

The diffusion of managerial innovations: a comparison of Australian public and private sector take-up rates of new organizational practices

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Abstract

Innovative approaches to organization and management are advocated for both public and private sector organizations, yet few attempts have been made to compare the relative take-up rates of these innovations in the two sectors. In this paper we report the results of an Australian study of the use of nine new organizational practices and observe that managers in government-owned commercial enterprises and private sector organizations have a similar view of the nature of their external environment, a similar level of use of these new practices, and a similar level of formalization and centralization. We then discuss the relevance of economic/rational and neo-institutional theories to these findings. © 2001 Elsevier Science Inc. All rights reserved.

1. Introduction

The transmission of management innovations, ideas and practices across organizations is increasingly becoming a mainstream area of organization studies. It can be seen in the recent work of Abrahamson (1996), which theorizes about the spread of management fads and fashions, in the work of Huczynski (1993), which identifies the underlying discursive structure of popular management ideas, and in the work of Barley and Kunda (1992), which tracks the cyclical emergence and re-emergence of managerial ideologies. But little attention has been paid to the take-up rates of managerial innovations in public and private sector organizations (Rainey, 1996, p. 244).

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A comparison along these lines is an important task, given that fundamental changes in public sector practices appear to have occurred in the 1990s, underpinned by arguments in favor of smaller government, responsiveness, accountability, efficiency and effectiveness (Dunford, Bramble & Littler, 1998, p. 386). The changes include greater public involvement and consultation in decision-making (Steele & Seargeant, 1999), a stronger sense of accountability (Sinclair, 1995), more extensive financial reporting (Ravlic, 1999), competitive tendering and contracting (Rimmer, 1994), the introduction of TQM programs (Eastman & Fulop, 1996), the use of strategic management practices (Smith, Sohal & D'Netto, 1995), and more integration of information technology with organizational goals (Broadbent, Butler & Hansell, 1994). In addition, attempts have been made to reform the senior executive service to decrease its size and to make it more flexible and fluid, through such practices as open recruitment and performance-based contracts, pay and appraisals (Renfrow, Hede & Lamond, 1998). These changes have been associated first with an ideology of managerialism, which assumes "that private sector business models should be applied to public management for greater sectoral efficiency at a time of limited economic resources." (Johnston, 1998, p. 353) Second, and more recently, they have also been associated with an economic theory of "contractualism" in which government services are increasingly delivered by private sector organizations (Davis, 1998). Along with a continuing debate about managerialism and its variants (Terry, 1998; Frant, 1999), these trends have led to much more thought being given to defining the "core business of government" (Sturgess, 1997, p. 84).

Private sector organizations have also been encouraged to adopt innovative organizational practices in order to increase their ability to survive in what is characterized as a fast changing, turbulent environment (e.g., D'Aveni, 1994). Organizational structure is acknowledged to be a key strategic mechanism for responding to change (Daft & Lewin, 1993). While traditional organizational structures and practices have emphasized size, role clarity and formalization, greater emphasis is now being placed on organizational practices that emphasize speed, flexibility, innovation and "boundaryless" integration (Ashkenas, Ulrich, Jick & Kerr, 1995).

To what extent are Australian private sector and public sector organizations making similar changes in their organizational practices in the face of dynamic operating environments? Addressing this question enables us to test empirically the assertion that there is currently a "blurring" of differences between the two sectors (Davis, 1998, p. 25; see also Smith, Corbett & Davis, 1998, p. 14; Sherry, 1998, p. 73). Our findings provide evidence of similarities in public and private sector organizational practices. We find few differences in perceptions of the external environment as being dynamic, in the use of innovative organizational practices, and in the level of formalization and centralization.

2. Development of hypotheses

We begin with the premise that, like private sector managers, public sector managers have been encouraged (1) to view the environment in which they operate as dynamic, (2) to therefore adopt innovative organizational practices such as those found in private sector

organizations, and (3) to become more flexible in their operations. We will address each of these ideas in turn and develop hypotheses for subsequent testing.

