Managing from the Inside Out: Drawing on 'Receptivity' to Explain Variation in Strategy Implementation

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With the rise of 'New Public Management' (NPM), government policy has encouraged public-sector organizations to downsize and outsource their services. There is, however, local variation in the use of outsourcing – this is 'managing from the inside out'. This paper draws on the notion of receptivity for organizational change to explain variation in strategy implementation. Four receptivity factors are identified which seem to explain the success of two contrasting English local government outsourcing strategies: ideological vision, leading change, institutional politics and implementation capacity. The organization level of change is interconnected with two other levels of change (the public service and environment levels) to illustrate the dynamic nature of change.

Introduction

With the rise of 'New Public Management' (NPM), government policy has encouraged public-sector organizations to downsize and outsource their services (Aucoin, 1995; Boston, Martin, Pallot and Walsh, 1996; Dunleavy and Hood, 1994; Hood, 1991, 1995a, 1995b). In the English local-government context, outsourcing was made possible, initially, through the introduction of Compulsory Competitive Tendering (CCT) (for example, Local Government Act 1992), which has been replaced by Best Value (Local Government Act 1999). Between 1979 and 1997, in the UK, the number of public-sector staff employed by local authorities was reduced from 2 997 000 to 2 593 000 (Office for National Statistics, 2001). Between 1997 and 2000, however, during the first New Labour government, the numbers rose from 2 593 000 to 2 692 000 (Office for National Statistics, 2001). It should be noted that Flynn (1997, p. 46) cautions that 'Some of the reductions achieved are superficial: if an office cleaning company takes over the job

of cleaning a ministry, the number of civil servants is reduced'.

There is, however, local variation in the use of outsourcing. Despite the use of legislation to ensure the introduction of CCT, Best Value and, more broadly, privatization at the national level, there has been variation in the use of contractors at the local level. There is now a mix of public and private-sector contractors. The *Local Government Chronicle* no longer collates overall figures for local authority outsourcing (Wynn Davies and Mahoney, 2002), but in 1997, Direct Service Organizations (DSOs), the in-house public sector contractors, were running just over half of known contracts (56.5%), which means that external private-sector contractors were running just under half (43.5%) (Local Government Management Board (LGMB), 1997). The overall figures mask other variations, for example, the maturity of a market for a public service and time. Housing management was included in the LGMB's 1997 survey for the first time, when DSOs won 90.8% of known contracts (LGMB, 1997), considerably more than the overall figure.

But by 2001, housing management DSOs were winning fewer contracts (83%) (Wynn Davies and Mahoney, 2002), which also means that the market was continuing to develop during the first Labour government.

This paper draws on the notion of receptivity for organizational change to explain variation in strategy implementation. Receptivity is an emerging, but undeveloped, notion which attempts to reveal the factors which contribute to organizations being either low-change, non-receptive contexts or high-change, receptive contexts (Pettigrew and Whipp, 1991, 1992; Pettigrew, Ferlie and McKee, 1992).

Four receptivity factors will be identified which seem to explain the success of two contrasting English local-government outsourcing strategies: ideological vision, leading change, institutional politics and implementation capacity. This is 'managing from the inside out' – using 'organizational designs and processes to identify, build on, and leverage their "asymmetries" – their evolving unique experiences, contacts and assets', which can be 'concealed, of little apparent use, and unconnected to value creation.' (Miller, Eisenstat and Foote, 2002, p. 37). This exploration of strategic decision-making processes will be achieved by focusing on the case of local-authority (council) housing. This exploration will also be achieved by linking the actions of three key stakeholders: elected representatives (local politicians or councillors), service providers (staff) and service users (tenants) (Malpass and Murie, 1994).

The organization level of change will be interconnected with two other levels of change (the public service and environment levels) to illustrate the dynamic nature of change. In other words, intra-organizational networking will be located as one element of multi-level change. Intra-organizational networking refers to the actions of the three key stakeholders.

It seems that outsourcing will, at least in the short-term, continue in influence. The Local Government Act 1999 states:

> 'fair and open **competition** will, in the Government's view, most often be the best way of demonstrating that a function is being carried out competitively. Such competition is expected to play an essential and enduring role in ensuring best value'. (p. 12)

Assuming this future, because, for example, the local-authority housing market was continuing to

develop during the first New Labour government, receptivity needs to be more fully tested, so that change within public-sector organizations can be better managed. Indeed, receptivity is relevant to wider policy debates, because New Labour's Modernisation Agenda is an attempt 'to secure continuous improvement in the way they (local authorities) exercise their functions' (Local Government Act 1999, p. 3). In addition, there may be implications for cross-sectoral learning, so that private-sector managers can develop the way they change their organizations.

The paper will discuss the notion of receptivity for organizational change, state the methodology that was used to test receptivity and draw on receptivity to explain the success of two contrasting English local housing authority outsourcing strategies. In the first local housing authority, external private-sector contractors were not used, whilst in the second they were. These were the intended strategies of the two authorities.

