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Leadership in Local Government Reform: Strategic Direction versus Administrative Compliance

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Introduction
Local government reform is occurring in different ways and at different rates throughout Australia. Driven by their own State and the Federal Government's reform agendas local governments are responding in a myriad of ways. These reforms are designed to improve the efficient delivery of local government services and include measures such as boundary restructuring to achieve economies of scale and the contracting out of council works and services.

The pace and responsibility for these reforms is also being driven in different ways throughout Australian States. The Victorian State Government's agenda for local government reform is seen as the most proactive having completed boundary reform within a specific timeframe, achieved significant rate cuts and set minimum standards for compulsory competitive tendering (CCT) expenditure (Johnstone & Kiss 1996). While other Australian States have been less directive with the reform of their local governments they appear equally interested in improving this area of public sector management. The managerial and organisational response to these universal, State wide reform strategies reveals much about the assumptions held by those responsible for implementation. The challenge of responding to broad policy instruments varies between local governments reflecting the unique history, present context, values and competence of those responsible for implementing this change. This paper reports on a study into the managerial and organisational responses to the reform of Victorian local government, highlighting the fact that each local authority is unique and that broad policy instruments designed to reform and improve local government across the State will have mixed success reflecting the attitudes and competencies of those responsible for implementation.
The Research


After these unsuccessful attempts to restructure local government in Victoria the 1990s saw a more committed and decisive strategy from the newly elected Kennett government (see Kiss in Johnstone and Kiss 1996 for a full discussion) which used local government restructuring as an example of that Government's decisiveness in dealing with pressing financial issues facing the State. To say that the Victorian State Government has been relentless in its reform of local government would be an understatement as the combined effect of council amalgamations, euphemistically called restructuring; the requirement to make specific percentages of council operating budgets subject to competitive tendering; and, the impost of a rate cut and subsequent rate capping has in some cases dealt a body blow to local governance that sees many councils struggling to recover. The way in which local government organisations manage these changes plays a central part in determining whether the reforms realise their intended outcomes.

The research strategy was designed to obtain an impression of how local governments across the State of Victoria managed change arising out of the reforms. A representative sample of twenty six local government councils was included in the research in order to obtain information from a cross section of local authorities as defined by the Australian Classification of Local Government Systems (Commonwealth Department of Housing and Regional Development 1994). The assumption was made that managerial and organisational responses to the reforms would be common across all councils given their similar legal structure and functioning and the fact that all (with few exceptions) had endured the same broad changes. The research strategy was, therefore, focussed at an industry level analysis.

Given this research strategy the main task was to highlight how local government managers have responded to the broad reforms. What were the strategic, managerial and organisational
choices before them and how have they responded? Why did they choose particular strategies over others and what were their expectations about their changing role in local government management and organisation?

In December 1996 all Victorian local governments received a written invitation to participate in this research. Forty five responded in writing, all of these - except two - positively. In all twenty six councils were included in the sample and only one category in the Classification System (of which there is only one of its type in Victoria) was not included. This local authority was one of the two responding who were unable to participate. The research was carried out between 6 February and 9 May, 1997. All of the eight commissioner-led councils (bar one) were visited before council elections on 14 March when the remaining commissioner-led councils were returned to elected representatives.

The research strategy was based around interviews with two groups of people in each council. The first interview was with the CEO and Directors. These interviews typically lasted for ninety minutes and provided the opportunity for the executive to review each of the major reforms and to reflect on how they had approached each reform. The second group to be interviewed was a representative sample of staff. They were chosen based on differences such as years of service, profession and gender. The staff were also asked to complete a questionnaire which revealed their perceptions about the managerial and organisational culture of their organisation. The meeting with staff groups also lasted for around ninety minutes.

The Interviews with the Executive Team
In only one case was the CEO unable to meet at the predetermined time (he was unavailable at short notice because of an extended council meeting from the previous evening). In several cases not all members of the executive team were present at the first meeting. Follow up discussions were also made by telephone after published material provided at each interview was subsequently reviewed.

The purpose of the meeting with the CEO and the executive team was to understand how council restructuring, role of commissioners, compulsory competitive tendering (CCT), the rate cut and rate capping, and other significant local issues impacted on the way in which they manage their local authority. For example, in terms of council restructuring what was the nature of boundary changes (a few were relatively unchanged while one was made up of five complete and parts of seven previous councils), how were the administrative systems integrated (financial, computing, personnel, works programs etc), how was the new organisation downsized (given the State Government's directive to Commissioners that they achieve overall
rate cuts of around 20%), and what, if any, industrial action occurred (and what was the legacy of this with other changes, especially CCT)?

Approximately one third of the councils in the research sample were about to return to elected representatives when this research commenced. All except one such council were visited prior to the March election when all councils in the State were once again governed by elected representatives. Councils in the sample where elected representatives had been returned in the previous twelve months were also asked questions on the role of commissioners in the restructuring process. What role, for example, did they play in enhancing the overall development of the council’s organisation and management?