2.1. Dynamic external environment

In dynamic environments there is a lot of uncertainty about markets, products, competition and customer and client preferences (Bhattacharya, Krishnan & Mahajan, 1998). By uncertainty we mean “the degree to which future states of the world cannot be anticipated and accurately predicted” (Pfeffer & Salancik, 1978, p. 67). It has become commonplace to characterize the environment of the public sector as similar to that of the private sector, that is, as dynamic and turbulent. For example, Sturgess (1997, p. 84) notes that public sector organizations—utilities and state-owned enterprises, in particular—are facing increasing competition (see also Zifcak, 1997, p. 107). The impact of globalism on public sector organizations is recognized by other commentators, who argue that it reinforces a belief in the necessity of smaller government and decreases the possibility of local solutions based on traditional values (Sherman, 1998, p. 37). The impact of globalization is a theme that was echoed in 1998 by David Kemp (the Australian Federal Minister for Employment, Education, Training and Youth Affairs) in an address to the Committee for Economic Development of Australia. He claimed that: “Countries are competing internationally not only in the market place but on the quality of their public sectors. The globalization of economies is placing sustained and strong pressure on governments to improve competitiveness across the board and, as a result, public sectors everywhere are under the spotlight.” (Kemp, 1998, p. 1).

Given this apparent convergence in the environments of public and private sectors we propose the following hypothesis:

Hypothesis 1: No significant difference exists in the extent to which public and private sector managers perceive their organizations to be operating in a dynamic external environment.

2.2. Pressure to adopt new organizational practices

In light of the global, competitive environment, it appears that public sector organizations have been encouraged to improve organizational performance in order to respond to the associated challenges (e.g., Williams, 1998, p. 10). For example, one Australian minister in 1996 urged public sector organizations to “shed the cultural baggage of the past” and become “forward thinking, risk-taking, results-oriented, benchmarked, competitive, flexible, innovative, world class and best practice” (cited in Davis, 1997, pp. 15–16). Other writers in the 1990s have described the emergence of “state as market” views (Gallop, 1997, p. 83) or “virtual government” views (Sturgess, 1997, p. 84). Such views are associated with a range of new organizational practices such as the contracting-out of public sector work to the private sector, divestment, and a range of other structural changes designed to enhance service delivery (see Sturgess, 1997, p. 84; Secker, 1998, p. 69). Boxall (1998, p. 121) refers to such techniques as being “integral to achieving a performance culture” in public service organizations. Given this evidence that public sector organizations are often encouraged to

adopt what are perceived as innovative organizational practices used by private sector organizations, we propose the following hypothesis:

Hypothesis 2: No significant difference exists in the extent to which public and private sector organizations use new organizational practices.

2.3. Pressure to become more flexible and client-focused by becoming less formalized and less centralized

Kemp (1998) argues that in the public sector, centralization, along with layers of rules, has led to a culture of compliance rather than one of innovation: “Rules have been added to rules and agencies have often been so careful to abide by the rules that they have added another layer of local rules on top. There has been no incentive to find innovative ways of doing things and costs have skyrocketed” (Kemp, 1998, p. 4).

Such comments provide evidence for O’Neill and Hughes’ (1998, p. 30) reflection that “The Weberian paradigm of bureaucratic organization, which characterized public management in Australia for much of this century, is thus distinctly out of favor.” For example, one departmental secretary described how he had to change the structure of his department in order to develop a client-oriented environment in which service provision was “unfettered by irrelevant structural boundaries,” and “authority is delegated to the people closest to those who use our services” (McCann, 1998, p. 125). The assumption is that private sector organizations are innovative because they are less centralized and less formalized and that this is something to be emulated by public sector organizations (more generally, see Stewart & Kimber, 1996). Given the apparent pressure on public sector organizations to adopt more flexible and client-focused practices, we propose the following hypothesis:

Hypothesis 3: No significant difference exists in the degree of formalization or centralization of public and private sector organizations.

3. Method

3.1. Procedures

Our first methodological decision was based on our wish to investigate our hypotheses with respect to large organizations. If new practices really represent a fundamental shift in ways of organizing, they must be established in the “heartland” of traditional practices (and not just in small, entrepreneurial, organizations on the periphery). We chose to use annual revenue as an indicator of size. This was done for two reasons. First, in order to highlight the significance of the public-private distinction, we wanted to compare private sector organizations with the public sector organizations that are the most similar to them, that is, those operating as commercial enterprises. Second, while the number of employees is a common measure of size, the nature of our research makes this an inappropriate measure: organizations can be economically large, but not large in terms of employee numbers, since they

engage in a variety of new organizational practices that reduce the numbers of employees (Lawler, 1997).