Discussing the notion of receptivity for organizational change

It has been noted that receptivity is an emerging, but undeveloped, notion which attempts to reveal the factors which contribute to organizations being either low-change, non-receptive contexts or high-change, receptive contexts (Pettigrew and Whipp, 1991, 1992; Pettigrew, Ferlie and McKee, 1992). It was first applied in the private sector to eight firms from four sectors (Pettigrew and Whipp, 1991, 1992) and then in the public sector to the NHS (Pettigrew, Ferlie and McKee, 1992).

Pettigrew, Ferlie and McKee (1992, p. 275) suggest five 'intellectual caveats' about their notion of receptivity. First, there is not a strong academic tradition to build on: 'there is not a strong social science tradition of theorizing about receptive context for change.' (Pettigrew, Ferlie and McKee, 1992, p. 275). Second, there are no patterns of universal causation: receptivity factors 'represent a pattern of association rather than a simple line of causation, and should be seen as a series of loops rather than a causal path between independent and dependent variables' (Pettigrew, Ferlie and McKee, 1992, pp. 275–276). Third, 'notions of receptivity and non-receptivity are dynamic not static concepts' (Pettigrew, Ferlie and McKee, 1992, p. 276).

Fourth, receptivity factors are 'indeterminate in their outcomes and implications' (Pettigrew, Ferlie and McKee, 1992, p. 276). Fifth and lastly, 'our observations may be limited . . . [by] our sample' (Pettigrew, Ferlie and McKee, 1992, p. 277).

The third caveat refers to two processes – there can be movement either from non-receptivity to receptivity or from receptivity to non-receptivity. Change is 'cumulative' and 'encouraged either by the environment or "policy" changes at higher tiers and by managerial and professional action at local level' (Pettigrew, Ferlie and McKee, 1992, p. 276). Action might include 'the removal of key individuals or ill considered or precipitous action' (*ibid.*, p. 276). The fifth caveat alludes to receptivity factors being context driven; that-is-to-say, there is no recipe for shaping strategic change.

Pettigrew, Ferlie and McKee's (1992) carefully state that receptivity factors are indeterminate in their outcomes and implications. By indeterminacy Pettigrew *et al.* (1992) mean that they are presenting a view of change processes which recognizes emergence, possibility, precariousness and iteration. Given that this paper is about explaining change, more clarification about the challenges involved is needed.

Pettigrew, Ferlie and McKee's (1992) statement is part of a consensus in the change literature which affirms that qualified 'generalizations about social change, and "history" more widely, are both possible and worthwhile' (Giddens, 1991, p. 206). This affirmation is qualified by the observation that 'our attempts at explaining general patterns of social change are liable always to remain fairly fragmentary' (*ibid.*, p. 206). Fragmentation exists for three reasons: having no detailed knowledge of an individual's motivations, there are no patterns of universal causation and the complexity of change. In discussing the first reason, Giddens warns that

> 'human knowledgeability . . . alters the causal conditions under which otherwise comparable actions are undertaken . . . we can rarely, if ever, have detailed knowledge of agents' reasoning processes'. (1991, p. 206)

The second reason, there are no patterns of universal causation, has been discussed both theoretically and empirically. Giddens argues the theoretical case:

> 'we are liable to find ourselves with an aggregate of "causal influences" rather than conclusive generalizations about why things 'had to happen' as they did . . . it expresses the necessary incomplete nature of generalizing explanations in the social sciences'. (1991, p. 206)

Pettigrew *et al.* argue the empirical case from their NHS data:

> 'the management of change is likely to be contextually very sensitive; that there is no "quick fix" or simple recipe; and that there is no one way of effecting change'. (1992, p. 268)

They conclude that 'the introduction of general management has not been at all general, and there seemed almost as many general managements as general managers' (Pettigrew *et al.*, 1992, p. 268).

The third reason, the complexity of change, has also been discussed both theoretically and empirically. Complexity of change acknowledges that there are simultaneous change processes and resistance to change. Giddens (1999) argues the theoretical case by exploring the tension between, or the simultaneous change processes of, 'tradition' and 'globalization'. He argues that although 'basic changes are happening today under the impact of globalization', tradition 'isn't only still alive, it is resurgent' and 'needed in society.' (Giddens, 1999, p. 3). This tension is needed in order to locate 'power', 'truth' and 'self-identity' and to win 'greater freedom of action' (Giddens, 1999, pp. 2–4).

Chirot (1994, p. 125) argues the empirical case by discussing resistance to change. Transformational change occurs because social institutions and the political system 'resist changes' opening 'an ever increasing gap between material or ideological pressures and institutional forms' leading to 'revolutionary, dramatic times' in which 'the rate of social change occurs most quickly' (Chirot, 1994, pp. 120–121).

