

# Escape from the Iron Cage? Organizational Change and Isomorphic Pressures in the Public Sector

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## ABSTRACT

Institutional theory suggests that organizations pursue legitimacy by conforming to isomorphic pressures in their environment. We extend previous research on institutional theory by distinguishing between two definitions of conformity (compliance and convergence) and by taking a comprehensive view of the organizational characteristics that might be subject to isomorphic pressures. This framework is applied to change between 2001 and 2004 in the internal characteristics of 101 public organizations in England. We find substantial evidence of compliance but more limited support for convergence. Furthermore, the impact of isomorphic pressures was stronger on organizational strategies and culture than on structures and processes. Thus, the relevance of institutional theory to change in the public sector depends on the definition of conformity that is used and the organizational characteristics that are examined.

The explanation of organizational change has become an important research issue in recent years. Rational or “technical” perspectives suggest that the characteristics of organizations shift over time in order to pursue better substantive performance (e.g., higher efficiency or effectiveness). This view is implicit in the growing literature on public management and organizational performance. A variety of studies have tested the impact of public management on service delivery, on the assumption that new organizational forms lead to better results (e.g., Andrews, Boyne, and Walker 2006; Brewer and Selden 2000; Meier and O’Toole 2001, 2002; Rainey and Steinbauer 1999; Walker and Boyne 2006). An alternative view is offered by institutional theory, which argues that the primary objective of organizational change is not better substantive performance but greater legitimacy. In other words, organizations adapt their internal characteristics in order to conform to the expectations of the key stakeholders in their environment. Over time, norms and rules emerge that limit the management arrangements that are deemed acceptable. Organizations

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doi:10.1093/jopart/mum038

Advance Access publication on December 21, 2007

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in the same field are imprisoned in an “iron cage” that homogenizes their characteristics (DiMaggio and Powell 1983)<sup>1</sup>. The aim of this article is to evaluate whether organizational change in the public sector is consistent with this institutional perspective.

In the first part of the article we extend institutional theory in three ways. First, the concept of “conformity” in institutional arguments is vague (Frumkin and Galaskiewicz 2004). We distinguish between “compliance” and “convergence” in the behavior of a set of organizations and argue that strong support for institutional theory requires both types of conformity. Second, empirical studies of isomorphism usually examine only one organizational characteristic that provides a narrow and potentially biased view of the extent of conformity. We argue that a much more comprehensive assessment of organizational change is required to test claims of isomorphism. Third, institutional theory has little to say about the types of organizational characteristics that are most open to isomorphic pressures. We distinguish between “core” and “peripheral” attributes of organizations and test whether the latter are more likely to conform to forces in the institutional environment. This discussion leads to a set of testable propositions on the impact of isomorphic pressures on public organizations. As these pressures are expected to influence whole organizational fields, we undertake a field-level analysis of changes in the characteristics of a set of organizations over time and the extent to which these characteristics become more or less similar across organizations within the field. We do not, in this article, seek to explain variations in the extent to which individual organizations complied or converged as a result of isomorphic pressures. The exploration of this large and important research agenda can logically follow from our aggregate analysis at the field level.

In the second part of the article, we describe the empirical context of our study, which is the introduction of a new statutory framework for the management of local government services in England. This “Best Value” framework is a good context for the evaluation of isomorphic pressures because it applies to all the members of a clearly defined organizational field. Moreover, the regime contains explicit prescriptions on the organizational forms that local authorities are expected to adopt. In the third part of the article we outline our data sources and the analytical methods that we use to test the propositions on the impact of isomorphic pressures. We then present and interpret our empirical results and draw conclusions on the relevance of institutional theory to an understanding of organizational change in the public sector.

## **INSTITUTIONAL ISOMORPHISM**

### **Concepts and Arguments**

Institutional theory has become a prominent lens through which organizational processes of continuity and change are interpreted and understood. It can be seen as a development of “open systems” views of organization (e.g., Pfeffer and Salancik 1978; Silverman 1970). Institutional theorists emphasize the significance of social and cultural aspects of organizational environments rather than the task and technical elements given prominence under contingency theory and resource dependence theory (see Donaldson 1995; Oliver 1991). Much of the early theorizing from an institutional perspective was concerned with an

<sup>1</sup> Weber (1968) anticipated that the efficiency of the bureaucratic form meant its adoption would prove inevitable. DiMaggio and Powell (1983) offered an alternative explanation for rationalization—institutional pressures to conform.

alternative to functional and rational explanations of organizational forms (Meyer and Rowan 1977) and sought to understand similarity and stability within organizational fields (DiMaggio and Powell 1983). Organizational environments were characterized as the sources of norms and values that permeated organizations and influenced action, in particular by informing the “taken-for-granted” assumptions regarding the behaviors, organizational forms, and processes that are seen as legitimate.

The influential article by DiMaggio and Powell (1983) identified ways that organizations within a field face pressures to enhance their legitimacy. These pressures toward institutional isomorphism are described by DiMaggio and Powell as mimetic, coercive, and normative forces. They see these as analytically distinct although acknowledge that they are not easy to distinguish empirically (Mizruchi and Fein 1999). Mimetic forces are pressures to copy or emulate other organizations’ activities, systems, or structures. Innovations that are deemed to enhance legitimacy are seen as desirable, especially under conditions of uncertainty where actors cannot be sure of the relationship between organizational means and ends. Such copying may be undertaken without any clear evidence of performance improvements. Mimetic forces explain the widespread adoption of, for example, management practices for which there is little empirical evidence of performance benefits, that is the following of fads and fashions (Abrahamson 1996).

Coercive forces are the external pressures exerted by government, regulatory, or other agencies to adopt the structures or systems that they favor. These pressures are often associated with legal requirements, health and safety regulations, and so on, but may also stem from contractual obligations with other actors, which constrain organizational variety. The role of coercive forces in institutional theory highlights the impact of political rather than technical influences on organizational change. Scott comments that “an institutional perspective gives special emphasis to authority relations: the ability of organizations, especially public organizations, to rely on legitimate coercion” (1987, 502).