Our second methodological decision was to use a survey to obtain relevant data, since we wished to test our hypotheses across a large number of public and private sector organizations.

Our third methodological decision was to limit the final sample to organizations that operate with traditional (functional or divisional) organizational structures, so as to make it easier to compare organizations across the sectors.

Our fourth methodological decision was to select human resource managers as our respondents. This was based upon our assumption that they were more likely to complete a survey than were CEOs, that focusing on one specific position across all organizations was a further means of achieving a meaningful comparison of organizational responses, and that human resources managers were likely to have an organization-wide view of the usage of new organizational practices.

Our fifth methodological decision (which followed pilot testing) was to direct respondents to answer our questions in relation to their organization as a whole, unless otherwise specified. As an example of the latter, with regard to investigating the practice of centralization we followed others in asking respondents to answer in the context of their immediate workplace (Marsden et al., 1994).

A six page survey was sent to human resource managers of the top 2,011 Australian organizations as measured by revenue. The database for identifying these organizations came from Dunn and Bradstreet's "Business Who's Who" database. Ten days after the first mailing a reminder letter and survey was sent to all organizations. As an incentive to complete and return the survey, all participants were offered an Executive Report of the results.

3.2. *Sample*

Of the original 2,011 surveys, 53 were returned to sender leaving a total set of 1958 organizations. Of these, we received 622 usable responses representing a 32% response rate. Among the respondents, 55% percent categorized their organization as having a functional structure and 29% a divisional structure, which amounted to a final sample of 510 organizations (90 public sector and 420 private sector as categorized by respondents). We used a Pearson χ^2 test to determine whether there were differences within the sample between organizations in the two sectors in terms of the type of organizational structure. The result identified no significant differences between sectors ($p > .05$). Further testing identified no significant differences between the sectors in terms of age of organization, revenue, or staffing.

3.3. *Measures*

3.3.1. *Dynamic external environment*

Palmer and Dunford (1997) looked at 100 popular management books and 156 articles on new modes of organizing, the latter sourced through a search of ABI-INFORM (1985-January 1996). From this database they chose a sample of 22 books and 78 articles. They

identified seven themes in the literature on new organizational practices that characterize the dynamic external environment: intensified competition, globalization, short product life-cycles, a high degree of technological change, market turbulence, an increased expectation of corporate responsibility, and customization of products. These themes provided our measure of environmental characteristics. For each theme, respondents were asked “To what extent is the external environment in which your organization operates characterized by the following? (1 = not at all; 5 = completely). Following pilot testing, explanations were provided for globalization (“business transactions on an international basis”), turbulence (“rapid changes in customer demands and markets”), demands to be socially responsible as a corporate body (“being responsive to issues such as gender, worklife, the environment, professionalization”), and customization (“having to provide tailored products or services to your clients”). We calculated the extent to which the external environment was dynamic as the mean score across all seven themes for each respondent.

3.3.2. *New organizational practices*

Palmer and Dunford’s (1997) analysis identified eight recurring new organizational practices. We used this as a starting point but, following Ashkenas et al. (1995), modified the practice of “reducing boundaries” into two practices: reducing internal boundaries and reducing external boundaries. This resulted in nine practices, which were explained in the survey as follows: delayering (“reducing the number of vertical levels separating the highest from the lowest position in your organization”); networks/alliances (“strategic collaboration with units or organizations formally external to your organization”); outsourcing (“outsourcing activities where your organization has no distinctive competence”); disaggregation (“breaking up the organization into smaller business units”); empowerment (“mechanisms that provide employees with the authority, resources and encouragement to take actions”); flexible work groups (“multiskilled teams used for specific purposes which are disbanded or reformed upon completion of the task”); short-term staffing (“contracting people to the organization for a short period of time to work on specific issues/tasks who then leave the organization”); reduced internal boundaries (“facilitating communication and resource flows among different units within your organization, e.g., “end-to-end” process teams, cross functional teams etc.”); reduced external boundaries (“facilitating communication and resource flows with different suppliers/customers e.g., 360 degree appraisal systems involving customers/suppliers, staff exchanges, customer involvement in design etc.”). To measure their use of new organizational practices respondents were asked: “During the past five years, to what extent has your organization [used practice X]” (1 = not at all; 5 = to a large extent)? Use of new organizational practices by individual organizations was defined as their mean score across all nine new organizational practices.

