent no. 16 represents another *typical* example:

> "*Decisionmaking in administrative procedures has found its practical solution. This practical solution is, however, based on policymaking decisions not being taken by policymaking units but by competency units, and that principles of coordination of unit interaction are decided low in the hierarchy."*

Informant no. 30 was a top manager in a policymaking unit. This informant's statement represents a third example of how policymaking units' designation at time 2 was communicated within the organisation.

> "*Decisionmaking in administrative procedures is now somewhat easier and clearer... One reason is a cultural shift resulting from many of the people from the mid-1990s having left the agency. Another reason is that annual plans and contracts that regulate unit interaction are more coherently managed and sanctioned. A third reason is the adjustment in formal structure that solved the major problem with overlapping authorities related to the policymaking and competency unit split in the Traffic area".*

In this section I presented statements drawn from identical questions presented to the same respondents at time 1 and at time 2. These statements represents how policymaking units during the course of transformation moved from responses that reflected pragmatism to responses that reflected designation toward the new imposed organisational form. In the next section I present statements that illustrate developments in single respondent's understanding of the new organisational form and how this understanding was communicated within the other body of units in the Directorate, i.e. the competency units.

5.2.2 Developments in the competency units' responses: From resistance to careful exploration

The account of key responses in competency units over time reflects developments in respondents' explanations of *reasons* why the new organisational form did not increase the effectiveness of unit interaction and administrative procedures. Differences in the reasons identified by the respondents over time reflect developments in the understanding of the new organisational form, and how this understanding was communicated to other members of the organisation. Aggregated to the level of competency units, key responses developed from resistance at

time 1 toward careful exploration at time 2. The following two statements are *typical* examples of understandings that represented resistance at time 1.

Informant no. 33 was a middle manager in a competency unit. This informant's statement represents a *typical* example of resistance toward the new organisational form at time 1:

"What happened to the policymaking and competency split in the way we are organised? Where did it go? Unit interaction is ineffective. The pendulum has swung too far in some areas and not far enough in others. For example, the formal contracts that regulate unit interaction are less useful because there are disputes on what their content are, as well as how these contracts come about. One example is the Process Quality Manual. On this issue the top management is distant and reluctant to intervene".

The statement of informant no. 38 is another *typical* example of the resistance that competency units expressed at time 1. This informant was a top manager in a competency unit.

"Decisionmaking is exiting but too geared towards issues that are not at the core of administrative procedures. There is too much talk about and focus on details instead of the important parts of unit interaction, which are authority issues and coordination across levels. A "culture" for holding meetings with no other aim, than to discuss issues that does not help solving practical problems in case handling".

These two statements represent typical examples of resistance identified in competency units at time 1. At time 2, the same respondents' understanding reflects a collective and careful *exploration*. The resistance identified at time 1 was communicated within the organisation as a result of lack of alignment of culture, commitment toward the new organisational form, and authority and coordination issues. The careful exploration of the long-term effects of the new organisational form was, however, described as the result of an adjustment in formal processes, such as contracts, and local entrepreneurship that eased problems with case ownership across units and hierarchical levels. The two statements below illustrate the development in single respondents' understanding and communication of this understanding that reflected the careful exploration identified in competency units at time 2.

Informant no. 33 was a middle manager in a competency unit. This statement represents a *typical* example of understanding of the new organisational form at time 2.

"Unit interaction is ok. The reason for this is, however, not that the model works as intended. It works because personal contacts fill in the wholes in the formal process and in the contracts designed to ease unit interaction.

These personal contacts, which are inconsistent with the new model, compensate for problems with lack of commitment to the new model".

Informant no. 38 was a top manager in a competency unit. This informant's statement represents another typical example of the careful exploration that characterised competency units' understanding and communication at time 2:

> *"Decisionmaking is easy and effective. Reasons are new tools in contracting that regulate unit interaction (for example economic calculations for projects managed by the agency itself and functional contracts that coordinate production and maintenance of roads in one contract); replacement of ground level managers as a result of the restructuring process itself, turnover that lowered the average age of workers at the ground level; cross unit projects instituted by the units themselves that have made possible more mobility between units (e.g. E 18); assessment of effectiveness based on units' own initiatives (e.g. The effectiveness project finished march 2001)".*

The analysis of developments in key responses over time and by unit, re-analysed at the organisation level, showed the emergence of two categories of responses at the organisation level: inconsistency and consistency responses. These two categories represent aggregate measures of how differences and developments in responses constitute a process account at the organisational level. From the relationships between these two types of responses over time and by unit, a pattern of three sub-processes can be identified, as shown in the next section.

5.3 Accounts of the three sub-processes of transformation

The empirical variation that represents the second dimension of the process account emerges from the relationships between the two categories of responses, inconsistency and consistency responses, and developments in these over time. This analysis was operationalised in the following way:

Inconsistency responses at time 1 and 2 (+/-)

Process pattern

Consistency response at time 1 and 2 (+/-)

Management of inconsistency

Management of legitimacy

Management of behaviour
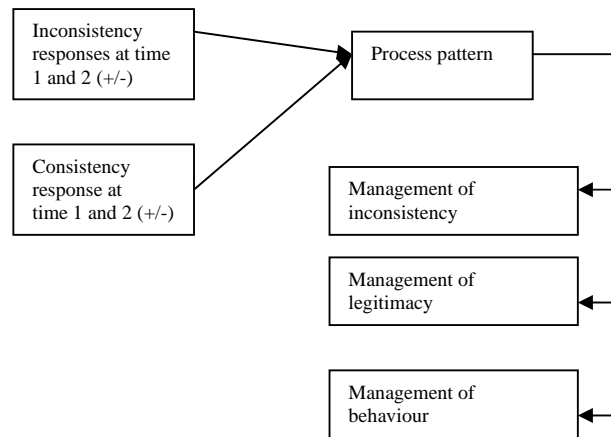
Figure 5.3 The second dimension of the process account

In this section I identify an overall process pattern and three sub-processes. The process account describes how differences and developments in inconsistency and consistency responses represent three sub-processes that transform operational practices in the Directorate. These three sub-processes reflect the attempts at adaptation at the macro level, the internalisation and legitimating of the new organisational form at the organisational level, and the socialisation that influence individuals to align practices with the new organisational form at the micro level.[18]

Inconsistency response
The most frequently reported inconsistency response was influenced by what respondents saw as necessary changes with regard to future practices in all three processes. The second most frequently reported inconsistency response related to local level entrepreneurship. Inconsistency responses related to local level entrepreneurship appeared at the unit level in the second process (internationalisation and legitimating) and at the individual level in the third process (socialisation). The ecological effects on actions in the first process (adaptation) were related to what the responses were of a majority of

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[18] Details of these three sub-processes will be presented in section 5.3.1-5.3.3.

other units in the Directorate. The ecological effect on responses in processes two and three related to what actions neighbouring units revealed in their effort to implement the new organisational form.

Consistency response
In the first process (adaptation) consistency responses were informed by how respondents saw transformation of practices as necessary to adapt to the interests of external stakeholders. By contrast, consistency responses in the second (internalisation and legitimating) and third (socialisation) process were dominated by how respondents saw transformation of practices as necessary in light of future practices. Local level entrepreneurship influenced consistency responses at the individual level in the second process and at the unit level in the third process. For example, consistency responses most frequently involved ecological effects when a unit reported actions in neighbouring units as important for their own responses toward the new organisational form. Aggregated to the organisation level, variations in key responses by process appeared as illustrated in table 5.2

<div align="center">Key responses by process</div>

| | inconsistency response | | | consistency response | | |
	p1	p2	p3	p1	p2	p3
Categories Communication of social obligations toward…	future practices	future practices	future practices	external stakehold.	future practices	future practices
Local level entrpreneurship	----	unit level	indi.level	-----	ind.level	unit.level
Ecological effects	majority of other unit action	neighbour unit actions	neighbour unit actions	majority of other unit.acions	neighbour unit action	neighbour unit action

Table 5.2. The two types of organisational responses by process.
p 1= mgt. of inconsistency process. p2= mgt. of legitimacy. p3= mgt. of behaviors.

Table 5.2 shows that the two types of key responses identified, inconsistency and consistency responses, developed by process. As a part of the second data analysis, categories of actions were counted to create aggregated measures of these organisational level responses by

unit. Empirical variation in key responses by units is summarised in the following table:

Key responses by unit

Categories	inconsistency response			consistency response		
	p1	p2	p3	p1	p2	p3
Communication of social obligations toward…						
external stakeholders	--	---	---	---	policymaking	
future practices	---	comp.unit	policymaking	---	--	comp.unit
Local level entrepreneurship						
Unit level	--	comp.unit	policymaking	--	--	--
Indi.level	---	--	--	--	policymaking	--
Ecological effects Majority of						
other unit actions	--	comp/policy	--	--	---	--
Neighbour unit actions	--	comp.unit	policymaking	---	policymaking	comp.unit

Table 5.3. Key responses by unit. p1= mgt. of inconsistency. p2= mgt. of legitimacy. p3= mgt. of behaviour.

In this section I presented results that help identify variations in key responses at the organisation level over time. Two categories of responses at the organisational level were identified in the analysis. The elaboration of these two categories indicates a process pattern through which transformation of operational practices in the different units has appeared.

So far this chapter has elaborated findings that show how the practices of different units transformed differently over time. The analysis has also shown how these differences were influenced by different responses that interconnect the longitudinal effects of reform and transformation of operational practices. Findings indicate that the relationship between unique organisational actions, over time and by unit, explains how and the degree to which operational practices have transformed as a result of a new imposed organisational form.

5.4 The three sub-processes

5.4.1 Institutionalisation at the macro level: Adaptation and the management of inconsistency (1993-94)

The first process identified (adaptation) is called the *management of inconsistency* process. This process reflects the interaction that linked the launching of a quasi-market reform and a formal decision to implement a new organisational form. In this process, from spring 1993 until the end of 1994, top management actions with focused on analysing political and strategic aspects of the quasi-market reform and the necessity for transforming operational practices. In competency and policymaking units a "wait and see" type of action toward the quasi-market reform emerged. No direct influence on the actions by the top management from lower levels of the hierarchy could be identified. At the end of this first process, top management activities resulted in the formal decision to launch a new vision for the sector; "the New Road Administration" (*Det nye vegvesenet)*. With this new vision the symbolic and the material basis for the new organisational form was formulated and presented to the units in the Directorate. This lead to the decision to implement a new organisational form in 1994/95.

5.4.2 Institutionalisation at the meso level: Internalisation and the management of legitimacy (1995-96)

The second process identified (internalisation and legitimating), from the end of 1994 until November 1995, was dominated by actions representing the internalisation of the new organisational form as legitimate and necessary at the organisational level. The sequencing interaction that constituted this process linked the decision about a new organisational form and its normative status at the organisational level. This process was therefore labelled the *management of legitimacy*. The different actions that influenced the outcome of process, were in a majority of cases bridged and communicated through actor's participation in formal decisionmaking.

For example, the top management invited both lower level and middle managers to participate in designing the detailed organisational form. In this process, competency units' participation could be categorised as expressed *resistance*. Such resistance more specifically included low expectations about the effects of the new organisational form, but high levels of commitment towards the necessity of transformation of operational practices. Policymaking units' actions in this second process, however, could be categorised as *pragmatism*, which directly influenced the top management's decision to implement the new

organisational form. More specifically, these units' actions were influenced by high levels of expectations and commitment about the necessity of transforming operational practices. The bridging of the external institutionalisation (how the Directorate adapt to the reform i.e. management of inconsistency) and the internal institutionalisation process (legitimating the new organisational form) ended with the top management's announcement that a hybrid purchaser-provider model should be implemented.

5.4.3 Institutionalisation at the micro level: Socialisation and the management of behaviour (1997-)

Most of the responses identified concerning the bridging of the two previous processes resulted in the identification of a third process (socialisation). The sequencing interaction of different actions that constituted this *management of behaviour process,* reflected efforts to make the new organisational form work in practice, and was the longest of the three processes identified, lasting 1997 to 2002. The sequencing interaction reflected how individual members of the organisation were socialised, or educated, in ways that aligned their actual practices with the new organisational form. The different actions identified in this process did not focus on bridging the external and internal institutionalisation processes. The management of behaviour process is therefore an institutionalisation the new organisational form at the micro level.

Both top management, policymaking and competency units in this third process focused on the bridging of different internal institutionalisation processes. Evidence of the top management's direct influence in this process could, however, not be identified. In the beginning of this third process competency unit perceptions were characterised by low levels of expectations toward the new organisational form's effects, and high levels of commitment about the necessity of transforming existing practices. At the same time, policymaking unit perceptions showed lowered expectations toward the effects of the new organisational form than in the previous management of inconsistency process, but higher levels of commitment about the necessity of transforming of operational practices.

Compared to the previous process of managing legitimacy at the organisational level, the management of behaviour took place at the micro level. Furthermore, whereas previous process was communicated through actors' participation in formal decisionmaking, this third process was based on informal bridging of these three sub-processes. For

example, actions were based on individuals' entrepreneurship and emerging changes in neighbouring units' responses, rather than on formal attempts to link the transformation episode and the organisational practice outcomes through decisionmaking. Furthermore, these informal ways of bridging the transformation episode and the organisational practice outcomes were seemingly a precondition for the different actions that would influence the outcome in a later phase of this management of behaviour process.

As such, the sequencing interaction was influenced by informally communicated responses, rather than through formal decisions. This was also the reason why the top management first after some time took a more active role in this third process. Eventually the top management decided to make minor adjustments in the organisational form to release some of the tensions that had occurred when individuals tried to align their practices with the new organisational form. These minor structural adjustments included, for example, a restructuring of the traffic unit and a change in how the content of contracts that regulate unit interaction should be decided. The fact that competency and policymaking units practiced the new organisational form in very different ways in this process, influenced the top management to take a more active role in bridging different institutionalisation processes internally. Hence, these informal actions led to minor structural adjustments that made the new organisational form better aligned with emerging changes in operational practices. Such informal actions are a precondition for effectively educating organisational actors in aligning their practices to the new organisational form.

Another characteristic of the management of behaviour process was the identification of a divided pattern between the micro level institutionalisation in policymaking and competency units, respectively. Policymaking unit employees' perceptions developed into a situation of *designation* from the new organisational form. Designation could be identified in terms of lowered expectations toward the effects of the new organisational forms, and a lowered commitment about the necessity of transforming operational practices. Competency unit perceptions, however, differed substantially from perceptions identified in policymaking units. At the end of this third management of behaviour process, competency unit perceptions could be characterised by *exploration*. Compared to the previous management of inconsistency process, competency unit's perceptions now reflected increased levels of expectations toward the usefulness of using the new organisational form,

and a stable and more positive commitment about the necessity of transformation of operational practices.

The management of behaviour process ended after six years, in 2002/2003, when the top management solved the remaining ambiguity in operational practice through a new set of bridging activities. This type of bridging, however, did not involve further adjustments of the new organisational form, but a decision to restructure the whole organisation once again. A majority of the competency units were restructured into one publicly owned company 'Mesta A/S', whereas the policymaking units were restructured into one slimmer, centralised, and downsized new Directorate.

5.5. The process account - concluding remarks

Analysis of understanding and communication of the new organisational form resulted in the identification of three different processes: The management of inconsistency, the management of legitimacy, and the management of behaviour. These three processes correspond roughly with three dimensions of institutionalisation identified in restricted outcome and living process research: A*daptation* toward a reform as a producer of inconsistency; *internalisation* of new norms with regard to legitimate ways to produce and deliver services; and *socialisation* of organisational members into a new institutional identity that correspond with the practices intended by the new organisational form. The analysis showed an overall process pattern that link the transformation episode (i.e. the launching of a reform), the organisational form that follows from this, and the micro level transformation of how individuals produce and deliver services (i.e. organisational practices).

The benefit of institutionalisation was explicitly included in the conceptualisation of organisational transformation on which this study is based on. The underlying assumptions that justify the benefit of institutionalisation was presented in chapter 2 and operationalised into two sub-questions in chapter 3. The findings with regard to the process account clearly illustrate that in the case of the Directorate traces of a transformation potential in institutionalisation processes existed. Based on the operational practice account presented in chapter 5, one can conclude that organisations create consistency between reform efforts and organisational practices either by posing a reform or by trying to practice a reform. These two organisational outcomes reflect operational practices that incorporate respectively externally and internally

legitimate organising principles and working processes, and organising principles that are in conflict with existing practices. This analysis has identified a process account that links variations in operational practices to variations in organisational actions (i.e. responses) over time. In the process of incorporating externally and internally legitimate organising principles, *consistency responses* play an important role. In the process of incorporating working processes and organising principles that are in conflict with existing practices, *inconsistency responses* play an important role.

The finding that the processes develop differently depending on the two types of responses also underline that *developments* in responses are what bridge these different processes over time and across levels. The finding that the competency units' responses developed from resistance to careful exploration, and that policymaking units' responses developed from pragmatism to designation does not correspond with restricted outcome research. Neither is it likely that transformation is the autonomous outcome of living processes. Hence, the process account in the analysis of the Directorate has illustrated relationships between the transformation episode and organisational outcomes that were not predicted by any of the two existing institutional approaches.

In the following sections I discuss the results from the empirical exploration of the process account in light of existing restricted outcome and living process research. This discussion will focus on two aspects of how reforms influence organisational practices that is emphasised in existing institutional organisational research. These two aspects are the types of institutionalisation processes that might influence how reforms affect organisational practices, and direct effects of such institutionalisation processes. I will start with previous restricted outcome and living process research that have provided explanations of what types of institutionalisation processes that are important for our understanding of how reforms influence organisational practices. More specifically, I link previous institutional organisational contributions to help explain the processes through which the organisational form that was forced on the Directorate, to some extent, transformed organisational practices.

5.6 Types of institutionalisation processes: The travelling of reforms

Both restricted outcome and living process research identify different types of institutionalisation processes to explain how reforms are norms or ideas that travel. The two strands of research differ, however, with regard to the complexity that characterises these institutionalisation processes. Restricted outcome research emphasises the legitimacy aspects in "reform travelling".

5.6.1 The diffusion of reforms as norms of action
In restricted outcome research, diffusion is the type of institutionalisation process that has been most heavily researched. Diffusion explains how formal structures are adopted by organisations as rational myths without evaluation after implementation (Meyer and Rowan 1977). Furthermore, adoption through diffusion cannot be explained by technical and strategic considerations (Suchman 1995).

The process account in the case of the Directorate shows, however, that institutionalisation is not only the result of diffusion of reforms as norms at the macro level. Institutionalisation is also the result of interaction between external events and the ideology characteristics of the organisation. Diffusion should therefore be applied with care in empirical analysis of how reforms influence organisational practices. Other contributions within the restricted outcome research, such as Tolbert and Zucker (1983), Tolbert (1985), Oliver (1992) and Westphal and Zajac (1995), has in a similar vein emphasized other dimensions of diffusion appearing at the micro level, and with this indicated the prevalence of other types of institutionalisation processes than diffusion.

The explanatory powers of the notion of diffusion with regard to how reforms travel as a norm were subject to exploration in a study by Tolbert and Zucker from 1983. Their study focused on how increasing institutionalisation (i.e. diffusion) was affected by the technical and not only normative characteristics of the adopting organisation. Their investigation of the diffusion of civil service reform among local governments at the turn of the 19th century indicated that its adoption by cities during the initial period increased with the following characteristics: larger cities, higher proportions of immigrants, higher ratio of white-collar worker to blue-collar worker inhabitants. However, their findings also indicated that the relation became weaker in subsequent periods.

Hence, the role of diffusion for our understanding of how reforms influence organisational practices in the case of the Directorate indicates three important aspects of the role of institutionalisation in restricted outcome research. First, the launching of the quasi-market reform influenced the decision to adopt the new organisational form more than it influenced operational practices. Second, the process that carries this reform as a norm is clearly influenced by diffusion. Third, the process of diffusion was, however, not a stable property of the organisation-environment relationship in the case of the Directorate.

These findings indicate that a dynamic relationship between norms and cognitive influences is important for how organisations adapt to reforms.[19] However, the finding that the process of adaptation is bridged with other institutionalisation processes occurring at the same time or at different levels through both inconsistency and consistency responses, indicates that reforms are not only diffused. More specifically, the finding that different responses influence the diffusion of the reform indicates that the norm that this reform represents, is actively adapted for local purposes.

This finding is supported in more recent restricted outcome research that has introduced deinstitutionalisation (Oliver 1992) and experimental learning (Westphal and Zajac 1995) as alternatives to the process of diffusion. Compared to the initial formulation of diffusion in Meyer and Rowan (1977) and the refinement of this notion in later work (e.g. Tolbert and Zucker 1983 and Tolbert 1985) these later contributions have emphasised how organisations' are not only passive adopters of norms forced on the organisation from institutional environment, but more actively adapt these norms to existing practices. In these contributions, an intentional separation of thinking and acting is deployed by organisations.

This study's finding that different responses bridge different phases of the diffusion of the reform, indicates similar traces of intentional separation of thinking from action. The diffusion of the reform as a norm in the Directorate was quite an active process, involving different types of responses over time. The alternative restricted outcome models of diffusion represented by deinstitutionalisation (Oliver 1992) and experimental learning (Westphal and Zajac 1995) does not, however, explain in what way the active process of adapting to the reform as a

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[19]With cognitive I here mean that organisations' relationships with their environment are the result of processes of meaning-creation through which practices are taken for granted and automatically emerge

norm itself may change organisational actions that connect the subsequent phases of diffusion. The process pattern of the Directorate indicates that the responses disconnecting thinking from action when a reform is diffused as a norm, not only interconnect different phases of this process, but also relate to the specific bridging between the process of adaptation and other processes. The more recent restricted outcome notions on diffusion do not provide explanations of this issue. These more recent conceptualisations (e.g. Oliver 1992 and Westphal and Zajac 1995) and the original formulation of diffusion (e.g. Meyer and Rowan 1977) and its refinement and development (e.g. Tolbert and Zucker 1983, Tolbert 1985) all conceptualise these different types of diffusion processes as appearing one at a time, and not at the same time. The case of the Directorate has in this vein, however, indicated that the process of diffusion not only is interconnected with subsequent processes, but also interconnected with other processes during its own development.

So far I have identified and summarised strengths and weaknesses in the restricted outcome approach explaining how a reform travel as a norm for what is legitimate ways of producing and delivering services in the public sector. I have also summarised strengths and weaknesses in this stream of institutional organisational research with regard to the lack of complexity that the diffusion of reforms as norms presuppose. Based on the process account in the study of the Directorate, it is unlikely that this institutionalisation process is a closed process that develops independently from other types of institutionalisation processes at the organisational and micro levels. In the next section I discuss alternative explanations drawn from living process research that have emphasised how organisational processes are not passive carriers of reforms as norms, but producers of reforms as ideas. Focusing on the production of a reform as an idea rather than focusing on the diffusion of reforms as a norm, provides explanations that disentangle more of the living aspects of the processes that interconnect a transformation episode and organisational outcomes. More specifically, the discussion below sheds light on how institutionalisation processes that appeared in the Directorate during transformation not only are carriers of reforms invented elsewhere, but are producers of ideas that are autonomous and may be inconsistent with the reform as a norm.

5.6.2 Processes as living
Organisational processes are in living process research conceptualised as more living than they are passive carriers of norms originated outside the organisation, such as a reform. In this stream of institutional research, organisational processes are the producers of reforms as ideas. The

importance of how situations are framed and how institutional identities are defined is therefore a common denominator in living process research. Organisational processes that produce concerns about ideas such as a reform are relevant because organisational action is not only externally determined, but by developments in general beliefs at the micro level. Thus, institutionalisation processes in organisational transformation in the public sector involve more complex mechanisms than mere diffusion of reform as a norm would assume.

Focusing on the institutional environment has been a key research interest in restricted outcome research. The process patterns identified in the case of the Directorate indicate which unique organisational actions explain not only through what processes the transformation episode is connected to particular outcomes, but also the how the outcome of these processes is cumulative, rather than autonomous. The findings have illustrated how different processes are interconnected. This underlines the general view in living process research that public organisations should be treated as institutions in analysis of organisational transformation. The process pattern that were identified in the case of the Directorate illustrates that the institutionalisation processes are living in terms of how these involve the creation of reform as an idea, and the role of institutional identity in these processes. For example, the sequencing interaction that constitutes the living aspects of these processes in the case of the Directorate was related to the facts that actors interpret exogenous ideas; that they make sense of these ideas for their situations; and that they negotiate and change institutional identities.

While the restricted outcome contributions developed the macro side of institutional arguments, the living process studies emphasise the micro foundations of institutional processes in which organisational behaviour is anchored. A related research tradition has emerged in the US by the works of Zucker (1977/1991). She focused on the micro level institutionalisation processes. What differentiates the work by Zucker (1991) and the living process research is that the latter includes both normative and cognitive perspectives as suggested in Brunsson and Olsen (1993). Even though Zucker (1977/1991) more specifically focuses on the micro level of analysis, her work does not include the interaction of cognitive influences on institutionalisation processes as these appear across levels. In this vein Zucker's (1977/1991) work is more related to restricted outcome research than to living process research as living process research has developed in Scandinavia.

Living process research deals both with how institutions develop and transform, and how institutions are maintained and diffused through various institutionalisation processes. In the living process research, however, transformations of organisations' practices are not the result of environmentally determined institutionalisation. Previous living process contributions that have focused on transformation of public organisations have suggested that reforms are implemented through the process of culturally embedded editing, e.g. the logic of fashion (Røvik 1996), in which parts of a reform are adopted and stored in the multi-standard organisation (Røvik 1998). Organisational practices are thereby shaped by changes in the institutional environment, and by an increase in the level of inconsistency between external events and existing practices.

Starting with their studies of transformation in the public sector, living process research slowly focused more on travel of reform as an idea (e.g. Røvik 1998) and the production of reform as an idea (e.g. Cznarniawska-Joerges 1993, Forsell and Jansson 1996, Winberg 1993) rather than on the diffusion of reform as a norm. In these contributions research problems concentrated around the symbolic functions of reforms in terms of modernisation as an idea. Such micro level institutional processes are not a special case of search processes under increased environmental inconsistency as proposed by Zucker (1977/1991). The role of organisational inconsistency for the institutionalisation processes in organisations is not a result of a cognitively constrained search process at the micro level, but a result of the organisation's dynamic matching of reforms as a norm and the organisational individuality that provide the reform as an idea with a particular content (Brunsson and Olsen 1993:60). Based on this notion one might explain organisational transformation in the Directorate as arising from changes in organisational actions that result from the emerging differences in actors' interests and ideas in the various institutionalisation processes identified. These differences and emerging changes in interests and ideas represent the organisational individuality of the Directorate.

One example of an organisation's individuality is its ideology. Ideology has been introduced in living process research as a concept that is suitable for understanding the relationships between different institutional processes. Cznarniawska-Joerges (1993) argues that ideologies are used as a link in an educational process (Cznarniawska-Joerges 1993:171). In a study of municipality reform, Olson (1993) concluded that " …ideology is the best concept to understand the Swedish learning process" (Olson 1993: 189). Applied to the case of the Directorate, the organisational individuality that the process account has

revealed with regard to responses and emerging changes in these, also illustrates the role of (organisational) ideology as suggested in living process research. Thus, the organisational individuality represented by differences in and changes in ideology reflects various ways that different institutionalisation processes are bridged by different types of responses. The indication that organisational ideology plays an important role for our understanding of how a transformation episode and particular organisational outcomes are interconnected as the process pattern in the case of the Directorate illustrates, is supported by existing living process research. Applied on the case of the Directorate the different types of responses therefore represent proxies for (organisational) ideology. This finding also reveals relationships that shed light on how changes in such ideology affect how reforms influence organisational practices over time. However, the finding that development in respondents' actions to some degree is independent of their understanding of the new organisational form in the previous process, remains an unresolved issue with regard to the explanatory power of living process research.

In this section I have discussed the results from the empirical exploration with regard to the process account in light of existing restricted outcome and living process research. The discussion focused on one major aspect of how reforms influence organisational practices that is emphasised in the two streams of institutional organisational analysis: what types of institutionalisation processes that may explain why reforms most reasonably will *not* transform organisational practices. Support for the process pattern identified in the case of the Directorate is found in both the restricted outcome notion that reforms are diffused as norms, and living process notions that explain how processes are living. The process pattern identified in the Directorate illustrate that different institutionalisation processes appear at different levels, and that these processes are not only carriers of norms, but are active producers of ideas that may be inconsistent with the reform as a norm.

5.7 Direct effects of institutionalisation: Decoupling and hypocrisy

Both restricted outcome and living process research emphasize different direct effects of institutionalisation. Assessing direct effects is an important dimension of institutionalisation because it can explain why and how reforms and organisational practices are loosely coupled. Applied to the analysis of the processes interconnecting the

transformation episode and the particular outcomes in the Directorate, the two streams of institutional organisational research shed light on the different sets of organisational actions (i.e. responses) that bridge causes of institutionalisation and its direct effects. The discussion in the previous chapter showed that the two streams of institutional research provide competing explanations of the organisational outcome of institutionalisation. Explanations provided by restricted outcome research focus on the normative restriction of outcomes, whereas living process research provides explanations that shed light on the cognitively autonomous outcomes. Furthermore, these two streams of research are able to explain that the restricted organisational outcomes are a result of decoupling, and that the autonomous organisational outcomes may be a result of hypocrisy. I will start the discussion of the process pattern account in the Directorate in light of restricted outcome research that have provided explanations that emphasise decoupling as a direct effect of institutionalisation.

5.7.1 Decoupling
In restricted outcome research the work of Meyer and Rowan (1977) is important for the assessment of direct effects of institutionalisation. More specifically, these authors' work identifies the central institutional process as diffusion and the most important direct effect as decoupling. Meyer and Rowan (1977) developed their decoupling thesis from qualitative work on educational institutions. Their findings indicated that formally adopted standards and processes appeared to address conflicting government and community demands, and that these were decoupled from on-going practices of teaching. Hence, one particular type of external event, such as a reform, does not necessarily transform practices as intended. Furthermore, the actual outcome of organisational transformation in the public sector is determined by diffusion reforms as a norm for what are legitimate formal structures, more than by transformation of local level organisational practices.

The notion of decoupling fits with a major part of the process pattern revealed by the case of the Directorate. The new organisational form implemented in 1995 was chosen because it was used in public road sectors in other Scandinavian countries. Furthermore, the Directorate saw it as a solution that fulfilled social obligations embedded in the reform toward important user groups and the reform designers. However, the process pattern has also identified that decoupling is not a one-dimensional property of the relationship between a transformation episode and organisational outcomes. The case of the Directorate indicates that decoupling has multi-dimensional aspects.

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Other restricted outcome research has emphasised multiple dimensions of decoupling, other than those formulated by Meyer and Rowan (1977). Meyer et al (1983) described the administrative structure of districts, and elementary and secondary schools. The authors demonstrated that schools and districts with institutionally more inconsistent environments, that heavily relied on federal funding (including many independent programs and budgetary categories), had disproportionably large administrative structures. Schools and districts with consistent institutional pressures that relied primarily on state funding tended to have integrated formal structures. Just as decoupling was identified between organisational structure and activities by Meyer and Rowan (1977), Meyer et al (1983) identified decoupling between the broader concept of organisational form and organisational practices.

Similar multi-dimensional aspects of decoupling are in focus in another study. Boeker and Goodstein (1991) explored the interaction effects of institutional processes on organisational actions toward increased environmental inconsistency. The research setting was 290 hospitals in California, US, and data were longitudinal. The type of organisational change investigated was not transformational but structural. Specific changes were identified in the composition of the Boards of directors. Such changes were mapped and coded as dependent variables reflecting the organisations' attempts to deal with changing external contingencies. The results indicated that hospitals change the composition of their Board to adapt to changing environmental pressures, but that their performance moderated the rate of response. Poor performers were overall most willing to initiate changes in Board composition.