Normative forces describe the effect of professional standards and the influence of professional communities on organizational characteristics. They capture the ways in which organizations are expected to conform to standards of professionalism and to adopt systems and techniques considered to be legitimate by relevant professional groupings. These norms are conveyed through the education and training of professionals and certification processes accredited by professional bodies. DiMaggio and Powell (1983, 148) identified the nation-state and the professions as the primary shapers of contemporary institutional forms, “the great rationalizers of the second half of the twentieth century.”

An important concept for DiMaggio and Powell’s argument is that of the “organizational field”: “those organizations that, in aggregate, constitute a recognized area of institutional life” (1983, 148). This addresses attention to the “totality of relevant actors” rather than those that may actually interact directly. An expectation in institutional theory is that these fields will have institutional logics that underpin the organizing principles for the organizations within them (Friedland and Alford 1991). Such logics provide the basis of taken-for-granted rules and “refer to the belief systems and related practices that predominate in an organizational field” (Scott 2001, 139). The major empirical prediction made by DiMaggio and Powell (1983) is that organizations within a field will, over time, yield to the isomorphic pressures that confront them. Otherwise, their level of external support, and ultimately their survival, will be in jeopardy. Moreover, the more mature an organizational field, the more likely it is to be heavily “structured” by institutional norms and rules (Powell and DiMaggio 1991).

The emphasis on continuity and stability associated with DiMaggio and Powell's early article resulted in a concern that the issues of power, contest, and informal structures central to the "old institutionalism" of Selznick (1949), and others had been inappropriately downplayed with a consequent loss of explanatory insight (DiMaggio 1988; Brint and Karabel 1991). An emerging "neo-institutionalism" (see Greenwood and Hinings 1996; Powell and DiMaggio 1991; Scott 1994) has reflected a convergence around concerns of both continuity and change. Greenwood and Hinings draw on the concept of an organizing archetype in understanding the institutionally embedded nature of organization. An archetype is the set of structures and systems reflected in the dominant ideas, beliefs, and values—the "interpretive scheme"—which itself derives from the wider context. The possibility of change is identified and associated with the opportunities created by various "antecedents of deinstitutionalization" (Oliver 1992) following which institutional norms may be challenged. However, case research has shown how institutional embeddedness provides a significant force for stability (e.g., McNulty and Ferlie 2004).

Greater understanding of how and when institutionalized practices may become destabilized has precipitated an increasing emphasis on institutional change and, in particular, the microlevel political processes inherent in institutional change (e.g., Townley 2002; Zilber 2002). Indeed, in their introduction to the *Academy of Management Journal*, special issue on institutional theory and institutional change, Dacin, Goodstein, and Scott (2002, 48–49) comment that, "Like most of the wider institutional literature, our collection of articles tends to focus on more micro levels, shorter time periods, and incremental change processes." These studies have shown the importance of the interplay of meanings, actions, and rationalities in complex processes of contest that may result in a variety of outcomes around divergence/convergence and incremental/radical change.

With this emphasis on "drilling down" into processes of institutional change, there have been fewer recent attempts to build understanding of macrolevels of change within organizational fields. However, a notable contribution to the understanding of these issues has been provided by the work of Greenwood, Suddaby, and Hinings that has looked at field-level processes of change in business services (Greenwood, Suddaby, and Hinings 2002) and in health care (Reay and Hinings 2004, 2005). Research has been used to outline a stage-based model of institutionalizing involving precipitating jolts, deinstitutionalization, theorization, diffusion, and reinstitutionalization where new practices become taken for granted and has paid particular attention to ways in which organizational fields move between competing institutional logics (Greenwood, Suddaby, and Hinings 2002).

An area of increasing interest for researchers has been settings where there is evidence of competing institutional logics, and studies of field-level change tend to associate prevailing logics with identifiable time periods or "eras," for example the studies of changes in health care by Kitchener (2002) and Scott et al. (2000). However, as Reay and Hinings (2004) comment, there has been little research into whether, and if so how, actors shift in their values and beliefs when the dominant logic of the field changes. This question highlights the value of cross-level research that links field and organizational levels and also draws attention to the strategic responses of actors to institutional processes (Oliver 1991) and how agents seek to achieve their goals (Lawrence, Winn, and Jennings 2001). Although most studies have reflected how one dominant institutional logic is displaced by another, the longitudinal empirical study by Reay and Hinings (2004) of Regional Health Authorities in Alberta showed how key actors organized activities so that two conflicting

logics both provided principles and guidance for members of the organizational field. They described this situation as one of “accommodated logics.”

In sum, previous research has paid particular attention to ways in which whole organizational fields move between different institutional logics. Less attention has been paid, however, to the detail of organizational change within a field over time in response to new isomorphic pressures. To what extent are the processes and practices of organizations within a field consistent with the pressures generated by a new “institutional logic”? In this article, we address this question by analyzing data on shifts over time in the characteristics of over 100 public agencies in the same organizational field.

### **Issues in the Operationalization of Isomorphism**

Institutional theory has been tested on a variety of organizations, mainly in the private sector. The impact of isomorphic pressures has been examined across nations (Duysters and Hagedoorn 2001; Guler, Guillen, and Macpherson 2002), industries (Casile and Davis-Blake 2002; Goodstein 1994), and organizations in specific fields (Carroll and Huo 1986; Kraatz and Zajac 1996). These empirical studies, however, have neglected three issues that need to be clarified in order to test the validity of institutional theory. We tackle each of these in turn.

#### ***What is Conformity?***

Meyer and Rowan (1977, 484) identified that organizations gain legitimacy, stability, and resources by conforming to societal expectations. They suggested organizations would present formal or “rationalized” structures as an “acceptable account” of activities. DiMaggio and Powell (1983) developed these insights to consider why and how organizations’ attempts to attain legitimacy led them to become similar. From this, institutional theory suggests that organizations are likely to “conform” to isomorphic pressures, but the meaning of conformity has not been clearly articulated (Frumkin and Galaskiewicz 2004). In this article, we clarify the meaning of conformity by distinguishing between “compliance” and “convergence.” The term compliance suggests that, over time, organizations are moving in the direction that is consistent with isomorphic pressures, for example toward a new model of public service management promulgated by the state. This requires the identification of the direction of movement that is “required” by prevailing institutional norms and the “target” organizational characteristics that are expected to change. The term convergence refers to the extent to which all organizations in a field resemble each other more closely over time. This can happen with or without compliance. There are a variety of possible strategic responses to institutional pressures (Oliver 1991), and organizations may converge on the “wrong” form, that is around an alternative institutional logic.