3.3.3. *Formalization*

While a number of researchers have used a two-item scale to measure this organizational dimension (Gresov & Stephens, 1993; Oldham & Hackman, 1981) we chose the US National Organizations Survey’s more inclusive seven-item scale, as reported and used in Marsden et al. (1994). Respondents were asked: “Do each of the following documents exist in your organization?” (rules and procedures manuals; documents on fringe benefits, written job

Table 1
Means, standard deviations, correlations and reliabilities

Variable	Mean	Std. Dev.	1	2	3	4
1. Mean use of new forms practices ¹	2.63	0.78	(.74) ²			
2. Formalization ³	0.85	0.20	.28**	(.61)		
3. Centralization ⁴	3.74	0.75	.05	.04	(.91)	
4. Dynamic environment of organizations ⁵	3.43	0.60	.34**	.15**	.02	(.54)

** Correlation is significant at the 0.01 level (2-tailed).

¹ Score of: 1 = not used at all; 5 = used to a large extent.

² Scales reliabilities reported on diagonal in brackets.

³ Score of: 0 = no formalization; 1 = high formalization.

⁴ Score of: 1 = high centralization; 5 = low centralization.

⁵ Score of: 1 = not dynamic environment; 5 = dynamic environment.

descriptions, documents on safety and hygiene, written performance records, documents on hiring/firing procedures and documents on personnel evaluation). Possible responses were yes/no/don't know. The formalization scale was the proportion of the seven documents present in each organization and consisted of only those organizations that provided yes/no responses for all items. A score near 1 = high formalization; a score near 0 = low formalization.

3.3.4. Centralization

We used a scale developed from the work of the Aston group (Pugh et al., 1968, 1969) as adapted by Marsden et al. (1994). Centralization was measured by identifying the level at which decisions were made in organizations. Respondents were asked, "In practice, who makes the final decision in your workplace about each of the following areas?" 1 = someone external to your workplace (e.g., corporate HQ); 2 = someone external to your workplace and the head of your workplace; 3 = the head of your workplace; 4 = the head of your workplace and someone below them; 5 = someone below the head of your workplace. There were eight decision areas: performance evaluation, work scheduling, hiring, staff promotions, use of subcontractors/temporary staff, discharges/layoffs, wage/salary levels, and number of employees. The centralization scale for each organization was calculated as their mean response across all eight decision areas and included only organizations which provided complete responses. A score near 1 = high centralization; a score near 5 = low centralization.

4. Results

Table 1 reports the descriptive statistics, correlations and scale reliabilities for formalization, centralization, environmental dynamism and use of new organizational practices.

Table 2

Comparison of means of Australian public and private sector organizations for use of new organizational practices, formalization, centralization and environment*

Variable	Sector	N	Mean	Std. Deviation	t-value	d.f.	Sig. (2-tailed)																																
Use of new organizational practices	Public	90	2.74	0.77	1.52	506	0.13																																
	Private	418	2.60	0.78				Formalization	Public	81	0.85	0.20	-0.24	448	0.81	Private	369	0.85	0.20	Centralization	Public	84	3.62	0.68	-1.58	477	0.11	Private	395	3.77	0.77	Dynamic Environment	Public	90	3.40	0.59	-0.47	508	0.64
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	Private	369	0.85	0.20				Centralization	Public	84	3.62	0.68	-1.58	477	0.11	Private	395	3.77	0.77	Dynamic Environment	Public	90	3.40	0.59	-0.47	508	0.64	Private	420	3.43	0.60								
Centralization	Public	84	3.62	0.68	-1.58	477	0.11																																
	Private	395	3.77	0.77				Dynamic Environment	Public	90	3.40	0.59	-0.47	508	0.64	Private	420	3.43	0.60																				
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* For description of scales see notes on Table 1.

Partial correlation analysis was also performed, controlling for sector, and all significant correlations in Table 1 remained significant ($p < .01$). An independent samples t test was performed in relation to each variable to test for mean differences between public and private sector organizations. The results are reported in Table 2.

Hypothesis 1: No significant difference exists in the extent to which public and private sector managers perceive their organizations to be operating in a dynamic external environment.

An independent sample t test was used to test for mean differences between public and private organizations on the environmental dynamism scale, and the results are reported in Table 2. Managers from both sectors recorded relatively high means (around 3.4 on a 5 point scale), which suggests that they view their organizations as operating in relatively dynamic environments. No significant differences were found between public and private sector organizations.