Applied to the case of the Directorate these more recent decoupling studies support that both respondents' subjective perception of the level of threat, and their objective resource situation might create decoupling at the organisational level. The process account in the case of the Directorate indicated that decoupling not only is multi-dimensional, but also a dynamic property of the relationship between a reform and restricted organisational outcomes. The key issue here is that decoupling is effective because such a mechanism produces direct effects that reduce the environmental inconsistency. However, decoupling is not effective in terms of decreasing the organisational inconsistencies represented by a (new) reform. The case of the Directorate illustrates details in these relationships. The new organisational form implemented in the Directorate fulfilled environmental demands from central government and the political system. Internally, however, the new

organisational form was not legitimate and operational practices did not coherently change before several years. Furthermore, in some units in the Directorate, for example policymaking units, the organisational form did achieve legitimacy in the beginning but lost legitimacy over time. However, the process pattern identified in the case of the Directorate also illustrated that the role of decoupling presupposes a proxy for the functioning of an organisation, and not how organisations transform their practices as the result of the different and unique actions representing their changing individuality.

The restricted outcome research on decoupling has provided explanations on direct effects of institutionalisation that contribute to our understanding of the ambiguity of organisational actions. In this study, decoupling was identified in the process pattern of the Directorate as a multi-dimensional phenomenon. Both decoupling between organisational form and reform content, and between decision processes and actions, and between motives and actions was identified. The next section presents alternative explanations of the direct effects of institutionalisation drawn from living process research.

5.7.2 Hypocrisy

The restricted outcome research on direct effect of institutionalisation has contributed to our understanding of how organisations act to reduce inconsistency between different external pressures. In contrast, the living process research has particularly emphasised direct effects of institutionalisation processes for the ambiguity of organisational behaviour, i.e. unique actions in organisations. More specifically, direct effects of institutionalisation are analysed as actual action, rather than as motives.

Brunsson (1989) developed a theory of organized hypocrisy. The idea that the motives for action are different from actual actions is an idea similar to those adapted into formulations of decoupling such as Meyer et al (1983) and Boeker and Goodstein (1991). The idea that different types of decoupling exist was included, however, in living process studies as one particular dimension of bounded rationality. The dimension in focus is the irrationality of organisational decisionmaking. Brunsson (1989) argued that that since it is difficult to make rational choices, organisations take action through 'organisational hypocrisy'. The process pattern identified in the case of the Directorate indicates four relationships that correspond with the suggested hypocrisy formulations. First, the Directorate in their adaptive process did not evaluate all possible alternative organisational forms. Second, actors did

not evaluate all possible consequences in their communication of how they understand the new organisational form's effects. Third, actor's responses were not only formulated in prospect, but also in retrospect during the processes. Fourth, changes in actors' responses were more influenced by other actor's actual actions than by their expressed motives.

The bridging of different institutionalisation processes across levels that the case of the Directorate has revealed, indicates that the latitude for organised hypocrisy is larger than assumed in Brunsson's (1989) initial formulation. The alternation between consistency and inconsistency responses by actors in the different organisational processes shows that hypocrisy, as identified in the Directorate, explains *how* organisations make decisions that separate thinking from action. The process pattern in the Directorate indicates, for example, that hypocrisy as a direct effect of institutionalisation occurs more easily the more important the actions that should be taken. In the case of the Directorate, the reason was that the number of interests that should be integrated in the formal decisionmaking reached a level where rational analysis became unproductive. Furthermore, the actions of the highest importance for the Directorate were those with large-scale impact on future practices such as the fear that a new and even more radical reform should be launched.

Applied on the Directorate the notion of hypocrisy would suggest that irrationality of decisionmaking is controlled by the separation of thinking from acting. Such separation was in the Directorate achieved through mobilisation of standard operational practices, or creation of new and specific roles and identities, or through decisionmaking processes in which a common frame of reference was forced on actors. Hence, a direct effect of the different institutionalisation processes for organisational transformation left the Directorate to function partly as decoupled, and partly as an organised hypocrisy at the same time.

In Brunsson's (1989) work on organisational hypocrisy, transformation was defined as the situation when organisations make allencompassing changes because they believe that an environmental event is of importance for their performance and survival. Applied on the case of the Directorate the hypocrisy should moderate the relationship between reforms and organisational practices because deeply rooted general beliefs seemingly affect the strategies of actors in the Directorate. Furthermore, hypocrisy should moderate the effect of the normative formulations of such beliefs because these serve primarily not only as the cause for the decision to implement the new organisational form, but

also as the rhetoric to legitimate this decision. The process pattern identified in the Directorate then illustrates how decoupling in the restricted outcome research relates to strategies for adaptation. Hypocrisy, on the other hand, relates to how behavioural ambiguity increases flexibility in the way organisations function, and in how they transform practices.

The success of a reform is not directly tied to predefined and endogenous objectives, but to the level of organisational inconsistencies the reform would cause. The finding that units in the Directorate alternate between the two different types of responses in different processes illustrates that actors may perceive reforms as important, even though they have no success in terms of actual outcome. The loose coupling between reforms and organisational processes illustrated by the process pattern in the Directorate can, for example, be explained by the fact that actors often differentiate between ideas and practice as suggested by Fernler (1990). In the Directorate, actors evaluated the reform as an idea in positive terms, even though they had not experienced any actual transformation of their operational practices. However, the process pattern in the Directorate also indicates that this partly diffuse quasi-market reform produced organisational processes resulting in unified transformations at the macro and at the organisational levels, but not at the micro level with regard to employees' operational practices. In other words, the process pattern in the Directorate helps establishing that the most important direct effect of institutionalisation for how reforms influence practices is not that decisions about transformation are decoupled from practice (i.e. decoupling), but rather that decisions about transformation is loosely coupled from both the transformation episode and the organisational outcomes.

Acknowledging the flexibility of decisions about transformation in the way Brunnson's (1989) work on organisational hypocrisy does, suggest that organisational transformation in the public sector can be accomplished *only* through transformation of actors and the behavioural system of the organisation. Furthermore, such transformation of an organisation's behavioural systems suggests that it may include an element of organized hypocrisy. Elements of hypocrisy with regard to behavioural flexibility have been identified in the process pattern in the Directorate. Other living process research have also emphasised the role of behavioural flexibility for how reforms influence organisational practices in the public sector. In the living process research, however, behavioural flexibility is less important for how organisations transform in unique ways, than it is for explaining how they change routinely.

The process pattern in the Directorate underlines the empirical problems with seeing reforms as routines. Analysing reforms as routines as suggested by Brunsson and Olsen (1993: 93) presupposes that organisations are able to decouple organisational form and practices as a stable property of how they function. However, seeing reforms as routines also presupposes that actors, and thus also organisational individuality, are changing. If not, reforms would be both easily launched and easily implemented. In the Directorate the top management managed to bridge the management of inconsistency and management of legitimacy processes with the different and changing interpretations of the reform at the micro level of the organisation only to a limited degree. This lack of bridging of the different processes resulted in emergent transformation of operational practices seemingly stopping two years after implementation of the new organisational form in policymaking units. At the same time, however, the analysis also showed that emergent transformation of the practices of competency units got its momentum only five years after the launching of the reform. The top management's passive role in bridging of the different processes proved to be positive for transformation in competency units that were less positive toward the new organisational form. The reason for this is that the situation forced these units not to implement the reform as a routine, but to start adapting the new organisational form to their own local purposes. With regard to the idea of reforms as routines as suggested by Brunsson and Olsen (1993), the process pattern in the Directorate illustrated that not all reforms are implemented in an ongoing and recursive manner, as routines.

How reforms influence organisational practices in the case of the Directorate then relates to perceived problems, possible solutions, and the transformation process at large. Brunsson and Olsen (1993:32-47) identify relationships similar to those illustrated in the process pattern in the Directorate. If a majority of organisational members hold the view that the organisations do not have any problems, the reform is not easily launched. If the number of solutions to perceived problems are easily distributed among organisational members, the possibility of launching a new reform increases. At last, reforms influence organisational practices not by learning, but by loss of memory. However, Brunsson and Olsen's (1993) treatment of these relationships is seemingly more important for explaining why and how new reforms are launched, than they are able to explain whether transformation of organisational practices appear as the organisational outcome of such institutionalisation processes.

5.8 Chapter summary

In this chapter I have summarised and discussed key empirical findings related to the process account identified in the case of the Directorate of Public Roads. The findings with regard to the process account illustrate that the way a reform influences organisational practices is, to a large extent, independent from the level of inconsistency between the reform and existing operational practices when the organisation enters into the first process. In the case of the Directorate this first process identified was the management of inconsistency. Central to organisational transformation in the public sector is not what the organisation thinks is important when it enters into the adaptive process, but what it experiences during the two following processes (e.g. internalisation and socialisation). This finding also illustrates that it is through developments in unique actions and operational practices that the specific bridging of institutionalisation processes at different levels, and the alignment of future practices and existing interests and ideas, (i.e. organisational ideology) reside.

In the next chapter I present three transformation mechanisms that the analyses of the process account data have indicated. These three mechanisms represent the concrete bridging of the different institutionalisation processes in the Directorate over time, and across levels. The next chapter also includes a summary of case study findings and an overall case study conclusion.

Chapter 6. Three Mechanisms: Discussion of Findings and Overall Case Study Conclusion

The aim of this case study is to explore under what conditions a new imposed organisational form transform an organisation's practices. This exploration was undertaken in two steps:. In chapter 4 I explored whether it was possible to identify transformation of the Directorate's operational practices after the launch of the quasi-market reform in 1993. In chapter 5 I explored the sub-processes that interconnect the transformation episode of the quasi-market reform and the two organisational outcomes of reform posing and reform practicing. The aim of this chapter is to identify what mechanisms might explain the relationships between the reform, the sub-processes, and particular organisational outcomes in the case of the Directorate of Public Roads.

In this chapter I present and discuss results of the third analysis performed on the case study data, i.e. the mechanism account. The operationalisation is presented in chapter 3, figure 3.5. The analysis identified features of the new organisational form and its effects that enabled or hindered respondents achieving transformation of operational practices. It documented features of the larger transformation process identified by respondents as facilitators or hinders for transformation of operational practices. These different features represent three types of bridging through which the different institutionalisation processes were integrated, both longitudinally and cross-sectionally. Altogether six types of facilitators and hinders were considered by respondents as they selected actions. These six facilitators and hinders represents three types of specific bridging (i.e. mechanisms): *communication of social obligations; local level entrepreneurship; and ecological effects.*

The three mechanisms will be described in section 6.1. In section 6.2 I summarise the findings that represent the three mechanisms to indicate an overall mechanism pattern. This includes two different accounts, i.e. one related to longitudinal and one related to cross-sectional relationships. Section 6.3 is a discussion of the three mechanisms with regard to the benefits of institutionalisation for organisational transformation, focusing on implications for the conceptualisation of organisational transformation, and the roles of reform and organisational ideology. In section 6.4 I summarise key empirical findings from the three analyses performed on the data (i.e. the operational practice,

process, and mechanism accounts) and suggest an overall case study conclusion.

6.1 Three mechanisms

A relationship between operational practice and process pattern accounts makes it possible to disentangle three mechanisms that differently influence the likelihood of transformation of operational practices to result from the quasi-market reform. The relationships that represent the mechanism account are illustrated in the following figure:
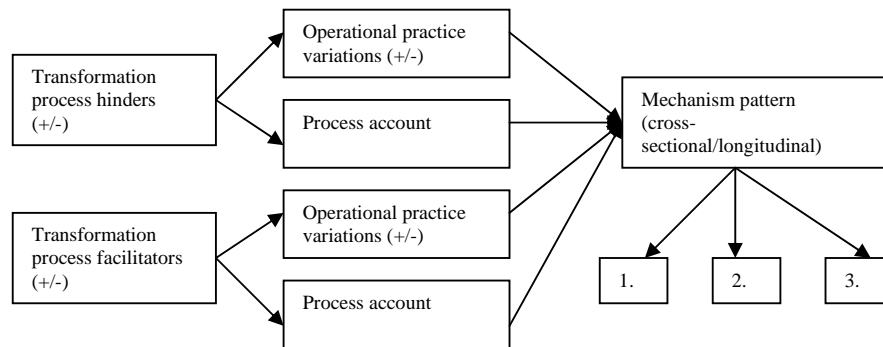
Figure 6.1 The mechanism analysis

The analysis of mechanisms was performed for two reasons. First, a longitudinal account showed that empirical variation in developments of the different processes was the result of more complex relationships than either the restricted outcome or the and living process approaches would suggest. The different processes and their outcomes were created by one of the two key responses identified. Second, a cross-sectional elaboration of data showed that the interaction of the reform variable, organisational ideology variables, and the two organisational outcomes was the result of more complex relationships than either of the two responses would indicate. To do the analysis of mechanisms I used the perceptions of effects data underlying the operational practice account, and the communication of understanding data underlying the process pattern account, to discern transformation process facilitators and hinders explaining *why* the new organisational form transformed units' operational practices or not.

6.1.1 Communication of social obligations

The first mechanism used to explain transformation of practices is communication of social obligations embedded in the reform. With communication of social obligations I mean the different and actual content of the reform that actors perceived, despite the existence of formal and written documentation of this content. This mechanism was relatively coherent.

In the longitudinal account the communication of social obligations affected the outcome of all three sub-processes identified in the process account. In the first sub-process, the management of inconsistency process, social obligations toward external stakeholders such as user groups, positively affected transformation of practices. By contrast, social obligations toward future practices affected transformation of practices negatively in the management of inconsistency process. In the second process, management of legitimacy, communication of social obligations influenced positively the transformation of practices. Finally, in the third process, the management of behaviour, social obligations toward future practices negatively affected transformation of practices.

In the cross-sectional account of this mechanism shows that when the new quasi-market reform was launched in 1993 actors looked for advice on how to evaluate its embedded social obligations. Different social obligations embedded in the reform were perceived as important. Two groups stood out as particularly important for describing how the processes developed over time, and how this affected transformation of practices: Those related to external stakeholders such as user groups and reform designers, and those related to future practices. As long as these two social obligations were relatively consistent, the possibility of transformation of operational practices was high. When these two influences appeared to be inconsistent, the possibility of transformation of operational practices at the organisational level was significantly lowered, at least in a short to medium term perspective.

Social obligations towards external stakeholders
The quasi-market reform and its intentions for increasing market-orientation of practices were discussed in the Directorate over a period of two years. Top management, the HRM department, union representatives, and the strategic planning unit took an active role in the management of inconsistency process. These actors participated in task forces and provided background information and analysis decisions. In 1994-95 the top management decided that a new organisational form

should be implemented. The responsibility for implementation was delegated to the HRM-department in the Directorate.

In this first process, social obligations toward reform designers were important because of the possible threat that an even more radical reform would be launched if development and transformation did not occur. For example, the choice of organisational form was related to the fact that this form previously had been implemented in the road sector in other Scandinavian countries. The reforms in the other Scandinavian countries were perceived by respondents as more radical than the Norwegian reform. By implementing what was seen as an overly radical new organisational form, actors believed that the Directorate had demonstrated commitment toward the necessity of transformation.

However, there was a lack of bridging of the macro level institutionalisation of this reform as a norm of action and the organisational level legitimating of the new organisational form. This lack of bridging was by actors considered as a hinder to transformation of organisational practices. For example, the discussion of how the social obligations toward external stakeholders should be interpreted and responded to went on for almost two years and led to a unproductive conflict over the issue of transformation. The lack of bridging of these two processes were, however, also considered as a facilitator for effective adaptation toward social obligations embedded in the reform toward external stakeholders, i.e. user groups. The top management finally decided to implement the new organisational form in order to end discussions before the management of legitimacy process went off-track. Actors believed this decision was understandable for the designers of the reform with regard to fulfilling both formulated and formal and the more implicit embedded social obligations. However, the actions that reflected social obligations toward external stakeholders created changes in organisational form, but did not increase possibilities for transformation of practices.

The effect of social obligations embedded in the reform toward external stakeholders goes hand in hand with another type of social obligation: toward the effectiveness of future practices.

Social obligations toward future practices
In the first process, the management of inconsistency, a fear of a decrease in the Directorate's professional reputation caused by less effective operational practices in the future significantly decreased the prospects of transformation of organisational practices. This general

pattern can be explained by functioning of the Directorate's practices when the decision was taken to implement a new organisational form. In the Directorate, knowledge had always been individual and 'stored' in professional groups characterised by specific institutional identities. Only explicit and formal competencies were circulated through the hierarchy. All units, however, perceived the organisational form as insufficient with regard to how status and authority concerning administrative procedures and unit interaction should to be divided between policymaking and competency units.

The following statement is a typical example of how social obligations toward future practices were perceived as a hinder for transformation of practices. Respondent no. 23 is a middle manager in a competency unit.

"My R&D activities and service delivery tasks are intertwined. By separating them they do not make sense and are inefficient…. I don't understand how it can be more efficient when a person from a policymaking unit keeps contact with my client".

Social obligations toward future practices, however, not only had an influence on the prospects for transformation of practices in the management of inconsistency process. It also toward directly influenced the transformation of operational practices in the management of legitimacy process. In the latter process, top management withdrew and did not take an active role in the implementation. Top management perceived that the new organisational form was simple and self-explicable. At the unit level, however, the process of internally legitimating the new organisational form was influenced by respondents' concern for what form elements that would affect positively and negatively the legitimacy of future practices. By contrast, policymaking units saw the same elements as vital for the successful practicing of the new organisational form and therefore as a facilitators for transformation of practices. Aggregated to the organisational level, the new organisational form was met with pragmatism from policymaking units and resistance from competency units in the management of legitimacy process.

The mechanism analysis shows that the issue of social obligations toward future practices was a key problem also in the third process; the management of behaviour process. The new organisational form implemented in 1994-95 aimed at coordination of activities partly by task and partly by function. In the beginning of the management of behaviour process respondents reported that practices had not transformed in accordance with the intended customer orientation and flexibility of problem solving. Increased conflicts between units that

defended rather than transformed their previously established monopolies of knowledge and practices, strongly influenced transformation of practices in the management of behaviour process.

During the course of transformation, the employees in the Directorate were accustomed to and valued explicit rules of unit interaction and administrative procedures deployed through the hierarchy. Furthermore, they felt that problems related to professional authority could be solved there. Bureaucrats in policymaking units and engineers in competency units could not see how a more flexible coordination of operations contributed to increasing their effectiveness with regard to unit interaction and administrative procedures. By policymaking unit employees, the new organisational form was initially perceived with interest as it indicated uplift in status. The following statement represents a typical example of how a social obligation toward future practices was a facilitator for transformation in the management of behaviour process:

> *"Finally our tasks and activities are also valued, policymaking units have the authority to initiate and manage new projects. Competency units now must tell me what their expertise is. But we are now on equal footing and I remain in charge".*

This statement illustrates how actors in policymaking units saw the new organisational form as a tool for increasing their professional status relative to competency units. Thus, the new organisational form represented something positive for their future practices. In competency units, actors perceived themselves as highly competent experts aiming to conceive original and innovative strategies for research and development. Respondent no. 16 was an engineer in the road construction unit. His statement is a typical example of how social obligations toward future practices were also perceived as a hinder for transformation:

> *"The competency units' role is to be best on everything that our sector knows best, better than any other private actor contracting for assignments in this sector. We do not want to be supervised by administrators because this will constrain our knowledge creation".*

This key perception of the new organisational form represents a view that the new organisational form was a tool for devaluation of competency units' practices. The new organisational form therefore represented a hinder to transformation because it was a threat to these units' future practices.

This section's presentation of the perceived hinders and facilitators represented by the reform have shown that during the course of the three

sub-processes, communication of social obligations affected transformation either negatively or positively. However, findings also indicate that as long as the two types of social obligations communicated were relatively consistent, transformation increased.

6.1.2 Local level entrepreneurship
The second mechanism identified is *local level entrepreneurship* which indicates that the positive effects of reform increase as a result of unit and individual level entrepreneurship.[20]

From the longitudinal account local level entrepreneurship affects transformation of practices in the management of legitimacy and management of behaviour processes, but not in the management of inconsistency process. More specifically, local level entrepreneurship explains lack of transformation of competency units' practices in the management of legitimacy process. In the management of behaviour process, however, local level entrepreneurship explains both transformation and lack of transformation at the unit level. As it will be shown it explains why competency units actually did transform their practices at last in the third process. Moreover, it also explains why the transformation of practices in policymaking units slowed down in this third process, after previously showing signs of transformation.

In a cross-sectional account local level entrepreneurship seems to have had positive effects on transformation of practices in three ways:
(1)It seems to have had a positive effect independent of any inconsistency between social obligations toward external stakeholders and future practices. (2)The positive effect of local level entrepreneurship seemingly also increases the positive effect of similar actions in a later process.[21] (3) Positive effects from it appear independently of the type of local level entrepreneurship in previous processes. A more detailed description of empirical findings that reflect the effects from this mechanism on transformation of operational practices, is explained below.

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[20] With entrepreneurship I mean actions that represent informal ways through which collaboration and interaction in the organisation are facilitated, even in cases with much overlapping formal arrangements.

[21] i.e. the management of behaviour process

Unit level entrepreneurship
The analysis indicates two types of unit level entrepreneurships that explain why changes in operational practices occur as the result of the different sub-processes. Respondents reported unit level entrepreneurship as either (1) bottom-up administrative procedures entrepreneurship or (2) informal unit interaction entrepreneurship.

One aim of the new organisational form was to replace traditional bureaucratic administrative procedures with flexible administrative procedures organised around tasks and activities. Division of labour was made more flexible through the structural split, and was intended to should result in a "constructive imbalance" between policymaking and competency units. The new organisational form, however, did not predefine how the concrete division of labour between these units should be. It should be redefined in each case in accordance with existing knowledge and expertise, the individual expert, and the expert's unit. The new organisational form was also meant to decrease rigidity and inefficiency in decisionmaking and use collective resources more effectively.

The implementation of these key organising principles did not increase effectiveness and efficiency of operational practices as planned, and the constructive imbalance of the organisational form did not decrease over time. The top management's passive role in the management of legitimacy process was not appreciated by the lower managerial levels in the hierarchy. Furthermore, the top management did not focus on the bridging of the two first processes, with the effect that the formal legitimacy of the new organisational form was not aligned with the emergent developments in practices in this second process. Top management took a passive role in the management of legitimacy processes because they believed that this would give space for the selforganising aspects as laid out in the new organisational form, which implied that top management did not actively bridge the management of legitimacy and management of behaviour processes. For example, top management delegated the implementation to the HRM-unit. Top management acted in the management of behaviour process as if implementation of the new organisational form managed itself at the micro level because the organisational form was already formally legitimated at the organisation level in the management of legitimacy process. The legitimacy of the new organisational form was considered by the top management as a facilitator for transformation in the management of behaviour process, because of the broad representation

of interests in the decisionmaking at all levels prior to implementation in the management of inconsistency process.

The top management's passive role in the bridging of different processes represented a vacuum for the larger transformation process. This vacuum eventually leads to different developments of the transformation of operational practices in competency and policymaking units. Competency units bridged the three processes through the establishing of informal fora across competency units in which authority and case ownership issues could be resolved. Policymaking units, however, did not establish such collective and informal arrangements. Their way of bridging the different processes is, however, better represented by entrepreneurship at the individual level.

Individual level entrepreneurship
The analysis indicates that the effect of individuals' entrepreneurship for transformation of organisational practices was seemingly most important in the management of legitimacy process. To the extent that individual's entrepreneurship can be identified, individuals' entrepreneurship contributed to transformation of organisational practices because it facilitated the micro level adaptation of an already known, and externally legitimate organisational form. Individuals' entrepreneurship, however, did not seem to influence the bridging of the two processes of macrolevel institutionalisation of the reform and the legitimating of the new organisational form at the organisational level. At the microlevel, however, respondents considered developments in individual's commitment and expectation toward the new organisational form as a facilitator for transformation of organisational practices.

The role of individual level entrepreneurship in the management of legitimacy process is represented by individual managers changing the view of what their role was in this process. Policymaking unit managers felt that the top management was naïve when withdrawing from the bridging of the two processes as this second process emerged. The top management's intention to bridge the two processes by giving room for the selforganising principles in the new organisational form was by policymaking units' managers seen as a facilitator for transformation of practices. Managers in competency units, however, felt that they where "betrayed" by the top management in this process, and that this was a hinder for transformation. Even though the participation in formal decisionmaking formally legitimated the new organisational form, these managers saw it as if they were left alone in a discussion with policymaking units over what was actually the more effective way of

producing and delivering services. Managers in both groups of units found that the concrete bridging, and therefore also the transformation process at large, was in an unclear and unresolved position.

The varying role of individuals' entrepreneurship for transformation of organisational practices in the different processes was the result of how different ideas of the new organisational form were communicated within the organisation in the different sub-processes. Individual policymaking and competency unit managers had different opinions of the new organisational form in the management of legitimacy and management of behaviour processes. Individual managers' ideas of the organisational form ranged in the more extreme cases from seeing it as a tool of professional devaluation within competency units, to a tool of increasing their professional authority in policymaking units. These different ideas were communicated in different ways by individual managers within the organisation. The effect of individual level entrepreneurship as a mechanism able to describe how different processes were bridged, was particularly evident in the transformation of competency units' practices.

Managers in competency units revealed an increasing interest towards the organisational form as an idea concerning how it would increase autonomy, and subsequently create more interesting jobs for their employees. The changes in such ideas helped the informal bridging of the two last processes. One example of individual level entrepreneurship reflecting developments in ideas at the micro level, was competency unit manager's initiation of a redesign of the format but as well the content of the contracts that regulate unit interaction. Another example is how managers in competency units reported that they use new routines that were in accordance with the new organisational form in administrative procedures, even though the informal and personal relationships of the old model represented an equally effective alternative for administrative procedures. A third example is how individual competency unit managers' careful exploration of possibilities embedded in the new organisational form developed further to slowly become a part of the collective operational practice in these units. More specifically, the concrete administrative procedures of managers in competency units in the management of behaviour process focused more on the alignment of new routines to individuals' and collectives' existing practices, rather than the opposite which had been the situation in the management of legitimacy process.

These examples of individual level entrepreneurship represent a strong informal signalling of how new routines would enhance these units' competitive advantage compared to public and private service providers in the sector. Furthermore, competency unit managers' individual entrepreneurship also indicates that beliefs about what was enduring, central and distinctive characteristics of their practices over time became significantly less ingrained in existing practices, than was the case in policymaking units.

This section's presentation of the perceived hinders and facilitators represented by the reform has shown that during the course of the management of legitimacy and management of behaviour processes units' and individuals' entrepreneurship explains both transformation and lack of transformation. However, the positive effects of previous local level entrepreneurship for transformation in one process are seemingly reinforcing the positive effects of local level entrepreneurship in a later process.

6.1.3 Ecological effects
Ecological effects are identified as the third mechanism that influenced transformation of operational practices in the Directorate. With ecological effects I understand the way that units changed their responses over time because other units changed their practices, even though these different units' had fundamentally different interests and ideas.

In a longitudinal account ecological effects affect transformation of practices in the management of legitimacy and the management of behaviour process, but not in the management of inconsistency process. Such a longitudinal pattern is similar to the pattern identified for local level entrepreneurship. However, the longitudinal pattern of ecological effects is different from communication of social obligations. The latter affected the outcome of all three processes, whereas ecological effects only affected the outcome of the management of legitimacy and management of behaviour processes. More specifically, ecological effects negatively affected negatively competency units' transformation of practices in the management of legitimacy process. By contrast, ecological effects positively affected the transformation of competency units' practices in the management of behaviour process.

From a cross-sectional account this mechanism may have positive effects on transformation of operational practices in three ways: (1) Ecological effects seem to have a positive effect independent of the level of

inconsistency between the reform and existing organisational practices. (2) Ecological effects on transformation of operational practices in one process reinforce transformation in later processes if a majority of the units in the organisation transform their practices. (3) Ecological effects increase transformation of units' operational practices if the operational practices of units that the individual unit depends on are transformed. Two types of ecological effects are identified: responses in neighbouring units and responses in a majority of other units in the organisation. I will start by elaborating the first type of ecological effect.

Responses in neighbouring units
In the management of legitimacy process responses in neighbouring units positively influences transformation of organisational practices. This effect is explained by the fact that the responses by neighbouring units released the ambiguity of the single units' own practices. As a result of the introduction of the new organisational form in the first process in 1995, i.e. the management of inconsistency, more ambiguous organisational practices emerged in the management of legitimacy process. The ambiguity was a product of the inconsistency between the existing practice and the new organisational form, an inconsistency which developed into a competition over status and authority between different units in the management of legitimacy process.

In the management of legitimacy process, the main principles driving the responses in the competency units were decoupling of organisational form and operational practices. Furthermore, actions were mostly guided by a different set of internal institutional identities, rather than by the quasi-market reform as a norm of action. By the end of the management of legitimacy process, transformation of practices in competency units revealed a similar pattern as the one identified for policymaking units in the management of inconsistency process, and indicated that the competency units tended to adapt to the organisational form only at a minimum level. Responses in neighbouring units were considered as a facilitator for increase legitimacy and secure support from top management and governmental authorities, but as a hinder for transformation of practices.

Transformation of operational practices in policymaking units developed in another direction in the management of behaviour process. Managers in policymaking units also reported, as in competency units, responses that indicated a minimum level adaptation. Policymaking managers, however, reported another type of operational practice than in competency units. Even though managers in both types of units reported

similar responses, policymaking managers reported reform posing as a form of adaptation. In other words, the responses of neighbouring units were considered a hinder for transformation of practices. The new organisational form was in use by some individuals, but had not become part of the shared and collective operational practice. Furthermore, these reform posing operational practices encoded a tendency to fall back into old routines when possible as long as neighbouring units revealed a similar inconsistency response pattern.

The effect of neighbouring unit responses for transformation of a single unit's operational practices, however, seemed to be reversed when the type of response toward the new organisational form that the unit deploy is controlled for. For example, policymaking units with neighbouring units that deployed consistency responses reported developments in operational practices that were systematically different from competency units. More specifically, the analysis showed that developments in a policymaking unit's practices were systematically different from other policymaking units that were physically placed in a work environment dominated by competency units with the opposite response (i.e. inconsistency response)

Responses in the majority of units in the organisation
In the management of behaviour process the actions in policymaking units changed from consistency to inconsistency responses, and practices changed from reform practising to reform posing. In this process, signs of frustration emerged within the policymaking units. The change in responses and lack of transformation of practices were surprising because these policymaking units clearly had been in a flow situation that involved transformation of operational practices in the previous management of legitimacy process. As one ground level employee stated:

"I have started to realise something. My job is now to be a controller and make sure that we get the most out of the money spent in the unit his sector. But, I don't like it. It is too limited".

Policymaking units had slowly changed their perception of the model from something positive to a metaphor for impoverishment of their profession. However, the responses of the majority of the other units in the organisation were considered by respondents as important for such a development. At this time, the main principles driving the actions in policymaking units were characterised by a loose coupling between the new organisational form and operational practices. When a majority of units in the organisation responded as if the new organisational from was less than effective and therefore also not legitimate, policymaking units

saw this as a hinder for transformation of practices, even though their own practices would benefit from such a transformation by increased status and professional authority.

The role of other units' responses for transformation of a single unit's operational practices revealed a different pattern in competency units. At the beginning of the management of behaviour process practices were still more influenced by the ideas about high quality services, than market-orientation criterias. By the end of this process, however, the transformation of practices in competency units developed in a new direction. Respondents in competency units considered actions that indicated a turn from inconsistency to consistency responses, and reported practices that were more characterised by reform practising than reform posing. In the previous process, the management of legitimacy, these units tended to adapt to the new organisational form only at a minimum level in order to secure legitimacy and support from top management and user groups. However, transformation of practices in these units had not been identified in the two earlier processes.