Both interpretations of conformity are present in the classic statement of isomorphism by DiMaggio and Powell (1983). They define isomorphism as compliance—“organizational characteristics are modified in the direction of increasing compatibility with environmental characteristics” (1983, 149)—and as convergence—“a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (1989, 149). This distinction between the *direction of movement* of a set of organizations and their *resemblance to each other* is not discussed by DiMaggio and Powell (1983) nor in subsequent major books on institutional theory (Powell and DiMaggio 1991; Scott 2001). Empirical studies tend to ignore this distinction

by focusing on convergence alone (e.g., Duysters and Hagedoorn 2001; Rowan 1982). However, the dual interpretation of conformity by DiMaggio and Powell (1983) implies that institutional theory is strongly supported only if both compliance and convergence occur in response to isomorphic pressures.

### ***One Organizational Characteristic or Many?***

Institutional theory suggests that organizations conform to the coercive, normative, and mimetic pressures that surround them. Such pressures are pervasive in modern and mature organizational fields. Moreover, organizations are open and easily permeated by pressures in their social and political environments. All this implies that the impact of isomorphic pressures should be visible across all the major features of organizations, for example in their structures, culture, strategy processes, and strategy content. Indeed, strong support for the institutional perspective on organizational change would require that such pressures and their conformity would be evident across all features of organizations.

Empirical tests of isomorphism, however, typically analyze only one or a handful of organizational characteristics. For example, Galaskiewicz and Wasserman (1989) consider charitable contributions by business corporations to nonprofit organizations, Casile and Davis-Blake (2002) study the adoption of accreditation standards, Goodstein (1994) examines the extent of employer involvement in work-family issues, and Honig and Karlsson (2004) focus on the spread of business planning. The few previous tests of institutional pressures in the public sector also use narrow measures of organizational characteristics. Rowan (1982) examines the content of education provision in public schools in California; Tolbert and Zucker (1983) track the diffusion of civil service personnel procedures in US cities in the era of municipal reform; Meyer, Scott, and Strong (1987) study the impact of external constraints on administrative intensity in US school districts in the 1970s; and Frumkin and Galaskiewicz (2004) evaluate the impact of coercive, mimetic, and normative pressures on the formalization and centralization of human resource management practices.

All these studies provide useful insights on whether specific organizational characteristics are consistent with institutional forces. Nevertheless, they are partial and problematic. Each one takes only a single slice of the organizations that are subject to isomorphic pressures—the wider picture is not reported. The same organizations that are compliant or convergent on the characteristic under study may simultaneously be defiant or divergent in a range of other ways. Thus, a more comprehensive and accurate assessment of institutional theory requires the measurement of changes in a variety of organizational characteristics.

### ***Which Organizational Characteristics Are Most Open to Institutional Pressures?***

This question has not been sufficiently well addressed in prior research on institutional theory, either in conceptual discussions or empirical studies. Indeed, the question has not arisen in many empirical analyses because, as already noted, these have concentrated on single-organizational characteristics. Nevertheless, it seems plausible that institutional pressures may influence some organizational characteristics more strongly than others. For example, recent work examining evidence of organizational change founded on “new managerialism” in social services (Kirkpatrick and Ackroyd 2003) and health care (McNulty and Ferlie 2004) suggests that traditional professional values and at least some working practices endure.

Research on archetype change has found that operating methods may be more susceptible to change than those aspects of the organization more closely associated with the

underlying “interpretive scheme” (e.g., Pinnington and Morris 2003). From a different theoretical perspective, Hannan and Freeman (1984) argue that environmental pressures may alter the organizational “periphery” while leaving the core intact. The definition they give of these two organizational elements is brief—the core is defined simply as embodying an organization’s identity and value system (Hannan and Freeman 1984, 155). Thus, organizational culture and strategic stance may be relatively impervious to isomorphic pressures, whereas structures and processes are more open to influences from the institutional environment. The latter organizational characteristics may be loosely coupled with the organization’s identity and values, but culture and strategy are more closely tied with views about “what we believe and what type of organization this is,” and are less amenable to change (Miles and Snow 1978). Alternatively, following Meyer and Rowan (1977), organizational characteristics may vary in the degree to which they are subject to, or are susceptible to, symbolic representation externally. Thus, a comprehensive view of organizational characteristics not only allows an evaluation of whether isomorphic pressures are pervasive but also allows their impact to be compared across different attributes.

### **Propositions**

Our discussion of institutional theory leads to the following propositions:

*P1: Changes in the characteristics of public organizations are compliant with isomorphic pressures.*

This proposition implies that external pressures successfully produce organizational change. In the public sector, such pressures are especially likely to be applied by governments at a higher level that possess legislative and financial resources that are required by the subordinate units in an organizational field. Over time, organizations will move toward the form prescribed by political superiors as a result of coercive, normative, and mimetic forces. Two patterns of organizational behavior would be inconsistent with this proposition: an absence of change and change in the opposite direction to that “imposed” by institutional pressures. Oliver (1991, 151) argues that institutional theorists “have tended to overlook the role of active agency and resistance in organization-environment relations.” Organizations may deflect external pressures and retain their existing practices, or adopt “a defiant strategy . . . (which) represents unequivocal rejection of institutional norms and expectations” (Oliver 1991, 157).

*P2: Public organizations not only move in the prescribed direction but also resemble each other more closely over time.*

This is the homogenization dimension of conformity to isomorphic pressures. All public organizations within the same field should become increasingly similar in their internal characteristics. Early dispersion in variables such as structure, culture, and strategy will decline as institutional norms and values strengthen their grip on organizational behavior. In effect, institutional constraints impose a “one size fits all” model of public management that must be adopted if an organization is to be viewed as legitimate.

*P3: The impact of isomorphic pressures is stronger on organizational structures and processes than on strategy and culture.*

This proposition assumes that core and peripheral characteristics can be distinguished, and that some organizational attributes are resistant to, or can be protected from,

isomorphic pressures. An analysis of its validity can shed light on whether the impact of isomorphic pressures is properly viewed as universal or contingent on organizational characteristics. We expect that strategy and culture represent the core of an organization, whereas structures and processes are loosely coupled with the core, more amenable to change and more easily influenced by institutional pressures.