As a consequence of the complexity of change, Chirot (1994, p. 119) notes that 'Only a few innovations survive long enough; most that are tried are either insignificant or failures'. Grint (1997, p. 72) quantifies Chirot's (1994) pessimism: '75 per cent of change management fails'. Nevertheless, explaining change is worthwhile because organizational members are seeking answers about how to manage change (Pettigrew *et al.*, 1992).

Stating the methodology that was used to test receptivity

In order to test the notion of receptivity for organizational change, an appropriate methodology needed to be selected. Associated with receptivity is a research method (Pettigrew, 1990, 1997). The method will be outlined, related to recent work about developing management theory and operationalized.

Outlining the comparative, longitudinal and processual case study method

Pettigrew (1990, 1997) suggests the qualitative method of the comparative, longitudinal and processual case-study method for capturing the complexity of organizational change, because it is rooted in contextualism. Contextualism draws on empirical rather than theoretical knowledge (Glaser and Strauss, 1967; Strauss, 1987) and assumes that change is historical, contextual and processual (Pettigrew, 1990, 1997).

Change is historical because it interconnects horizontally through past, present and future time, is contextual because it interconnects vertically through different levels of society and is processual because it interconnects context and action. Context and action interconnect because 'Context is not just a stimulus environment but a nested arrangement of structures and processes where the subjective interpretations of actors perceiving, comprehending, learning and remembering help shape process' (Giddens, 1976, 1977; Pettigrew, 1990, p. 270). As a consequence, change is indeterminate in its outcomes and implications.

Miles and Huberman (1994) reinforce the need for comparative analysis – it enhances generalisability and deepens explanation. This is achieved by transcending 'radical particularism' (Firestone and Herriott, 1983), pinning down the specific conditions of change (Glaser and Strauss, 1967) and helping to form general categories of how organizations may be related (Noblit and Hare, 1983; Silverstein, 1988).

Relating the case-study method to developing management theory

Langley (1999) indirectly relates the case-study method to developing management theory. She makes a distinction between Pettigrew's (1990, 1997) 'Narrative Strategy' and Glaser and Strauss' (1967) 'Grounded Theory Strategy'. Whereas narrative strategy combines the construction of a detailed story from the raw data with an analytical element, grounded theory strategy involves the systematic comparison of small units of data (incidents) and the gradual construction of a system of 'categories' that describe the phenomenon being observed.

In other words, Langley (1999) is using Weick's (1979) categories of accuracy, generality and simplicity to differentiate between different strategies for theory development. The accuracy of the narrative strategy, its detailed story, is traded against the generality of the grounded theory strategy, its move towards explanatory categories across a potential range of situations. Accuracy and generality are supported by the idea that simple theories with good explanatory power may be preferred to complex ones that explain a little more. The triangulation of accuracy, generality and simplicity can lead to meta-theorizing (Elsbach, Sutton and Whetten, 1999). Using different strategies for developing management theory may enhance generalizability and deepen explanation of highly complex and inherently ambiguous organizational phenomena (Lewis and Grimes, 1999).

In terms of this research, revealing receptivity factors is an attempt to generate explanatory categories for organizational change which may apply to other situations. Their capacity to achieve this aim requires further research and there may be the potential for cross-sectoral learning. Following Elsbach *et al.* (1999), it is not suggested that there is a single grand and persuasive framework that weaves together many or most major organizational theories – only conversation seeds (Weick, 1999).

Operationalizing the case-study method

Within the English local-government context, local authority housing was selected as a research site because it is one of the two oldest welfare privatizations:

> 'There were really only two efforts to implement the 'new right' policy of state withdrawal from welfare activities: the attempt to privatise pensions and the privatisation of council housing'. (Flynn, 1997, p. 35).

Compulsory Competitive Tendering was first introduced into local authority housing in the early 1980s through the repairs service (Local Government, Planning and Land Act 1980). It was then extended to housing management in the early 1990s (Leasehold Reform, Housing and Urban Development Act 1993).

Bramley (1997, p. 391) explains the targeting of local authority housing in terms of four 'interconnections': 'demography; economic change; ideology and political calculation'. Council housing has been subject to cyclical fluctuations in policy attention (political calculation) because of the need to balance housing supply and demand (demography) and because any squeeze on housing expenditure tends to impact on capital investment, not staff reduction (economic change). Since the 1980s, outsourcing has been a key policy (ideology), through CCT and Best Value. The selection of local authority housing is significant because one of Pettigrew's (1990, p. 276) decision rules for operationalizing the comparative element of the case-study method is 'high experience levels of the phenomena under study', in this case, nearly two decades of outsourcing.

Within local authority housing, Trafford and Westminster were selected as case studies because, as shall be seen, Trafford is an exemplar of a low-change, non-receptive context and Westminster a high-change, receptive context for outsourcing. In Trafford, external private-sector contractors were not used, whilst in Westminster they were. The selection of Trafford and Westminster is significant because two more of Pettigrew's (1990, pp. 275–276) decision rules for operationalizing the comparative element of the case study method are going for 'polar types' founded on a 'more informed choice of sites'.