In order to test for sector variations in how managers answered individual items on the environmental dynamism scale (and in recognition of the modest reliability of the scale, as reported in Table 1) an independent samples comparison of means was conducted for each of the seven items. The one significant difference ($t = -2.9$, $d.f. = 507$, $sign. = 0.004$) was that public sector managers were less likely than private sector managers to describe their environment as being characterized by intense competition. Nevertheless, both recorded relatively high means for this item (public = 4.10, $std. dev. = 1.09$; private = 4.38, $std. dev. = 0.77$). The results therefore provide support for Hypothesis 1.

Hypothesis 2: No significant difference exists in the extent to which public and private sector organizations use new organizational practices.

An independent sample t test was used to test for mean differences between public and private organizations on their mean use of new organizational practices, and the results are reported in Table 2. The results suggest that new organizational practices are in use in both

Table 3

Comparison of means of Australian public and private sector organizations on use of specific new organizational practices

Variable	Sector	N	Mean	Std. Deviation	t-value	d.f.	Sig. (2-tailed)																																																																																												
Delaying	Public	89	3.00	1.43	2.38	502	0.02																																																																																												
	Private	415	2.59	1.47				Networks/ alliances	Public	88	3.09	1.25	0.57	499	0.57	Private	413	3.00	1.38	Outsourcing	Public	88	2.85	1.34	1.23	501	0.22	Private	415	2.67	1.29	Disaggregation	Public	88	2.22	1.48	2.04	501	0.07	Private	415	1.90	1.28	Empowerment	Public	89	2.99	1.27	-0.09	498	0.93	Private	411	3.00	1.28	Flexible work groups	Public	90	2.38	1.36	0.05	501	0.96	Private	413	2.37	1.38	Short-term staffing	Public	90	2.93	1.31	0.41	500	0.68	Private	412	2.87	1.31	Reduce internal boundaries	Public	89	2.87	1.45	0.46	498	0.65	Private	411	2.79	1.39	Reduce external boundaries	Public	89	2.32	1.29	0.17	496	0.87
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sectors with no significant mean differences found between public and private sector organizations.

In order to test for sector variations, an independent samples comparison of means was conducted for each of the nine items that constitute the new organizational practices scale. As outlined in Table 3, one significant difference emerged, with public sector organizations more likely to have engaged in delaying in the past five years.¹ Overall, the results support Hypothesis 2.

Hypothesis 3: No significant difference exists in the degree of formalization or centralization of public and private sector organizations.

An independent samples *t* test was used to test for differences between public and private organizations in their use of formalization and centralization practices. The results in Table 2 suggest that there are no significant differences between public and private sector organizations in relation to these two variables. What is also of interest is that, as shown in Table 1, neither formalization nor centralization is negatively correlated with use of new organizational practices, as might be expected given that some of the literature suggests that fewer rules and decentralized decision-making processes work better in turbulent environments. Table 1 indicates instead that there is a positive association between formalization, the use of new organizational practices and the increasing environmental dynamism—and, as noted above, these relationships remain after controlling for sector. The results support Hypothesis 3.

5. Discussion

We set out to investigate whether government-owned commercial enterprises and private sector organizations resemble each other in regard to the use of a range of new organizational practices. In this study we found support for a “blurring” of public and private sector organizational practices. Specifically, we found that (1) public and private sector managers both consider their external environment to be dynamic; (2) public and private sector organizations both have established innovative organizational practices, and (3) public and private sector organizations maintain a similar level of formalization and centralization in their organizational structures and practices.

It is also worth noting that, as indicated in Table 1, a perception that there is a dynamic environment is positively associated with the use of new organizational practices, and the relationship remains significant after controlling for sector. This suggests that similar reasons might be found to explain why both private and public sector managers have introduced these practices. In their extensive review of the literature in this area, Rainey and Bozeman (1999) observe that there is conflicting empirical evidence on the issue of whether public and private sector organizations are similar in terms of organizational structure. For example, they point out that some studies show little difference in formalization between public and private sector organizations, whereas other studies have found higher levels in public organizations. The results of our study lend weight to the first group of studies, by providing evidence that the two sectors are similar in terms of their levels of formalization. We are, however, mindful of the need for caution in the interpretation and comparison of such results. As Rainey and Bozeman point out, not all studies are comparable, given that some measures of formalization use general scales and others use more specific ones such as those relating to personnel procedures. Accepting this caveat, we now turn to exploring two possible explanations for our findings.