### **CONTEXT OF THE EMPIRICAL ANALYSIS**

We evaluate the validity of the institutional perspective on organizational change through an analysis of the consequences of the introduction of a reform program in English local government. The Best Value framework lay at the heart of the current UK government's drive to deliver public service improvement—defined by the British Prime Minister as the number one priority for New Labour's second term in office (Martin 2002). Best Value was a key component of a broader strategy for the “modernization” of local government in the United Kingdom (Newman 2001). Ministerial statements, press notices, reports, and official and unofficial documentation provide important clues about the intended impact of the regime on the organizational characteristics of local authorities (Boyne, Martin, and Walker 2004). They indicate that policy makers anticipated that the regime would lead to four major types of organizational changes—in structure, culture, strategy processes, and strategy content. These changes are consistent with the new public management reform program that has been pursued in many nations. To that extent, English local authorities have been subject to isomorphic pressures that are global as well as national in scale.

#### **Structure**

Organizational structure can be defined as the set of rules and roles that shape the relationships between parts of an organization. Analysis of central government documentation suggests that the Best Value regime was intended to have an impact on levels of bureaucracy, decentralization, and integration. Local councils were encouraged to shift from rigid structures that reflected traditional ways of working to more flexible structures that would facilitate responsiveness to new consumer demands. The Best Value regime was also expected to lead to decentralization by encouraging local councils to be increasingly “citizen centered” and more responsive to a range of stakeholder groups. This implied a need for managers to be given increased autonomy so that they could provide services that reflected these various demands, which in turn implied a dispersal of power away from the center of organizations. Finally, the prominence the regime awarded to corporate performance plans, corporate performance measures, and cross-cutting service reviews was intended to pull the organization together and reinforce a sense of common purpose and identity across different departments. Thus, the isomorphic pressures associated with Best Value should have led local authorities to become less bureaucratic, more decentralized, and more integrated.

#### **Culture**

Organizational culture embraces a range of phenomena. For the purposes of this analysis, it can though be defined as consisting of the values shared by the members of an organization

(Barney 1986) including beliefs about organizational purposes and how they should be achieved. The introduction of Best Value was intended to produce changes in these elements of organizational culture. Central government defined its aim as “nothing less than a radical refocusing of councils’ traditional roles” (Department of the Environment Transport and the Regions [DETR] 1998, 5). In particular, “the old culture of paternalism and inwardness [is] to be swept away” as authorities respond to the “demanding agenda for change” (DETR 1998, 5). Local councils were expected to become more customer focused and more responsive to a range of stakeholders in ensuring that services increasingly “meet the needs of citizens, not the convenience of service providers” (Cabinet Office 1999, para 20). The new regime sought to encourage a “performance culture” that would mean a greater willingness to become more innovative and entrepreneurial in problem solving. At the same time, the Labour government recognized the role of frontline staff in service improvement and emphasized the importance of good relationships between senior managers and employees in public organizations. In sum, Best Value was expected to produce a shift to a culture that emphasized enterprise, service improvement, consumer needs, and better relations between managers and staff.

### **Processes of Strategy Formulation**

The public administration literature emphasizes two main types of strategy process. The first, rational planning, is characterized by strategies that are developed through analytical, formal, and “logical” processes. The characteristics of the external environment and the organization itself are scanned and future circumstances forecasted; a variety of policy options (which differ from the status quo) are identified and evaluated; precise targets for future organizational performance are set; the “best” policy option is selected; and subsequent performance is regularly and rigorously monitored. The emphasis here is on data, analysis, and a clear focus on organizational objectives. A second model is that, rather than being formulated explicitly, strategies emerge from political bargaining between internal groups and between the organization and its stakeholders. In this scenario, the policy that has the greatest political support becomes the effective strategy. Formal analysis plays only a minor role, and organizational objectives remain vague in order to maximize political support and stability. Few, if any, radical options are considered so the most likely outcome of this style of strategy process is an incremental, marginal adjustment to the status quo (Lindblom 1959). The Best Value framework was firmly rooted in the notion that rational planning contributes to performance improvement (Boyne 1999). Key elements of the regime emphasized rationalism rather than incrementalism, including: the introduction of a comprehensive set of performance indicators; a duty to publish targets and plans; and the need to scan the market for external service providers. Thus, if institutional theory is supported, local authorities should have moved toward greater rational planning.

### **Strategy Content**

Strategy content in the public sector is principally concerned with the services that are provided and the methods by which they are delivered (Boyne and Walker 2004). The Best Value regime was intended to stimulate two major changes in strategy content—innovation and partnership (particularly with the private sector). There was a strong expectation among policy makers that the regime would encourage local authorities to

outsource services for which they are responsible. Authorities were required to “challenge” existing approaches and to explore new methods of service provision. They were expected to “create, nurture and manage markets” in order to promote a “mixed economy of provision” so that they can create “the conditions under which there is likely to be greater interest from the private and voluntary sectors in working with local government to deliver quality services” (DETR 1998, clause 7.30). There was also a strong expectation that the regime would promote innovation in service design and delivery. Accordingly, a willingness to “use competition to drive improvement and innovation” was seen as one of the hallmarks of “high performing” authorities (Audit Commission 2002, clause 30). Isomorphic pressures, then, should have resulted in more innovation in local government and more involvement of external agencies in service provision.

### **The Application of Coercive, Normative, and Mimetic Pressures**

It is important to consider briefly the types of pressures placed upon local authorities to conform to this public management reform. The style of implementation of the Best Value framework points to the application of primarily coercive, but also normative and mimetic, pressures by central government.

Coercive pressures can be seen clearly in the form of legislation, the Local Government Act (1999), which introduced a mandatory duty to develop corporate strategies, review functions, and set targets. Furthermore, the regime’s rigid program of Best Value inspections provided an additional coercive pressure, designed to reinforce councils’ statutory obligations. However, there is also evidence to suggest that central government sought to build normative pressures, albeit to a lesser extent. For example, in contrast to the previous Conservative government, prior to introducing the legislation, civil servants and ministers consulted extensively with trade unions, local government associations, and professional groups. In addition, a new Improvement and Development Agency (IDeA) for local government was established which “works in partnership with all councils, to enhance the performance of the best, accelerate the speed of improvement of the rest, and develop the sector as a whole” ([www.idea-knowledge.gov.uk](http://www.idea-knowledge.gov.uk)). One of this agency’s key functions is to facilitate a peer review program based on the “ideal authority,” but the organization also offers general consultancy, support, and guidance to local councils (Martin 2002). Thus, both the Audit Commission and the IDeA promoted the Best Value regime as “professional management practice” in local government.