Within Trafford and Westminster, the processual element of the case-study method is operationalized through a triangulated methodology which collects three types of data (documentary, ethnographic and interview) for cross checking and by analysing the data through identifying research themes and critical questions, from which emerged the receptivity factors (Pettigrew, 1990). All three data types were collected and analysed between 1996 and 2000.

Although a range of documentary sources was collected, two were key: the Housing Improvement Programme (HIP) strategy statement and the Annual Report to tenants. The strategy statement and the Annual Report were accessible (they are publicly available), comparable (every authority publishes both documents yearly) and associated with NPM (the Local Government and Housing Act 1989 introduced the Annual Report in the period when CCT was being extended in local government).

The collection of ethnographic data was limited to observation work, that is to say, walking to and from interview locations. Because Trafford was close to where the researcher lived, he was able to attend a meeting of the Housing and Environmental Services Committee.

In Trafford there were twelve interviewees, whilst in Westminster there were fourteen. The interviewees included the three key stakeholders (local councillors, staff and tenants) (Malpass and Murie, 1994). The staff represented different housing functions and different hierarchical levels.

The longitudinal element of the case-study element is operationalized through the interview and interview research methods. All available strategy statements and the Annual Reports were requested. Trafford found two strategy statements (1993–4 and 1995–6) and six Annual Reports (1990–1 – 1995–6), whilst Westminster found two strategy statements (1997–8 and 1998–9) and three Annual Reports (1994–5 – 1996–7). Interviewees were asked about current and past outsourcing practices, which focused on CCT implementation – in Trafford organizational memory was vague (1980–2000), whilst in Westminster it stretched back to the 1950s.

Drawing on receptivity to explain two contrasting outsourcing strategies

Emerging from the case-study work were four receptivity factors which seem to explain the success of two contrasting English housing authority outsourcing strategies: ideological vision, leading change, institutional politics and implementation capacity. The receptivity factors will be defined, discussed in turn to explain Trafford and Westminster's contrasting strategies and then the discussion will expand to interconnect the organization level of change with two other levels of change (the public service and environment levels) to illustrate the dynamic

nature of change. Figure 1 is a visual representation of the following discussion, during which its components will be described and analysed.

Defining the receptivity factors

Figure 1 uses 'continuous' two-way arrows to emphasize that at the organization level of change the receptivity factors are interconnected. Ideological vision is novel because it combines two more widely used analytical categories: ideology and vision. By vision it is meant that there is quality and coherence of policy (Pettigrew *et al.*, 1992). In other words, a local authority has developed a strategic agenda which is both corporate in nature and which provides a sense of direction and a guide to action. The agenda combines an existing problem, a desired end-state and a set of threats and opportunities. (Leach, 1996.)

Ideology is difficult to define because it 'represents a vast and complex field within social science' (Ferlie, Ashburner, Fitzgerald and Pettigrew, 1996, p. 9). Here, by ideology it is meant 'the set of ideas which arise from a given set of material interests or, more broadly, from a definite class or group' (Williams, 1988, p. 156). Ideological vision, then, refers to there being a strategic agenda, but recognizes that the agenda may arise from the interests of a definite group within an organization.

Leading change refers to the notion that leaders may be individuals or small groups and that they may come from a broad occupational
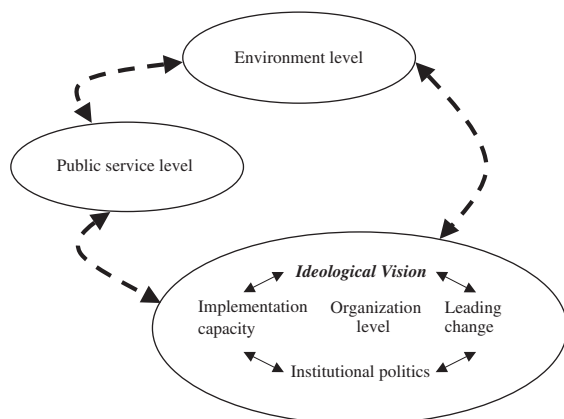

Figure 1. *Multi-level analysis of receptivity for organizational change.*

base or any hierarchical level within an organization (Pettigrew *et al.*, 1992). It is not limited to the activities of senior managers (Lewis and Glennerster, 1997) or Area Housing Managers (Walsh and Spencer, 1990). Leading change also refers to the actions of the individuals or small groups – how they plan, take opportunities and the time interventions involved (Pettigrew *et al.*, 1992).

Institutional politics refers to the importance of co-operative organizational networks. Whereas Pettigrew *et al.* (1992) discuss inter-organization networks in the NHS, within local authority housing intra-organization networks between local councillors, staff and tenants are an important issue. Like Pettigrew *et al.*'s (1992) definition of inter-organization networks, this definition recognizes that there can be formal and informal network structures – formal structures include the use of committees, whilst informal structures include the use of management style to build commitment.