5.1. *The economic/rational argument*

One explanation can be termed economic (Kothen et al., 1999) or rational (Budros, 1999). This explanation suggests that the use of new organizational practices is the result of a rational assessment of their financial benefit to the organization. According to this view, new organizational practices have been introduced in both the public sector and private sector to enhance the efficiency and effectiveness of organizations. Managers are characterized as rational actors who base their decisions on information about the performance-enhancing effects of certain practices. On this basis, it can be argued that both private and public sector managers have arrived at similar conclusions about the positive effects of the new organizational practices in the face of a dynamic external environment. The apparent lack of difference in the rate of organizational change between the two sectors can be explained by observing that managers in both sectors faced with similar circumstances will tend to make the same kinds of decisions, based on a rational assessment of their options. This kind of explanation can also be employed in the one area in which we found a difference between the two sectors, namely, delaying. Public sector managers are more likely to have engaged in this practice in the last five years compared to private sector managers. It might be argued

that this is the result a lag or “catch-up” effect: Because private sector managers have been more inclined to view their environment as competitive, they began using rational, performance-enhancing practices more quickly than their public sector counterparts. It should be noted that, in spite of a significant difference between private and public sector organizations on the question of whether they face an intensely competitive environment, responses from both sectors were relatively high.

As Budros (1999, p. 79) observes, rational arguments have been among the most widely used methods of explaining why new organizational practices are introduced. This kind of explanation has been questioned, however, on two grounds. First, evidence about the productivity gains associated with specific organizational practices (e.g., downsizing) is often mixed (Kothen, McKinley & Scherer, 1999, p. 263). Even within the public sector literature there is not much systematic evidence available to help us assess the performance effects of new organizational practices. Second, a rational explanation ignores the impact of social forces, among other things, on the choice of organizational innovations. There has been some discussion in the literature about what prompts large populations of firms to adopt organizational strategies and practices when there is mixed evidence about their performance effects (O’Neill, Poudier & Buchholtz, 1998). It is this question that we will address next.

5.2. The institutional argument

DiMaggio and Powell (1991, p. 63) use an institutional theory approach to explain why organizations are “becoming more homogeneous” and adopting practices which may not have proven performance-enhancing effects. They assert that the introduction of structural changes occurs “as the result of processes that make organizations more similar [isomorphic] without necessarily making them more efficient” (1991, p. 64), and identify three processes that contribute to this isomorphic outcome (1991, pp. 66–72). First, “coercive isomorphism” can occur through requirements imposed on organizations by governments, legal processes and the like. Second, “mimetic isomorphism” involves the adoption of practices used by organizations defined as successful. This is likely to occur in situations of ambiguity and uncertainty where managers are unsure what actions they should take. Box (1999, p. 19) argues that the idea that public administrations should act on market principles is “particularly intense” at this point. Third, “normative isomorphism” occurs as a result of shared values and ideas about appropriate actions and behavior, which are often conveyed through formal education or professional networks. These are processes through which organizations may choose to introduce new organizational practices, even in the absence of evidence that they are likely to increase organizational efficiency. To the extent that organizations benefit from new practices, it is often because organizations generally benefit from similarity to other organizations in their fields, which can make it easier for them to work with other organizations, to attract career-minded staff, to be acknowledged as legitimate and reputable, and to fit into administrative categories that define eligibility for public and private grants and contracts (DiMaggio & Powell, 1991, p. 73).

These arguments have been taken up by other scholars. For example, McKinley, Sanchez and Schick (1995) claim that the three isomorphic forces referred to by DiMaggio and Powell (1991) can be reconceptualized, respectively, as “constraining,” “cloning” and “learning”

and used to explain why managers adopt downsizing in the face of mixed evidence about its performance outcomes. They have also extended the institutional argument in two ways. First, they have highlighted the role of ideologies such as employee self-reliance and debureaucratization in organizational decisions (McKinley, Mone & Barker, 1998). Second, they have pointed out the ways in which such ideologies influence decisions (Kothan et al., 1999, p. 265). Abrahamson (1996) notes that the choice of organizational practices may be the result of “management fashion,” and argues that “fashionable management techniques must appear both rational (efficient means to important ends) and progressive (new as well as improved relative to older management techniques)” (1996, p. 255). Managers are often influenced by pressure from “management fashion setters” such as consultants, business press, business schools and so forth, which define particular techniques as evidence of “rational management progress” (1996, p. 255).