In addition, mimicry occurred through the formation of benchmarking clubs by councils, and the creation of the “Beacon Council” scheme that aims to “recognise the best performing councils and spread best practice” (DETR 1998, 8). This initiative, launched in 1999, identifies “outstanding” councils that are consequently awarded “Beacon status” and thereby receive publicity of their work and a degree of national prestige. The scheme is described by IDeA as one that “identifies excellence and innovation in local government. It is much more than just a badge, however. The purpose is to share good practice so that best value authorities can learn from one each other and deliver high quality services to all” ([www.idea-knowledge.gov.uk](http://www.idea-knowledge.gov.uk)). Beacon councils have a duty to disseminate their successful practices in order to facilitate improvement elsewhere. Such dissemination can take the form of road shows, open days, site visits, secondments, and consultancy (Stewart 2003) that combine elements of normative and mimetic isomorphic pressures. This demonstrates how difficult it can be to isolate different isomorphic forces in

practice (Mizruchi and Fein 1999). Nevertheless, the extent of voluntary copying of other local authorities regarded as high performing is indicative of the presence of mimetic as well as coercive and normative pressures.

To summarize, it is clear that when introducing the Best Value regime, UK central government had an explicit program of change relating to organizational structure, culture, strategy formulation processes, and strategy content (Boyne, Martin, and Walker 2004). This program for change was encouraged by legislation and inspection but also through pressure to emulate “best practice” authorities and attempts to influence professional norms, standards, and values. The subsequent sections of this article examine whether local authorities responded to these coercive, normative, and mimetic pressures by adopting the organizational characteristics associated with the Best Value regime.

## **METHODOLOGY**

In this article, we draw on data derived from a large electronic survey of local authority managers that was designed to capture perceptions of changes in organizational characteristics linked to the introduction of the Best Value regime. We focus specifically on data collected in the summer of 2001 in 101 councils and again in the summer of 2004 for the same 101 councils. These local authorities were selected to be representative of English local government on the basis of a number of key characteristics: geographical location, local authority type, deprivation, and performance (Enticott et al. 2002). Self-coding questionnaire surveys were distributed electronically via email. Respondents to the survey include corporate officers (Chief Executive, Head of Paid Service, and Corporate Policy Directors), Chief Officers (Directors of Services), and Service Managers (frontline supervisors). They were asked to respond to questions in relation to their immediate area of work. (Enticott et al. 2002). Responses were recorded on a seven-point Likert scale anchored by 1 (disagree) to 7 (agree) and in total we received responses from 1,245 officers in 2001 (response rate 58%) and 1,192 in 2004 (response rate 45%). The distribution of responses across the three organizational echelons varied across local authorities. Managers at different levels may have systematically different perceptions of organizational characteristics (Walker and Enticott 2004), so this differential pattern of responses may undermine the comparability of the data across local authorities. In order to overcome this sample bias problem, we summed the responses in each echelon for each survey question, took the average for each echelon, and weighted the echelons equally to produce a final measure. Consequently, we are left with a mean response for each local authority for each of the survey variables.

Surveys are an increasingly important source of information on the characteristics of public organizations (Walker and Enticott 2004). This research method is especially helpful when the aim is to track the attributes of a large number of organizations over time, as is required for a comprehensive field-level test of isomorphism. Survey data may, however, be problematic as representations of the “reality” of organizational change. In particular, if measures are taken from a single snapshot, then managerial recall of organizational attributes in the past may be poor. Our survey method avoids such problems because we have data from both 2001 and 2004, occupants of the same organizational roles were surveyed in each year, and we asked exactly the same questions in both periods. This leaves open the possibility that managers may provide self-serving responses to the questions and seek legitimation by claiming more compliance with isomorphic pressures than has actually

occurred. Our data and results are unlikely to be significantly biased by this phenomenon for two reasons. First, all respondents were guaranteed (and received) complete anonymity, so were able to express their actual views. Second, pressures to conform with the Best Value regime were already in place in 2001 and continued through 2004. Thus, we do not expect any remaining self-serving bias in the data to have changed between the administration of the two surveys, so the 2001 and 2004 responses are directly comparable.

For the purposes of this article, we have analyzed responses on 33 variables from the survey that measure the aspects of organizational structure, culture, processes, and strategy that the Best Value regime was designed to influence. Thus, we are focusing directly and exclusively on the organizational characteristics that isomorphic pressures were intended to change. (A full list of the survey statements for the variables is shown in table 1). These measures are well established and have been incorporated within prior analyses of organizational change in the public sector (see e.g., Boyne, Martin, and Walker 2004; Boyne and Walker 2004). The eight measures of structure include those that represent bureaucracy, decentralization, and integration. For example, structure measure 1 reflects the renewed emphasis on reducing bureaucracy evident within the Best Value regime, whereas structure measures 3–5 explore the extent to which devolved management has been put in place in authorities. Specifically, these measures capture the extent of task and finish work within authorities, whether informants believed that control has been devolved to service managers and whether decisions are taken when results deviate from plans (scores reversed in this analysis). Measures 6 and 7 capture elements of goal and target setting that are crucial to the organizational integration promoted by the Labour government through Best Value, whereas measure 8 reflects the emphasis on a joined up and corporate management approach.

In line with reforms across the public sector, the Best Value regime was intended to produce changes in organizational culture. A key element of the program was an emphasis on the development of a “performance culture” within local government. Consequently, some of our measures of culture (such as 5 and 6) refer to local authority officers’ views about continuous improvement and incentives to achieve step change. Other culture measures (2 and 3) were designed to capture the considerable emphasis within the Labour government reforms on the need for local authorities to become more enterprising and risk taking. Finally, measures 4, 7, 8, and 9 reflect a renewed emphasis on the development of a user-focused culture and better relations between senior and frontline staff.