This section's presentation of the perceived hinders and facilitators represented by ecological effects have shown that the effect of other units' responses for changes in a single unit's operational practices was positive, when a majority of other units executed responses that subsequently increased, and not decreased transformation of practices. More specifically, ecological effects decreased the ambiguity of the individual unit's operational practices. This positive effect of ecological effects, however, appeared to be independent of the type of response that the unit itself deployed. Hence, a single unit's evaluation of the effectiveness of its own operational practices was strongly related to the majority of other units' responses.

6.2 Mechanism pattern – concluding remarks: Institutionalisation that matters for organisational transformation

The analysis indicates three mechanisms that interconnect a transformation episode, organisational processes, and organisational outcomes. The mechanism pattern has indicated that the transformation of the practices of the Directorate, with its large size and complex functioning, raise two dilemmas for providing more complex institutional explanations on how reforms influence organisational practices. One dilemma reflects the benefits of institutionalisation for

organisational transformation over time. The other dilemma relates to the cross-sectional account of the role of institutionalisation for organisational transformation.

With regard to the benefits of institutionalisation for transformation, the mechanism pattern indicates that such benefits are dependent on changes in organisational ideology that appear during the sub-processes. These changes facilitate the bridging of institutionalisation processes at both macro, organisational, and microlevels. The longitudinal account of the mechanism pattern indicates that in the implementation of a new imposed organisational form, it appears to be difficult to create zones of institutional flexibility for transformation. Such zones are important for two reasons: First, their are necessary to allow a careful but at the same time radical exploration of the new organisational form's effects at both individual and unit levels. Second, they must be perceived as sufficiently open and safe for new ideas that support, and slowly legitimate new practices in the units to appear. These longitudinal relationships are illustrated in the following figure:

Mgt of inconsistency \ *Mgt. of legitimacy* \ *Mgt of behaviour*

Social obligations
stakeholders

Social obligations
future practices

Social obligations
future practices

Individual level
entrepreneurship

Neighbour unit
responses

Majority of
unit responses

Unit level

Social obligations
future practices

Transformation of
operational
practices
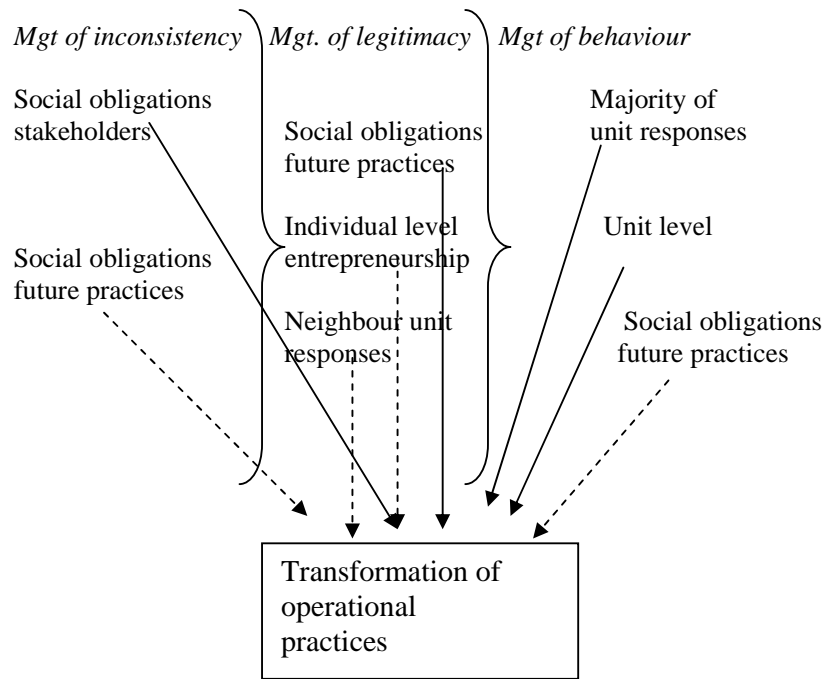
--------- = negative relationships
_____ = positive relationships

*Figure 6.2. Institutionalisation that matters: The bridging of reform,
institutionalisation processes, and organisational outcomes over time.*

In addition to the dilemma of creating zones of institutional flexibility,
the longitudinal account also represents the dilemma related to the cross-
sectional relationships that explains the overall mechanism pattern, i.e.
the role of instiutionalisation aggregated to the organisational level of
transformation.

The cross-sectional account of the mechanism pattern sheds light on how
various institutional processes are a natural part of organisational
transformation, and that these processes are time consuming. How long
it will take to create consistency between reforms and operational
practices therefore depends on how the organisation perceives the needs

for transformation of its practices. The cross-sectional explanation of the mechanism pattern must therefore provide relationships that are capable of isolating the long-term effects of the reform variable. Furthermore, these cross-sectional explanations of the mechanism pattern also underline that it is important that changes in organisational ideology that appear at both individual and unit levels are allowed to emerge, to influence, and be incorporated into the different organisational processes. These changes in ideology should be treated as signs of exploration and not necessarily as resistance. Hence, cross-sectional relationships should therefore also aim at isolating the multiple effects of the different ideology variables.

The cross-sectional account explaining how the different mechanisms represent the relationships between reform and organisational ideology, is illustrated in the following figure:
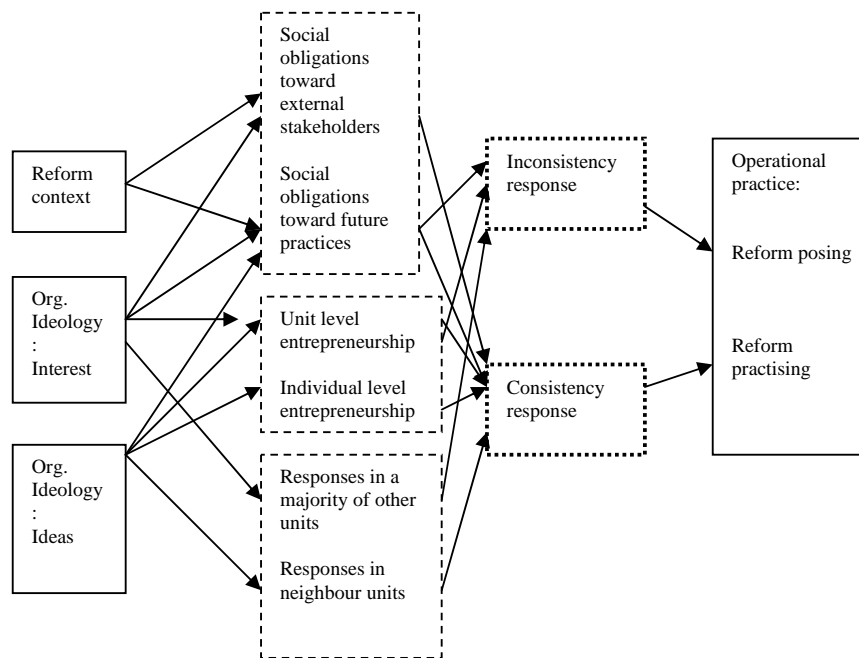
Figure 6.3. Institutionalisation that matters: Cross-sectional relationships between reform, organisational ideology , and organisational outcomes.

The two accounts of the mechanism pattern (i.e. the longitudinal and the cross-sectional) explain different ways in which the transformation

episode, the processes, and organisational outcomes are interconnected in the case of the Directorate. Hence, they also illustrate that the possibility that transformation of practices will occur as a result of a new imposed organisational form, is not only dependent on the level of inconsistency between reform and existing practices at the time of launching of this reform, but are also influenced by the multiple effects of changes in organisational ideology during the process(es) that follow from this event.

6.3 The benefits of institutionalisation for organisational transformation: The role of reform and organisational ideology

6.3.1 Conceptualisation of organisational transformation

The mechanism pattern indicated, reveals important insights for how the concept of organisational transformation should be defined and measured. I will start with implications from the mechanism pattern with regard to how this concept should be defined.

I defined in chapter 2 the process approach of the thesis as related to the whole set of relationships between a process subject (e.g. a reform), process elements (e.g. the processes of adaptation, internalisation, and socialisation), and process outcomes (e.g. transformation of practices) (see figure 2.3 and 2.4). Together the whole set of relationships represents the phenomenon of organisational transformation. This conceptualisation was built on a combination of restricted outcome research that has emphasised the relationships between a process subject and process elements, and living process research that has emphasised the relationships between process elements and process outcome. The mechanism pattern indicated in this chapter suggests three ways in which the set of relationships varies over time and cross-sectionally. The mechanism pattern emerges from a combination of the practice and process accounts in the present case study, and relates relationships between different theoretical emphases in the two institutional approaches. Restricted outcome research has focused on the relationships between causes for and direct effects of institutionalisation, whereas living process research has focused particularly on a variety of different institutionalisation process and some of the outcomes of these. The present mechanism pattern, however, focuses on all these relationships:

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┌─────────────────┐     ┌─────────────────┐   ┌──────────┐    ┌─────────────────┐
│ Causes of       │ ◄─► │ Institutionali- │◄─►│ Direct   │◄─► │ Organisational  │
│ instiutionali-  │     │ sation          │   │ effects  │    │ outcome of      │
│ sation          │     │ processes       │   │          │    │ instiutionali-  │
│                 │     │                 │   │          │    │ sation          │
└─────────────────┘     └─────────────────┘   └──────────┘    └─────────────────┘
         ▲                                                              │
         └──────────────────────────────────────────────────────────────┘
```
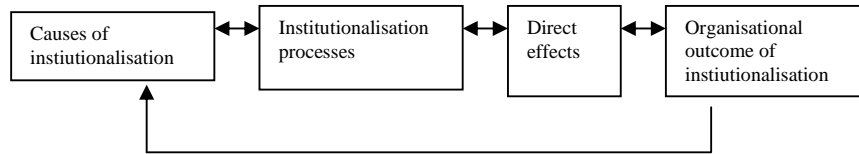
Figure 6.4 The role of institutionalisation in organisational transformation

I suggested in chapter 1 that organisational transformation should be defined as the situation were actors in the organisation themselves experience changes that have affected what they perceive to be the core of their practices, i.e. what they do, how they do it, and why they do what they do. This means that organisational transformation has happened when organisational members experience transformation of how they deliver and produce services. More specifically, organisational transformation can be identified when changes have affected perceptions of their customers, the goal of their work, their leadership styles and service delivery focus.

The overall mechanism pattern has implications with regard to how organisational transformation differs from organisational change. Organisational transformation, as identified in the case of the Directorate, does not presuppose a view of reforms purely as a means by which specific objectives can be accomplished. How such reforms influence organisational practices is not only a result of some general objectives such as reform in the shape of a plan and design, but also the bridging of institutionalisation processes across levels and over time. Based on the overall mechanism pattern, organisational transformation is conceptualized as a larger process in which reforms aim at changing organisational practices. Finally, both reform process characteristics and different organisational variables are involved in this larger process. The following figure illustrates how the findings shed light on how organisational transformation relates to organisational change in a institutional approach:
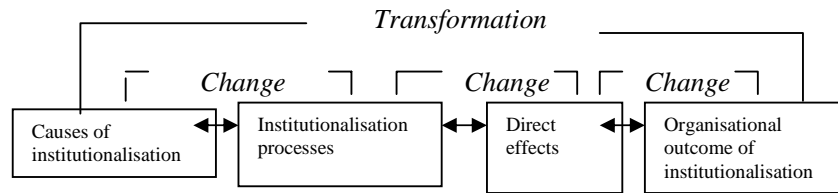
Figure 6.5 Conceptualisation of change and transformation in institutional organisational analysis

The phenomenon of organisational transformation as described by the mechanism pattern, for example, links organisational changes to other than transformation of organisational practices. The restricted outcome research applied to the analysis of how reforms influence organisational practices in the case of the Directorate, has to a greater extent emphasised changes in organisational form variables such as formal structure, size, ownership, and functional setting than changes in organisational practices. Furthermore, this literature also suggests that changes in such variables are less likely to create *transformation of* how organisations produce and deliver services. Reasons for this are the existence of direct effects such as decoupling and isomorphism (Meyer and Rowan 1977). Similarly, living process research suggests that the direct effect of institutionalisation in the form of organisational hypocrisy (Brunsson 1989) and normative matching (Brunsson and Olsen 1993) creates changes, but not transformation of organisational practices. Another example is the living process conceptualisation of organisational transformation by Forsell and Jansson (1996). These authors define organisational transformation as when '…an organization exchanges its old form for a new one' (Forsell and Jansson 1996: 92). However, a transformation of organisational practices is more fundamental than organisational change represented by transformation of organisational form. The question of how reforms influence organisational practices as its has been studied here, is then useful for analysis of the more fundamental organisational transformations that reform processes aim at.

The overall mechanism pattern identified in the case of the Directorate has illustrated how reform processes represent a radical context of organisational transformation. It is radical because the goal-directed actions to generate new operational practices conflict in fundamental ways with existing practices. Reform processes are also good examples of a radical transformation context because the intentional actions to generate new practices are in most cases more or less coercively

pursued. Restructuring of both institutional and technical environments is imposed on the organisation through legislation. Demands for new ways of operating are driven by the imposing of new organisational forms. Finally, some reform processes are more radical in the way that intended transformation of practices is more in conflict with existing practices than in other reform processes.

The overall mechanism pattern identified in this case study then also represents more complex institutional explanations. The complexity of these mechanisms increased with causes for, direct effects of, and organisational outcome of institutionalisation as predicted by the two institutional approaches. The present mechanism pattern therefore also helps identify empirically how organisational transformation is different from organisational change in the public sector, and how change itself cannot be analysed without regard to the degree to which actual transformation of organisational practices occur.

This conceptualisation of organisational transformation in the public sector is placed clearly within the institutional analysis of organisations. The institutional analysis represented by the overall mechanism pattern of the Directorate is, however, different from restricted outcome and living process approaches. The institutional process approach represented by that the three mechanisms, is different because it focused on how actors in the organisation perceive the reform and respond to the fundamental changes in the environment (i.e. quasi-market reform in the Public road sector), to changes in organisational form (i.e. the new organisational form in the Directorate) and to developments in their own and others' practices.

An even more open institutional approach could have been applied on the case of the Directorate. The mechanism analysis could have included both how changes in politics and changes in customer behaviour influence organisational practices. These relationships, however, are not covered by the three mechanisms resulting from the analyses performed on the case data. The institutional process approach represented by the overall mechanism pattern reflects that organisations are more than an instrument for expert's attempts at changing organisational forms as suggested by the design approach. The overall mechanism pattern helps explain empirical relationships between institutional assumptions previously suggested in the two different institutional approaches.

One example of how the three mechanisms represent more complex institutional explanations than those already existing, relate to key

theoretical assumptions of why and how organisations exist. The overall mechanism pattern has helped identify empirical relationships that interconnect the theoretical arguments that organisations are themselves reformers as suggested by Brunsson and Olsen (1993), that organisations produce ideology as suggested by Brunsson (1989), and that organisations possesses an institutional identity (i.e. a basic set of values, interests and opinions) as suggested by Cznarniawska and Sevon (1996). How organisations themselves are reformers are illustrated by how transformation is dependent on changes in ideology, and the ways in which processes at micro and organisational levels affect adaptation of reform at the macro level.

Another example is related to the empirical exploration of the benefits of institutionalisation for organisational transformation. The three mechanisms indicate empirical relationships, longitudinal and cross-sectional, that are able to explain in what *specific* ways insti-tutionalisation is beneficial and not only a hindrance for organisational transformation. The three mechanisms indicate that an analysis of the benefits of institutionalisation presupposes that also organisations, and not only individuals, are actors. Furthermore, since organisations act they also exist. Finally, the three mechanisms indicate that institutional analyses should re-direct the focus of analysis from the macro level in restricted outcome research, and from the micro level in living process research, toward organisations as the unit of analysis.

Re-directing the focus of institutional analysis from the macro and micro levels to the organisational level, relates to how organisational actions should be incorporated in the institutional explanations. Restricted outcome research shows that organisations act fairly rationally in light of widely held norms (e.g. DiMaggio and Powell 1991). At the same time they are also soft actors acting in light of general beliefs and socially defined identities (e.g. Cznarniawska and Sevon 1996). The three mechanisms identified in the case of the Directorate represent more complex institutional explanations because they suggest that in situations of organisational transformation, organisational actions are multi-dimensional and changeable over time, rather than static and one-dimensional based on rational actions or soft actions. The mechanism pattern suggests that the multidimensional and changeable aspects of organisational actions in different ways standardise the interaction sequence (i.e. institutionalisation process) that helps institutionalise market-orientation of organisational practices in the public sector. Furthermore, the mechanism pattern also denotes that the relationship between reform and organisational practices in the public sector is the

result of cumulative rather than independent institutionalisation processes outside and within organisations.

So far in this section I have identified ways in which that the mechanism pattern addresses issues of how organisational transformation should be defined. The overall mechanism pattern also has some particular implications for how transformation of organisational practice should be *measured.* The overall mechanism pattern suggest that to provide more complex institutional explanations on how reforms influence organisational practices, transformation of organisational practices should be measured in two ways: First, transformation of organisational practices can be measured over time as variations in how members of the organisation experience changes in what they perceive to be the core of their practices (e.g. perceived changes in administrative procedures and unit interaction) that has affected what they do, and how and why they do it. Secondly, transformation in organisational practices can also be measured indirectly as the cross-sectional relationship between the ideal type of practices that a reform aims at, and the existence of these idealistic practices.

The different measures of organisational transformation that underlie the three mechanisms identified in the case of the Directorate show that transformation of organisational practices is most reasonably the result of how organisational members perceive and evaluate the reforms and their consequences, relative to how they describe stabile patterns of their operational and strategic practices. Thus, the overall mechanism pattern, and the various measures that this is based on, theoretically and empirically validates the relevance of the overall research problem of this thesis. In other words, the overall mechanism pattern validates the argument stated in chapter 2 that *organisational transformation should be identified only when transformation of organisational practices can be identified*.

The conceptualisation of organisational transformation in the public sector that emerges from the overall mechanism pattern has implications for the potential role of the two variables of reform and organisational ideology for transformation of organisational practices. The baseline model of institutionalisation that the overall pattern of mechanisms represents with regard to these two variables, implies that these variables should be defined in particular ways. I will start with outlining how the variable of reform should be conceptualised to provide more complex institutional explanations on how reforms influence organisational practises.

6.3.2 The role of reform

By *reform* is meant "…deliberate goal-directed choices between alternative organisational forms" (Brunsson and Olsen 1993:1 see chapter 1&3). Other open systems literature has defined organisational forms as decisions about the configuration of the formal organisational arrangements, including the formal structures, processes, and systems that make up the organisations (Nadler and Tushman 1997). These authors use the term organisation design. However, evaluated against the type of fundamental change that Brunsson and Olsen (1993) explore, I conclude that by organisational form is meant allencompassing changes in the functioning of a public organisation. Reforms that aim at influencing organisational practices through changes in organisational form, have in previous studies included elements such as the transition from a public utility to a public company (Martin and Parker 1997), a transformation from a budgetary to business control system (Osborne and Gaebler 1992), from bureaucratic to a market-oriented mode of service provision (Considine and Lewis 1999), and from public administration to public management managerial styles (Behn 1991).

In the empirical analysis of the Directorate, the reform variable was treated as a contextual variable. However, with the definition of reform that the analysis of mechanisms in the case of the Directorate was based upon, different reforms can be identified with regard to the different goal-directed choices among organisational forms represented.

The analysis of how reforms influence organisational practices in Norway therefore represents a reform variable that has two values. Defining the reform variable as different goal-directed choices among different organisational forms is useful in differentiating between radical and moderate reforms. This differentiating is possible without decreasing possibilities for capturing the more complex institutional explanations.[22] The mechanisms identified by the analysis of the Directorate capture the complex relationships between a *moderate* reform, organisational processes, and particular outcomes. From these mechanisms one may also suggest that a reform should be defined as moderate when it has objectives that are less in conflict with existing organisational practices. The 1993 quasi-market reform in public roads in Norway is therefore an example of a moderate reform. Other reforms, both in OECD countries

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[22] Reform is in this context not seen as a categorical variable. A reform can be classified as more or less radical or more or less moderate. In Norway, which is a cautious mover context, reforms have mostly been rather moderate than radical (Olsen and Peters 1996).

as well as in Norway, have objectives that one may reasonably assume to be even more inconsistent with existing organisational practices than in the case of the quasi-market reform in the Directorate.

This case study started out with a definition of reform as goal-directed choices between alternative organisational forms. However, the mechanism pattern revealed that such a reform definition is based on the reform's effects in the aggregated world of public sector transformation, rather than on the level of *organisational* transformation. The mechanism pattern identified in the Directorate has identified empirical relationships that underline that public organisations live in micro worlds with concrete immediate events. The mechanism pattern suggests that a coupling between reforms as processes and organisational practices as outcomes of such processes, appears neither (a) because the institutional conditions surrounding the organisational processes restrict the possible outcomes, nor (b) because the various institutional processes within organisations themselves create the outcomes produced. From the mechanism pattern identified one might therefore conclude that *radical* reforms are recognised by having objectives that are not only inconsistent with, but also almost incompatible with, existing organisational practices. One example of such a radical reform would then be the 1991 market reform in the electricity supply sector in Norway.[23]

The mechanism pattern identified in the case of the Directorate not only provides more complex institutional explanations with regard to how the reform variable should be defined, it provides more complex institutional explanations with regard to the different ways in which reforms influence organisational processes and outcomes in the public sector. These relationships are captured in the empirical relationships between reform and organisational ideology. The mechanism pattern in the case of the Directorate thus has implications for the definition and measurement of organisational ideology variable.

6.3.3 The role of organisational ideology
I started out with the definition of ideology as the interaction between interests, ideas, and practices as suggested by Brunsson (1989) and Holm (1995). The mechanism pattern has identified a stable structuring of the relation between these variables. The stable structuring of ideas and interests on the one hand and practices on the other hand, reflect the particular institutional aspects of an organisation as suggested by March

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[23] The effect of this reform for transformation of organisational practices is therefore the subject of analysis in the next two case studies.

and Olsen (1995) and Brunsson and Olsen (1998). The variable of *organisational ideology* was in the mechanism analysis identified as an intermediate phenomenon and a variable that works as a filter through which reforms are understood and acted upon. Similarities can in this way be drawn between the concept of ideology on the one hand and organisational culture (e.g. Hofstede 1993) and organisational identity (e.g. Albert and Whetten 1985) on the other hand. The intermediate role of ideology indicated by the mechanism pattern, is more useful for capturing the relative influence of normative and cognitive processes for how reforms influence empirically observable transformation of organisational practices. The relative influence of these two types of organisational processes is not captured by the concepts of organisational culture and identity.

Organisational ideology in public organisations has previously been described as appearing at the individual level within the organisation, such as the manager's general beliefs, organisational stories, linguistic symbols, and as ceremonial behaviours at the organisational level (Meyer 1982). The relationship between interests and ideas appears as the complex and interactive relationship in which interests form ideas and ideas constitute interests (Holm 1995: 418). Furthermore, actions reflecting these two dimensions of ideology may be distinguished as (1) guided by institutions or (2) actions aimed at changing or defending institutions (Holm 1995: 418). The mechanism pattern identified in the case of the Directorate suggests that organisational practices should be treated as an institution. The particular types of organisational actions of interests are those aimed at changing or defending the existing institution, which in this study were the existing organisational practices. The longitudinal mechanism account has identified empirical relationships that shed light on Holm's (1995) suggested interaction between interests, ideas, and practices. However, where Holm (1995) focused on ideology at the sector level, the present case study focused on ideology at the organisational level. More specifically, the cross-sectional relationships between institutional processes at different levels of analysis explain why and how actors act as they do to defend or to change existing practices at the level of the *organisation.*

The importance of cognitive versus normative processes for how reforms influence organisational practices has been emphasised differently in research that can be associated with the restricted outcome and living process approaches (Meyer 1996, Johannsson 2002). The mechanism pattern indicates that the normative dimension of organisational ideology is represented in *interests*. In the case of the

Directorate, the interest dimension of organisational ideology reflects actions that organisational actors involve in because they believe these actions are understandable to their environment, to user groups and to reform designers. Based on the cross-sectional mechanism account, changes in such interest variables are represented by the installation of a new organisational form, the design of the formal decisionmaking, and structural adjustments of the organisational form.

The mechanism pattern indicates that the cognitive dimension of organisational ideology is represented in *ideas*. In the case of the Directorate, the idea dimension of organisational ideology reflects actions that organisational actors involve in because they see these actions as natural and meaningful to themselves and to other members of the organisation they see themselves as affiliated with. The cross-sectional mechanism account indicates that changes in these idea variables are represented in differences in organisational members' commitment to and expectations about a reform. Hence, cognitive influences on organisational actors and their actions may also be reflecting the differences in actors' organisational history, and current position, as well as educational background. Measurements of the role of ideology for how reforms influence practices with regard to actions motivated by idea variables may then also be represented by variables such as differences in managers' demography.

From the restricted outcome and living process research we know that reforms generate inconsistencies between institutional environments and organisational practices. From the two mechanism accounts summarised in figure 6.1 and 6.2 the effect of reform must be traced in empirical analysis as the result of more complex institutional mechanisms. One research strategy available for this purpose would be to focus on (1) the relative influence of different idea and interests variables and (2) the effect of changes in these variables. Future research would benefit from not focusing on direct effects of institutionalisation such as decoupling or hypocrisy as a stable property of how an organisation functions. Future institutional research on organisational transformation would benefit from focusing on how and in what order different organisational ideology variables may facilitate necessary transformation of organisational practices over time. Both these operationalisations of the role of ideology are examples of how the mediating effect of organisational ideology can be modelled for empirical analysis.

In this section I have discussed implications of the overall mechanism pattern that are relevant for the role that the variables of reform and

organisational ideology may have in an institutional analysis of organisational transformation. The mechanism pattern provides findings that support my arguments that differences in reform not necessarily produce differences in organisational practices, and that organisational ideology mediates the effects of reform. More specifically, the mechanism pattern suggests that relationships between reform and transformation of organisational practices may be explained by the mediating effects of ideology in terms of (1) the relative influence of interest and idea variables, and (2) changes in such ideology.

The proposed relationships between reform, organisational ideology, and organisational practices that I suggest in this thesis have not been brought consistently to the centre of restricted outcome and living process research. Studies that empirically explore such relationships will therefore contribute positively to our understanding of organisational transformation and provide more complex institutional explanations. To appropriate multiple effects of changes in organisational ideology for empirical exploration has, therefore, been one of the primary concerns in the development of the second study presented in chapter 7. Another concern has been to design a study that provides data on how these relationships differ depending on the type of reform studied. This concern has been important in the design of the study presented in chapter 8.

In the three last sections I have discussed the overall mechanism pattern in the Directorate to indicate implications for the conceptualisation of organisational transformation. I have also indicated implications from the mechanism pattern on the role of reform and organisational ideology in the empirical exploration of the benefits of institutionalisation for organisational transformation. The reconciliation in this chapter is important because it has identified areas where restricted outcome and living process research can be combined, even if each by itself, is an insufficient explanation of organisational transformation. This theoretical ambition was important for the development of the two subsequent studies. Consequently, the review of results from the mechanism pattern identified in this chapter, is also used to effectively appropriate several dimensions of the research problem for further empirical analysis.

6.4 Overall case study conclusion

The case study of the Directorate of Public Roads aims at identifying organisational conditions under which a new imposed organisational form transforms its practices. Chapters 1 and 2 presented theoretical

arguments drawn from the restricted outcome and living process approaches. From both restricted outcome and living process research one may assume that a new organisational form that is imposed on an organisation cannot transform its practices. The restricted outcome approach suggests that strong institutional pressures legitimating the particular new organisational form is a predictor for the decision to implement the new organisational form, but not a predictor for transformation of organisational practices. Thus, transformation of organisational practices would not be a result of such implementation. The living process approach suggests that if a new organisational form was consistent with existing internal institutions, this would be a strong predictor for the decision to implement a new organisational form. To some degree, this would also indicate that prospects for transformation of organisational practices increase. The likelihood of such prospects to emerge is, however, limited.

The three analyses performed on the data in this study indicate that a new organisational form that is forced on a organisation will transform the organisation's practices. The consequences of a moderate quasi-market reform on organisational practices are a complex function of time and direct and indirect relationships between interest and idea variables representing changes in organisational ideology. Furthermore, such ideological changes are seemingly a precondition for transformation of operational practices.

Table 6.3 presents details of the findings that together justify this overall case study conclusion:

Questions	Results
Research question: Will a new organisational form that is forced on a organisation transform organisational practices?	Transformation of organisational practices is a complex function of time and direct and indirect relationships between social obligations embedded in the reform, local entrepreneurship, and ecological effects. These functions reflect differences and changes in the two organisational ideology variables of interests and ideas. Such ideological changes are seemingly a precondition for transformation to appear. Hence, organisational ideology is a useful concept for explaining in what different ways a reform and transformation of organisational practices are interlinked.
Sub-question 1: Is it possible to identify transformation of operational practices after the launch of the new organisational form?	Two types of operational practices were identified: reform posing and reform practising. Organisational ideology, interest and idea variables, each uniquely affects variations in operational practices.
Sub-question 2: What mechanisms can be identified that connect the transformation episode and particular sub-processes to particular organisational outcomes?	An overall process pattern of adaptation, internalisation, and socialisation was identified. Three sub-processes of mgt. of inconsistency, mgt. of legitimacy, and mgt. of behaviours were identified. These different sub-processes were bridged by three mechanisms that reflect two types of responses: consistency and inconsistency responses, which again reflect differences and changes in organisational ideology : Organisational ideolology differences related to interest and idea variables at time 1 each uniquely affect variations in operational practices at time 2. Based on these relationships three mechanisms emerged. These are communication of social obligations, local level entrepreneurship, and ecological effects

Table 6.3. Summary of case study findings

Previously in this thesis I presented restricted outcome and living process research that indicate that each public organisation has its own market-orientation career. The independent and intermediate variables included and the hypothesised effect on transformation of organisational practices drawn from the operational practice, process, and mechanism accounts in the case of the Directorate, shed light on this notion. The

case of the Directorate provides findings that contribute to the institutional analysis of organisational transformation in the public sector emphasising two major characteristics.

First, the findings can be explained based on an integration of the restricted outcome and living process approaches with regard to how a reform directs rather than determines processes, and that outcomes are autonomous rather than restricted.

Second, findings can be explained based on integrating restricted outcome and living process research with regard to the mediating effect of organisational ideology on the relationship between reforms and transformation of organisational practices. The cognitive and normative influences that constitute organisational actions during transformation are represented in the larger variable of organisational ideology. Organisational ideology is the filter through which relationships between perceptions of the new organisational form and its effects on the one hand, and transformation of organisational practices on the other hand are integrated.

The results of the three analyses performed on the case data drawn from the Directorate increase our understanding of the transformation episode (i.e. the reform) and the complexity of organisational ideological variables that interact in organisational transformation in the public sector. The following figure illustrates these relationships:

Process subject

Process elements

Process outcome

Interests

(+)

(-)

Quasi-market reform

Operational Practice

(-)

(+)

Ideas
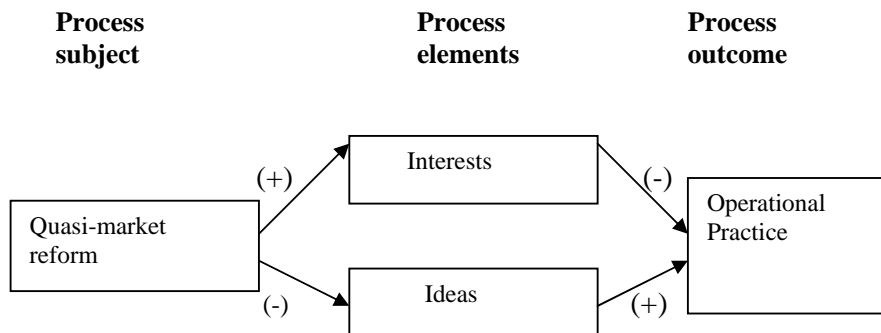
Figure 6.5 Case study conclusion: *Observable implications for the relationships between reform, organisational ideology, and organisational practices during organisational transformation in the public sector over time.*

This first study empirically explored the specific interaction of reform and transformation of operational practices, and the processes that interconnect these two variables. The processes that interconnect a reform and particular organisational outcomes were found to reflect both reform characteristics and changes in organisational ideology. The role of changes in organisational ideology was found to relate both to the interest dimension and the idea dimension of this larger variable. Ideas and interests appear here at different levels of analysis, and changes in these two different dimensions identify empirically a multiple effect of ideology over time.

In order to further develop the knowledge gained in this case study a second and third study were designed. The above summarised case study conclusion is included in the foundation of the two next studies as observable implications for the empirical exploration. The second study aims at disentangle empirically the asserted mediating effects of organisational ideology during transformation. In this second study I am interested in the influence of reform relative to different types of organisational ideology variables, and changes in ideology for variations in organisational practices within one sector. The third study aims at exploring the direct relationships between different reforms and variations in an organisation's strategic practices in two different sectors. These two studies make up the second and third part of this thesis's research process. Results from these two quantitative studies are presented in chapters 7 and 8.

Part Three: The First Quantitative Study

Organisational Transformation in Electricity Supply Organisations

Chapter 7. Organisational Ideology and Operational Practices: The Case of Electricity Supply Organisations

Bring to mind my argument from the beginning of this thesis that becoming a coffee lover, or a market-oriented organisation, involves transformation. I also argued that the number and types of processes a organisation would pass on to become market-oriented cannot be clearly defined from the outset. Chapters 3-6 have shown that the outcomes of such processes are less predictable than assumed in the design approach, and that processes are more autonomous than assumed in the restricted outcome approach, while more directed than assumed in the living process approach. Findings from the study of the Directorate of Public Roads indicate that changes in organisational ideology variables, reflecting different interests and ideas, each affect changes in operational practices in organisations within the context of a moderate reform. However, the latter study lacks opportunities for exploring relationships between a broader set of interest and idea variables and their multiple effects on changes in operational practices.

This case explores the extent to which Norwegian energy utilities have become more market-oriented since the launching of the market reform in 1991: Have they grown to appreciate the functioning of the market? Furthermore, how can the extent to which differences in organisational ideology create systematic changes in organisational practices be explained? The study explores the applicability of the restricted outcome and living process approaches, an ambition which is accomplished by evaluating the relative explanatory power of a set of different organisational ideology variables for variations in organisational practices. The study is therefore designed as a population study based on cross-sectional survey data with the organisation as unit of analysis.

The key finding in this study is that making radical changes in organisations' operational practices takes time. Ten years after liberalisation of the electricity market, only a small majority of

organisations reported operational practices that could be characterised as market-oriented. More specifically, changes in the normative dimension of organisational ideology, for example changes in formal structure, positively influenced operational practices. However, changes in the cognitive dimension of organisational ideology, for example installation of new CEOs with untraditional backgrounds, also influenced operational practices, but with partly reversed effects compared to changes in the normative dimension. These findings contribute to refining the concept of organisational ideology and enhance our understanding of the role of changes in organisational ideology in debates on relationships between institutionalisation and transformation in institutional organisation research.

7.1 The case of electricity supply organisations

Compared to other OECD countries Norway is considered a cautious mover in terms of public management reforms. However, the market reform in the electricity sector in 1991 was an exception. This reform fostered one of the most liberal power markets in Europe at the time. Competition was introduced for generation and trading activities, while the grid companies remained regional or local monopolies. Like most other public management reforms in Norway, the market reform did not include privatisation of public assets. In 2001, 85 per cent of the generating capacity was still owned by the state, counties, and municipalities (Ministry of Petroleum and Energy 2001). The most evident structural effect of the radical market reform has been the corporatisation of former municipal utilities into limited companies. After the reform, more than 70 per cent of all energy utilities are organised as limited companies (2004). Thus, the reform represented a radical shift in the organisation of electricity supply.

The particular characteristics of reform of the electricity supply sector, was presented in chapter 2. The issue of sector transformation has been subject to previous research. Examples are the work by Olsen (2000) and Thue (1996). However, the question of how these organisations transformed its practices has not been investigated. The focus for this analysis is on *organisational transformation* rather than on *sector transformation.* The phases of the larger process of sector transformation identified by research is therefore of little interest to the design of the case of transformation of the electricity supply organisations' practices.

The case of electricity supply organisations is interesting because (1) it makes possible an investigation of what extent organisational practices has transformed as a result of the launching of the radical market reform 10 years earlier, (2) of the relative influence of different ideology variables that mediate the long term effect of this radical reform, and (3) of the multiple effect from changes in organisational ideology variables that may explain variations in operational practices in these organisations. The research question designed for this study therefore explores *which changes in organisational ideology that transform organisational practices.*

7.1.1 Assumptions

Based on the restricted outcome approach presented in chapters 1 and 2, changes in organisational ideology interest variables do not predict transformation of organisational practices. Rather, they are a predictor of formal changes in organisational form. Different forms of such changes may exist. Examples are the installation of new formal structures and new business models. The role of time is here assumed to be important for the analysis of the interest dimension of ideology, which reflects attempts at adaptation in a short-term perspective. The key argument underlying this operationalisation is that organisations are normatively embedded in an historical context of rational myths as suggested by Meyer and Rowan (1977). Furthermore, this historical context of rational myths connects the organisation to a particular set of norms (i.e. culture) at the macro level as suggested by DiMaggio and Powell (1991).

These histories of normative influences on organisational practices are in the restricted outcome research analysed as the relationship between the organisation's sector affiliation and changes in organisational forms such as the variables of formal structure, size, and ownership. These variables represent the actions taken by organisations that are motivated by their own interests to make changes that they believe fulfil social obligations toward external stakeholders. The relationships between reforms as a norm for how organisations should operate, and changes in such organisational form variables then reflect some of the actual ways through which organisational ideology mediate the long-term effect of a reform for transformation of organisational practices. Organisations with many such normative bindings will be more strongly influenced by interest variables in terms of producing changes in organisational form, but no transformation of organisational practices.

Applying the restricted outcome approach to organisational transformation shows that external pressure generates inconsistencies in the

organisation's environment (Meyer and Rowan 1977, Powell 1988) in ways that limit the latitude for making strategic choices (e.g. D'Aunno et al 1990, Oliver 1997). Environmental pressure can also create inconsistency with the effect that conflict between existing organisational practices and dominant norms about the appropriate function of an organisation appears (e.g. Meyer et al 1983, Boeker and Goodstein 1991, Judge and Zeithamal 1992). The assumption suggested by restricted outcome research is that a reform that creates high levels of environmental inconsistency (i.e. at the macrolevel) takes relatively short time to re-integrate through the organisation's normative processes, needs further investigation.

Based on living process research I suggested initially that changes in the idea variables of organisational ideology would create possibilities for transformation of organisational practices if these changes were consistent with internal institutions. Organisations are embedded in an historical context of institutional identities at the micro level as suggested by Cznarniawska-Joerges (1993). Based on this stream of research one might assume that the history of cognitive influences matches the reform with existing organisational practices as suggested by Brunsson and Olsen (1993), rather than matching organisational form to the reform as suggested by restricted outcome research.

To investigate relationships between reform, organisational ideology, and organisational practices drawn from restricted outcome and living process research a radical market reform was modelled as the background variable, and the two types of organisational ideology variables were used as intermediate variables. The following figure, summarises the proposed direct and indirect relationships that this study explores:

**Process
subject**

**Process
elements**

**Process
outcome**

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                                      (-)
              (+)   ┌──────────────┐           ┌──────────────┐
           ┌───────►│   Interests  │──────────►│  Operational │
┌──────────┤        └──────────────┘           │  Practices   │
│ Radical  │                                    └──────────────┘
│ Market   │                                    ▲
│ Reform   │        ┌──────────────┐           │
└──────────┤  (-)   │    Ideas     │   (+)     │
           └───────►│              │───────────┘
                    └──────────────┘
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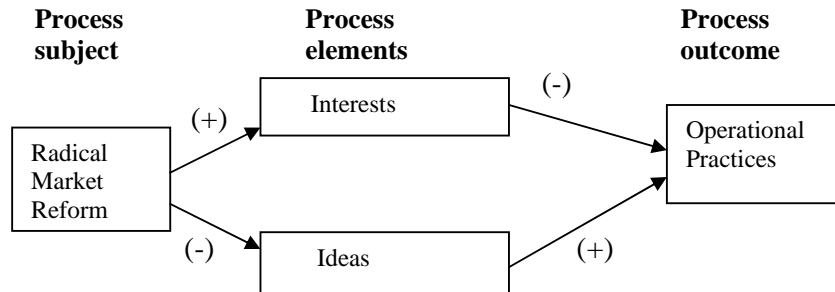
Figure 7.1. Assumed relationship between radical reform, organisational ideology, and transformation of operational practices in the case of electricity supply organisations

These assumed relationships underline that organisational ideology is a filter through which an organisation interpret and respond to a reform. From the restricted outcome and living process approaches it is reasonable to assume that the radical reform produces more changes in the interest dimension than in the idea dimension of ideology. Hence, the longitudinal effects of a reform for organisational practices in the electricity supply organisation are mediated by *differences* in their ideology. The previous case study indicated that changes in the two dimensions of ideology produced transformation of operational practices in different ways. Thus, the previous case study also indicated that relationships between a radical reform and operational practices may be explained by the effect of *changes* in ideology. Changes in ideology that can be traced to differences in the two dimensions of ideology, therefore might represent a multiple effect of ideology on the relationship between reform and organisational practices.

7.2 Hypotheses

7.2.1 The effect of a radical reform
The restricted outcome research suggests that external institutional pressures, such as a reform, create pressures for changes in formal structure more than in operational practices. Thus, the time since the launch of reform might be of little importance for how reforms influence practices. The reason for this is that a reform, in general, will not transform organisational practices radically, either in a short-term or a long-term perspective. Furthermore, the greater the inconsistency between the reform and existing practices in electricity supply organisations in Norway, the more would the organisations involve in

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decoupling and blind adoption and isomorphism that restrict organisational outcomes in terms of transformation of practices.

This restricted outcome line of reasoning relies on the fact that decoupling is a stable property of how the organisation function as suggested by Meyer and Rowan (1977), that the norms of legitimate ways of organising represented by the reform is passively adopted and not subject to local level adaptation, and that isomorphism only can be identified between organisations' structures and their practices. The explanatory power of this restricted outcome view on organisational transformation, however, needs further empirical exploration.

The living process approach research, however, suggests that the type of reform is a predictor of differences in levels of inconsistency within the organisation (e.g. Brunnson and Olsen 1993). The assumption that a reform that creates higher levels of inconsistency takes longer to socially re-integrate through the organisations' cognitive processes is suggested by Cnarniwaska-Joerges (1993). This voluntaristic view on organisational transformation presupposes that organisational actions are unique, that processes are autonomous, and that organisational outcomes are only loosely coupled to changes in the organisation's environment. In the case of transformation of public organisations, however, the coerciveness of the launching of a reform both legally, financially, and normatively, most reasonably limits, or at least directs, the voluntarism of organisational actions in a specific way.

To further investigate the explanatory power of these two alternative institutional approaches, the following hypothesis was developed to map variations in operational practices as the long-term effects of a radical market reform after ten years of functioning.

Hypothesis 1: The operational practices in Norwegian energy utilities have transformed from a traditional bureaucratic type to a market-oriented type.

7.2.2. The mediating effect of organisational ideology
The first hypothesis developed for analysis of the case of electricity supply organisation aims at exploring the role of time since reform launch. This was done to empirically assess how time affects the effect of reform on transformation of practices, in cases of a radical vs. moderate reform. As discussed previously (see section 7.1) more detailed descriptions of the longitudinal effect of a reform are, however, most probably reflected in the mediating effect of organisational ideology on

the relationship between reform and organisational practices, which in this study is explored by mapping (1) the relative influence of the two types of ideology variables and (2) the multiple effects of changes in these two ideology variables.

Restricted outcome research suggests that environmental pressures for change provide the impetus for changes in formal structure rather than transformation of operational practices. Organisations are expected to adopt and subsequently implement wholesale changes in formal structures (Meyer and Rowan 1977; Powell 1988). Several different forms of such restricted organisational outcomes are identified in research. Examples are formal changes in board composition (Boeker and Goodstein 1991) as well as formal changes in organisational processes such as board involvement in decisionmaking (Judge and Zeithamal 1992). Consequently, changes in organisational ideology that reflects organisations' interest to adapt to norms that they see as important for their survival such as making changes in formal structures, may occur as the result of organisational actions made with motives of decoupling and symbolism.

The decision made by managers to convert a public utility into a limited company could reasonably be an example of an action with motives of decoupling and symbolism. This implies that changes in formal structures will have no effect on the organisation's operational practices. Instead it will leave the organisations to transform operational practices through reform posing as suggested in the case study of the Directorate of Public Roads. Reform posing is then the organisational outcome of processes with concern for the (intentional) decoupling of the decision to implement a new organisational form and actual operational practices. The possibility remains, however, that energy supply organisations trough their different institutionalisation processes over time, such as the management of inconsistency, legitimacy, and behaviours respectively, might have changed their interests from having motives of decoupling to motives that correspond with becoming more market-oriented.