Institutional arguments can be used to explain the introduction of new organizational practices across both sectors. First, the practices themselves have been identified as those that the business press advocates as appropriate for dynamic environments (Palmer & Dunford, 1997). The evidence in this study suggests that both public and private sector managers perceive that they are faced with a dynamic external environment. Therefore, the prescribed practices would be likely to be introduced by managers in both sectors. For public sector managers, however, the pressure to adopt such practices is strengthened by charges of inefficiency that are often directed at public sector staff and organizations in the popular media (Sherman, 1998, p. 37). The implications are that the community would benefit from fewer public servants and that public sector organizations need to adopt the efficient practices of their private sector counterparts.

Second, as the boundaries of the two sectors have become more permeable, there has been an interchange of personnel, particularly at more senior levels of public and private sector organizations (see Smith, 1998; Lewis, 1997). Associated with this is what Stewart (1998, p. 1) refers to as the “end of the career service,” meaning that people no longer assume that their employment will remain within the public sector. In part, this is also because of shrinking public sector employment—in Australia, a reduction of 257,000 positions between 1990 and 1997 (Kemp, 1998, p. 2). Some of the interchange of personnel between public and private sectors is due to the steady increase over the past decade in the use of consultants by public sector organizations (Howard, 1997, p. 88). These interrelationships provide public sector managers not only with more exposure to private sector practices, but also with the opportunity to expand their professional networks to include private sector managers. It is reasonable to speculate that as such relationships and networks develop, public sector managers will be increasingly likely to introduce a variety of new organizational practices into their organizations.

Third, the ideology of managerialism—and what Davis (1998, p. 22) has referred to more recently as a second wave of public sector reforms based on the contracting out of public services—places formal pressure on public sector managers to adopt private sector techniques. This can be seen, for example, in a 1998 paper by Kemp that advocates reforming the public sector and paying attention to competitiveness, high performance, customers, productivity and flexibility (Kemp, 1998, pp. 1–2). To paraphrase Abrahamson (1996), projecting market language onto public sector organizations makes their organizational

practices appear more efficient, rational and progressive. Allison (1998) describes recent proposals that the public sector should be structured along private sector principles as “prescriptions. . . trotted out by the conservative media, the market apologists from business and many university schools of business and economics and, of course, by the myriad of well-paid private sector consultancies brought in to document the failings of the public sector” (1998, p. 159).

6. Conclusion

The economic/rational perspective and the institutional perspective appear to offer complementary explanations (Kothen et al., 1999, p. 264) for the diffusion of new organizational practices in both the private and public sectors. In this paper, because we are only looking at “snap-shot” cross-sector survey data, we have only been able to speculate about the relevance of these arguments in terms of understanding the diffusion rates across each sector. Further research, using longitudinal data, is needed to compare and contrast the take-up rates over time, and the direction (public vs. private) of these take-up rates. A long term study would make it possible to draw firmer conclusions about the ability of economic/rational and institutional theory to explain how innovations in organizational practices evolve.

Finally, some limitations need to be mentioned. First, the study has relied on the perceptions of human resource managers, and we are unable to know to what extent these perceptions are held by other members of their organizations. Second, given the reliance on survey data, there is a potential problem of common method variance (Williams & Brown, 1994). However, Crampton and Wagner’s (1994) meta-analysis of studies on common method variance concludes that the effect is “domain specific.” Organizational structure—which is the subject of much of the discussion and analysis of sector differences in this paper—is one domain which has been specifically identified as being relatively free of this effect (Crampton & Wagner, 1994). Nonetheless, it would be advisable for future research in this area to employ multiple methodologies, where possible, in order to provide reassurance that this is not a problem. Third, as our research has been carried out within one country, it is appropriate to raise the question of whether cultural context has an impact on public and private sector take-up rates of innovative managerial practices.

Notes

1. Of note is that disaggregation was initially significant ($p = 0.04$) when equal variances in the two samples was assumed. However, the Levine test for equality of variances for this practice ($F = 8.97$, $\text{sign.} = 0.003$) indicated that this was an invalid assumption. Therefore, for this item the significance when equal variances is not assumed is reported in Table 3.

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