The third block of measures focus on strategy process and pick up on the Labour government’s return to rational planning. For example, measures 1, 2, and 6 reflect rational styles of policy making, whereas measures 3, 4, 5, and 7 capture incremental-type processes. Finally, our measures of strategy content operationalize three key elements of the Best Value regime: the concepts of innovation, partnership, and externalization. Officers are asked whether their authority: is beginning to work collaboratively (measures 3–4), has considered outsourcing, externalization, or doing away with services altogether (1, 2, 9), and about alternative services and new users (measures 5–8).

We evaluated the validity of our three propositions as follows:

P1—Compliance. A comparison of mean responses to the survey questions in 2001 and 2004 to establish whether local authority characteristics indicated compliance, no change or defiance in the face of isomorphic pressures, and whether any movement in organizational characteristics was statistically significant. This test shows whether the average

**Table 1**  
Extent of Compliance and Convergence in Local Authority Characteristics, 2001–2004<sup>a</sup>

	Mean 01	Mean 04	Movement <sup>b</sup>	Significance	CV01	CV04	Change	Summary
<b>Structure</b>								
1. Written policies and procedures are important in guiding the action of employees in the authority/service	4.90	5.20	×	≤0.001	0.11	0.10	NC <sup>c</sup>	Defiant/NC
2. There is extensive use of staff task and project groups in the management of our authority/service	4.87	5.17	√	≤0.01	0.15	0.15	NC	Compliant/NC
3. Centralization is a major part of our approach to organizational structure	2.83	3.51	×	≤0.001	0.32	0.28	-0.4	Defiant/convergent
4. When our results deviate from our plans, the decisions to take appropriate corrective action usually comes from top management or politicians	4.12	4.74	×	≤0.001	0.14	0.16	+0.2	Defiant/divergent
5. Control is devolved to service managers	5.05	5.16	√	NS	0.13	0.12	NC	NS/NC
6. There is a well-developed framework of clear performance measurement and targets to drive what we do	4.99	5.65	√	≤0.001	0.15	0.15	NC	Compliant/NC
7. There are clear links between the objectives and priorities of the service and those of the authority as a whole	5.13	5.80	√	≤0.001	0.16	0.13	-0.3	Compliant/convergent
8. Enhancing coordination and joint working is a major part of our approach to organizational structure	5.29	5.38	√	NS	0.15	0.14	NC	NS/NC
<b>Culture</b>								
1. The authority's mission, values and objectives are clearly and widely owned and understood by all staff in the authority/service	4.58	5.31	√	≤0.001	0.19	0.16	-0.3	Compliant/convergent
2. The authority/service is prepared to take risks where appropriate	4.53	5.03	√	≤0.001	0.18	0.16	-0.2	Compliant/convergent
3. The authority/service is at the forefront of innovative approaches	4.80	5.16	√	≤0.01	0.17	0.16	NC	Compliant/NC

*Continued*

**Table 1 (continued)**  
Extent of Compliance and Convergence in Local Authority Characteristics, 2001–2004<sup>a</sup>

	Mean 01	Mean 04	Movement <sup>b</sup>	Significance	CV01	CV04	Change	Summary
4. Most managers place the needs of users first and foremost when planning and delivering services	5.25	5.43	√	NS	0.10	0.13	+0.3	Compliant/divergent
5. There is a strong focus on continuous improvement in our authority/service	5.32	5.99	√	≤0.001	0.13	0.11	−0.2	Compliant/convergent
6. There are strong incentives for managers to achieve step change in performance in this service	3.86	4.64	√	≤0.001	0.21	0.19	−0.2	Compliant/convergent
7. This authority/service cares about its staff	4.81	5.56	√	≤0.001	0.17	0.13	−0.4	Compliant/convergent
8. There is a high level of trust between top management and staff	4.46	4.99	√	≤0.001	0.16	0.17	NC	Compliant/NC
9. There is a high level of trust between officers and politicians	4.75	4.97	√	≤0.001	0.18	0.19	NC	Compliant/NC
Strategy process								
1. When the service/authority formulates strategy, it is planned in detail	4.70	4.92	√	≤0.01	0.14	0.15	NC	Compliant/NC
2. When the service/authority formulates strategy, options are identified and evaluated before the best option is selected	4.87	5.17	√	≤0.001	0.12	0.13	NC	Compliant/NC
3. The strategy with the greatest political support is usually adopted as our policy	5.06	4.92	×	≤0.01	0.13	0.14	NC	Compliant/NC
4. When we make strategy, we produce policy options which are very similar to those we already have	3.51	3.65	×	NS	0.19	0.17	−0.2	NS/convergent
5. Strategy develops through an ongoing process of adjustment	4.73	4.94	√	≤0.05	0.14	0.11	−0.3	Defiant/convergent
6. When we make strategy, we produce broad goals and objectives	5.37	5.46	√	NS	0.10	0.09	NC	NS/NC
7. Strategy develops through a process of bargaining and negotiation between groups or individuals	4.06	4.28	×	≤0.05	0.17	0.18	NC	Defiant/NC

*Continued*

**Table 1 (continued)**Extent of Compliance and Convergence in Local Authority Characteristics, 2001–2004<sup>a</sup>

	Mean 01	Mean 04	Movement <sup>b</sup>	Significance	CV01	CV04	Change	Summary
Strategy content—Extent of								
1. Externalization	3.97	3.65	×	≤0.05	0.31	0.28	−0.3	Defiant/convergent
2. Contracting out/outsourcing	4.11	3.77	×	≤0.01	0.26	0.27	NC	Defiant/NC
3. Developing local strategic partnerships	5.16	5.35	√	≤0.05	0.15	0.13	−0.2	Compliant/convergent
4. Developing statutory partnerships	5.12	5.22	√	NS	0.14	0.14	NC	NS/NC
5. Providing new services to new users	3.50	4.13	√	≤0.001	0.23	0.20	−0.3	Compliant/convergent
6. Providing new services to existing users	4.18	4.77	√	≤0.001	0.19	0.17	−0.2	Compliant/convergent
7. Providing existing services to new users	4.14	4.79	√	≤0.001	0.20	0.15	−0.5	Compliant/convergent
8. Making minor modifications	4.78	5.11	√	≤0.001	0.15	0.12	−0.3	Compliant/convergent
9. Doing away with services	2.28	2.43	√	≤0.05	0.35	0.36	NC	Compliant/NC
Total			20 compliance, 7 defiance, 6 no change				15 convergence, 2 divergence, 16 NC	

<sup>a</sup>Analysis is based upon a sample of 101 authorities.<sup>b</sup>In this column √ indicates a movement that conforms with isomorphic pressures, × indicates a movement in the opposite direction.<sup>c</sup>No change (or only trivial change) in dispersion 2001–2004.

characteristics of local authorities changed in a way that was compliant with field-level pressures. Either no statistically significant change or a significant shift in a defiant direction would be inconsistent with isomorphism.