Based on this it is here hypothesized that organisations with managers with long tenure in the sector or in their current management position, are less likely to adopt new operational practices than organisations with managers with shorter tenures. Furthermore, changes in organisational ideologies may imply indirect influences stemming from the existence of particular ideas represented by managers' demography. The cognitively embedded character of individuals' general beliefs is aggregated in the variables of educational background, age, and work experience. This

study includes these variables as idea variables. To isolate more effectively influences from all these idea variables, the organisation's functional setting and the time dimension are included in analysis. The reason for this is that I want to control for any possible indirect influences from the idea dimension of organisational ideology on outcome.

The above arguments may explain how organisational ideology mediates the long-term effects of a radical reform. Organisational ideology variables related to *interests* that are included in the analysis are *size, ownership, and formal structure.* Organisational ideology variables related to *ideas* are *managers' tenure, education, work experience, age, and sex.*

Hypothesis 2: Organisational ideology interest variables and idea variables will each uniquely affect variations in operational practices.

Hypothesis 2a): Energy utilities engaged in electricity generation and transmission will be less market-oriented than those engaged in trading or a combination of activities.

Hypothesis 2b): Energy utilities that are publicly owned will be less market-oriented than privately owned energy utilities.

Hypothesis 2c): Energy utilities that are small (less than 25 employees) or medium sized (25-50 employees) will be less market-oriented than large energy utilities (more than 100 employees).

Hypothesis 2d): Energy utilities with managers that are older, have their educational background in engineering, long tenure in the organisation and the sector, and limited work experience form other sectors, will be less market-oriented than energy utilities with managers that are younger, have their educational background in business, have short tenure in the organisation and the sector, and have long work experience outside the electricity sector.

The effects of changes in organisational ideology
So far hypotheses have focused on tracing the transformation potential in institutionalisation processes by identifying direct relationships between operational practices and the two groups of organisational ideology variables that appear at the organisational and microlevels. The third hypothesis is designed to investigate the multiple effects of changes in

ideology for variations in operational practices. It is hypothesised that organisations with similar ideologies have close to similar practices.

One of the most visible effects of the 1991 Electricity Supply Market reform was the is change in ideology variables in the sector. The most important change in ideology was related to the interest dimension. Examples are the corporatisation of municipal electricity companies into public companies; that board members that come from outside the sector; and the establishment of marketing and sales units. Of these three interest variables, I assume that formal structure is the one independent variable that will explain most of the empirical variation in practices observed over time.

The survey data contain opportunities for comparison that capture the multiple effects of changes in organisational ideology. These effects are represented in the relationship between the formal structure and variations in organisational practices in two ways: (1) The transition from a public utility to a limited company may have no impact on organisations' market-orientation or (2) this transition can impact gradually on organisational practices depending on the number of years from the change in formal structure. The survey data also contain opportunities for comparison that capture the multiple effects of changes in organisational ideology represented in the relationship between the changes in formal structure and variations in operational practices, when I control for the effect of the idea variable of CEO succession.

It is thus hypothesised that the possible longitudinal effect of a radical reform is affected by changes in the interest dimension of ideology represented as changes in formal structure. The relative influence of such changes compared to changes in idea variables is represented by the relationship between changes in formal structure and operational practices, controlled for whether a new CEO was installed before or after the changes in formal structure. The multiple effects of changes in organisational ideology for how reforms influence organisational practices over time, are explored in hypothesis 3.

Hypothesis 3: Organisations with similar ideologies have close to similar practices.

Hypothesis 3a): Changes in formal structure have no impact on variations in operational practices.

Hypothesis 3b): Changes in formal structure have a gradual impact on variations in operational practices.

Hypothesis 3c): CEO succession before changes in formal structure has no impact on variations in operational practices.

7. 3. Methods and data

The investigation is designed as a population study based on cross-sectional survey data with the organisation as unit of analysis.

7.3.1 Sample
A questionnaire was sent to single key informants (the chief executive officer) in all the energy supply organisations registered as members of the Norwegian Electricity Industry Association (N=263). The response rate was 50,5%. According to Hair er al (1992) this response rate is acceptable considering that this is a population study. Controlling for functional setting, type of ownership, and type of formal structure, the respondents are considered to be a representative sample of the population. Details in the analysis of the sample show that the sample is representative. The detailed result of the analysis is presented more in chapter eight, section 8.5.

7.3.2 Instrumentation
The organisations' operational practices were mapped and coded as the dependent variable. The work of Considine and Lewis (1999) identifying variations in governance types according to one particular type of institutional setting (i.e. type of agency) guided the operationalisation of 32 items on the operational practice variable.

Considine and Lewis (1999) use four orientations to operational practices. These are a procedural type, a corporate type, a market type, and a network type. The first three orientations correspond broadly to contemporary phases in the development of reforms in the OECD (Lane 1997) as well as in Norway (Olsen and Peters 1996, Christensen and Lægreid 2002), i.e. radical reforms and moderate reforms. The network type is a less developed operational practice type. Considine and Lewis' (1999) questionnaire was used in a survey study of the operational practices of front-line officials involved in employment assistance for the long-term unemployed in Australia. The general form of the questionnaire and the items underlying the study of Considine and Lewis

(1999) has therefore been slightly revised in this study to reflect the particular type respondents and the type of former public organisations.

The questionnaire included items regarding rule orientation, discretion, leadership, customer orientation, service delivery focus, and performance measurement, innovation, and goal orientation. The construct validity of the questionnaire and the selected items was investigated through interviews with officials at the Norwegian Electricity Industry Association and in a pre-test (N=10). [24]

7.3.3 Measurement

Principal factor analysis was used to explore the underlying structures in the operational practice data. The objective was to investigate which items formed coherent dimensions and to test these against the governance types suggested in Considine and Lewis (1999). Based on this analysis a two-variable solution was generated. Items were then merged and computed into two additive indexes and analysed as dependent variables. To make sure the two variables were not strongly correlated, an orthogonal variable-solution was generated (see tables 7.1 7.4, and 7.5). These tables report both $R2$ and *adjusted R2* to account for the significance of the three separate analyses performed on each of the two independent variables. These tables, however, do not report measures of the significance of the full theoretical model, i.e. the measure of F. According to Hair et al (1992) the measure of F does not provide more information about the validity of the research findings than the measures of $R2$ and *adjusted R2* in explorative studies. Since the aim of the analyses in this study is to explore rather than to test the overall significance of the full theoretical model, I chose to exclude the measures of F in the three separate analyses performed on the independent variable.

Operational practice indexes were then analysed in linear regression models with three groups of variables. The first group of independent variables introduced in the analysis represented the interest dimension of organisational ideology, i.e. formal structure (limited company vs. public utility), type of ownership, size of the organisation, and functional setting. The other group of independent variables represented multiple effects of changes in ideology, i.e. number of years since change in formal structure, and CEO recruitment into the limited company. The third group of independent variables represented the idea dimension of organisational ideology, i.e. managers' age, tenure in the current position, organisation and sector, educational background, and work

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[24] The questionnaire is included in the appendix

experience from private and public sector. The different groups of independent variables were introduced stepwise in the regression models to increase the explanatory power of variables representing the direct mediating and multiple effects of changes in ideology variables at different levels of analysis.

Some of the cross-sectional data can be used for the analysis of changes in ideology over time based on two conditions. The first condition is that different energy utilities are considered as analytical substitutes. With this I mean that they operate within the same regulatory framework. The second condition is that the provision of electricity to consumers as a commodity has the same characteristic, irrespective of which utility generates, transmits, or trades the electricity. With these conditions, the data set can be used to analyse the effect of changes in ideology over time. By controlling for the other group of organisational ideology variables related to ideas, I compare operational practices in organisations that have changed their formal structures at different points at time since the launching of the reform in 1991.

7.4 Analysis and results

I will start with findings that shed light on the long-term consequences of the radical reform for how electricity supply organisations produce and deliver services, ten years after the launching of the reform. The underlying structures of the operational practice data reflect changes in what top managers in the electricity supply organisations perceive to be the core of their organisation's practices, i.e. what the organisation do, and how and why the it does it.

7.4.1 A radical market reform and transformation of operational practices in electricity supply organisation*s*

Two types of operational practices were identified (see tables 7.2 and 7.3). One is the Procedural-Network (P-N) operational practice related to a traditional bureaucratic type of operational practice. The Procedure-Network operational practice is defined partly by hierarchical rules and bureaucratic procedures, and partly by the focus on innovation and collaboration across units in the network mode of delivering and producing services. The second type of operational practice identified in the data is the Corporate-Market (C-M) orientation, relates to a more radical market orientation of operational practice. The Corporate-Market operational practice is defined partly by cost effectiveness and management by objectives in the corporate model, and partly by a

combination with customer orientation and efficiency concerns in the market mode of service production and delivery. Reliability analysis using Cronbach's alpha coefficient shows that the two operational practices are strongly cohesive, with alpha scores of 0.76 (P-N orientation) and 0.73 (C-M orientation) respectively. Further, the two operational practices are weakly negatively correlated (-0.27). Consequently, both of them can be used as separate dependent variables in the regression analysis.

Organisations reporting a Corporate-Market oriented operational practice are characterised as follows: They prioritise customers after economic return and cost efficiency combined with management by objectives and quality control. This finding corresponds with the results of Considine and Lewis (1999) and strengthens the indication that there is a distinction between the two types of operational practices identified in the present data set. The Corporate-Market oriented operational practice is close to the ideas of what kind of operational practices the radical market reform intended to motivate.

The Procedure-Network operational practice proves to have the following characteristics: These organisations report rule orientation, hierarchical control, standardized client relation, and high quality services in combination with external relation building with emphasise on political and sector considerations. The combination of items into a single Procedure-Network operational practice does not correspond completely with the variable solution generated by Considine and Lewis (1999). In their work the procedural and network operational practices emerged as two separate types, and not as combined variables as identified in this sample. Organisations in the electricity supply sector seemingly employ different methods of coordination inside and outside the organisation respectively. Energy supply organisations validate more strongly the traditional operational practices than the operational practices suggested reflecting a radical market reform. One explanation is that the former local monopoly of the energy supply organisations has not given rise to competition for customers and market shares. Furthermore, the operational practices of the organisations have been dominated by engineering educated managers whose professional interest traditionally have been more on production processes and the quality of the service provided, and less on commodity prices and alternative investment decisions.

Thus, the analysis shows that only a small majority of energy supply organisations have become market-oriented in a way that the radical reform would indicate.

7.4.2 The relative influence of different organisational ideology variables on variations in operational practices

Related to organisation ideology variables hypothesised to motivate organisations to become more market-oriented in their operational practices, the following key findings are identified:

Among the organisational ideology variables related to the interest dimension (hypothesis 2a-2c), functional setting and organisational size have significant effects on the two operational practice variables as proposed in the hypothesis. Trading companies are significantly more Corporate-Market oriented and less Procedure-Network oriented than electricity producers. Organisations with a mixed functional setting (i.e. transmitting, trading, and producing electricity) are significantly less Procedure-Network oriented than generation companies. However, the mixed functional setting has no significant effects on the Corporate-Market-orientation.

When it comes to size, large organisations are significantly more Corporate-Market oriented and less Procedure-Network oriented than small organisations. The effects of size on operational practices can be explained by the fact that it is more difficult for large organisations to be rule bound at the level of top management, and they are more effectively managed in terms of management by objectives. Furthermore, experiences with the how the market works will be developed more easily in organisations with economics of scale. Hence, small organisations will make an effort to create stronger connections with other organisations in the sector to take advantage of the experiences of the larger companies.

The third interest variable, type of ownership, has no significant effect on either type of operational practices. This finding can be explained by the fact that the liberalisation of the sector did not include privatisation of the publicly owned electricity utilities, and that private owners were already established in the electricity sector before implementation of the radical market reform. However, findings also indicate that these private owners most probably have other motives than profit maximizing alone. The lack of market-orientation in electricity supply organisations at an aggregate level, indicates that these private owner's motives also include

support to the local communities through a secure and cheap power supply.

The third group of independent variables consists of managers' demographic characteristics (hypothesis 1d) and reflects the idea dimension of organisational ideology. One significant effect relates to managers' tenure in the CEO position. It contradicts the hypothesised expectations about the effect of CEO succession on organisational practices. Organisations with managers with long tenure in the organisation are significantly more Corporate-Market oriented in their operational practices, than organisations with managers with shorter tenure. Finally, organisations with older managers report less Corporate-Market oriented operational practices than organisations with younger managers. This effect may stem from differences in general beliefs in the organisation. This effect, however, was not significant for changes in organisations operational practices.

7.4.3 Changes in ideology and variations in operational practices
I assumed that the effect of changes in the interest dimension of ideology could be measured as the empirical relationships between formal structures and operational changes both cross-sectionally, and over time (hypotheses 3a, 3b). The analyses show that this interest variable has no additional significant effect on the two operational practices, compared to the other interest and idea variables in the cross-sectional analysis. However, when controlling for the number of years since the organisation adopted the formal status as a limited company, analysis indicate that increased market-orientation in operational practices evolves gradually in accordance with the ideological changes appearing.

Related to multiple effects of changes in the idea dimension (hypothesis 3c) I stated that organisations with CEO succession would increase the likelihood of market-orientation. More specifically, I assumed that organisations that install a new chief executive officer after being transformed to a limited company would be more market-oriented in their operational practices. The analysis shows that this effect is the opposite. CEO succession after changes in formal structure negatively affects the Corporate-Market-orientation in operational practices.

The results of the analysis of the mediating effect of organisational ideology on the relationship between a radical reform and variations in electricity supply organisations' practices, can be summarised in the following way:

Neither managers' educational background nor private sector work experience has significant effects on organisations' operational practices. Controlling for multiple effects of changes in these idea variables relative to interest variables, was accomplished in the analysis of CEOs were recruited before or after changes in formal structure of the companies. This analysis showed that restricted to organisations with CEOs installed in a limited company, organisations with managers with a business educational background were significantly more Corporate-Market oriented and less Procedure-Network oriented than organisations with managers with an engineering educational background. Furthermore, having CEOs' with private sector work experience have no significant effects on organisations' operational practices. Restricted to organisation's with CEOs installed in a public utility, managers' educational background has no significant effects on the organisations operational practices. Finally, organisations with managers with private sector work experience are significantly more Corporate-Market oriented in their operational practices and less Procedure-Network oriented than organisations with managers without private sector work experience.

The results from the regression analysis are shown in tables 7.2 and 7.3

7.5 Summary of findings

The results presented in the previous sections can be summarised in the following way:

Hypotheses	Results
Hypothesis 1: The operational practices in Norwegian energy utilities have transformed from a traditional bureaucratic type to a market-oriented type.	Partly supported
Hypothesis 2: Organisational ideology interest variables and idea variables will each uniquely affect variations in operational practices	Partly supported
Hypothesis 3: Organisations with similar ideologies will have (close to) similar practices	Supported

Table 7.1 Summary of findings

On this background three sets of relationships emerge as particularly interesting for the theoretical ambitions to explore the role of ideology

with regard to the benefits of institutionalisation for organisational transformation.

First, the relationship between a radical market reform and transformation of operational practices is mediated by changes in organisational ideology variables.

Second, organisational ideology variables seemingly influence transformation of operational practices depending on the sequential order in which they are introduced in the organisation.

Third, changes in the two types of organisational ideology variables seemingly exert multiple effects, which over time create transformation of operational practices.

From these empirical relationships the overall conclusion can be drawn that what is important for organisational transformation in the public sector is not the level of organisational inconsistency produced by the reform, even in the case of more radical market reforms, but rather what happens during the ensuing institutionalisation processes at the organisational and micro levels. This conclusion is coherent with the one provided in the case study in chapter 6. However, specific for the results in this study is that the level of inconsistency produced by launching a radical market reform, warrants changes in organisational ideology variables *in a particular order,* to create transformation of organisations' operational practices.

In this chapter I have presented findings drawn from the second study developed for the elaboration of the restricted outcome and living process research with regard to how reforms influence organisational practices. Important similarities, as well as findings constituting important differences between the two studies presented so far in the thesis have been identified. In the next chapter I will explore related, but still slightly different relationships when I investigate the role of differences in reform for variations in organisational practices. Here, however, a more direct measure of the effect of differences in reform is appropriated. This is done by tracing differences in the type of organisational practices that one would assume, compared to operational practices, will be most evidently and coherently affected by the level of market-orientation that the different reforms aim at. This particular type of organisational practice is an organisation's strategic practice.

Part Four

The Second Quantitative Study: Organisational Transformation in Electricity Supply and Public Road Organisations

Chapter 8. A Between-Sector Analysis: A Radical Reform, A Moderate Reform, and Strategic Practices

In this study I explore the third research question of how reforms influence organisational practices, which is whether a radical market reform creates more radical changes in organisational practices than a more moderate reform. I examine whether organisations' interpretations of and responses to environmental conditions differ systematically, depending on the type of reform that the organisation has been exposed to. I want to explore empirically the extent to which organisations' strategic practices vary in accordance with the ideal representations of respectively a regular market and a quasi-market that the two reform cases aimed at creating.

Based on the design approach to organisational transformation in the public sector presented in chapter 2, one may reasonably assume that organisations' strategic practices will be close to similar when one control for sector affiliation. Sector affiliation is here a proxy for the type of reform that they have been exposed to. From the design approach literature one may assume that strategic practices would be different than due to the different environmental conditions created by the two reforms.

Based on restricted outcome and living process research one may assume that strategic practices would be close to similar across sectors, i.e. independent of the type of reform that they have been exposed to. Restricted outcome research suggests that organisations' responses to an external event would be more influenced by other institutional variables in the environment than the social obligations toward the effectiveness of future practices embedded in the reform effort. Living process research suggests that actors' interpretations of its environmental conditions would be influenced by existing institutions within the organisations such as institutional identity, more than by objective characteristics of the environmental conditions.

The findings of the two previous studies support the assumption that strategic practices are close to similar across sectors. Multiple effects of different organisational ideology variables seem to mediate the direct effect of any reform, either radical or moderate. The first case study on the Directorate of Public Roads identified two types of organisational outcomes: reform practising and reform posing. These are the product of complex relationships between reform and the two types of organisational ideology variables: interests and ideas. Interest variables represent changes in the normative dimension of ideology. The second case study on electricity supply organisations identified how changes in these two different organisational ideology variables increased possibilities for transformation of organisations' operational practices.

This third study will explore whether differences in another type of organisational practices, namely strategic practices, are a function of systematic differences in top managers interpretations of and responses to the long term effects of two different reforms. Based on the reform objectives one would assume that variations in organisations' strategic practices should be close to similar across the public road and electricity supply sectors. However, based on existing restricted outcome and living process research and the reconciliation of these approaches provided by the previous two studies, one may reasonably assume the opposite, namely that differences in strategic practices can be identified across sectors.

In this study I examine the direct relationships between reforms and organisation's strategic practices. Based on the previous findings, I assume the following. First, variations in organisations' strategic practices are not a function of the degree of uncertainty in the environment created by a particular reform, but of more complex relationships between institutionalisation processes at macro, organisational, and micro levels. Second, such complex relationships will be reflected in the degree to which organisations' strategic practices are different from those in organisations exposed to another type of reform. Using a sample of organisations in the public road and electricity sectors in Norway, I find that organisations' strategic practices regarding decisionmaking rationale about change, the level of individuality in strategies, and the relative importance of institutional vs. task environment pressures are close to similar across sectors.

8.1 Implications for the design of the study

Two groups of implications have guided the design of this third study. One group of implications is developed from differences between the two alternative institutional approaches. Another group is drawn from the two previous studies in this thesis. I will start with implications drawn from the two institutional approaches.

8.1.1 Implications drawn from restricted outcome and living process approaches

The review of restricted outcome and living process research in chapter 2 indicated that an organisational practice ambiguity may exist during transformation, and that this ambiguity can be related to the complex relationships between ideas, interests and practices that represent an organisation's ideology as suggested by Holm (1995).

The existence of differences and changes in organisational ideology therefore makes it difficult to empirically assess the relative importance of different institutionalisation processes related to adaptation, internalisation, and socialisation within organisations for organisational outcomes. Furthermore, research should attempt to shed light on whether the sequencing interaction representing differences and changes in organisational ideology (i.e. institutionalisation processes) are equivalent to an identifiable variation of external events. Consequently, the direct relation between strategic practices as organisational outcomes of institutionalisation and variations in external events themselves, needs to be empirically reconciled.

The research question explored empirically here is whether or not a radical market reform will create more changes in organisational practices than a more moderate market reform. The two types of reforms analysed exposed some major differences. The public road sector reform was less detailed in the design phase and more resources were used on surveying its implementation, than was the case in the electricity market reform.. In the public road sector a situation of certain but frequently changing environment was thus created. The electricity market reform was characterized by greater detail in its design but with less emphasis on implementation. In this latter sector a situation of uncertain but stable environments were created. Furthermore, the organisational inconsistency was more radical in the latter sector than in the former sector.

Based on the restricted outcome approach one can assume that a more radical market reform, in general, would not be a predictor of more radical changes in organisational practices, because other institutional variables in the environment mediate the effect of any reform, no matter how radical it would be. Based on the living process approach one would assume that a radical market reform, in general, is not a predictor of more radical changes in organisational practices, because internal organisational processes mediate the effect of a reform and produce outcomes that are autonomous and loosely coupled to reform, no matter the type of reform. The discussion in this section will focus on two problems in existing institutional research.

One problem of restricted outcome research is the role of determinism and lack of unique organisational actions in explanations provided. The restricted outcome notions of decoupling and isomorphism have mostly been conceptualised as non-strategic actions resulting from deterministic pressures.

Another problem in institutional research, which can be related to living process approach, is the lack of strategic practice explanations provided. Whereas living process research includes explicit notions of unique organisational actions, the strategic dimension of such actions has not been brought to the centre of institutional organisational research. These two problems inherit assumptions that are of importance for the relative explanatory power of the two institutional approaches. The role of strategic actions has implications not only for how reforms influence organisational practices in general, but also for how strategic practices are socially constructed and socially transformed.

Organisational actions reflecting concerns for pursuing interests or protecting practices, frame an external event in a particular way. It is this particular framing of the external event that in turn forms the strategic practices. Furthermore, a direct causal relationship between an external event and variations in organisations' strategic practices is less likely to be identified in an empirical analysis. However, seeing strategic practices as socially constructed and transformed does not rule out that correlations between a reform and strategic practices may be identified empirically.

The assumption that a correlation between differences in reform and variations in organisations' strategic practices may exist, however, relates to the level of uncertainty created by an external event. A high level of uncertainty is defined as situations were the causal relationship

between intentional actions and outcome is weak (Beckert 1999). The introduction of any type of reform increases the immediate uncertainty for organisations. Thus, organisations operating under market regimes should develop different strategic practices compared to organisations living under quasi- market regimes.

Research shows, however, that an organisation adopts and subsequently implements strategies perceived as socially acceptable, but that are internally inconsistent (D'Aunno et al 1991). Furthermore, the prediction of isomorphism as a possible outcome of institutionalisation processes made in the restricted outcome approach, and the prediction of autonomous and loosely coupled outcomes made in the living process approach, has mostly been explained as the result of actions that are non-strategic. Exceptions from this trend are theoretical contributions by Suchman (1995), Greenwood and Hinings (1993,1996), and Beckert (1999). These latter contributions, however, have not explored strategic aspects of such outcomes empirically. Furthermore, if we accept the thesis that organisations respond to external pressures causing organisational inconsistency by symbolic implementation, the question remains of the mechanisms used to form such a strategic practice.

The contribution of Greenwood and Hinings (1993) emphasises the cognitive processes of organisations. The authors suggest that changes in strategic practices are affected by organisations' biographies (i.e. a set of ideas) which shape how they view the environmental change (Greenwood and Hinings 1993). Another possible explanation on how public organisations' strategic practices will be close to similar across sectors, is that actors lack to notice events or have biased interpretations of external events. Lack of noticing or biased interpretations of external events occurs because actors deal with a new situation by referring to and automatically enacting the scripts encoding the dominating (and older) set of ideas (i.e. template) (Johnson et al 2000).

Understanding the cognitive processes in which a reform is interpreted relates to the nature of interpretation and the precise label put on the reform interpreted. The role of these cognitive influences for how an organisation's strategic practices vary is in these studies described in the following way: When a new external pressure appears and actors in the organisation are looking for advice on how to evaluate that pressure, there are institutional signals to seek advice from. As long as that advice is coherently linked to existing ideas within the organisation, the possibility for new views of the environment to be created is relatively

limited, and possibilities for variation in strategic practices across organisations and sectors are similarly reduced.

However, organisations' interpretation of the reform not only relate to variations in strategic practices that reflect different cognitive influences on organisational actions. Organisational actions also involve the rationality at play in organisations' normative processes. One example of a normative process that involves a particular rationality during organisational transformation is the study by Dean and Scharfman (1996).

Dean and Scharfman (1996) explain variations in organisations' strategic practices as related to characteristics of their decisionmaking process on how to respond to an external event. Depending on whether managers focus their decisions on intra-organisational power games, interests, and positions (Dean and Scharfman 1996) rather than on responding to external considerations, variations in organisations' strategic practices can be identified. Therefore, normative influences on formal decisionmaking processes in situations of increased environmental pressures, may result in organisations not recognizing or lacking to understand the objectives for reform. Furthermore, Dean and Scharfman's (1996) study also indicates that normative influences on how organisations respond, such as the decisionmaking process on change, relate to both the magnitude of decisions and effort to solve these issues.

From the work by Dean and Scharfman (1996) on may conclude that normative aspects become important in explaining variations in organisations' of strategic practices because they reflect that certain strategies are the product of norms of action. Variations in organisation's strategic practices are therefore in most cases related to normative aspects of organisations' strategic practices. Consequently, the more the top managers' responses to the environment are embedded the prevailing set of norms of about what is legitimate and effective strategies to pursue, the more will top managers' responses will be of a reform posing type. Such a response would increase autonomy of organisations' strategic practices as a result of decoupling or hypocrisy as a strategy.

Hence, one may assume that differences in normative aspects will explain some of the variation in organisations' strategic practices. Based on this one may also draw implications for how aspects of decoupling and hypocrisy affect the extent to which these practices vary across

organisations. By accepting the restricted outcome assumption that organisations' responses to environmental pressures are not autonomous strategic choices, an analysis of strategic practices helps identify ways that such practices are the result of adapting to the reform as a norm of action. Decoupling has, for example, been suggested in previous restricted outcome research to be a repeated practice reflecting a particular way of functioning (Meyer and Rowan 1977). Decoupling as a repeated practice, i.e. a strategic practice, indicates that experience with decoupling is likely to be enacted into organisational routines and, thus, be invoked in the process of adapting strategically to other institutional pressures in the future (Zucker 1988).

Applied to this study it should be possible to identify a reform posing and a reform practising type of strategic practice. Reform posing strategies indicate an intentional simultaneous decoupling of formal structure (i.e. organisational structure, standards and plans) from operational practices. More important, a tighter coupling between formal structure and operational practices is not wanted by the actors because of potential legitimacy loss and, hence, survival threats. Here, the need for legitimacy rules out economic and efficiency concerns. Decoupling might then be used as a strategy to disguise lack of conformity with external pressures. A reinterpretation of the research findings in the two previous studies suggests that organisations might deploy reform posing strategies to adapt to increased environmental pressures, and that decoupling is a planned outcome of such a normative process.

The fact that organisations may involve in decoupling intentionally, and that such a response is reflected in a reform posing strategy, is supported in other contributions. Beckert (1999) suggests that strategic practices based on means-end economic rationality violating existing institutional rules can only be expected in situations characterized by a relatively high degree of certainty within an institutional field (i.e. a sector). Exploring the extent to which sector affiliation affects differences in how organisations interpret and respond strategically to their environment, is an unresolved issue in restricted outcome and living process approaches. Another unresolved issue is how differences and similarities in organisations' strategic practices are related to the level of organisational inconsistency caused by a particular reform. These two considerations will both be accounted for in the hypothesis that operationalises the third research question.

8.1.2 Observable implications drawn from the two previous studies

The case study of the Directorate of Public Roads and the quantitative study of differences in electricity supply organisation's operational practices indirectly explored the role of differences in reform. The case study of the Directorate indicated two direct effects of institutionalisation and two types of organisational outcomes that explain variations in organisations' operational practices. Reform posing reflects the normative influences on organisational practices. Increasing stability and reduction of inconsistencies were perceived as achieved by decoupling and isomorphism. Reform practising reflects the cognitive influences on organisational practices. Relative permanence of existing operational practices is increased through hypocrisy and managing of intraorganisational networks, which help resolve the organisational inconsistency caused by increased environmental uncertainty.

A reinterpretation of these case study findings with regard to variations in strategic practices suggests that such variations are more influenced by actor's interpretation of the environment in general, and what are legitimate interests to pursue, than by interests defined by the market, their competitors, and their corporate strategies. Actors' subjective interpretations are therefore more important than objective differences in reform. Whether reforms that create higher levels of organisational inconsistency warrant more radical changes in how actors interpret of and respond to the environment to produce variation in strategic practices, needs further investigation.

Three major observations from the previous two studies warrant three observable implications for the design of this third study. First, reforms represent inconsistencies with existing organisational practices. These inconsistencies may allow organisations to impose strategic practices that aim at responding to an external event only if perceived as necessary and meaningful by the actors. Second, different organisational actions frame an external event in particular ways. This particular framing subsequently directs the formation of strategic practices. Third, the relationship between an external event and strategic practices capture indirectly the particular changes in the normative and cognitive processes of organisational outcomes. These processes may reduce the effect of an external event, or expand it to reach beyond the objective characteristics of different reforms, for variations in strategic practices.

The present study is, like the two previous ones, designed to contribute to our theoretical understanding of institutionalisation for organisational transformation. In the two previous studies I focused on relationships

that could explain how, and via what organisational ideology variables, reforms change operational practices. In this third study I explore directly the effect of differences in reform on organisational practices. In order to accomplish this I introduce different reforms, the quasi-market and the radical market reforms, as independent variables instead of analysing them as background variables studied through their effect on intermediate variables. Whether or not systematic variations in organisational outcome of reforms can be identified in sectors exposed to different types of reforms, is explored by examining variations in organisation's strategic practices across the two sectors.

In section 8.1.1 I presented implications drawn from restricted outcome and living process research. In section 8.1.2 I presented observable implications based on research findings developed in the two previous studies in this thesis. The hypothesis developed for analysis is presented in the following section. Before I present this hypothesis, the proposed relationships on which this hypothesis rests, are summarised in the following figure:

Process subject

Process outcome

Differences in reform

Variation in strategic practices

Market

High

Quasi-market

Low
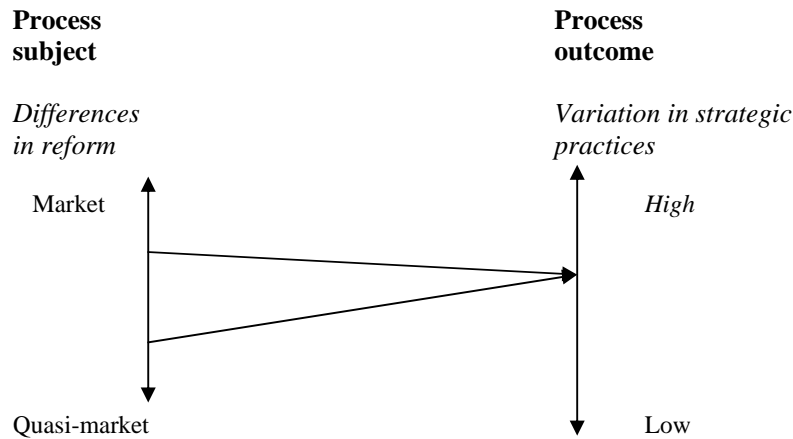
Figure 8.1. A between-sector analysis of relationships between differences in reform and variations in strategic practices.

8.2 Hypothesis

The discussions in the previous section identified two groups of implications for the design of this study. I shall here summarise these implications and develop a hypothesis to investigate whether radical reforms transform organisations' strategic practices more radically, than

does a moderate reform. Three key arguments summarise the discussion previously in this chapter:

(1) The design approach to public sector transformation suggests that more radical market reforms should produce more radical changes in strategic practices. However, existing restricted outcome and living process research suggest that the effect of reforms on changes in organisational practices is mediated by institutionalisation. Restricted outcome research suggests that strategic practices will be similar across sectors inasmuch as other institutional variables in the environment (cultural norms, other organisations, professional groups, and public opinion) mediate the effect of reform. Thus, a reform is a stronger predictor for changes in organisational form than for transformation of organisational practices. Living process research suggests that strategic practices will be similar across sectors inasmuch existing internal institutions (identities and general beliefs) are stronger predictors of change in organisational practices than reform.

(2) Restricted outcome explanations suggest that since existing and new external pressures increase environmental inconsistency, organisations decouple structures from practices. Such decoupling subsequently increases similarities rather than differences across sectors. The restricted outcome research notions of decoupling and isomorphism have, however, mostly been conceptualised as non-strategic activities resulting from deterministic pressures such as pressures from subordinate governance bodies, from professional groups and the public opinion.

(3) The living process explanations hold that since inconsistency between new external pressures and existing internal institutions increase organisational inconsistency, organisations' responses may reflect hypocrisy. Such hypocrisy subsequently leads to the autonomous and loosely coupled outcomes such as an organisation's strategic practices. Compared to restricted outcome research, which emphasises the deterministic influences from the institutional environment, living process research has emphasised the role of unique organisational actions in institutionalisation processes within organisations. Living process research, however, has not consistently brought to the centre of research the strategic dimensions of such unique organisational actions.

These three key arguments identify different ways in which the present study may contribute to our understanding of how reforms influence organisations' strategic practices. This study contrasts with previous

research on organisational transformation because of its concern about the extent to which sector membership affects the unique configuration of cognitive and normative aspects representing organisations' strategic practices.

The resulting hypothesis is:

Hypothesis:
Organisations' strategic practices are more similar across sectors than within sectors.

8.3. Method

As shown the strategic dimension of organisational actions is to some degree underemphasised in existing restricted outcome and living process research. Furthermore, the two approaches do not provide clear guidance for how the dependent variable in this study, strategic practices, should be operationalised.

Based on living process research, *cognitive* aspects of strategic practices can be conceptualised as a predictor for actors' interpretations of an external event, such as a reform. This research has provided findings that describe several ways that actors' perceptions of an external event include different types of cognitive processes. Furthermore, from this research one may assume that organisations' strategic practices represent cognitive aspects in two ways. Finally, cognitive influences reduce the possibility for variations in strategic practices when the reform is the result of diffusion of powerful cultures (Tolbert and Zucker 1983), the interplay of external events at multiple levels (Barley 1986), or enactment of societal demands in general (Scheidcook 1992).