Implementation capacity refers to the mechanisms used by those leading change to shape and influence strategy/policy implementation and to the behaviour of other stakeholders in the organizational network. Implementation capacity is similar to Greenwood and Hinings' (1996) notion of capacity for action. Both notions embrace 'the *availability* of these skills and resources within an organization *and* their *mobilization*' by 'multiple actors' (Greenwood and Hinings, 1996, p. 1040). Implementation capacity is different from Greenwood and Hinings' (1996) notion because they emphasize leadership, whilst implementation capacity emphasizes leading change. Leading change recognizes the role of all members of staff in change. Implementation capacity is also related to Pettigrew *et al.*'s (1992) notion of locale – local factors may influence change and, in turn, local factors may be reshaped by top-down interventions or local activities.

Leading change

Leading change locates decision-making and analyses the actions of the decision-makers. In both Trafford and Westminster there was top-down decision-making. In Trafford, the Director adopted a resistant strategy. By resistant strategy it is meant that Trafford only complied with CCT

legislation. The Director adopted the resistant strategy because he was cautious about implementing CCT. He wanted to learn from the experience of other local housing authorities. In September 1995, for example, literature recommending how CCT should be implemented and the contract specifications from some Greater Manchester authorities had been obtained (Trafford Metropolitan Borough, 1995).

In contrast, in Westminster, the Conservative local councillors adopted an accelerated strategy. By the accelerated strategy it is meant that Westminster implemented CCT before it was required to by the DoE. The Conservative local councillors adopted the accelerated strategy because since the 1970s they had pursued privatization. CCT was the 1990s expression of the privatization agenda. The policy shifted from the naïve and sledgehammer approach of denationalization (promoting home ownership) to the more complex and subtle approach of liberalization (CCT and other commercial activities). This was due to a will to change (a climate of uncertainty caused by the simultaneous running of three inquiries, including the Designated Sales or Homes for Votes inquiry) and an opportunity to change (the extension of CCT to council housing management, made possible by the Local Government Act 1992).

The data from the case-study work suggests that in local authority housing leading change may contain a key element. Although the author defined leading change as not being limited to the activities of senior managers (like Pettigrew *et al*, 1992, but in contrast to Lewis and Glennerster, 1997), in local authority housing the location of decision-making may be at the top of the hierarchy. In Trafford, decision-making was located with the Director, whilst in Westminster it was located with the Conservative local councillors.

Institutional politics

Institutional politics explains the location of decision-making. In Trafford, the Director was able to adopt the resistant strategy because of staff, local councillor and tenant passivity. Passivity was, in part, generated by the Director's management style – he managed by command and control. The Director was aware of his management style and described it as 'the Rottweiler'. This exploited his managerial position, which established hierarchical and centralized decision-making concentrated at the director level.

Passivity was also generated by local councillor and tenant relations. Local councillors ceded responsibility to the Director. Local councillors involved in housing are not committed to CCT, local councillors not involved in housing ranked it a low priority service and the Departmental Management Team (DMT) attempted to alienate local councillors from the policy formulation process. Tenants also ceded responsibility to the Director. The process of maintaining unequal staff-tenant relations can be explained by referring to the rhetoric of institutional tenant consultation, the Director's management style and the negative stereotyping of tenants.

In contrast, in Westminster, the Conservative local councillors were able to adopt the accelerated strategy because they appointed a director who would accelerate CCT implementation and because the most proactive residents in Westminster, those living in Churchill Gardens, supported CCT implementation.

In August 1995, during the climate of uncertainty caused by the inquiries, a new Director of Housing was appointed by the Conservative local councillors. The Director accelerated CCT implementation because his vision was to promote externalization through downsizing and outsourcing. Churchill Gardens' residents are the most proactive in Westminster because they have a long tradition of inclusion and proactivity – a tenants' association was established in the 1950s. They supported CCT implementation because they have won practical benefits under CCT, both at the specification stage and whilst the contract is running. They were able, for example, to demand high levels of service delivery.

Institutional politics are dynamic because organizational networks can change. The mechanism of change appears to be personnel change. By personnel change it is meant that a new member of staff can change or adapt the organizational and management structures and systems which an organization has established and within which it operates. In Trafford the process appears random, but four independent events have taken place which may adapt how Trafford operates, whilst in Westminster it

appears more strategic than random and is related to Shirley Porter's retirement in 1992.

In Trafford, first, there is a reconfiguration of power relations at the local councillor level – in May 1994 Labour succeeded the Conservatives to the Chair of the Housing Committee, which in part disabled the Director's proactivity because of the incoming Chair's own proactivity. Second, there is a reconfiguration of power relations at the Director level – his retirement in 1997 created new opportunities for the Area Housing Managers. Third, there is a reconfiguration of power relations at the DMT-staff level – a new ethos may be developing in which there may be movement to staff consultation. Fourth and last, there is a potential reconfiguration of power relations at the tenant level – an attempt to make the DMT more responsive to tenant needs.