P2—Convergence. A comparison of the coefficients of variation for each variable in 2001 and 2004, in order to track changes in the dispersion around the mean and thereby the degree of convergence/divergence. A movement of at least 0.02 in either direction was taken to constitute greater homogeneity or heterogeneity (shifts of around 0.01 are trivial and could just be attributable to rounding). A change in the coefficient of variation is the measure of convergence in classic studies of institutional theory (Zucker 1987). It has been argued that the standard deviation is a superior measure because it shows the absolute rather than the relative dispersion of organizations (Donaldson 1995). However, the standard deviation is bound to increase if all organizations in a field become more compliant with external pressures (e.g., if they all double their use of planning), even if they become no more or less convergent. By contrast, the coefficient of variation is not affected by the extent of compliance, so we use this measure of relative convergence.

P3—We examined compliance/defiance and convergence/divergence for each of the four categories of variables (structure, culture, process, and strategy) in order to determine whether the impact of isomorphic pressures varied between the organizational core and periphery.

## **EMPIRICAL RESULTS**

The results of testing our three propositions on isomorphic pressures are shown in table 1 and summarized in table 2. The first three columns in table 1 show the mean responses to the survey statements in 2001 and 2004 and the size and direction of the change in the mean over time. The survey statements were measured on a seven-point Likert scale, where 7 = “strongly agree,” 1 = “strongly disagree,” and 4 = “neither agree/disagree.” Thus, an increase in the mean for a variable indicates a greater agreement with a statement (each of the variables has been tested for skewness and kurtosis and results indicate a normal distribution in each case). Whether this represents compliance or defiance depends on (a) whether the movement is consistent with central government preferences and (b) whether the movement is statistically significant (as shown in column 4 of table 1). Columns 5–7 of the table show the extent of dispersion around the mean in 2001 and 2004 and whether this was stable or moved toward convergence or divergence. The final column categorizes managerial perceptions of each organizational characteristic on the dimensions of compliance/no change/defiance and convergence/no change/divergence. The extent of support for conformity with isomorphic pressures can be seen most easily by reading across the three columns in table 2. The first column in the table shows that 20 of the changes in the reported characteristics of local authorities were statistically significant in a compliant direction. Column 3 shows that six of the measures of organizational characteristics did not change significantly between 2001 and 2004, which is inconsistent with the expected impact of isomorphic pressures. Furthermore, seven of the changes (see column 2) represent defiance and flatly contradict proposition 1. These variables shifted significantly in the “wrong” direction. Thus, although the balance of the evidence is consistent with institutional theory, changes in 13 of the 33 organizational measures do

**Table 2**  
Impact of Isomorphic Pressures on Local Authority Characteristics

	Compliance	Defiance	No Significant Change
Convergence	<b>11</b> (S8, C1, C2, C5, C6, C7, SC3, SC5, SC6, SC7, S8)	<b>3</b> (S4, SC1, SF5)	<b>1</b> (SF4)
Divergence	<b>0</b>	<b>1</b> (S5)	<b>1</b> (C4)
No Change	<b>9</b> (S2, S7, C3, C8, C9, SF1, SF2, SF3, SC9)	<b>3</b> (S1, SF7, SC2)	<b>3</b> (S6, S9, SF6, SC4)

Note: Analysis based on 101 local authorities. The numbers refer to the organizational characteristics that fall into each cell. The abbreviations in brackets refer to the variables in table 1. For example, "S8" refers to variable Number 8 in the structure category, and variables labelled "C", "SF", and "SC" refer to culture, strategy formulation, and strategy content, respectively.

not support the predicted impact of isomorphic pressures. The examples of defiance are especially noteworthy and suggest that local policy makers have significant scope for "deviant" behavior even in the face of a statutory regime that is accompanied by further coercive, normative, and mimetic pressures. Defiant changes include aspects of structure (more centralization), strategy formulation (more incrementalism), and strategy content (less externalization of services).

The rows in table 2 summarize the extent to which local authorities became more similar to each other between 2001 and 2004. The data show that the dispersion of 15 of the organizational characteristics that were measured in our survey became smaller over time. Almost half of the characteristics showed no change in the level of dispersion and two diverged. Moreover, of the 15 characteristics on which local authorities became more similar, three had moved in a defiant direction. In other words, in these cases, authorities converged in the "wrong" direction (became more similar as they centralized rather than decentralized their structures and resembled each other more closely as they rejected externalization of services). Thus, the net level of support for proposition 2 is even smaller than it first appears: local authorities both complied and converged in only 11 of the 33 variables.

The extent of convergence or divergence is typically small in absolute terms because the internal characteristics of English local authorities were very similar even before the introduction of the Best Value regime. This raises the possibility of "diminishing returns" to isomorphic pressures. Successive waves of central government reforms over the last 100 years may have left little scope for even more convergence in local authority characteristics. This argument is supported by a small positive relationship between the level of dispersion in 2001 and subsequent movements by 2004. The average coefficient of variation for survey measures that converged over time was 0.20 in 2001 compared with 0.16 for measures that showed no change and 0.12 for the only two that diverged. This pattern in the data suggests that attempts to place ever greater isomorphic pressures on a set of heavily structured organizations may eventually prompt acts of defiance

that lead to greater heterogeneity rather than homogeneity, in at least some of their characteristics.