Restricted outcome research has conceptualised *normative* aspects of strategic practices as a predictor for actors' responses to an external event. The role of normative influences on variations in organisations' strategic practices is particularly important in situations where the reform as a norm of action coincide with visibility of hierarchical decision context (Zucker 1977/1991), or coincide with level of conflict (Gammelsæther 1996), and political differences (Westphal and Zajac 1995). The effect of such normative influences represented by similarities in organisations' strategic practises is examples of available legitimate decisions and strategic practices.

Living process and restricted outcome research has emphasised respectively the cognitive or the normative aspects of organisations' strategic practices has. However, including both normative and cognitive aspects of organisations strategies in the instrumentation of the dependent variable in this study integrates these two approaches. The dependent variable 'strategic practice' has therefore been operationalised by three dimensions: reactive vs. proactive strategy (inspired by Thomas and McDaniel 1990); task vs. institutional influences (inspired by Oliver1997), and decisionmaking logic (inspired by Dean and Scharfman 1996). There are three major reasons for this choice.

First, the environmental aspects investigated here are central to research that account for the unintended effect of changes in the environments on organisations' actions and subsequent organisational outcomes. Such environmental aspects have played a key role in the restricted outcome approach. The operationalisation of strategic practices used here is interesting for restricted outcome research. For example, the inconsistency between task and institutional pressures in the environment is found to explain decoupling of structure from activities (Meyer and Rowan 1977), and goals from practices (D'Aunno et al. 1991), and of interactions between formal structure and disproportionably large coordination and boundary spanning units (Powell 1988). Another example is the contributions by Judge and Zeithamal (1992) and Boeker and Goodstein (1991), which found that the coerciveness of task and institutional pressures respectively had a significant negative effect on alignment of decisionmaking processes and strategic practices, and alignment of changes in organisational form and activities.

Second, examining these subjective and micro level aspects of institutionalisation of strategic practices enables reform comparisons that are new in the Norwegian research context. The comparisons had not been possible had more objective strategic practice variables (such as turnover, cost effectiveness, and service quality surveys) been used in analysis.

Third, each of these subjective aspects of strategic practices has previously been studied individually in other institutional studies. The usefulness of this analysis then increases because it connects previous work within restricted and living process research on organisational transformation in the public sector to emphasise specifically the phenomenon of organisations' strategic practices.

8.3.1 Sample

I drew samples from two populations, the public road and electricity sectors, to examine the generalisability of my hypothesis across sectors. These are linked to two types reform – a moderate quasi-market reform and a radical market reform. Defining the boundary of the sectors was achieved by including the whole population of organisations in the public road sector (n=21), and by sampling the population of members of the National Foundation of Electricity Providers and Power Brokers (n=123). The total sample of organisations observed was 144 and the total number of respondents is 208 (N=208).

8.3.2 Measurement

In this study 'organisational practices' means stable patterns of daily and strategic activities reflecting how the organisation produce and deliver services. A common distinction can be drawn between operational tasks geared mainly to everyday activities and strategic tasks concerned primarily with analysis and formulation (Brunnson 1989: 169). This study therefore focuses on linkages between differences in reform and organisations' analysis and formulation identified in the two previous studies as (1) common at the top management level and (2) central to the organisations' subjective interpretations of and unique responses to the external event. Organisations' interpretations reflect their view on the environment and the corresponding legitimate practices. Organisations' unique responses reflect what they see as legitimate decisions and corresponding available strategic practices.

All items on the dependent variables are adopted or developed from previous institutional research on organisations' strategies. To refine the questionnaire, expert and peer review was conducted to check out its validity. One reason for this is differences in the number of public road and electricity supply organisations included in the total sample. Another reason is that data are drawn from top management team members in the road sector (five in each organisation) and from a single key informant representing the single organisation in the electricity sector.

The instrument was therefore pre-tested asking informants (n=15) to provide feedback with regard to clarity of questions and meaningfulness of language used. Minor changes where made to the questionnaire based on experts' feedback and analysis of pre-tests. This scale development process met the standards as proposed in Hair et al (1992). As a result of this scale development process the questionnaire used in the two sectors was identical except for some words; the terms "organisation" and

"sector" used in public roads, were replaced by the terms "company" and "industry" in the questionnaire sent to electricity supply organisations.

The data were analysed using exploratory variable analysis to examine support for *a priori* scales. Kaiser's criterion with Varimax rotation was applied. Seven *a priori* variables were confirmed, with 18 items loading unambiguously on the primary variable. As shown in appendix 3 (tables 8.1-8.3) the estimated loadings had the expected positive sign, all were statistically significant at the *p* .001 level (two-tailed test), and the standardized variable loadings were typically large enough (0.40 or more). This procedure supports that the variables identified are measuring common latent constructs. The reliability correlations of the measures for all variables identified fall above 0.60. This level is acceptable according to Hair et al (1992). Reliability analysis results are included in table 8.1.

Strategy towards task environment pressures reflects the degree to which organisations reported proactive vs. reactive orientations towards changes in task environments. 11 five-point Likert-scale questionnaire items based on work by Thomas and McDaniel (1990) were used to measure this strategic practice dimension. Eight items were eliminated after variable analysis revealed low loadings. The coefficient alpha for the scale was 0.68.

Strategy towards institutional pressures reflects the degree to which organisations reported proactive vs. reactive orientations towards changes in institutional environments. 6 five-point Likert-type items based on work by Thomas and McDaniel (1990) were used to measure this strategic practice dimension. Four items showed acceptable loadings after variable analysis. The coefficient alpha for the scale was 0.60.

Perceived importance of respectively task and institutional environment changes reflects the degree to which organisations reported task or institutional pressures as important for the execution of internal changes in structure and processes. Significance of various types of environmental change on orientations towards making changes in internal structures and processes was assessed through six questionnaire items developed by myself, but inspired by the work of Oliver (1997). Variable analysis revealed three items with an acceptable loading. The alpha for the scale was 0.61.

Perceived importance of inter-organisational relationships reflects the degree to which organisations reported the availability of collaboration

and learning between organisations within the sector as an important source for organisations to identify needs for change and to choose strategies for change. The significance of within-sector collaboration and learning for the identification of needs for change and what types of changes in internal structures and processes that ought to be done, was assessed through ten questionnaire items inspired by the work of Oliver (1988). One item was eliminated due to low loading revealed in the variable analysis. Two scales emerged. Those are (1) Strategic heterogeneity (alpha 0.89) and (2) Strategic isomorphism (alpha 0.93).

Rationale for decisionmaking about change reflects the extent to which organisations reported decisions about internal changes in structure or processes that were based on a procedural logic or a political logic. Dean and Scharfman (1996) assessed this scale with seven questionnaire items. In the present analysis four items had variable loadings below the level of acceptance and were eliminated. The alpha coefficient of this scale was not acceptable (-0.13). The *a priori* scale was not empirically supported and the variable was not included in analysis. I therefore extracted three items with relatively high loadings as surrogate variables and computed these as two indexes. The indexes are (1) Procedural decisionmaking process (alpha 0.64) and (2) Political decisionmaking process (alpha 0.64).

As argued above I expect that differences in organisations' strategic practices to be reflected in top managers' view concerning their environments and decisionmaking on change, will not be a function of the type of reform that the organisation in which they are employed have been exposed to. An organisation's strategic practices is a function of organisational actions influenced by changing general beliefs and norms of actions, more than of its rational adaptation of objective reform characteristics. The variable used to predict similarities and differences in organisations' strategic practices was membership, in the road sector and the electricity supply sector, respectively.

8.4. Analysis and results

8.4.1 Sector characteristics
208 top managers in 144 organisations drawn from the two sectors provided complete questionnaire data. Complete questionnaires were received from all organisations in the public road sector. Complete questionnaires from top managers in 50.5 percent of the total number of organisations in the electricity sector were included in the analysis. The

electricity sector sample was representative for the population. The level of representativity of the sample for the electricity sector population was explored using three variables. Variation in these three variables was compared to the total amount of variation in a set of secondary data drawn form publicly available archives provided by the National Association of Power and Electricity suppliers (*Energibedriftenes landsforbund*) and the Directorate of Water and Energy (*Norges vassdrags- og energidirektorat*).

The three variables used for exploring the representativity of the sample of electricity supply organisations were functional setting, ownership, and type of company. The number of grid and generation companies represented in the sample corresponded with the total sample. The number of trading companies in the sample was somewhat lower than in the total sample. Trading companies, however, are not members of the National Association of Power and Electricity Suppliers (*Energibedriftenes landsforbund)*.The total number of trading companies is therefore lower in the population represented in the National Association of Power and Electricity Suppliers data compared to the Directorate of Water and Energy population. Moreover, the governance structure of trading companies influences the difference in the sample and the total population. Most trading companies are organised as daughter companies under other electricity organisations, in which case the mother company rather than the subordinate trading company is registered as a member of EBL. The total population was therefore corrected for this.

With regard to ownership the Directorate of water and energy (NVE) categorises this variable in terms of majority ownership. This means that private owners will not be covered by the NVE archive data when their share is less than 50 %. The number of private owners in the total sample is 9 percent. Corresponding with the total population as represented in the Directorate of water and energy (NVE) archive data, ownership variation in the sample would not be representative for the total population. To increase variation in the sample in relation to ownership, the categories of private and mixed ownership were mapped as one category. With these adjustments, systematic biases in the sample were corrected to better correspond with the total population when controlled for ownership. The final analysis of the sample in relation to functional setting, ownership, and type of company indicated that the sample was representative for the total population of electricity companies. Overall, this analysis indicated that electricity organisations

participating in the study were not significantly different from those not included in the sample of electricity supply organisations.

8.4.2 Are organisations' strategic practices similar or different?

Both proactive and reactive strategic practices towards external events were identified (shown in table 8.1). Organisations that reported proactive strategic practices were more influenced by (1) strategic heterogeneity; (2) procedural rationality in decisionmaking on change; (3) task environment changes; and (4) task competitive strategy. Organisations that reported a reactive strategic practice were more influenced by (1) strategic isomorphism; (2) political rationality in decisionmaking on change; and (3) institutional decoupling strategy.

Linear regression analysis was used to test the research question. A regression analysis was used rather than a two-way ANOVA because respondents representing a particular organisation could be assigned to a sector only through their formal position in the organisation.

The data drawn from the 208 top mangers were used to analyse seven dependent variables reflecting four dimensions of organisations' strategic practices: That is strategy towards task pressures; strategy towards institutional pressures; task and institutional environment pressures influence for execution of internal changes; and rationale for decisionmaking on change. The result of the seven individual regressions is shown in table 8.2 and 8.3. With respect to the hypothesis that sector membership was not a good predictor of the organisations' perception of significant environments was significant at the 0,001 level (*p -.72)* for the reactive institutional decoupling strategy and for the proactive task competitive strategy (*p.65*), and significant at the 0,05 level for the proactive strategic heterogeneity variable (*p .16)*, but not for the remaining dimensions of strategic practices.

The results shown in table 8.2 and 8.3 lead to the following conclusion: First, there is a significant similarity in strategic practices across sectors as compared to within sectors. Second, the results suggest that similarities in organisations' strategic practices exist beyond what can be reasonably explained as a result of objective differences with regard to the types of environmental conditions (i.e. a regular market and a quasi-market) that the two reforms aimed at creating.

8.5. Summary of findings

This thesis has explored the transformation potential in institutionalisation processes in organisations by identifying relationships differences in reform, institutionalisation processes related to changes in organisational ideology, and transformation of organisational practices. The research question guiding was whether a radial market reform generates more radical changes in organisational practices than do moderate market reforms.

This study was motivated by findings derived from the two previous studies of operational practice variations in the Directorate of Public Roads and organisations in the electricity sector. Two observations from these studies were of particular interest. First, similarity in how organisations' perceive various aspects of their environment, and thus also different aspects of the reforms that they are exposed to, have important consequences for transformation of organisational practices. Important consequences have been identified for how and via what processes reforms influence organisational practices. Second, reforms do not uniquely affect operational practices, but interacts with various organisational ideology changes at the organisational level.

Previous institutional analysis of organisational transformation has to large extent emphasised diffusion, travel of ideas, and isomorphism between sectors. The two institutional approaches differ as to whether such homogeneity is a hinder or is beneficial for transformation. This study's findings indicate that significant isomorphism among organisations in their environment interpretations, and thus also in their strategic practices, exist between sectors independently of the type of reform that these organisations have been exposed to. Cognitive and normative influences not only affect operational practices as shown in the previous two studies, but may also shape the long-term strategies organisations use to cope with increased environmental pressures for change.

The key empirical findings of this study partly support the proposed hypothesis that organisations' strategic practices are close to similar across sectors. The empirical investigation has resulted in three points that can be used to support the hypothesis:

First, managers' perceptions of several important aspects of an organisation's environment are not only affected by their membership with the particular sector. Hence, organisations within a particular sector

may come to view the world differently as a consequence of lack of institutionalisation of new general beliefs and norms of action, rather than as a consequence of the level of environmental uncertainty within each sector caused by a particular reform.

Second, findings also suggest that strategic practices are not idio-syncratic to a particular organisation, but are affected by a particular constellation of organisational actions that are motivated in unique ways by local level interests and ideas. This constellation of normative and cognitive influences represents the device that may constitute variation in organisations' strategic practices. Together these normative and cognitive influences induce a common understanding of the conditions under which organisations in different sectors survives. The systematic relationships between differences in reform and lack of variations in strategic practices identified, contribute positively to the empirical elaboration of the explanatory power of restricted outcome and living process research with regard to the benefits of institutionalisation for organisational transformation.

Third, in relation to this latter finding it is particularly interesting that sector membership explained a significant amount of variation in perception of only three of these environmental aspects (reactive strategy against institutional environments, proactive strategy against task environment, and heterogeneity in formulated strategies), but not for the last four aspects. Surprisingly the former public organisations that are now liberalised electricity supply organisations, reported strategic practices that are less proactive towards task environment and reactive toward institutional environments. At the same time, electricity supply organisations exhibited heterogeneity in formulated strategies toward changes in the environment compared to public road organisations. One possible explanation of this finding hinges on the strength of existing strategic practices as an institution, and thus also institutionalisation processes within organisations as a facilitator of and condition for the construction of markets.

In the next part of the thesis I will summarise and reflect upon the results of the three studies collectively. I will reconcile research findings and conclusions with relevant literature to suggest an alternative institutional approach, i.e. the directed process approach. Implications for further research and for practice are also indicated in the fourth, and last, part of the thesis.

Part Five (chapters 9-11)

Discussion and Conclusions

Chapter 9: Discussion of Findings

In this chapter I discuss the research findings from the three studies presented in chapters 3-8. The discussion shows how these research findings can be reconciled, and draws implications for theory. The identification of relevant theoretical implications is an important part of the validation and refinement of the restricted outcome and living process approaches. These theoretical implications are also important for the formulation of an alternative institutional approach.

9.1 Summary of key empirical findings

Existing institutional organisation research does not currently offer a unified interpretation of how reforms influence organisational practices, and how organisational transformation should be conceptualised, partly due to the multi-dimensionality of transformation. Organisational transformation is multidimensional in terms of both the events and the different institutionalisation processes that transformation is fuelled by. This thesis shows, however, that organisational transformation must be linked to different ways of producing and delivering services.

I have argued previously (see chapters 1 and 2) that the idea that reforms trigger organisational transformation has received little empirical support. I also pointed to conceptual problems in identifying the intended transformations of organisational practices as defined by reform. The three research questions developed in this thesis reflect these difficulties both theoretically and empirically.

Based on a general understanding of how reforms work, one could assume that the level of transformation of organisational practices in electricity supply organisations would be larger than in public road organisations because of differences in targeted practices of these two reforms. Such an approach was in chapter 1 and 2 labelled the design approach. My observations show that this is not what happened. Indeed, key empirical findings indicate that radical reforms may be less efficient in terms of transformation of practices than more moderate reforms.

Of the two Norwegian reform processes investigated here, the 1993 quasi-market reform in public roads was a moderate market reform, which aimed at decreasing bureaucratic stiffness and increasing the manageability of in-put and out-put in the sector. However, no external shock was imposed on the sector in terms of liberalisation. The other reform, the 1991-market reform in the electricity supply sector, was radical: it liberalised electricity supplies to private consumers. This generated a previously unknown level of inconsistency with existing practices.

The quasi-market reform in public roads did create transformation of practices. Regarding changes in organisational form, the hybrid purchaser-provider design was implemented, even though only a minority of respondents saw it as useful for them three years after the reform. The new organisational form did transform some of the work processes as it set out to do. A new management accountability system was implemented even though a majority of managers did not perceive it as increasing effectiveness. New general beliefs also appeared. Changes in this organisation ideology dimension were, however, not as extensive as intended by reform designers, although, influential at the organisational level. For example, after six years, transformation of competency unit managers' operational practices was identified. At the same time, however, managers reported no coherent image of the significant purchasers and providers.

The radical market reform in the electricity sector created changes in formal structure. Ten years after its launch 70% of the organisations in the sector had changed their legal form from public utilities to limited companies. However, transformation of organisational practices towards increased market-orientation had not appeared as intended by the reform. For an example, only a small majority of the companies' managers reported preferences for prioritising customers after economic return. Furthermore, cost efficiency combined with management by objectives and quality control was not identified. Finally, strategic practices in electricity utilities were systematically not more proactive towards changes in the environments than public road organisations.

These key empirical findings indicate:

(1) The transformation potential in institutionalisation processes within organisations seems to be substantial. Furthermore, it may seemingly reach beyond the level of organisational

inconsistencies caused by reform at the time of launching of reform.

(2) The potential for transformation in different reforms seems to be limited to variations of what is intended. However, the potential for transformation in a reform seemingly increases with lower organisational inconsistencies and conflict with existing practices at the time of launching.

9.2 A moderate reform and within-organisation variations: The case of the Directorate of Public Roads

The first of the three studies aimed at exploring the relationships between the moderate reform, changes in organisational ideology variables, and operational practices within the Directorate of Public Roads. As a part of the larger transformation process of making the Directorate more quasi-market oriented in its operational practices, a new purchaser-provider organisational form was implemented. The overall conclusion from this within-organisation study is as follows:

Changes in organisational ideology related to interests, such as a new organisational form, can be imposed on public organisations. The possibility that transformation of organisational practices will occur as a result of such implementation is, however, not only dependent on the perceived inconsistency with existing practices when the units in the organisation is entering into the larger transformation process, but also on how different processes are bridged across levels and over time. The results of such implementation is more influenced by what happens related to the multiple effects of changes in organisational ideology during the sub-process(es) following from this event.

The fact that organisations experiencing low levels of ideological compatibility with a reform still transform operational practices, contradicts key hypotheses in both the restricted outcome and living process approaches. In contrast to what is assumed in the restricted outcome approach, the organisational processes investigated are a self-managed transformation of the organisation and its sub-unit's practices. Organisational transformation is here directed by social obligations toward the reform as a norm. Furthermore, organisational transformation is related to the actors' realization of improvement, rather than being determined by alteration of existing practicing.

Even though the new organisational form fulfilled the legitimating role against external pressure on the organisation, it was only partly accepted

internally. Policymaking units never accepted the new organisational form as legitimate and competency units accepted it only after a long period of careful exploration. As long as the reform an organisation embarks on is *not* perceived by actors as increasing organisational inconsistency, existing operational practices encoding diverse institutional identities are a stronger force in creating transformation than is the need for external legitimacy. In other words, organisational inconsistency decreases probabilities for transformation of organisational practices.

9.2.1 Implications for theory

The application of the two institutional approaches in the analysis of organisational transformation in the Directorate of Public Roads justifies an extension of these approaches. The relation between reform, organisational ideology, and practices, and the way it has been elaborated in this study, contribute positively to the theoretical issues in this thesis. The issue of particular interest is the benefit of institutionalisation for organisational transformation in the public sector. This study contributed to this issue in two ways:

First, the identified relationship between inconsistency, legitimating, and behavioural sub-processes, points to the need for even more specified models of the ways that changes in organisational ideology affect transformation of operational practices. For example, the positive effect of changes in general beliefs through how actors feel socially obligated toward future practices, needs to be further investigated.

Second, this study has also contributed to the understanding of multiple relationships between different organisational ideology variables, such as a new organisational form, and changes in commitment to and expectation of the reform. However, given the unstructured and ambiguous relation between organisations and their environment, it is both controversial and difficult to specify criteria that could accurately measure the effectiveness of such changes in organisational ideology for transformations.

These two implications for theory justify the development of an alternative institutional approach. The quality of organisations' relationships with their environment is understandable only through evaluating their long-term responses to reforms. Furthermore, it is difficult to separate normative from cognitive dimensions of organisations' ideology because any of the observable effects may arise from very similar normative and cognitive processes. Finally, it is

difficult to think of any accurate interpretation of an external event or a response that can be used to compare an event against a specific operational practice. How such relationships appear in a different context, which is for organisations in a sector that have been exposed to a radical market reform, has therefore been explored in the second study presented in the thesis.

9.3 A radical reform, organisational ideology and operational practices: The case of electricity supply organisations

In the second study presented in this thesis, the relationships between a radical market reform, a number of different organisational ideology variables, and transformation of operational practices in electricity supply organisations in Norway were explored.

Through a cross-sectional testing of three hypotheses, a number of empirical relationships were identified. The general answer to the question of which organisational ideology changes that produce transformation of operational practices is as follows: What is important in organisational transformation in the public sector is not the level of inconsistency produced by the launching of a reform alone, but what happens during the subsequent sub-processes.

This conclusion is coherent with the finding from the case study on the Directorate of Public Roads. This relates more specifically to the finding that the level of inconsistency produced by the launching of a radical reform seemingly causes changes in organisational ideology variables that appear in a particular order. Furthermore, the findings also indicate that to transform organisations' operational practices as intended, changes in ideology seemingly appear in a particular order.

In the restricted outcome and living process approaches, research suggests that organisational transformation is not brought about via changes in formal structure or CEO successions alone. This study supports the arguments stated earlier in the thesis (see chapter 1 and 2) that transformation of operational practices does result from a radical market reform. As indicated in the living process research, this second study has supported the notion that (re-)institutionalisation reflects the deeper aspects of organisational transformation. Furthermore, such deep change appears as a precondition for transformation of operational practices. However, it is also shown that radical change in organisational practices takes time. Such transformation involves not only

institutionalisation processes that depend on the external conditions, but also the bridging of such processes as they appear at different levels.

In relation to the living process approach, the research findings on possible multiple effects of the two types of organisational ideology variables are of particular interest. The relative influence of the cognitive aspect of organisational ideology, i.e. ideas, have been more emphasised than to the role of normative influences, i.e. interest variables. The finding that organisations with new CEOs are less market oriented than organisations with managers with a long tenure in the CEO position, is more surprising seen in relation to the restricted outcome approach than the living process approach. This finding supports the exploratory power of the living process approach. Consequently, the tradition for internal recruitment that can be traced in the sector is in this case seemingly is a precondition for the socialisation of actors into a particular set of general beliefs. Such socialisation is important because it over time will reduce organisational inconsistencies produced by the radical reform.

The restricted outcome research has traditionally viewed normative influences as more important than cognitive influences. Interestingly, whether CEOs have business education background and private sector work experience significantly affects organisations' market orientation. When whether installation of new CEOs appeared before or after the organisation changed their formal structure from a public utility to limited company, is more evident in organisation with managers with a particular demography. As such, the findings regarding the role of changes in general beliefs in terms of organisations with CEO succession, provide nuances for the role of idea relative to interest variables for transformation of operational practices in the following way:

Changes in ideas are channelled through the multiple effects of people's demography. For example will the installation of new manager, in cases where the new manager is business educated and recruited from outside the company, increase possibilities for transformation of operational practices. Thus, the assumption that interest variables are more important than ideas is not supported. However, the effects of idea variables are also not supported.

Organisational transformation in the public sector, measured as top manager's market-orientation as suggested by Considine and Lewis (1999), can be explained by multiple effects of the two types of

organisational ideology variables. These issues have therefore been of particular interest in the design of the third study presented in this thesis.

9.3.1 Implications for theory

For a company, the transformation of practices to make them market-oriented involves institutionalisation processes based on adaptation to new external pressures, internalisation of new norms of actions, and socialisation of new general beliefs through participation in social networks. Such institutionalisation processes, and subsequent long-term transformation help organisations to slowly "learn" how to respond to the market, and thereby develop a greater appreciation of the market's effects over time. However, the larger process of transformation by which the individual organisation goes through the stages from a newcomer to a regular user of the market, is a complex interplay between reform and changes in different organisational ideology variables over time. The role of reform and organisational ideology for changes in practices are related to both the processes of institutionalisation, and the outcomes of such processes.

In this study I have demonstrated how energy supply organisations use institutional signals reflected in differences in organisational ideology to make sense of an external event, such as a radical market reform. Operational practices are transformed through these institutional signals inducing a shared general beliefs and direct norms of action. Organisations and actors then act as if these signals were true. I have taken these findings as evidence that such institutionalisation processes during high levels of organisational inconsistency, is an important source of the lack of transformation sometimes seen among former public utilities.

Organisational practices do not fully match developments, norms, and events in the environment. The second study has contributed to the development of an alternative institutional approach by showing how the relative importance of any particular interpretation of environmental change, such as the objectives embedded in a particular reform, is difficult to demonstrate empirically. This is also the case for the relative importance of different organisational ideology variables for organisational transformation. The relatively limited set of differences in organisational ideology identified is not equivalent to the level of organisational inconsistency caused by the radical market reform. However, the study supports the previously proposed need for more complex mechanisms in terms of opening up for multiple effects between different organisational ideology variables. Multiple

organisational ideology relationships will increase the probability that organisations' interpretations of and responses to reforms that reduce inconsistency will be less biased toward outcomes like isomorphism, and transformation of operational practices in general.

A methodological contribution to the development of an alternative institutional approach relates to how variations in operational practices can be identified. Based on the second study, unified changes in organisations' operational practices are the degree to which the day-to-day activities are similar to or different from central tendencies in the organisations' field or sector. The method of measuring organisational level operational practice variations in former public sector organisations was inspired by and validated the instrument developed previously for the Australian context by Considine and Lewis (1999).

This operationalisation of operational practices is consistent with the view that operational practices are an observed pattern in an array of day-to-day activities that are integrated with each other through institutionalisation processes emerging over time in organisations. For the electricity supply organisations I studied, the operational practices were particularly visible in the execution of rules, attitude toward employee discretion, and organisational innovations. It is through the deployment of organisational ideology across these day-to-day actions that organisations manifest their approaches toward the possibilities for transformation of operational practices.

To summarise this second study has contributed the following to the development of an alternative institutional approach on organisational transformation:

Findings indicate that the processes of institutionalisation of new operational practices appear in parallel with how the radical reform creates organisational inconsistencies. However, institutionalisation of new operational practices also plays out differently depending on types of organisational ideology changes that constitute the actions feeding into the various institutionalisation processes. These processes subsequently influence whether or not new operational practices will be taken for granted.

9.4 Different reforms and variations in strategic practices: Public road and electricity supply organisations

I will now turn to the third study in this thesis, which has examined empirical determinants that identify whether different reforms produce systematic variations in organisations' strategic practices.

Findings from the two previous studies in this thesis justify the point of departure for this third study. The two previous studies illustrated that organisations' operational practices are altered as a response to reforms which is more symbolic than actual, and that organisations analyse their new situation and make formal decisions based on what change initiative that most effectively increases short term adaptation. Based on this, the available strategic practices, however, may vary more or less independently of sector membership. This was the focus of the third study.

The findings of the third study explain why organisational actions and thus, strategic choices, are more non-rational than rational during transformations. The term non-rational relates strategic choices to organisational actions that from a means-end logic not seem as the most rational choice. A particular organisational action may be deployed for other reasons than the fulfilment of identified needs for improved fit between changes in environmental conditions and existing strategic practices. Together the findings indicate that transformation of strategic practices will most likely not occur, if the actions to make such transformation were not internally legitimate.

It is therefore possible to conclude how reforms influence organisational practices in organisational transformation is not influenced only by the level of inconsistency produced by the launching of a reform alone, even in the case of more radical reforms, but by how different reforms coincides with cognitive and normative influences through which the reform is interpreted and strategic choices are made. Furthermore, when differences in strategic practices can be identified, they relate to dimensions that will not increase effectively the organisations' adaptation to a regular market compared to a quasi-market.

In accordance with the first and second study, this third study indicates that transformation of both strategic practices, seemingly warrant direct changes in organisational actions that constitute an organisation's subjective interpretations and responses. The different organisational actions constitute the organisations' new environments through

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transformation of strategic practices, rather than new environments transforming strategic practices. Hence, the direct relationships between reforms and strategic practice that are identified in this study, are reconciled with the finding identified in the two previous studies that changes in organisational ideology variables seem to be a precondition for the transformation of organisational practices in general.

Implicitly, the relationships between the market as an institution and the role of institutionalisation processes in organisational transformation, are questioned. This issue is important for the development of an alternative institutional approach in two ways:

(1) A longitudinal restructuring of a reform and of strategic practices is observed. It is empirically verified that organisations exposed to different reforms exhibit relatively similar strategic practices. Variations in strategic practices as an indicator of how different reforms influence organisational practices may then include simultaneous reactive and proactive strategic practices within the sector. However, the launch of a reform might then not be perceived as a "new" problem deserving a "new" strategic practice. Releasing organisational inconsistency has been a long-lasting problem for the organisations in the sectors, even though these problems previously did not include inconsistencies caused by a radical market reform.

(2) While reactive and proactive strategic practices may conflict with each other, they are not necessarily incompatible. Transformation of organisational practices in the public sector is not a paradox when organisational inconsistency caused by a particular reform is high. The results indicate that proactive strategic practices are an available alternative for organisations living in quasi-markets, as reactive strategic practices are available alternatives in a liberalised market. Furthermore, organisations in a regular market exhibit more reactive strategies toward task environments than toward institutional environments. The paradox is then that organisations may alternate reactive and proactive strategic practices, and then become sequential reform posers in terms of changes in practices as identified in the first study in this thesis. For the individual organisation, the duality in strategic practices may be an escape from the paradox of a radical market reform. Escaping from the paradox of the radical market reform through deploying a dual strategic practice, reflects an institutionalisation of reform posing practices that subsequently increases short-term adaptation. Being such a dual reform poser is driven by a good adaptation toward current and future changes

in the environment, but does not transform organisational practices over time.

9.4.1 Implications for theory
One implication of the identified duality in strategic practices in electricity and public road organisations is that the transformation potential in institutionalisation processes within organisations can be measured while they emerge. Lack of variations in organisations' strategic practices can be explained as emerging changes in practices that not yet have reached their full potential for transformation. I argued in the first study that institutionalisation makes organisations' management of inconsistency, management of legitimacy, and management of behaviour processes more flexible. In this third study, thinking strategically in a liberalised market was, by definition, not a tradition.

The identification of such an institutional ambiguity also poses another dilemma for the institutional analysis of organisational transformation. On the one hand organisations are willing to transform constantly. One the other hand one may say that nothing ever becomes institutionalised. However, if one argues that organisations with dual reactive and proactive strategic practices have institutionalised organisational change as a strategy for dealing with increased inconsistencies caused by a reform, existing institutional approaches appear as counterintuitive.

The findings also strengthen the relevance of my argument from chapters 1 and 2 that institutionalisation benefits organisational transformation. First, institutionalisation of change and development is in one sense what much of the design approach literature aims at (see e.g. Osborne and Gaebler (1992). This literature, however, does not include the particular process explanation provided by this thesis. Second, in the same way that the notion of irrational organisations in institutional analysis drew the attention to incompatible aspects of decisions and actions in organisations (as suggested by Brunsson (1985), the findings presented here help identify incompatible but not unmanageable aspects of organisational transformation and institutionalisation.

I have presented key findings and conclusions as well as discussed theoretical implications for the development of an alternative institutional approach as these emerge from the third study. In the next section I will try to link together conclusions and implications for theory drawn from the three studies when I indicate key contributions for the development of an alternative institutional approach.

9.5 Rethinking organisational transformation in the public sector

Based on the findings of the three studies and implications for theory that the reconciliation of these findings have identified, one could argue that the two institutional approaches may have taken us as far as we can come with regard to explaining the benefits of institutionalisation for transformation. Earlier in the thesis I criticised restricted outcome and living process approaches for overlooking the transformation potential in institutionalisation processes. The three studies made possible more detailed descriptions of the different ways in which institutionalisation may benefit organisational transformation. Altogether, the three studies have explored the following empirical relationships:

Process subject   *Process elements*   *Process outcome*
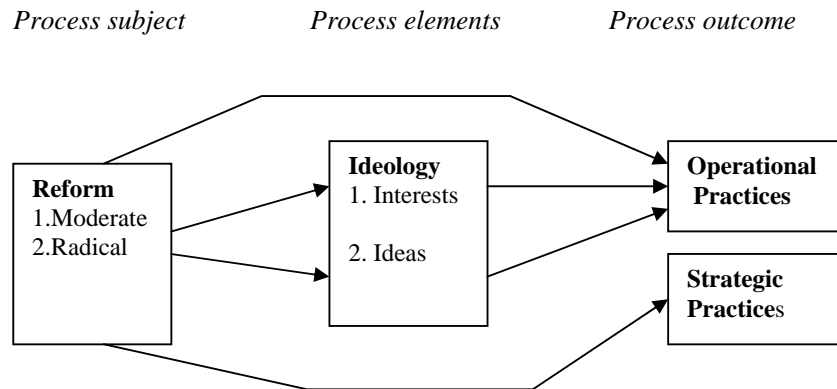
Figure 9.1 Relationships empirically explored in the thesis

The theoretical contributions for the expansion of the restricted outcome and living process approaches can be summarised as follows:

- The relationship between process subject- process elements - process outcome
- The relationship between reform - organisational ideology - organisational practices

The research findings of this thesis evoke two problems for the two institutional approaches regarding the relationship between *process subject-process elements- process outcome*:

First, a transformation process subject such as a reform, a new competitor or a decline in performance, most often involve no extra control and surveillance of individuals' and collectives' actions and practices.

Second, as a planned transformation, different process subjects focus on general and to a large degree symbolic incentives for change, rather than on the transformation of organisations' existing practices.

Therefore, a potential for institutionalisation processes in organisations is inherent is in any type of transformation subject. The living process and restricted outcome research differ, however, regarding which process elements are seen as central to whether organisations transform practices:

Based on the restricted outcome (e.g. Meyer and Rowan 1977, Tolbert and Zucker 1983, Tolbert 1985) and living process research (e.g. Brunnson and Olsen 1993) we know that transformation subjects, such as reforms, are diffused or "they travel". The spread of reforms is fuelled by their symbolic function and organisational ideology variables that guide organisational actions. This is the material basis for the institutional explanations identified and refined in this research. In existing restricted outcome and living process research, however, how actors are diffusing, editing or translating the transformation subject as an idea, is somewhat decoupled from the content of that idea. Therefore, these identified relationships are useful for extending our understanding of organisational transformation with regard to the relationships between transformation subject, process elements, and process outcomes.

The research findings indicates that the content of the transformation subject creates more or less inconsistencies with existing organisational practices. For example, in the case of a transformation subject represented by a reform, the content of this reform as a norm, and not the individual actors diffusing, editing, or translating them, creates organisational inconsistencies. Thus, if we accept that a reform is diffused and implemented by its symbolic function as a norm or as an idea, then there is a chance, by definition, that organisational outcomes of such transformation subjects turn out to be more symbolic than actual.

This theoretical linking of symbolic outcomes of a particular transformation subject to the symbolic functions of this subject, has been accounted for in the three studies in this thesis. Previous institutional research on organisational transformation, and particularly the living

process approach, indicates that institutionalisation may have transformation effects over time. However, what these effects are, and under what conditions we expect to find these effects, has remained unclear. The present findings help explain how institutionalisation actually increases transformation. The studies have therefore provided operationalisations of theoretical relationships that may prove useful for empirically exploring and explaining the transformation potential in institutionalisation.

Concerning the relationship between *reform- ideology-practices,* the research findings reviewed in this chapter evoke two problems for the two institutional approaches:

First, when applying what I perceive as a more comprehensive institutional understanding of organisational transformation in the public sector, *several variables explain transformation of organisational practices at the same time*. I have allowed for an appreciation of developments in the normative and cognitive processes in which motives for organisational actions and subsequent organisational outcomes are formed. General beliefs, norms of actions, and reform characteristics within which the individual organisation and single actors must operate are all theoretically relevant variables. The three studies have opened up for variables assumed to be important for transformation of organisational practices. The three studies also opened up for variables that explain how transformation of organisational practices differs across reforms and organisational ideologies.

Second, the potential for transformation is inherent in the social reintegration of institutional processes at the macro, organisational, and micro levels. This reintegration is influenced more by organisational ideology variables than by the objective incentives given by a reform. For example, the group level decisionmaking processes might redefine what is meant by the reform for the individual. Similarly, individual level interpretation processes may involve either the addition of new dimensions of the understanding of a reform, or the complete replacement of general beliefs at the organisational level.

Regarding the role of institutionalisation processes and organisational ideology variables, a revitalising of the relationships between the actor and other actors is needed in analysis. The relationship between actors constitutes the normative and cognitive influences on institutionalisation processes. Therefore, relationships between the different processes and outcomes are of interest to the question of how institutionalisation may

benefit organisational transformation. The living process approach does not explicitly include a notion of symbolic behaviour as outcome of institutionalisation at the organisational level. However, restricted outcome research does not sufficiently emphasize how various institutionalisation processes may appear at the same time during transformation, or in what order they appear.

The explanatory power of the restricted outcome approach on organisational transformation is tested by the present investigation in two ways: First, by analysing normative influences as intermediate variables influencing changes in organisational practices instead of as dependent variables that reflect lack of changes in practices. Secondly, explanatory power is increased by analysing the role of differences in reform on those organisational practices that one would assume are most influenced by differences in reform, namely strategic practices, and thus less isomorphic compared to operational practices.

A test of the explanatory power of the living process approach has also been built into the present investigation: First, by including the cognitive dimension of organisational ideology as intermediate variables instead of analysing them as outcome variables at the individual and group levels, and second, by analysing how organisational inconsistencies are not a static phenomenon. Organisational inconsistency is influenced by changes in the process elements that determine the order and interaction of the various institutionalisation processes through which transformation of organisational practices appear.

This means that punctuation as suggested by Tushman and Romanelli (1994) or strategic change equilibrium models such as the one suggested by Quinn (1980) are not the most realistic mechanisms that explain how reforms influence organisational practices. The social integration of one institutionalisation process with other processes, and between processes and the specific reform from which they originate, represent equally plausible mechanisms. This means that the vertical and horizontal bridging of sub-processes over time should transform organisational practices. Organisational transformation is then defined as the result of cumulative institutionalisation processes at macro, organisational, and micro levels, rather than as the result of bringing the organisation from one state of equilibrium to another.

I try to establish an alternative institutional approach and a concept of practical drift to develop further the theoretical relationships drawn from the restricted outcome and living process approaches. This alternative

institutional approach, i.e. the directed process approach, aims to define and describe the transformation potential in institutionalisation. The basic idea behind the concept of practical drift is that different organisational processes at multiple levels are socially reintegrated, both horizontally over time and vertically with each other and with the event that caused transformation. The concept of practical drift can serve as an important concept to synthesise the empirical variation that comes out of the directed process approach. In the next chapter I try to link the directed process approach and the concept of practical drift to the phenomenon of organisational transformation, in order to increase our understanding of how reforms influence organisational practices over time and cross-sectionally.

Chapter 10. Toward an Alternative Institutional Approach: Organisational Transformation as Directed Processes

10.1 Theoretical implications for the development of an alternative institutional approach

This thesis shows a possible correlation between reforms and transformation of organisational practices. The design approach view, that transformation of organisational practices is the result of reforms as rational plans, is not supported. However, in cases where no transformation of organisational practices can be identified, the reasons for this are different than those predicted in existing restricted outcome and living process research. Organisational transformation in the public sector is not primarily a restricted outcome created by the symbolic outcomes of rationally designed plans. Neither is organisational transformation in the public sector living processes that create their own results.

In this thesis I have investigated the explanatory power of the restricted outcome and living process approach through empirical explorations of the relative influence of reform and different organisational ideology variables for transformation of organisational practices. The overall empirical result is that changes in organisational practices in the public sector do not fully match differences in reform, which further suggests that the question of whether or not reforms really matter, has no obvious answer. Therefore, the three case studies in this thesis have not provided findings on the measurable effect of *objective* differences in reform for organisational transformation in the public sector. More specifically, the cases have shown how small events might produce large consequences, whilst large events do not necessarily produce large consequences.

The empirical evidence supports two major justifications for the development of an alternative institutional approach, namely theoretical implications of our understanding of the transformation subject, and process elements, and process outcome relationship. Furthermore, theoretical implications for transformation of organisational practices can be drawn both for the role of reform and for the role of organisational ideology. Finally, both theoretical contributions have implications for how the phenomenon of organisational transformation in the public sector should be analysed.

10.1.1 Organisational transformation as directed processes

This thesis suggests that the degree to which institutionalisation processes within organisations increase transformation is reflected in the coupling of environmental and organisational conditions through which organisational processes are socially integrated. These organisational processes are socially integrated with the reform as well as with their outcome. Reforms may under certain conditions be regarded as *directed processes*. Relevant environmental conditions are differences in type of reform, and relevant organisational conditions are differences and changes in organisational ideology. Furthermore, processes are directed in the sense that living processes may be constrained and influenced by variables in the organisations' environment and within the organisation, as well as by the cumulative effects of such internal change processes.

In this thesis insights from both of the two institutional approaches are applied for analysis. The directed process approach emerges from a combination of these previous contributions. It is characterised by a different coupling between reform and outcome and a tighter coupling between processes and outcome compared to the restricted outcome and living process research respectively.

According to existing institutional research on organisational transformation in the public sector we know that organisational processes follow reforms (Brunsson and Olsen 1993), but these processes may lead to unintended (i.e. restricted) outcomes (DiMaagio and Powell 1991). By contrast, the stance taken here is that the organisational outcome of reforms is less than the intended result, but more than a result of complex organisational processes. This is the basic idea behind the directed process approach.

A related idea is the concept of nesting of institutional processes at the field level proposed by Holm (1995). In contrast to the work by Holm (1995) a different level of analysis is in focus in the directed process approach developed here. With regard to the nesting of institutional processes, the focus of the directed process approach is on the interconnection of external events, various institutional processes, and specific outcomes at the organisational level.

A similarity exists between the directed process approach and Scott's (1995) conceptualisation of the three pillars of institutional variables influencing whether organisations change or not. Coercive external pressures embedded in the reform reflect the regulative pillar in Scott's

(1995) conceptualisation. Organisational ideology in terms of interests and ideas reflects Scott's (1995) normative and cognitive pillars respectively. One difference between Scott's (1995) conceptualisation and the directed process approach is the latter's focus on how these three different institutional variables *interact* in the specific organisational context of organisational transformation in the public sector. Another difference between Scott's (1995) conceptualisation and the approach outlined here is the focus the conditions for these three types of institutional variables to transform *practices* at the organisational level.

The theoretical foundation underlying the directed process approach also has similarities with the one suggested by Zucker (1988). Zucker (1988) suggest that institutionalisation should be analysed as processes at macro, organisational and micro levels, and not as a variable. The directed process approach is developed for the empirical analysis of institutionalisation as an organisational process. Modelling the role of institutionalisation as organisational processes, however, creates particular challenges. In the following section I will illustrate the directed process approach in a conceptual framework and present the main assumption underlying this approach.

10.1.2 Conceptual model
From the theoretical ambition that institutionalisation ought to be modelled as processes and not as a variable, the directed process approach assumes that some of the things that may happen in institutionalisation processes, reach beyond the general objectives of reforms. My primary concern is the effects of institutionalisation processes on macro, organisational, and micro levels of transformation of organisational practices over time. The larger variables included in the research problem: reform, organisational ideology, and organisational practices, all reflect a directed process approach on institutionalisation because they:

(1) Emphasise the *links* between causes for and consequences of institutionalisation as identified in the restricted outcome research.
(2) Emphasis the *various* institutional processes occurring in public organisations during transformation and how these interact as identified in the living process approach.

The directed process approach creates particular theoretical challenges. It opens up the possibility that different institutionalisation processes at different levels can explain transformation. Organisational processes are

interconnected across levels and sequentially over time. Relevant processes are (1) socialisation of organisational members, (2) internalisation of norms of action, and (3) adaptation. Sequences of actions at individual, group, and organisational levels constitute these processes. The challenge is to define an institutional approach that can bridge different organisational processes at multiple levels. I believe that the directed process approach does this.

The role of institutionalisation in organisational transformation in the public sector as indicated by the directed process approach, is illustrated in the following conceptual framework:
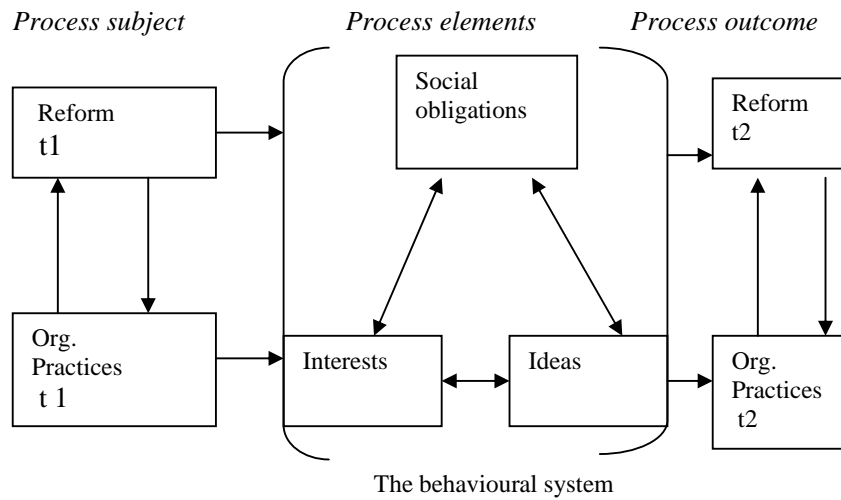
Figure: 10.1. A directed process approach to organisational transformation in the public sector

The *main assumption* of the a directed process approach is that the less organisational inconsistency a reform creates, the more the embedded coercive external pressure will direct the processes, and the more emerging outcomes will have the potential to reach beyond what is directly intended in reform. In other words, directed processes follow reforms, but other mechanisms explain why these directed processes might create outcomes as intended, compared to the other two institutional approaches.

Explanations provided in this thesis suggest that the directed process approach will be different from the two existing approaches on benefits

of institutionalisation for organisational transformation in the public sector in two ways:

(1) Work within the restricted outcome and living process approaches has implicitly indicated that different dimensions of institutionalisation might occur simultaneously in organisational transformation in the public sector. Four dimensions of institutionalisation have been emphasized: causes of institutionalisation; types of institutionalisation processes; the direct effects of institutionalisation; and organisational outcomes of institutionalisation processes. We know, however, little about how these diverse dimensions occur in parallel and over time during the transformation. Hence, relationships that in one sense may be explained as decoupling as suggested by Meyer and Rowan (1977) might also be motivated as organisations' desire to negotiate coercive external pressures with the protection of what they perceive as elements maintaining the effectiveness of their practices.

(2) Portraying institutionalisation of organisational outcomes as produced by increased environmental inconsistency has been common since the earliest work on the topic within the restricted outcome approach. However, recent work within the living process approach has a strong focus on types of ideas and why they develop and travel. This makes the living process contributions powerful extensions of the restricted outcome approach literature. The living process research generated a body of work on the effects of organisational ideology in terms of ideas for organisational change. These contributions emphasized inconsistency between goal-directed choices reflecting the reform and living organisational processes. Although the conceptual discussion in this latter stream of institutional research has indicated that organisational transformation in the public sector could involve transformation of organisational practice, few studies have focused on this. For example, only 4 out of 7 studies included in Brunsson and Olsen's book from 1993 emphasise the issue of implementation. Furthermore, none of them emphasize the relationships between reforms and transformation of organisational practices. Rather, the criteria used to explore the implementation of reforms and compare different organisations' responses to reforms, are variables on how the organisation reforms its environments and the cognitive standardising of the implementation of reforms.

Two particular aspects of the role of institutionalisation reported in living process research underline this impression.

First, in living process research organisational inconsistencies exist as an implicit and static phenomenon. The degree of organisational inconsistency is therefore more influenced by existing institutional characteristics of the post-reform organisational processes, than by the dynamic relationship between cognitive and normative influences on such processes. More specifically I suggest that different organisational ideology variables, and the dynamic relationship between them, should be included in analysis.

Second, in living process research the possibilities for changes in organisational practices stemming from the integration of longitudinal effects of reform and multiple effects of different organisational ideology variables, are not captured in the conceptualisation of unique organisational actions in this research. More specifically I suggest that the relationships between different reforms, differences in organisational ideology, and transformation of organisational *practices* should be included in analysis.

From the discussion on how the role of institutionalisation is operationalised in the two institutional approaches, the key benefit of defining institutionalisation as suggested in the directed process approach emerges as follows:

The key benefit of using a multidimensional definition to describe the role of institutionalisation in organisational transformation in the public sector, is that it will allow for the possibility of different relationships among the four dimensions of institutionalisation identified in existing research. In some cases this might mean that inconsistencies caused by a reform is less important for explaining variations in organisational practices, than the institutionalisation process and direct effects dimensions. With this multidimensional definition, the directed process approach supports that all four of the dimensions are important to provide a more comprehensive understanding of how reforms influence organisational practices, as well as for how institutionalisation may benefit organisational transformation.

In this section I have identified ways in which contributions within the restricted outcome and living process approaches in institutional research can be connected with the research findings in this thesis to bring (1) the longitudinal effects of reform processes and multiple effects of changes in organisational ideology variables and (2) the transformation potential in institutionalisation into research. For this purpose the directed process approach is suggested. This approach may produce empirical variations

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that conceptualisations within the two institutional approaches will not be able to explain. In the next section I will suggest a concept of practical drift. The concept of practical drift may work as an important concept to link empirical variations that emerges from the application of the suggested directed process approach.

10. 2 Toward a concept of practical drift

10.2.1 The meaning of practical drift
Practical drift is a concept that describes the concrete transformation of organisational practices. "Practical" describes the different organisational actions that feed into the different institutionalisation processes that emerge in situations of increased inconsistency. The term "practical" is used to contrast actions aiming at adapting to the reform and making formal changes in organisational form, from actions that transform organisational practices. "Drift" relates to how these different processes emerge discontinuously, but still directed by an overall logic such as the form, content, and symbolic function of a reform. The term "drift" is used in contrast to processes being living as suggested by the living process approach, and outcomes being restricted as suggested by the restricted outcome approach. With practical drift I mean the situation when organisations maintain standardised and legitimating organisational forms, while organisational practices vary in response to practical considerations during situations of increased inconsistency. In this way, practical drift refers to the concrete bridging of management of inconsistency, management of legitimacy, and management of behaviour processes in organisations when they interpret and respond to a reform.

Practical drift may appear in cases where demands from an organisation's environment are perceived as inconsistent with existing organisational practices. The increased inconsistency, directly or indirectly, hinders actors from making choices in an effective manner, even though alternative actions are considered. The result is a hybrid organisational practice, capable of following more than one set of general beliefs and norms of action at a time. This concept acknowledges that an external event forced the organisation to reconsider its existing practices. However, it is not the event itself, or what the organisation perceives are important and the ideological capabilities it possesses when it enters into the transformation, that mostly influence the outcome, but rather what the organisation experiences during the processes and the way the organisation integrates these processes.

The idea of practical drift is an important organising concept for the empirical investigation of the suggested directed process approach. Practical drift is not an established concept in organisational research. However, the three present studies have accumulated findings that suggest notions that offer insights into issues and processes in the heart of the field of institutional analysis of organisations. The three studies presented in this thesis have analysed how (1) different organisational processes are determinants for the installation of common organisational ideologies and new organisational practices and (2) various external events are determinants for increased inconsistency within a context of organisational transformation in the public sector.

One example is the case of the Directorate of Public Road, where the reform influenced organisational practices because it framed and infused social obligations that directed the different institutionalisation processes that the organisation was involved in. Three mechanisms were identified as useful to explain the relationships between reform, processes, and transformation of organisational practices. These were (1) Communication of the social obligations that the organisation has toward their own previous and future actions as well as stakeholders and public opinion, (2) Individual and group level entrepreneurship, and (3) Ecological effects stemming from responses in the majority of the units or neighbouring units that change their practices. The following figure illustrates possible relationships between reform, practical drift, and changes in organisational practices:

Reform → Practical drift → Transformation of organisational practices

Institutionalisation

| | Mgt.of inconsistency | Mgt. of legitimacy | Mgt. of behaviors |

Integrators

Communication of social obligations embedded in reform: Toward external stakeholders/Toward future practices

Local level entrepreneurship: Unit level / Individual level

Ecological effects Neighbour unit / Majority of other units

Figure 10.2 The possible role of practical drift in organisational transformation in the public sector.

The concept of practical drift, as it could be applied on the phenomenon of organisational transformation as directed processes, indicates two types of outcomes. Posing of reforms are the result of actions that aim at making changes in practices that actors think are understandable to other actors. Practicing of reforms is the result of actions aiming at changing practices in a way that actors view as understandable to themselves. The latter reinforces transformation. Therefore, a feedback connection is asserted between the management of behaviour process, and the management of inconsistency and management of legitimacy processes that follow the new reform.

Furthermore, we know from the two institutional approaches that institutionalisation may involve transformation. The concept of practical drift provides a clear indication that the directed process approach is closely related to the benefits of institutionalisation. The concept is also useful for capturing these dynamic aspects of institutionalisation. This thesis has shown that the potential for organisational transformation in the public sector is not an explicit property of the institutional environment in which the reform emerges, but is reinterpreted within professional communities and by individual actors with diverse commitments and expectations toward the reform. The potential for transformation is fluid in the sense that the processes of legitimating a reform or a new organisational form, is part of diverse sub-processes that increase compatibility between organisational practices and reform, as well as between different organisational ideology variables and organisational practices.

The links between reform and restricted outcomes and between reform and living processes are therefore more uncertain, complex, and difficult to isolate than assumed in the two institutional approaches. Even though uncertainties, complexities and difficulties to isolating the same relationships also can be associated with the suggested directed process approach, the concept of practical drift increases clarity of organisational outcomes. In contrast to most work within the two institutional approaches, one of the potential contributions of the concept of practical drift is the development of dimensions of institutionalisation that are less ambiguously related to organisational outcomes of institutionalisation. One factor in this development is to operationalise practical drift not as a state, but as a mechanism useful for describing and explaining the concrete bridging of different institutionalisation processes. Figure 10.3 illustrates an operationalisation of the concept of practical drift as a mechanism. It suggests multiple relationships between different practical drift sub-processes on the one hand, and the actions that change these processes at respectively the individual, group, and organisational levels and the process outcomes on the other hand:

Target of action	Individual	Group/Unit	Organisation	Process outcome
Understandable to the environment	Think	Understand	Adapt social obligations to interests ▸	Reduce inconsistency
Understandable to other groups in the organisation	Analyze	Choose	Internalisation: relating interests to ideas	Make legitimate
Understandable to the individual member of the organisation	Direct	Evaluate	Socialisation: relating social obligations to ideas	Transform practices

Figure 10.3 Practical drift as a mechanism.

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The operationalisation of practical drift as a mechanism is asserted to work in the following way:

When an external event appears, such as the launching of a reform, different actions reduce internal inconsistencies produced by the external event. Actors involve in different actions to reduce inconsistency, make the organisational solutions chosen legitimate, and to transform practices. The different organisational actions that constitute these three process outcomes differ depending on whether they are biased toward what is understandable to the environment, understandable to the other groups/units within the organisation, or understandable to the individual in the different processes. Because different organisational actions at these three levels may appear sequentially or at the same time, feedback connections are assumed to exist between different types of actions and different process outcomes.

Actions at different levels reflect different rationales, or modes of actions. In the first process, the management of inconsistency, individuals' actions reflect what they think about the new situation, group actions reflect how the new situation should be understood, whereas organisational actions reflect adaptation of social obligations to interests embedded in the reform. More specifically, organisations reduce inconsistency produced by a reform by complex relationships between individuals' *thinking*, groups' *understanding*, and organisational *adaptation.*

In the second process, the management of legitimacy, individual actions reflect analysis of legitimacy problems, group actions reflect the issue of which response that will increase legitimacy of their choice, whereas organisational actions reflect how the organisation relates interests to ideas. More specifically, the organisation legitimises a reform through a complex relationship between individuals' *analyses*, groups' *choices,* and organisational *internalisation.*

In the third process, the management of behaviours, individuals' actions reflect the direction of own patterns of behaviour, group actions reflect the evaluation of the usefulness of other groups' service production and service delivery, whereas organisational actions reflect the linking of social obligations to ideas. More specifically, an organisation transforms operational practices by a complex relationship between individuals' *direction* of own behaviours, groups' *evaluation* of own and other groups' behaviour, and organisational *socialisation*.

In order to fully understand the dynamic character of unique organisational actions in institutionalisation processes the operationalisation of practical drift as a mechanism presupposes a feedback loop between different targets of action at different levels. Unique organisational actions can be identified at the single actor level in a complex relationship between thinking, analysing, and direction. Unique organisational actions can be identified at the group level as the complex relationship between understanding, choosing, and evaluating. Finally, organisations' unique actions can be identified as the complex relationship between adaptation, internalisation, and socialisation. Therefore, the mechanism of practical drift enables studies of the relative influence of different types of and developments in unique organisational actions in institutionalisation processes.

The previously described dynamic and multilevel character of practical drift as a mechanism implies that changes in organisational ideology determine transformation of operational practices over time. The reason for this is the correlation between the effects of respectively interest and idea variables on institutionalisation processes. These effects are a resource of organisational flexibility. Furthermore, such an organisational flexibility inherits a potential for transformation when it is integrated properly. It may occur that organisational practices at one time may lack changes, without decreasing possibilities for further changes in practices to occur later. Organisations may have made changes in organisational form to be isomorphic with their unstable and uncertain environments, while changing their general beliefs over time. However, at any single time they are decoupling organisational form and organisational practices. Consequently, organisations respond to external events by transforming organisational practices when analysed longitudinally, but not necessarily when analysed cross-sectionally.

Notwithstanding the previously identified methodological challenges with regard to analysis of the benefits of institutionalisation for organisational transformation, there are important implications arising from the discussion in this section for the empirical analysis of practical drift. Clearly, this thesis supports the proposition that various institutionalisation processes over time will converge in a unified transformation of organisational practices, which in turn supports the directed process approach and the concept of practical drift. A justification of the directed process approach and the concept of practical drift may also be achieved through reconciliation with other related concepts. Reconciliation with existing concepts will help also identify

areas on which the directed process approach validates a rethinking of models of institutionalisation.

10.2.2 Practical drift and related concepts

With the exception of Snook (2002), no previous studies have addressed the notion of practical drift in relation to organisational transformation in the public sector. Snook's findings and conceptualisation are, however, of limited relevance to the research problem addressed in this thesis. While he focuses on performance in knowledge intensive organisations (US military forces), the present investigation has indicated a concept of practical drift that helps identify different ways in which institutionalisation processes are bridged. In this way more specific operational definitions of the benefits of institutionalisation for organisational transformation can be reached.

Bruno Latour introduces the term "drift" in his book *Science in Action: How to follow scientists and engineers through society* (1987). He defines "drift" as the collective movement making transitions between stages seem logic. His concern is in relation to enrolment of groups and their interests in a process of (technological) innovation. I am more interested in a concept that can describe the social integration of processes at various levels within a specific context of coercive and planned transformation in organisations. Thus, the practical aspect of drift suggested in this chapter does not emerge from actors that abandon their interests, but from the actors that negotiate their general beliefs and norms of action within the frames of a liability infusing reform.

Another related concept is the concept of "institutional drift" presented by Zucker (1988). This concept would predict initial patterning (stability or change) to be maintained over subsequent actions. Consequently, institutionalisation can also be initiated from within the organisation. Variables that determine the degree to which routines are institutionalised, and subsequently also increase the level of routinisation of organisational behaviours, relate to internal characteristics and aspects of the organisations' interaction with the larger social environment. The assumption here is that a certain order of events over time during reinstitutionalisation, helps determine whether and when transformation is likely to occur.

The reconciliation of the concept of practical drift in this section was mostly based on background literature that indirectly sheds light on the transformation potential in institutionalisation. However, the directed process approach assumptions supported by the three studies in this

thesis, also help differentiate practical drift from the related but larger concept of loosely coupled systems as proposed by Orton and Weick (1990). The concept of loosely coupled systems views organisations as a set of loose couplings between smaller systems within and across the organisations border. An example is the loose coupling of the behavioural and the environmental system of an organisation. Loose coupling describes how an organisation functions and explains variations in organisational performance. Practical drift, however, is a mechanism that bridges of a set of processes with potential for transformation across levels and over time. Such bridging, however, may subsequently increase performance over time through the installation of new organisational practices.

The discussion in this section has indicated that no conceptualisation of practical drift related to *organisational transformation* can be identified in existing research. So far this chapter has emphasized that a concept of practical drift can serve as an important link in the suggested directed process approach to organisational transformation in the public sector. It is clearly related to general theoretical issues of causes of institutionalisation, different types of institutionalisation processes, direct effects of institutionalisation, and organisational outcomes of institutionalisation. It is also related to specific notions on the role of reform and organisational ideology. Other organisational research contributions can be labelled as related to some of the issues covered in the suggested concept of practical drift. Practical drift, however, provides a focus for data related to unique organisational actions at different levels, and a focus on how these actions bridge institutionalisation processes and direct particular organisational out-comes. The concept also provides a focus for studies of multiple dimensions of institutionalisation as aimed at in the suggested directed process approach.

10.2.3 Practical drift in organisational transformation
The possible role of practical drift in organisational transformation in the public sector relates to the theoretical and empirical reconciliation of the directed process approach. The concept of practical drift has specified some of the conditions under which this approach has explanatory power that reach beyond explanations provided in the existing restricted outcome and living process approaches respectively. The arguments supporting this statement are as follows:

The restricted outcome approach has shown that various dimensions of institutionalisation might occur simultaneously in organisational trans-

formation in the public sector. We know, however, little about how the diverse dimensions of institutionalisation interact across levels and over time during the larger transformation process. Hence, what may be perceived as unfounded opposition or tactics of concealment might also be motivated by organisations' desire to align needs for transformation with the protection of elements that maintain the effectiveness of their operational practices. Consequently, organisational transformation in the public sector depends on both critical reform parameters and the organisational processes involved in implementation.

Where the restricted outcome approach analyses reform as symbolic plans followed by restricted processes that produce outcomes other than intended, the living process approach analyses reforms as legitimating, but loose, frames followed by complex processes with unpredictable outcomes. The restricted outcome approach predicts that the more radical a reform is, the more the complexity of processes will be restricted and the less predictable the outcome will be. The living process approach predicts that the more a reform is inconsistent with existing organisational practices, the less processes would be restricted and the more unpredictable outcomes would be.

With the concept of practical drift, reforms are analysed not only as legitimating but also as liability infusing frames that direct processes whose outcomes might be as intended. Compared to the restricted outcome approach, the concept of practical drift does not reflect that the institutional environments determine processes, but that processes are socially integrated. The general problem of unintended consequences makes a living process approach to organisational transformation in the public sector more relevant. However, the living process approach might have overlooked that transformation is not arbitrary. The concept of practical drift tries to establish that even though one cannot predict the consequences of attempts at transformation, this does not mean that reforms in most cases produce unpredictable outcomes.

Compared to the restricted outcome approach, the concept of practical drift emphasises that what an organisation does, influences how it perceives the world. Compared to the living process approach, practical drift emphasises that how an organisation makes sense of the world also influences what the organisation can or cannot do. Previous actions have eliminated some possibilities that consequently are no longer there to be exploited. Public organisations that resist increasing their market-orientation to protect their exiting practices may have eliminated

possibilities for transformation, because what one tries to prevent is at the same time a resource for later developments.

Another important aspect of practical drift compared to the restricted outcome and living process approaches, is the role of legitimacy in analysis. While the restricted outcome approach tends to overemphasize the role of legitimacy, the living process approach tends to underemphasise the same aspect. Based on the directed process approach, different reforms reflect different intentional actions that attempt to transform public organisations. Such intentional actions influence, but do not determine, the outcomes of organisational transformation in the public sector at the organisational level. Some intentional actions will thus be more effective for transformation than other actions, without having a particular coupling to legitimacy.

Therefore, some exploratory power is gained by applying the concept of practical drift into a study of how reforms influence organisational practices. To be more specific, because of the differences in reform the value of organisations' practical drift naturally depends on its nature, so that some types of practical drift may be beneficial for transformation. More specifically, practical drift is asserted to be the transformation component that produces the desired outcome (e.g. practicing of the reform) for the incorrect reasons in terms of reform objective. This means that reform practising cannot be identified without traces of previous reform posing.

Organisational transformation in the public sector is therefore defined as the ultimate result of the social integration of (1) the process of relating social obligations to interests, i.e. management of inconsistency, (2) the process of relating interests to ideas, i.e. management of legitimacy, and (3) the process of relating ideas to social obligations, i.e. the management of behaviours, rather than the result of bringing the organisation from one state of equilibrium to another or toward creating some form of punctuation. The concept of practical drift is suggested as the material basis for a more complex institutional mechanism explaining how reforms influence organisational practices.

The following figure illustrates the relationships that constitute the possible role of practical drift in a directed process approach to organisational transformation in the public sector:
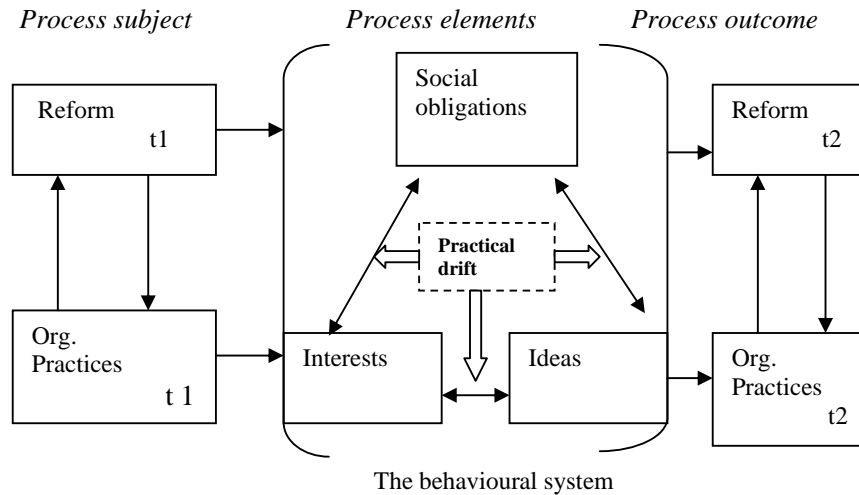
Figure 10.4. The possible role of practical drift in the directed process approach

In this section I have conceptualised practical drift, discussed the empirical status of such a concept in terms of related concepts, and indicated a possible role of such a concept in a directed process approach to organisational transformation in the public sector. In the next section I will refine some of the issues raised in this chapter when I present propositions for further research. The three propositions suggested for further research capture some of the ways that the directed process approach and the concept of practical drift may contribute to our rethinking of existing models of institutionalisation.

10.3 Rethinking models of institutionalisation

The directed process approach places its focus on the relative importance of reform and local level organisational ideology changes in the larger process of planned transformations in the public sector. Exploring relationships between the theoretical concept of practical drift and organisational transformation in the public sector is therefore important. Furthermore, reasons for the applicability of such a concept can be identified.

In this section I give a brief discussion of how the directed process approach represents a model of institutionalisation that justify my interest in the integration of social obligation, interest, and idea dimensions of institutionalisation represented by the concept of practical

drift. This brief discussion will provide the context for the empirical exploration associated with these three dimensions and how they are related to each other over time within organisations. Theoretical assertions of links between respectively external events and outcome, and the three dimensions of practical drift are presented in this section. I will start with how the directed process approach model links external events and organisational outcomes.

The review of the research findings from the three studies in this thesis underlines that a process approach is important. Without a process approach to institutionalisation the environment is overemphasized, whereas the role of unique organisational actions, the individual organisation, and its strategic and operational practices are underemphasized. The review of research findings also identified methodological challenges of importance for the institutional analysis of practical drift. Institutionalisation should not be investigated as something that is taken for granted and studied only through its effects. Institutionalisation needs to be investigated as a actual phenomenon, reflecting the specific bridging of a set of sub-processes.

I have argued that practical drift is a concept with no previously defined core in terms of configuration of dimensions in various settings. The links between reform, organisational ideology, and organisational outcomes as they appear over time are less emphasized in institutional analysis. The present thesis and the suggested concept of practical drift therefore also shed light on a "white spot" in institutional research. A rethinking of models of institutionalisation is positively influenced by the suggested concept of practical drift in two ways:

First, existing models of institutionalisation need to move beyond the stage where institutionalisation and its effects are studied as a unique phenomenon largely based on a taken-for-granted assumption that these somehow do not relate to (strategic) organisational actions. Developments that enable research to relate organisations' institutiona-lisation processes to other variables of theoretical interest will represent an expansion of restricted outcome and living process research.

Second, the issue of multiple effects of the different organisational ideology variables, that is interests and ideas in models of institutionalisation, needs to be accounted for in analysis. Existing models of institutionalisation indicate two organisational determinants for organisational transformation in the public sector. These are respectively normative and cognitive influences on the organisational

outcomes. The multiple effects of these two different influences for transformation of organisational practices over time, however, represent an expansion of existing models of institutionalisation.