In contrast, in Westminster, when Shirley Porter retired in 1992, there was a reconfiguration of power relations at the Conservative local councillor and Director levels – in 1993–1994 a new local councillor regime formulated new policies which were developed in August 1995 by the new director. The policy shifted from promoting home ownership to CCT implementation and externalization. This was due to a will to change (a climate of uncertainty caused by the inquiries) and an opportunity to change (the extension of CCT to council housing management). Policy may change again because in 1998 the Director resigned and the composition of the Housing Committee changed after the local elections.

The data from the case-study work suggests that in local authority housing institutional politics may contain two elements. First, Pettigrew *et al.*'s (1992) definition of inter-organization networks recognizes that there can be formal and informal network structures. Both structures are used in local authority housing. In Trafford, an informal structure was used – passivity was in part generated by the Director's management style. In contrast, in Westminster, formal structures were used: the Conservative local councillors used their recruitment procedure to appoint a director who would accelerate CCT implementation and Churchill Gardens' residents were able to demand high levels of service delivery because they were assigned a key role during contract negotiations. Second, institutional politics are dynamic because organizational networks can

change – the mechanism of change appears to be personnel change.

Implementation capacity

Implementation capacity explains the location of decision-making in greater detail by going beyond structural relationships to explore critical incidents. In particular, implementation capacity explores the mechanisms used by those leading change to dictate strategy/policy implementation and the behaviour of other stakeholders in the organizational network. The range of this discussion is limited by focusing on how those leading change overcame a critical incident during which CCT implementation was either resisted or used by other stakeholders for their own purposes.

In Trafford, staff, local councillor and tenant passivity meant that CCT implementation was not resisted, but some staff did use CCT for their own purposes. In August or October 1996, for example, the Area Housing Manager (North) used the opportunity of looser managerial-staff relations and the Management Assistant Director's (1995–1997) secondment to set up initiatives to reduce the number of empty properties in her area. The Director, though, despite using the review of the client/contractor split to achieve his private agenda of restructuring allocations and repairs, was still aware of local operations and resisted the Area Housing Manager's initiatives.

In contrast, in Westminster, CCT implementation was resisted. The Paddington Green residents decided to reappoint Westminster Management Services (WMS), the in-house public sector contractor, as their service provider in the second CCT round. The Conservative local councillors, through the Contracts Committee, overruled the Paddington Green residents' decision by appointing Pinnacle, the external private-sector contractor.

The data from the case-study work suggests that in local authority housing implementation capacity may contain three elements. First, implementation capacity is associated with locale (Pettigrew *et al.*, 1992) – local actors attempted to influence CCT implementation and, in turn, their actions were reversed by top-down interventions. Second, both the local actors and those leading change mobilized their available skills and resources to influence change (Greenwood and

Hinings, 1996). Third, all members of staff have a role in change, not just those at the top of the hierarchy (Pettigrew *et al.*, 1992).

Ideological vision

Ideological vision critically reflects on the strategic decisions being made by evaluating their purpose. This is because ideological vision recognises that a strategic agenda may arise from the interests of a definite group within an organization, which, in turn, may be shaped by a combination of managerial ideologies (Barley and Kunda, 1992; Child, 1969; Grint, 1997) and citizenship concepts (Faulks, 1998).

In Trafford, the Director adopted the resistant strategy because he was cautious about implementing CCT, whilst in Westminster, the Conservative local councillors adopted the accelerated strategy because since the 1970s they have pursued privatization. As a consequence, Trafford and Westminster are at the opposite ends of the outsourcing spectrum. Trafford is the low-change, non-receptive context, whilst Westminster is the high-change, receptive context.

The Director in Trafford and the Conservative local councillors in Westminster are also motivated by ideas about how to manage and what it means to be a citizen. CCT captured the fashion within the public and private sectors to downsize and outsource (Aucoin, 1995; Boston, Martin, Pallot and Walsh, 1996; Dunleavy and Hood, 1994; Hood, 1991, 1994, 1995a, 1995b). It also captured the service user as customer position which assumes that users can choose between competing service providers (Hoover and Plant, 1989; Saunders, 1993; Waldegrave, 1993). This is management by influence.

The Director in Trafford would seem to be sceptical about CCT and disassociates himself from ideas about downsizing and outsourcing and conceiving service users as customers. The Conservative local councillors in Westminster would seem to take the opposite point of view, and associate themselves with new ideas about how to manage and what it means to be a citizen.

The actions of the Director in Trafford and the Conservative local councillors in Westminster can be associated with another managerial ideology. There may be the coexistence of two management systems – public service management is located between management by influence and management by command and control (Kickert, 1997). In contrast to management by influence, management by command and control is symbolised by Neo-Taylorism (Pollitt, 1993); discipline (Pollitt, 1993) and top-down decision-making (Ansoff, 1987; Porter, 1980; Whittington, 1993).