Our final proposition was that the impact of isomorphic pressures would vary across organizational characteristics. The data shown in table 1 are consistent with this view but not in the way we expected. Proposition 3 stated that isomorphism would be displayed more strongly in the peripheral attributes of structures and processes than on the core attributes of culture and strategy. Our empirical results flatly contradict this pattern. The strongest evidence of compliance is in our measures of organizational culture. The average shift toward compliance across all nine measures of culture is 0.49 (i.e., almost a half-point movement on the seven-point Likert scale). The second strongest shift toward compliance (0.21) is in the measures of organizational strategy, whereas the weakest shifts are in structure (0.02) and processes (which show a very small move,  $-0.03$ , toward defiance). Moreover, measures of culture and strategy comprise 10 of the 11 entries in the “compliance and convergence” cell in table 2.

One interpretation of this evidence is that institutional pressures were applied with extra vigor to the culture and strategies of local authorities. Central government applied some coercive, normative, and mimetic pressures equally at a national level to all the organizational characteristics of local government. However, in addition to this, it deployed teams of inspectors to undertake “site visits” in order to check compliance with the Best Value regime. It may be that this extra source of coercive pressure was applied selectively to organizational culture and strategies. The guidance produced by the parent body of the inspectors, the Audit Commission, suggest that changes in these attributes were seen as especially likely to lead to service improvement (Audit Commission 2002). By implication, extra pressures on authorities to alter their culture and strategy were believed to be most likely to deliver better results. Further empirical research on the practice of inspection (ideally using a control group of organizations not subject to these institutional pressures) would be required to test whether selective isomorphic pressures are behind the pattern of organizational change that occurred.

An alternative interpretation of the evidence is that arguments in the generic management literature on core and peripheral organizational characteristics do not apply to public sector organizations. The distinctive obligations on public agencies to be accountable and equitable suggest that bureaucratic organizational forms that are relatively centralized and formalized cannot easily be displaced. Similarly, the political context of public services may require an incremental rather than a rational process of policy formulation. Indeed, research on prior attempts to introduce rational planning in English local government (Dearlove 1979) and the US federal government (Downs and Larkey 1986) suggest that this is likely to be a particularly tough nut for isomorphic pressures to crack. Thus, the distinction between core and “peripheral” will need to be informed by the specific conditions of the field under study.

A third interpretation can be derived from the early work on institutional isomorphism by Meyer and Rowan (1977)<sup>2</sup>. They suggested that organizations were prone to construct stories and present myths about their activities in order to correspond with societal expectations. Thus, “formal structures” are potentially decoupled from each other and from “actual” activities. It may be that the symbolic representation of some aspects of organi-

2 We thank an anonymous reviewer for their encouragement to present this interpretation.

zation, such as strategy and culture, is more readily portrayed in a compliant light by managers. By contrast, organizational structures and processes may be more “objectively verifiable” by government inspectors, and therefore image and reality cannot be so easily decoupled in these areas.

## **CONCLUSIONS**

This article has explored isomorphic change in public sector organizations through an examination of the impact of UK central government’s introduction of a statutory framework for the organization and management of local government services. The research has been conducted on a clearly defined organizational field and on an example of “managed” isomorphism; change was strategic and top-down with clear prescriptions and a priori targets for organizational characteristics. There are explicit criteria of “conformity,” and while this attempt to manage isomorphism drew most obviously upon coercive pressures, normative and mimetic forces were also present.

The article extends current understanding in institutional theory by distinguishing between convergence and compliance as components of conformity and by providing a more comprehensive assessment of change both in terms of the range of organizational characteristics considered and their variable propensity to conform to institutional pressures.

Our analysis has concentrated on three key issues of organizational change: compliance with the norms promoted by the state, evidence of convergence among organizations within the field and the impact of isomorphic pressures across different organizational characteristics. We find that the level of support for institutional theory depends on the interpretation of conformity. If this concept is taken to mean compliance, then most of our evidence is consistent with isomorphic pressures. According to respondents’ perceptions of change, 20 of the 33 organizational characteristics that we measured become more consistent with the new model of local authority management. If conformity is interpreted as convergence, on the other hand, local authorities resembled each other more closely on only 15 of the 33 characteristics. Furthermore, if conformity implies both compliance and convergence, then institutional theory is corroborated by the evidence for only one-third of the organizational characteristics. We also found that the level of support for institutional theory varied across organizational characteristics and was stronger for culture and strategy content than for structures and processes. Thus, the evidence implies that the bars of the iron cage are widely spaced in places, and some of them are broken or missing.

These findings raise a number of questions for further research. First, institutional pressures may be especially strong in a centralized state such as the United Kingdom and on a set of highly structured organizations such as English local authorities. What is the impact of coercive, normative, and mimetic pressures in federal systems and on a set of organizations that are less accustomed to pressures toward conformity? Second, our analysis has been conducted at the level of the organizational field. To what extent, and why, does the impact of institutional pressures vary across subfields (e.g., education and other local government services) and individual organizations? Analysis at the latter level might allow the relative impact of coercive, mimetic, and normative pressures to be disentangled. It would also be possible to explore their relative impact on compliance and convergence. Coercive and normative pressures might be most effective in moving a whole set of organizations in the direction of a particular model of management, whereas mimetic pressures lead organizations to resemble each other more closely. It is also plausible that

isomorphic pressures interact with other variables to produce organizational change. For example, the effect of coercive pressures might be mediated by the extent of organizational reliance on state funding. Separate measures of the three types of pressures and the two types of conformity across a large sample of organizations would allow these arguments to be tested. Third, our evidence suggests that isomorphic pressures vary across organizational characteristics. This represents a contribution to our understanding of institutional forces. To what extent is this finding generalizable, and why are some characteristics more susceptible than others to such pressures?

For the present, our conclusion is that institutional theory provides a useful complement to managerial and technical perspectives on organizational change in the public sector. Research on the impact of organizational attributes on public service performance is increasingly central to the field of public management. If some organizational characteristics turn out to be weakly related to performance, the explanation might be that they were not designed for that purpose in the first place. Furthermore, the relationship between management variables and performance may vary with the level of institutionalization in an organizational field. Our results suggest that the effects of organizational culture and strategy are most likely to vary with the strength of isomorphic pressures. Thus, an important theoretical implication of our work is that the impact of management on performance may be mediated by the weight of institutional norms. More generally, in an era of “high performance management,” it is useful to remember that shifts in organizational characteristics are pursued for political as well as technical reasons and that public managers seek formal legitimacy as well as substantive results.

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