The key assumption that drives the model of institutionalisation that the directed process approach is built on, is that the organisational outcome of institutionalisation is influenced by both efficiency and legitimacy considerations. In the particular context considered, namely organisational transformation in the public sector, organisations that face a reform respond to a major external event. As a result of this, organisational practices are more likely to reflect past behaviours than future actions. Therefore, it is more realistic in this applied context to treat organisational practices as a separate construct. It is then possible to account for the mutual influences of different practical drift sub-processes and target of actions that link processes and outcomes. It is useful to distinguish between future actions towards external events, which are strategic practices, and operational practices that might not be planned in the same way as future actions. By future actions I mean strategies reflecting a plan to take action and organisational goals not identified yet, rather than a way to achieve organisational goals that are already identified and legitimated.

For such a model of institutionalisation that underlies the directed process approach and the concept of practical drift, more data about the event that caused the inconsistency occurring (i.e. the reform) might not be very useful. Instead, process data will more effectively describe the setting in which groups and individual actors within the organisation perceive and respond to a reform. For research that aims at systematically including the potential for transformation in institutionalisation, rather than support the view that practical drift is something one should avoid, the bridging of sub-processes of the larger process of organisational transformation should play out in analysis.

The idea of organisational transformation in the public sector as directed processes also allows research to pay attention to how instiutionalisation might yield insights about how to manage reforms successfully. Here, the concept of practical drift is important. Observing patterns of institutionalisation over time, as done in this thesis, is useful to explore what organisational ideology variables at organisational, group, and individual levels that reinforce organisational transformation in the public sector.

In this section different ways in which the directed process approach and the concept of practical drift may contribute to the development of institutional organisational analysis is identified. In the next section I will summarise the discussion in this section when I present three propositions for future research that emerge from this discussion.

10.3.1 Propositions for further research

Studies of organisational transformation in the public sector within the restricted outcome and living process approaches indicate that institutionalisation may have transformation effects. This thesis has tried to establish what some of these effects are, and under what conditions we can expect to find them. This chapter has tried to establish the link between organisational transformation in the public sector as directed processes and a concept of practical drift, to understand how different institutionalisation processes facilitate and constrain transformation, over time and cross-sectionally. Future empirical investigation of how practical drift affects organisational transformation in the public sector might be able to help disentangle more of the relationships between reform, changes in organisational ideology, and organisational practices that feed into this larger phenomenon.

Since organisational transformation in the public sector appears most often under situations of increased environmental uncertainty, a link between practical drift and reforms causing such increased levels of inconsistency should be identified. It then seems reasonable to assume that public sector organisations will transform through practical drift as a mechanism. However, there are theoretical and empirical reasons to believe that practical drift is not a state, but a dynamic mechanism involving multiple organisational ideology changes appearing at individual, group, and organisational levels.

This overall theoretical argument is driven by possibilities for further empirical research. The following directed process approach arguments justify my interest in three propositions for future empirical investigation of this approach and the concept of practical drift.

First, related to different views on organisational transformation in the public sector, the following considerations from practical drift can be suggested. In a design approach to organisational transformation in the public sector, such as the "let managers manage – make managers manage" dichotomy by (Kettl 1997) or the quasi-market theory (LeGrand and Bartlett 1993), there is no room for practical drift. A design approach view on what I call practical drift would be as follows;

If we relate organisational processes with different levels of practical drift, the higher the practical drift, the less efficient the reforms that promote organisational transformation in the public sector. Such an approach, however, provides no meaningful explanations on the situation where organisations, despite having adopted a new organisational form, seemingly create no new organisational practices.

This typical example of "rebottling old wine in new bottles" can be explained if the symbolic outcome of such reforms is analysed in the restricted outcome approach. Changes in organisational form are then decoupled from operational practices, and what might look like transformation is more symbolic than actual. A case of rebottling old wine can also be explained if living processes themselves are analysed as suggested in the living process approach. Organisational processes are decoupled from organisational form and outcomes, because these are generally more symbolic than actual. However, one special case of practical drift, "namely window dressing", is more difficult to explain through emphasising only the restricted outcome or the living processes themselves. Here a more subtle form of institutionalisation occurs when organisations take actions inconsistent with the intention of a reform although still consistent with the letter of it. Providing meaningful explanations on this latter form of institutionalisation, described as practical drift, presupposes an analysis where the external event and organisational outcome are not de-emphasised relative to organisational processes.

Second, in the directed process approach practical drift represents an organisation's reform practising. Increased organisational inconsistencies may be seen as an antecedent to practical drift. Such inconsistencies emerge from the outside as well as from inside the organisation. Since both external and internal institutionalisation processes reduce increased inconsistencies, transformation of organisational practices is deployed through practical drift. Thus, the concept of practical drift then describes the concrete and dynamic bridging of different institutionalisation processes within organisations. The concept represents the inter-relationships between an external event, between a set of organisational processes developing differently over time, and organisational practices. This also means that rational reform efforts and local level organisational ideology characteristics are not mutually exclusive conditions for transformation. They are intertwined.

From these two directed process approach assumptions that I believe have been reconciled both empirically and theoretically in this thesis, three propositions for future research emerge:

Proposition 1: To the extent that practical drift can be identified empirically and there is a significant variation in organisational practices across organisations, there will be observable empirical linkages between a) measurable changes in organisational ideology variables and b) measurable variations in organisational practices.

Proposition 2: As transformation evolves through the various stages of practical drift, organisations' liability, interest, and idea relating processes converge to highly unify organisational practices.

Proposition 3: As transformation evolves through the various stages of practical drift, organisations' liability, interest, and idea related processes become increasingly more oriented toward what is intended by reform.

Chapter 11: Overall Conclusion and Implications for Further Research

Recall my notion in the beginning of this thesis on the habit of drinking coffee and organisational transformation. I proposed that transformation of organisational practices in the public sector via reforms is as complex as the social construction of a coffee lover. I drew on the anecdotic example of how every coffee lover has her own career, that no universal pattern can be designed to create appreciation of coffee, and the difficulty of finding an objective yardstick measuring appreciation of coffee. The research question asked was *how differences in reform and organisational ideology influence the transformation of organisational practices in the public sector in Norway.*

The focus in this thesis has not been on the social construction of coffee-lovers. This thesis has focused on the social construction of more market-oriented public organisations. The present empirical investigation of how institutionalisation processes within organisations may affect the way reforms influence organisational practices, has helped disentangle some of the variables that feed into this larger process of organisational transformation in the public sector. The two independent variables that have been investigated are reform and organisational ideology. The dependent variable is transformation of organisational practices, both operational and strategic.

In this chapter the thesis is wrapped up and discussed in light of contributions and limitations. In section 11.1 I present the overall conclusion related specifically to the three different research questions and three studies. In section 11.2 I review briefly more general validity issues in light of implications for future research and practice. I present normative considerations that can be drawn from the findings and suggest implications for practices in section 11.3. In the last section in this chapter (11.4) I summarise the thesis and examine the overall strength of the thesis. I start the discussion in this chapter by presenting the overall conclusion.

11.1 Overall conclusion

Transformation is an increasingly important fact of public sector organisational life in Norway. The findings in the present thesis seem to shed new light on our understanding of organisational transformation in the public sector, and the role of institutionalisation for transformation of organisational practices. Transformation, as an organisational outcome

of institutionalisation processes within organisations, has been addressed in previous research but has not been explored and tested empirically as done in this thesis. This thesis offers information on more than one organisation, more than one reform, at more than one time. In this way the thesis provides a broader picture of organisational transformation in the public sector as an empirical phenomenon.

- Reforms seem not to develop according to plan and incentives, and organisational processes seemingly develop inconsistently with reform.
- Even if reforms deviate from plans, they may still realise many of their central objectives. This result is, however, the product of processes not acknowledged in advance.
- Even though some of the central objectives were realised, surprisingly the most radical reform led to limited changes in organisational practices, while the moderate reform plan led to more changes in organisational practices. The relationship between level of transformation of organisational practices and level of radicalism in reforms proves to be counterintuitive.
- Thus, lack of predictability in organisational processes does not rule out realisation of intended objectives.

Together the empirical findings presented in this thesis indicate that institutionalisation processes within organisations may benefit transformation of organisational practices. In the thesis I aimed at learning more about what these effects are, and under what conditions they can be found.

The directed process approach suggests specific ways in which the social integration of processes may facilitate transformation. I have argued that the bridging of the various institutionalisation processes in organisations can be seen as related to the concept of practical drift. Unfortunately, few previous studies have focused particularly on the benefit of institutionalisation for transformation of organisational transformation. Furthermore, no previous studies have conceptualised anything like the directed process approach and the concept of "practical drift" in a context of organisational transformation in the public sector. It is therefore reasonable to assume that future research on the directed process approach applied to organisational transformation in the public sector, will contribute positively to shed new light on how reforms influence organisational practices.

Although no previous empirical investigation has investigated the benefits of institutionalisation processes for transformation of organisational practices directly, the existing institutional organisation literature states that the higher the inconsistency between a reform and existing organisational practices, the greater the problems in reaching transformation of organisational practices as intended. Recall from chapter one and two that organisational transformation in the public sector can be defined as the situation when members of the organisation themselves experience changes that have affected what they perceive to be the core of their practices, i.e. the way services are produced and delivered in a public organisation. Furthermore, transformation of the way services are produced and delivered can be measured as the outcome of the longitudinal and multiple relationships between reform and organisational ideology. By using these measures within-organisation, between-organisation, and between-sectors variations in organisational practices are compared. The measures also made it possible to examine whether some types of reforms or some type of organisations with particular ideologies have more problems in reaching transformation of organisational practices.

11.1.1 Summary of results

In order to understand the relationships between reform, organisational ideology, and transformation of organisational practices it was necessary to investigate whether outcomes differed across type of reform, organisational ideology, and over time. I will present the overall conclusion in detail as it relates to the three different research questions and the three studies.

Under what conditions will a new organisational form that is imposed on a organisation transform organisational practices?

The first research question developed for the elaboration of the restricted outcome and living process approaches focused on whether a new organisational form can be imposed on an organisation. This study showed that changes in organisational ideology related to interests, such as a new organisational form, can be imposed on public organisations. The possibility that transformation of organisational practices occurs as a result of such implementation is not only dependent on the inconsistency with existing practices that the reform produce, it may also be (even more) influenced by the multiple effects of changes in organisational ideology during the following process(es).

However, the main finding derived in the case study of the Directorate of Public Roads was that even though the new organisational form fulfilled the legitimating role against external pressure, it was only partly accepted internally. Policymaking units never accepted the new organisational form as valid and competency units accepted it first after a long period of careful exploration. As long as the reforms travelling into a sector are not perceived by the top managers as creating institutional upheaval, diverse professional interests are a stronger force for transformation of practices than is the need for external legitimacy.

What organisational ideology changes will transform organisational practices?

The findings from the first study implied that relationships between differences in organisational ideology and operational practices were different across units within an organisation. Whether these relationships were different across organisations was explored in a cross-sectional study of the electricity supply organisations. I assumed that, organisations' ideology (i.e. general beliefs and norms of action) gradually converge as transformation evolves through the various institutionalisation processes, and that unified transformation of operational practices within a sector can be identified.

This postulation was not fully supported. The conclusion drawn from this second study was that what is important in organisational transformation in the public sector is not the level of inconsistency produced by the reform, even in the case of a radical reform, but what happens during the ensuing processes. The level of inconsistency produced by a radical reform seemingly results in changes in organisational ideology variables to appear in a particular order. Furthermore, findings indicate that such a change in ideology is seemingly a precondition for transformation of an organisations' operational practices as intended by the radical reform.

Interestingly, organisational ideology changes in terms of idea variables such as the educational background and private sector work experience of the CEOs, significantly affect organisations' market-orientation. As such, the hypothesis regarding organisational ideology related to changes in idea variables such as CEO succession, have nuances: Changes in the cognitive dimension of organisational ideology, i.e. changes in general beliefs reflected in organisational CEO succession, in general have no effect on differences in organisations' operational practices. Such changes in idea variables, however, positively affect organisations'

market-orientation only if the organisations install managers that are business educated and recruited externally.

Will a radical market reform create more radical changes in organisational practices compared to a moderate market reform?

Since organisational transformation in the public sector appears most often under situations of increased environmental uncertainty represented by the coercive pressure of a reform, my third interest was to explore the extent to which systematic relationships between a radical market reform and more radical changes in organisational practices are empirically detectable. I assumed that even though transformation evolves through the various institutionalisation processes, organisations' strategic practices will be more alike than different across sectors. This hypothesis was explored in a cross-sectional and between-sector analysis of public road and electricity sector organisations.

Overall, findings support the restricted outcome and living process assumptions that strategic practices are more alike than different across sectors. More specifically, sector membership explained a significant amount of variation in organisations' strategic practices with respect to only two of the five strategic practice dimensions explored. Strategic practices were more alike than different on the strategic practice dimensions of reactive strategy against institutional environments, proactive strategy against task environment, and heterogeneity in formulated strategies. Surprisingly, organisations in the former public, now liberalised, electricity sector reported reactive strategic practices towards task environment compared to managers in the public roads sector. Thus, a duality in strategic practices appeared, which indicates that reactive and proactive strategic practices are both fully available alternatives for organisations independently on the type of market reform that they have been exposed to. This third study contributes to the overall conclusion of the thesis in the following way:

Actors' subjective interpretation of, and responses to, different reforms are driven by cognitive and normative influences and are the basis for transformation of strategic practices. However, at the same time, the reform may produce inconsistencies with existing strategic practices that reach beyond the cognitive and normative foundation of available strategic practices. Furthermore, when differences in organisations' strategic practices can be identified, these differences relate to dimensions of strategic practices that do not increase the organisations' adaptation to a regular market, but to the social obligations, interests and ideas of organisations.

11.1.2 Summary of results

This thesis has explored the benefits of institutionalisation within organisations for organisational transformation in the public sector. Analysis shows that when different reforms are practiced as intended, they are mostly practised for the "incorrect" reasons with respect to various reform objectives. The transformation potential in institutionalisation is measured as variations in organisational ideology variables over time, and in transformation of organisations' operational and strategic practices towards different externally imposed events.

The transformation potential in institutionalisation seems to go beyond any high levels of organisational inconsistency. The processes following the launch of a reform are more alive than assumed in restricted outcome research. Moreover, the transformation potential in institutionalisation seems limited to variations of what is directly intended by reform. However, the processes following the launch of a reform are more directed than living process research assumes.

These empirical findings support the development of an alternative institutional approach, called the directed process approach in the following way:

(1) What is important in organisational transformation in the public sector is not only the content of the reforms and the organisational inconsistency these produce, but also the subsequent organisational processes.
(2) More radical reforms do not necessarily produce more radical changes in organisational practices.
(3) Since institutionalisation is a not a static phenomenon, but involves dynamic institutional processes at various levels, the directed process approach effectively describes why and how the bridging of such processes may increase transformation over time.
(4) Over time, reforms may have the intended consequences for organisational practice if ideology changes and integrates, rather than disintegrates, the processes of adaptation, internalisation, and socialisation.

11.2. Validity issues and implications for further research

Even though some of the methods used have included cross-sectional statistical analysis and testing of hypotheses, fundamentally this thesis has been explorative, both in its use of theory and overall design. The combination of different institutional approaches and different methods

has been used to increase *analytical generalisation* and *conceptual thinking.* With 'analytical generalisation' I mean knowledge that increases our understanding of how things are logically related. With 'conceptual thinking' I mean the ability to see patterns and links, through much detail. This thesis has provided insights of both analytical interest to future research and of conceptual interest to practitioners. In this section I present some implications for future research.

The findings are linked to the conceptual development of the benefits of institutionalisation providing insights in causes for and consequences of institutionalisation for planned transformations. The relative influence of different types of cognitive and normative influences on subjective interpretation and responses has been identified as important to strategic process research (Pettigrew et al 2002). The investigation of variations in strategic practices also contributes to the understanding of strategic processes in a public sector setting, such as organisations' strategy formation in quasi-markets as asked for by Ferlie (2002).

Recent contributions within the institutional analysis of strategic choice have also argued that research focusing on the interactions between diffusion and application is better able to explain the discrete nature of interpretations of environmental events in terms of their dis-embedding character (e.g. Barley and Tolbert 1997). Further, the strategic choice analysis of institutionalisation has gradually focused more on cognitive aspects of the phenomenon (e.g. Beckert 1999), whereas the institutional analysis of strategic practices has gradually focused more on the normative aspects of the phenomenon (e.g. Johnson et al 2000).

The present findings shed light on such issues by the identified variations in strategic practices with regard to the concrete configuration of cognitive and normative aspects represented by empirical variations in strategic practices within and across sectors. Suggestions for future research include other intermediate variables such as top managers' cognitive style as well as other dependent variables related to the long-term effects of transformation of organisational practices such as organisational performance, and more complex strategies than the ones included here.

Three positive contributions for institutional research on organisational transformation in the public sector can be drawn from this:

First, the understanding of organisational transformation in the public sector is increased by the inclusion of the intermediate and outcome

variables reflecting the role of different institutionalisation processes investigated here. Explanations provided show that the organisational outcomes of reforms do not rely entirely on the level of organisational inconsistency produced by the reform, but involve the concrete bridging of multilevel institutionalisation processes triggered (or hindered) by multiple changes in organisational ideology variables.

Second, the present thesis has also has contributed to the understanding of the paradox of reforms related to the development of manager's roles and behaviours. The findings indicate that the transformation potential in institutionalisation processes within organisations is directed by unique organisational actions at individual, group, and organisational levels. The integration of these different actions and activities is one key challenge for managers in public sector organisations during transformation.

Third, methodologically this contributes by validating the instrument developed by Considine and Lewis (1999) for mapping variations in operational practices as the organisational outcome of reforms. A methodological expansion is reached in the application of the instrument in other types of public sectors, as well as in a radically different national reform policy setting than originally studied.

11.3 Normative considerations and implications for practice

In the previous section I indicated implications for future research that I believe are of analytical interest. In this section I indicate normative considerations and implications for practice that I believe are of interest for actors' ability to recognise patterns and links, even when there is a lot of detail. I defined in the previous section the ability to recognise patterns and links as *conceptual thinking*. In this section I present five normative considerations and implications for practice that I believe are of interest to conceptual thinking around the question of how reforms influence organisational practices.

First, for *top managers* that are in charge of implementing a reform, these findings underline the importance of how organisations can recruit managers to release the transformation potential in organisational processes. The findings shed light on how cognitive and normative aspects of group processes, for example top-management team decisionmaking, affect implementation of reforms and how effective changes in such processes can be for promoting the transformation component in institutionalisation processes. Furthermore, findings reveal

insights on whether transformation develops in clearly defined stages and how manageable such transformation actually is.

Second, for *middle managers* that are responsible for the achievement of transformation of practices, these findings underline the importance of keeping focused through periods of transformation where the level of organisational inconsistency becomes unproductive. Negative effects of organisational inconsistency on transformation increase when decisionmaking activities that are necessary for the integration of different sub-processes are focusing more on the reform as a norm or an idea, rather than on its content. For example, the possibility that sub-processes are integrated will be negatively affected by decisionmaking during transformation being more tuned onto pre-defined norms or ideas, instead of integrating local level developments with the results envisioned by managers as achievable as processes develops.

Third, for *middle managers* findings also underline the importance of trying to reduce time spent and the number of interests negotiated in the defining and deciding phases of decisionmaking on change. The process of particular relevance here is management of inconsistency. Whereas time spent and number of interests should be reduced in the defining and deciding phases of decisionmaking, the influence from participators should be increased in actual implementation. Actual implementation is organised in the management of legitimacy and management of behaviour processes.

Fourth, for *reform designers* the findings reveal insights on how reforms should be more sensitive towards variables that increase level of organisational inconsistency. Such variables exist at (a) the individual level such as managers' experiences and backgrounds (b) the group level such as professional interests and strong professional identities and
(c) the organisational level such as the types of external pressures that traditionally perceived as important enough to deserve attention from organisational participants at various levels.

Fifth, *reform designers* should allocate more resources on the surveillance of the implementation. Such surveillance is reached by reform designs that facilitate transformation as stepwise developments that combine (a) infusion of new external pressures, (b) self management elements, and (c) ongoing evaluations of developments in and transformation of organisational practices.

11.4 How reforms influence organisational practices

This thesis has illustrated that under certain conditions public organisations achieve less transformation of organisational practices as a result of the launch of a reform, than by the (re-)integration of various institutionalisation processes within organisations. The relevant conditions relate to changes in organisational ideology, which *direct* processes and increase predictability of organisational outcomes. Changes in organisational form direct, rather than determine, changes in general beliefs. The effect of the installation of a new CEO with an untraditional background is directed, rather than random. Furthermore, organisational ideology is the factor that orchestrates how reforms influence organisational practices. Finally, the greater the conflicts between more a reform and existing organisational practice, the more important the changes in organisational ideology for reaching outcomes as intended.

This thesis allowed direct and indirect comparisons of different types of reforms and different organisations. More explanatory power was added to existing institutional understandings of organisational transformation in the public sector. Various organisational ideology variables that feed into institutionalisation processes that, subsequently, are the drivers for transformation of organisational practices are explored. The design of a conceptual framework that integrate the benefits of institutionalisation for transformation of practices in research, must be considered a contribution to research. Therefore, it contributes to our understanding of how transformation of organisational practices is the result of a dynamic bridging of organisational processes at various levels in public organisations.

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Appendix 1: Questionnaire items - the two quantitative studies

1. Arbeidserfaring?
a) Antall år i nåværende stilling:

b) Antall år i nåværende virksomhet:

c) Antall år i energisektoren:

d) Arbeidserfaring fra andre sektorer enn den du nå er i med
   varighet på minst ett år?

2. Høyeste <u>fullførte</u> utdanning?
3. Faglig eller tematisk spesialisering på høyeste <u>fullførte</u> utdanning?
4. Kjønn?
5. Alder?
6. Selskapets virksomhetsområde?

7. Eierskapsform?
8. Antall eiere?
9. Selskapsform?
10. Hvis aksjeselskap, i hvilket år skiftet selskapet til AS-form?
11. Hvis aksjeselskap, er majoriteten av styremedlemmene rekruttert blant? 12. Har virksomheten en egen enhet for salgs- og/eller markedsføringsaktiviteter?
13. Hvor mange ansatte har virksomheten?
14. Størrelse på kommune hvor virksomhetens <u>hovedkontor</u> er lokalisert?
15. Har virksomheten etter markedsreformen søkt etter nye kunder utenfor den kommunen hvor
 virksomheten er lokalisert? 28

DEL 2: LEDERES VURDERINGER AV KJENNETEGN VED ARBEIDET I EGEN VIRKSOMHET

Om spørsmålene og utfylling:

Denne delen består av 17 hovedgrupper av utsagn som beskriver forskjellige atferdsmåter i og oppfatninger av ditt daglige arbeid. Noen av utsagnene vil du umiddelbart finne som meget gode beskrivelser av dine atferdsmåter eller oppfatninger. Andre vil være lite beskrivende eller ikke passe i det hele tatt. Atter andre vil oppfattes som moderat gode eller dårlige beskrivelser. Når du svarer på utsagnene, prøv å tenke deg hvilke oppfatninger og atferdsmåter du pleier å ha. Du skal altså vurdere om hver av svaralternativene nedenfor er MEST TYPISK eller TIL VANLIG beskriver dine oppfatninger og din atferd. Sett en ring rundt det svaralternativet som passer best for deg. **Det er viktig at du besvarer alle utsagnene.**

	Utsagn 1: 29 **Mitt daglige arbeid er kjennetegnet av at…..**
30	…jeg foretrekker komplekse framfor enkle problemer
31	…jeg liker å ha ansvar for situasjoner som krever mye tenking
32	…tankevirksomhet er ikke det jeg synes er mest gøy
33	…jeg gjør heller noe som krever lite tankearbeid, fremfor noe som utfordrer mine tenkeevner
34	…jeg prøver å forutse og unngå situasjoner hvor det er en sjanse for at jeg må tenke grundig omkring noe
35	…jeg finner det tilfredsstillende å fundere og gruble lenge og grundig på problemer og oppgaver jeg kan løse
36	…jeg tenker ikke dypere på et problem enn det situasjonen krever
37	…jeg foretrekker å tenke på mindre, daglige prosjekter framfor langsiktige og større prosjekter
38	…jeg liker oppgaver som krever lite tankearbeid når en først har lært å gjøre oppgavene
39	…ideen om å bruke min intellektuelle kapasitet til å komme meg til topps appellerer til meg
40	…jeg setter stor pris på oppgaver som går ut på å finne nye løsninger på problemer
41	…å lære seg nye måter å tenke på fascinerer meg ikke i særlig stor grad
42	…jeg foretrekker at livet mitt er fylt med oppgaver og "puzzles" som jeg må løse
43	…abstrakt tenking appellerer til meg
44	…jeg foretrekker en oppgave som er intellektuell, vanskelig og viktig, fremfor en som i noen grad er viktig, men som ikke krever mye tankearbeid
45	…jeg føler lettelse mer enn tilfredsstillelse etter at jeg har løst en oppgave som krever mye mental innsats
46	…for meg er det nok at noe fører til at jobben blir gjort; jeg bryr meg ikke om hvordan og hvorfor det virker
47	…jeg ender ofte opp med å fundere og gruble over ting, selv om de ikke angår meg personlig

Utsagn 2: 48

I min virksomhet brukes rutiner og prosedyrer for å koordinere medarbeidernes daglige arbeid…..

49	…for størstedelen av opppgavene
50	…bare på virksomhetens prioriterte områder
51	…bare når disse er helt nødvendige for å sikre en kostnadseffektiv drift
52	…bare i de tilfeller oppgaveløsningen involverer andre virksomheter i sektoren

Utsagn 3: 53

Når det brukes rutiner og prosedyrer for å koordinere medarbeidernes arbeid er dette svært viktig innenfor aktivitetsområdet…..

54	…produksjon
55	…FoU
56	…drift
57	…personal/administrasjon
58	…økonomi
59	…salg/markedsføring
60	…annet. Spesifiser:_____

Utsagn 4: 61

I min virksomhet lar jeg de daglige oppgavene bli løst av mine nærmeste medarbeidere…..

62	…stort sett bare så lenge det finnes rutiner og prosedyrer for oppgaven
63	…utelukkende når arbeidsoppgaven ikke er i strid med eller faller utenfor vedkommendes ansvarsområde
64	…hvis de selv ønsker det og jeg tror at de selv tar ansvaret for resultatet
65	…fordi mine medarbeidere selv vet hvordan oppgaven best kan løses

Utsagn 5: 66

Når jeg leder mine nærmeste medarbeidere er det viktig for meg…..

67	…at jeg har detaljkunnskap om hva de gjør i sitt daglige arbeid
68	…at de arbeider under de lederne som har mest sakkunnskap om de oppgavene som skal løses
69	…å vite bare så mye om det de gjør i sitt daglige arbeid at jeg effektivt kan måle de resultater de oppnår
70	…at de arbeider sammen med ansatte i andre virksomheter på en måte som kommer hele sektoren til gode

Utsagn 6: 71

Når min virksomhet yter tjenester…..

72	…prioriteres alle kunder/brukere på likest mulig måte
73	…prioriteres kunder/brukere etter det som er virksomhetens prioriterte målsettinger
74	…prioriteres som regel kunder/brukere etter forventet økonomisk lønnsomhet

| 75 | …er det svært viktig å skape tillit mellom min virksomhet og de kunder/brukere jeg yter tjenester til |

Utsagn 7: 76

I det daglige arbeidet i min virksomhet har resultatmåling eller andre tallmessige målinger…..

77	…ingen betydning for måten oppgaver løses på
78	…kun betydning for oppgaveløsning på virksomhetens prioriterte områder
79	…stor betydning for hvordan arbeidet utføres på alle virksomhetens områder
80	…betydning for de oppgavene hvor resultatet er avhengig av en felles innsats fra flere virksomheter i sektoren

Utsagn 8: 81

I det daglige arbeidet i min virksomhet er det viktigst at…..

82	…de tjenestene vi yter er av svært høy faglig kvalitet
83	…kvalitet balanseres med kostnadseffektivitet i tjenesteutførelsen
84	…tjenestene er utført på en utpreget kostnadseffektiv måte
85	…kostnadseffektivitet balanseres med andre samfunnsmessige hensyn i tjenesteutførelsen

Utsagn 9: 86

Når det gjelder forbedringer av virksomhetens organisering og drift (f.eks. i form av nye organisasjonstrukturer, teknologiske systemer eller markedsstrategier)……

87	…er det ikke det jeg tenker oftest på i min jobb
88	…ser jeg det som en naturlig del av min jobb å bidra aktivt til at virksomhetens overordnede målsettinger kan realiseres
89	…mener jeg at det er viktig at andre virksomheter eller våre konkurrenter ikke får informasjon om de forbedringer vi oppnår
90	…er det viktig at forbedringer i egen virksomhet kommer hele sektoren til gode

Utsagn 10: 91

Nøkkelen til å oppnå gode resultater i min jobb er……

92	…å vite hvilke rutiner og prosedyrer som må iverksettes og følges for å få ting gjort
93	…å forstå hvilken overordnet målsetting min virksomhet har for den typen tjenester som produseres
94	…å være målbart bedre enn andre potensielle tjenesteytere
95	…å etablere og vedlikeholde gode kontakter med andre virksomheter i sektoren

Utsagn 11: 96

Når min virksomhet blir utsatt for press om økt effektivitet i form av sterkere konkurranse eller teknologiske endringer vil jeg ….

97	…kontinuerlig søke etter nye grupper av kunder/brukere
98	…forsøke å være tidlig ute med å tilby nye typer av tjenester
99	…legge vekt på å kunne tilby et så stort utvalg av nye tjenester som mulig
100	…være opptatt av å konkurrere ut andre virksomheter i sektoren
101	…implementere ny teknologi for å tiltrekke nye grupper av brukere/kunder

102	…involvere meg i forpliktende og langsiktig samarbeid og allianser med andre virksomheter i sektoren
103	…fokusere sterkere på en spesiell gruppe kunder/brukere
104	…aktivt forsøke å påvirke min virksomhets rammebetingelser gjennom strategiske valg for å håndtere økende eksternt press
105	…ha som mål å aktivt endre rammebetingelsene, snarere enn å la de styre min virksomhet
106	…passe på å fremstå som moderne og tilpasningsdyktig
107	…forsøke å skjerme virksomheten fra det eksterne presset

Utsagn 12: 108

Når min virksomhet blir utsatt for press om økt effektivitet fra overordnede myndigheter eller politisk nivå vil jeg ….

109	…ha så stor tro på dagens måte å drive på at jeg gjør mindre tilpasninger i eksisterende virksomhet
110	…endre virksomheten i tråd med det andre virksomheter i sektoren gjør
111	…ha som mål å aktivt endre rammebetingelsene, snarere enn å la de styre min virksomhet
112	…passe på å fremstå som moderne og tilpasningsdyktig
113	…foreta overflatiske endringer slik at det virker som vi aktivt tilpasser oss
114	…forsøke å skjerme virksomheten fra det eksterne presset

Utsagn 13: 115

Når jeg på vegne av min virksomhet har kontakt/samarbeid med andre virksomheter innenfor energisektoren, skjer dette ofte gjennom…

116	…uformelle personlige relasjoner
117	…formell møtevirksomhet
118	…kurs/veiledning
119	…kontrakter
120	…styrearbeid
121	…annet. Spesifiser: _____

Utsagn 14: 122

Når det skjer organisasjonsmessige endringer (f.eks. i form av endringer i eierskaps- og selskapsform eller intern organisasjonsstruktur) i min virksomhet er dette ofte et resultat av…

123	…teknologisk utvikling
124	…konkurransemessig press
125	…politisk press
126	…press fra overordnede myndigheter
127	…inspirasjon fra andre virksomheter
128	…interne strategiske vurderinger
129	…annet. Spesifiser: _____

Utsagn 15: 130

Når jeg ser på organisasjonsmessige endringer i energisektoren generelt, har min virksomhet endret seg i tråd med andre virksomheter i sektoren på følgende områder…

131	…eierskapsform
132	…selskapsform
133	…intern organisering (f.eks. avdelingsstruktur, planleggingssystemer)
134	…forretnings-/markedsstrategi
135	…styresammensetning
136	…annet. Spesifiser: _____

Utsagn 16: 137

I de tilfeller vi har gjennomført organisasjonsmessige endringer (f.eks. i form av endringer i eierskaps- og selskapsform eller intern organisasjonsstruktur) i min virksomhet, ble det lagt vekt på at…

138	…beslutningene ble tatt på grunnlag av omfattende intern analyse og diskusjon
139	…flere alternative løsninger ble diskutert før en endelig beslutning ble fattet
140	…hele organisasjonen ble involvert i prosessen
141	…vi tok i bruk eksterne ressurser (f.eks. konsulenter) for å analysere virksomhetens problemer
142	…vi tok i bruk eksterne ressurser (f.eks. konsulenter) for å bistå virksomheten i implementeringsfasen
143	…den løsningen som ble valgt skulle gi oss et konkurransemessig fortrinn
144	…den løsningen som ble valgt måtte være utprøvd og akseptert av andre virksomheter i sektoren

Utsagn 17: 145

I fastsettelsen av prisen på virksomhetens tjenester er det svært viktig å ta hensyn til…

146	…lønnsomhet på kort sikt
147	…lønnsomhet på lang sikt
148	…rimelig og sikker krafttilgang til kommunens innbyggere
149	…inntektsfordeling mellom befolkningsgrupper ved hjelp av subsidiering
150	…miljø og arbeidsplasser
151	…å tiltrekke seg næringsvirksomhet

DEL 3: AVSLUTNING

Dersom du ønsker å gi utfyllende kommentarer til noen av spørsmålene eller eventuelt har andre kommentarer til undersøkelsen, kan du bruke den ledige plassen under eller et eget ark.

TUSEN TAKK FOR HJELPEN.
Vennligst returner skjemaet i den vedlagte frankerte svarkonvolutten

Appendix 2: Results - chapter 7

Correlations	P-N orientation	F-M orientation
P-N orientation	1,00	-0,27**
F-M orientation	-0,27**	1,00

*< 0,05, ** < 0,01

Table 7.2. Correlations (Pearsons' r) - the two dependent variables

Procedural-Network Operational Practice				
	I	II	III	IV
Organisational ideology-interest variables:				
Trading	-0,456***	-0,426***	-0,436***	-0,393***
Grid	-0,026	-0,008	0,018	0,002
Mixed (2 activities)	-0,218	-0,221	-0,169	-0,287*
Mixed (3 activities)	-0,359*	-0,339*	-0,253	-0,386**
Private/mixed ownership	-0,049	-0,076	-0,047	-0,037
25-100 employees	-0,074	-0,065	-0,080	-0,106
More than 100 employees	-0,367***	-0,345***	-0,374***	-0,361***
Limited company		-0,132	-0,124	-0,059
Multiple effect variables:				
Limited company 1991-94			0,080	
Limited company 1995-97			0,111	
Limited company after 1998			-0,027	
CEO recruitment into limited company			-0,092	-0,005
Organisational ideology-ideas variables:				
More than 5 years tenure in the CEO position				0,198
More than 10 years tenure in the organisation				0,053
More than 10 years tenure in the sector				-0,081
More than 5 years of other work experience				-0,036
Work experience private sector				0,100
Work experience public sector				-0,047
Business education				0,033
Age 40-60				0,175
Age over 60				
N (number of respondents)	122	122	122	122
R^2	0,29	0,31	0,33	0,43
Adjusted R^2	0,24	0,26	0.25	0,33

Table 7.3. Regression analysis with P-N orientation as dependent variable

	Corporate-Market Operational Practice			
	I	II	III	IV
Organisational ideology-interest variables:				
Trading	0,223*	0,239*	0,154	0,134
Grid	-0,090	-0,080	-0,134	-0,087
Mixed (2 activities)	-0,076	-0,077	-0,149	-0,111
Mixed (3 activities)	-0,039	-0,029	-0,105	-0,089
Private/mixed ownership	-0,028	-0,043	-0,074	-0,105
25-100 employees	0,310**	0,315**	0,283**	0,326***
More than 100 employees	0,385***	0,396***	0,396***	0,329**
Limited company		-0,072	0,104	-0,186
Multiple effect variables				
Limited company 1991-94			-0,097	
Limited company 1995-97			-0,108	
Limited company after 1998			-0,230	
CEO recruitment into limited company			-0,113	0,208*
Organisational ideology-ideas variables:				
More than 5 years tenure in the CEO position				-0,085
More than 10 years tenure in the organisation				-0,039
More than 10 years tenure in the sector				-0,150
More than 5 years of other work experience				0,301**
Work experience private sector				0,151
Work experience public sector				0,085
Business education				-0,163
Age 40-60				-0,226
Age over 60				
N (number of respondents)	122	122	122	122
R2	0,19	0,18	0,19	0,33
Adjusted R 2	0,14	0,12	0,10	0,22

< 0,05, ** < 0,01, *** < 0,001

Table 7.4 Regression analyses with C-M operational practice as dependent variable

Scale item	P-N Operational practice	Alpha if item deleted
All my clients get the same basic service (Customer orientation)	*Procedural*	**0,69**
When I supervise my colleagues it is important that I know a lot about the work they do day-to-day (Leadership)	*Procedural*	**0,73**
The most important objective for my organisation is achieving high service quality (Service delivery focus)	*Procedural*	**0,74**
The key to this job is knowing the right procedures for getting things done (Goal orientation)	*Procedural*	**0,73**
When I supervise my colleagues it is important to make sure that they are working under supervision of managers who are best skilled for the task in question (Leadership)	*Corporate*	**0,73**
The most important objective for my organisation is achieving cost efficiency combined with local political considerations in the service delivery process (Service delivery focus)	*Network*	**0,74**
It is important that improvement of the organisation's structure and performance benefits the whole industry (Innovation)	*Network*	**0,74**
The key to this job is getting and maintaining good contacts outside the organisation (Goal orientation)	*Network*	**0,74**

Table 7.5: Procedural-Network orientation. N= 122, alpha= 0.76.

Scale item	C-M Operational practice	Alpha if item deleted
I always divide my customers into those that will generate a payable outcome on my effort and those that probably will not (Customer orientation)	*Market*	**0,56**
The most important objective for my organisation is achieving cost efficiency in the service delivery process (Service delivery focus)	*Market*	**0,60**
When I supervise my colleagues it is important that I know only so much about the work they do day-to-day that output measures can be used in the evaluation of their efforts (Leadership)	*Market*	**0,62**
I divide my customers into formal priority groups based on the overall goals of the organisation (Customer orientation)	*Corporate*	**0,54**
The most important objective for my organisation is achieving cost efficiency combined with high service quality (Service delivery focus)	*Corporate*	**0,57**
I am using only a few basic rules to guide my colleagues´ achievement of the overall goals of the organisation (Rule orientation)	*Corporate*	**0,66**

Table 7.6: Corporate-market-orientation. N= 122, alpha= 0.63.

Appendix 3: Results – chapter 8

Dependent Variables	Strategic practice dimension	Alpha
Heterogeneity in strategy (Proac1)	Proactive	0.89
Procedural decisionmaking process (Proac2)	Proactive	0.64
Task influenced change strategy (Proac3)	Proactive	0.61
Task Competitive strategy (Proac4)	Proactive	0.68
Isomorphism in strategy (Reac1)	Reactive	0.93
Political decisionmaking process (Reac2)	Reactive	0.64
Institutional Decoupling strategy (Reac3)	Reactive	0.60

Table 8.1. Reliability analysis of dependent variables

	Proactive			
	Strategic hetero-geneity	Procedural rationality	Task influenced change	Task competitive strategy
Sector (Electricity)	0.167*	-0.097	-0.033	-0.654***
Number of respondents (N)	208	208	208	208
R 2	.028	.009	.001	.428
Adjusted R 2	.027	.004	.0003	.425

< 0,05, ** < 0,01, *** < 0,001

Table 8.2. Regression analysis with proactive strategic practice dimensions as dependent variables

	Reactive		
	Strategic isomorphism	Political rationality	Institutional decoupling strategy
Sector (Electricity)	-.011	.053	-.729***
Number of respondents (N)	208	208	208
R 2	.000	.003	.531
Adjusted R2	.000	-.0001	.528

< 0,05, ** < 0,01, *** < 0,001

Table 8.3. Regression analysis with reactive strategic practice dimensions as dependent variables