In the discussion about leading change it was noted that in both Trafford and Westminster there was top-down decision-making. In the discussion about institutional politics it was also noted that in Trafford staff, local councillor and tenant passivity was, in part, generated by the Director's 'Rottweiler' management style. The Director's management style may have been part of an in-house (Trafford) management style.

Like Trafford, in Westminster, CCT was in part implemented by an in-house management style – both the Conservative local councillors and the new Director managed by command and control. Shirley Porter exploited her political position and was described as a conviction politician who believed she was never at fault (Hill, 1996). Although the Director decentralised decision-making and became known as a maverick by his staff because he broke with the Westminster tradition, he exploited his managerial position and ensured that the new form of decision-making was implemented. In the Director's own words, he 'imposed' change (Buxton, 1997, p. 12), by implementing two major organizational restructurings and five other changes in three years (August 1995–1998).

In Trafford, then, management by influence (CCT) is superimposed over management by command and control (the existing form of organization and management) (Marnoch, 1997). In contrast, in Westminster, management by contract is not superimposed over, but coexists with, and was implemented through, management by command and control.

The data from the case-study work suggests that in local authority housing ideological vision may contain three elements. First, there is quality and coherence of policy (Pettigrew *et al.*, 1992) in the sense that the Director in Trafford and the Conservative local councillors in Westminster have developed strategic agendas which guide action in their departments (Leach, 1996). The agendas, though, focus on a desired end state, not existing problems and threats and opportunities

(Leach, 1996). In Westminster, however, at the Director level, the new Director did focus on existing problems. After his appointment in August 1995 he used Naschold (1996) as a guide to identify one organizational strength, contracting out, and four weaknesses: lack of strategic management, functional division of labour, pronounced hierarchies and governance by rules (Buxton, 1997).

Second, the actions of the Director in Trafford and the Conservative local councillors in Westminster can be associated with managerial ideologies and citizenship concepts. The case-study work in Trafford and Westminster empirically supports the views expressed by scholars who pragmatically emphasize that public service management is located between management by influence and management by command and control (Kickert, 1997).

Third, ideological vision may identify an organization's culture. Schein (1983, 1985) describes culture as the glue which holds the organization together. More accurately, ideological vision may be the glue which holds the organization together. This is because having developed a strategic agenda, like the Director in Trafford and the Conservative local councillors in Westminster, that agenda then guides other action in an organization.

Johnson and Scholes (1993) identify the different aspects of an organization which the strategic agenda can influence: control systems, organizational structures, paradigm (underlying values), power structures, rituals and routines and stories and symbols. Ideological vision is similar to Johnson and Scholes' (1993) notion of paradigm. Both notions address the issue of identifying the underlying values of an organization. As a consequence, paradigm will not be discussed. Organizational structure will also not be discussed because all local housing authorities, unless they are exempt, have, as a result of CCT implementation, split the client from the contractor.

In both Trafford and Westminster, control systems, power structures, rituals and routines and stories and symbols were mobilized. In both Trafford and Westminster, for example, control was mobilized by establishing top-down decision-making, power by controlling the intra-organization networks between local councillors, staff and tenants and overcoming any challenge to the

resistant or the accelerated strategy became ritualized behaviour.

In Westminster, the new Director was perhaps more adept at mobilizing symbolism than his counterpart in Trafford. To reinforce the message of breaking with the Westminster tradition of managing by command and control, the Director used himself as a role model by stripping away the trappings of traditional leadership – he gave up his private office with an en-suite bathroom (Vice Chairman of the Housing Committee).

These actions are cohered by ideological vision. Ideological vision is enacted through the resistant strategy in Trafford and the accelerated strategy in Westminster. As a consequence, it appears that ideological vision may be the glue which holds an organization together.

Interconnecting the organization, public service and environment levels of change

Organizations do not exist in a vacuum. They are interconnected with two other levels of change – the public service and environment levels. Figure 1 uses 'dotted' two-way arrows to interconnect the three levels of change and to differentiate the arrows from those used at the organization level of change.

In other words, there is an interconnection between organizational context and action. Addressing the interconnection is consistent with recent developments in generic organizational theory (Greenwood and Hinings, 1996; Pettigrew, 1997). This approach avoids prioritizing either environmental determinism (Kitchener, 1998; Powell and Di Maggio, 1991) or executive action (Child, 1972). The interconnection is dynamic because context is not just a stimulus environment but an arrangement of structures and processes which are interpreted by actors (Pettigrew, 1990). In particular, there is an interconnection between the four receptivity factors at the organization level of change and the public service and environment levels. These research findings only reveal some of the links between the three levels of change.

The environment level is the motor of change for the organization level by providing downward pressure to outsource. The government of the day, in response to its economic, political and social environment, creates a legislative programme (policy formulation) and employs various me-

chanisms to implement that programme (policy implementation).

The four receptivity factors at the organization level (ideological vision, leading change, institutional politics and implementation capacity) influence how the motors of change from the environment level are responded to. The four receptivity factors shape the conditions which influence whether a local housing authority will be a low-change non-receptive context or a high change receptive context for outsourcing. In Trafford, the Director emerged out of the intra-organization networks as the central protagonist and was able to establish the authority as a low-change context. In contrast, in Westminster, the Conservative local councillors emerged as the central protagonists and were able to establish the authority as a high change context.

The four receptivity factors at the organization level also create institutional patterns at the public service level. Trafford emerged as the Conservative low-change context, whilst Westminster emerged as the high-change context.

The environment level is also the motor of change for the public service level by providing downward pressure to tackle specific issues, like breaking up institutional blocks of activity. On 1 April 1986, the Conservative government, for example, abolished the metropolitan level of government because it could be Labour controlled. One aspect of the abolition debate was revealed in the Westminster case study. Shirley Porter was part of the Conservative campaign to abolish the Greater London Council (GLC). In 1986, she led a camel over Westminster bridge to GLC head-quarters to protest at escalating rates – the camel carried the straw threatening to break its back.

In addition, the four receptivity factors at the organization level are the motors of and barriers to change for the environment level by providing upward pressure to create new policies, adapt old ones or maintain existing frameworks. One aspect of the policy process was also revealed in the Westminster case study. In 1972, Westminster was already promoting home ownership. Home ownership was later to be a key Conservative housing policy – the Housing Act 1980 gave council and RSL tenants the right to buy their home at a subsidized price.

Finally, the public service level is the motor of change for the environment level by reinforcing particular perceptions. Returning to the example of the abolition of the metropolitan level of government, during the 1980s the Conservative perception of Labour local authorities being financially irresponsible was reinforced by high-profile personalities like Derek Hatton. Whereas the Conservatives in Westminster promoted home ownership, the Labour group in Liverpool under Derek Hatton's deputy leadership was still building council homes (despite expenditure controls) (Flynn, 1990).

Concluding remarks

Despite the use of legislation to ensure the introduction of CCT, Best Value and, more broadly, privatization at the national level, there has been variation in the use of contractors at the local level – this is 'managing from the inside out'.

In order to explain variation in strategy implementation, the paper has drawn on the notion of receptivity to explain the contrasting strategies adopted by two English local housing authorities – Trafford, where external private-sector contractors were not used, and Westminster, where services were outsourced. The findings have implications for policy, practice and theory. New Labour's Modernisation Agenda is intended to be a motor of continuous organizational and culture change for public-sector organizations. Change has been promoted and introduced on a number of dimensions (Benington, 2000) and the Local Government Modernization Agenda (LGMA) has been summarized (Hartley, Butler and Benington, 2002). Hartley *et al.* (2002), for example, suggest that within the LGMA, there are perceived problems with leadership and legitimacy and the quality and integration of services and accountability. One of central government's solutions to the leadership problem is the introduction of cabinets and directly elected mayors, which may have the desired outcome of creating a vision for the whole community. Another central government solution, addressing the quality problem, is the introduction of more 'joined-up' government to create not just a vision for the whole community, but a shared vision. Given this proactive policy environment, receptivity suggests how change might be achieved.

More practically, and turning to implications for practice, the data from the case-study work

identifies four receptivity factors which seem to explain the success of Trafford and Westminster's contrasting outsourcing strategies: ideological vision, leading change, institutional politics and implementation capacity.

In short, leading change locates decision-making and analyses the actions of the decision-makers. Institutional politics explains the location of decision-making. Implementation capacity explains the location of decision-making in greater detail by going beyond structural relationships to explore critical incidents. Ideological vision critically reflects on the strategic decisions being made by evaluating their purpose. Well-conceived decision-making activity, which is interconnected with the public service and environment levels of change, can create a high-change, receptive context.

The occurrence of the same receptivity factors in Trafford and Westminster may be explained by the idea that although organizational change may be shaped differently in the two local housing authorities, nevertheless, the process of change may be similar – the four receptivity factors. Indeed, five public-sector process studies all agreed that leading change is a key factor (Ferlie *et al.*, 1996; Lewis and Glennerster, 1997; Pettigrew *et al.*, 1992; Rao and Young, 1995; Walsh and Spencer, 1990).

Finally, there are implications for theory. The data from the case-study work suggests that receptivity provides an approach and a discourse for revealing, describing and analysing the factors which contribute to organizations being either low-change, non-receptive contexts or high-change, receptive contexts. This is because receptivity, in explaining change, explicitly foregrounds the challenges of explaining that change. As a consequence, researchers are encouraged to revisit and increase their data sets in order to develop a more sophisticated understanding of change. This data, from English local authority housing, has been directly related to Pettigrew *et al.*'s (1992) data, from the NHS.

As part of developing a more sophisticated understanding of organizational change, this is an attempt to develop management theory, and in terms of this research, to generate explanatory categories for change which may apply to other situations. Again, the capacity to achieve this aim requires further research, but there may be the potential for cross-sectoral learning. The private sector could borrow from public-sector learning about the factors, including those presented here, which contribute to organizations being receptive contexts for change.

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