In terms of the organisation’s economic viability what impact did the rate cut and subsequent rate cap have on the council’s ability to effectively plan for the development, maintenance and management of community assets?

In relation to CCT, the reform widely regarded as having the greatest impact on local government organisations, the executive were asked how the requirements under CCT had affected the way they managed their organisation. For example, given the emphasis on market mechanisms, how did they meet their governance requirements (after Leach et al 1996)? Also, what impact did the preparation and success of in-house bidding have on the culture of the organisation? In particular, what impact has the development of local area work agreements had on work group performance, interdepartmental cooperation and the overall development of the Council’s corporate culture?

Importantly the executive team were questioned so as to determine what they saw as the strategic choices before them arising out of the imposed changes. The staff group were then interviewed and also asked to provide their views on the impact of these reforms on the way they work. In addition they were also asked to complete a questionnaire which probes their perception about aspects of the organisation’s culture.

The Interviews with Staff and the Organisation Profile
Local government employees were forthcoming with their views on the nature and impact of the reforms, how these reforms impacted on the way in which their organisation now works and, in particular, how these changes impact on their particular work.

The staff group were asked to highlight what was for them the major reforms of the last few years and to discuss them in much the same way as the executive group had, as outlined above.
They showed a very high understanding of the rhetoric of reform and were able to articulate the impact of different responses to reform.

The Organisation Profile questionnaire completed by staff was originally developed by Broadfoot (1993) and Broadfoot and Ashkanasy (1994). The profile is a descriptive instrument, one which paints a picture of respondents views of their organisation's culture. Ten dimensions of organisational culture are included with five items covering each dimension spread randomly throughout the questionnaire. The dimensions are: leadership, planning, job performance, environment, development of the individual, innovation, humanistic, communication, structure and socialisation of entry. An additional dimension, organisational commitment, is included in the questionnaire. Commitment is not an element of organisational culture, rather a reaction to it. Broadfoot (1993) notes that commitment correlates positively with leadership and communication (for a full description of these dimensions see Attachment A).

Organisational culture is regarded as a major factor in predicting the likelihood of successful organisational change in public sector organisation reform (see Spicer et al 1996, for recent examples). The common attitudes, beliefs and values held by managers and employees alike make up the phenomenon of culture (Schein, 1985) and without an appreciation of the prevailing culture in an organisation it is very difficult to successfully manage organisational change.

Research Findings

The research findings are discussed, first in terms of what the managers believe are the main issues facing them and how they are responding, then in terms of what the employees report through discussions and through responses to the organisation profile questionnaire. In order to better understand the impact of the broader reforms on the management and organisation of local authorities the research was looking for similarities and differences, both hierarchically among the two groups, and between organisations.

From the Interviews with Managers

Clearly all Victorian local governments exist in a state of turbulence and change. The three major changes in the environment of local government over the last four years, boundary restructuring into larger units, mandatory requirements to competitively tender a minimum percentage of the operating budget, and an across the board rate cut followed by a rate cap which only allows rate increases at less than the rate of inflation, are in themselves significant
contextual changes which, had they occurred alone, would have individually placed significant pressure on managers and their organisations.

The great majority of managers, however, report that the proximity of these changes to each other has placed their organisations under considerably greater strain from which many are still reeling. The whole emphasis of these three strategies has been cost minimisation and cost containment which continues to impact throughout each organisation. Also, in terms of the actual level of service provision managers report that the proportion of their budget allocated to capital works is either stagnant or, more typically, is in decline and will remain that way over the next few years while rate capping is in place. They are more guarded when asked about level of service provision typically responding that they can not be sure (given the inability of previous reporting systems to report accurately and from which to compare with the quality of their current performance management system), or intuitively, that the level of service has, in fact, declined. In only a few cases could managers confidently report that the capital works proportion of their budget was increasing, if ever so slightly.

The restructuring was seen by managers as inevitable, given the reviews of the previous two decades and the financial plight that the Kennett government inherited. In some places amalgamation into larger units was seen as a relatively straightforward process. When those joined were of similar size and type, had similar rating values and had not attempted to pare back their organisation prior to amalgamation, the subsequent staff loss was manageable and with little industrial pain. The saving grace for many new councils was the willingness of longstanding employees to take the package and look for employment elsewhere.

For those councils that took the initiative to reduce the financial burden on their community well before instructed to do so by the State Government it is a bitter pill for them that their difficult financial situation is, in part, a function of the fact that they had gone through a process of cut back and efficiency improvements only to came to the party with no reserves of any kind. To then incur a 20% rate cut was, in some cases, to cut too deep. The impact of this positioning also has the effect of making the new local authority look worse under the new accrual accounting standard for local government, AAS27.

On the positive side, for example, the restructuring allowed staff from the amalgamating councils to see that there are other ways of operating financial, personnel and works programs. This allowed the new council to follow one of two strategies, either adopt what was seen as the best system from one of the amalgamating councils or to wipe the slate clean and start again.
The starting afresh option was also seen as having important symbolic meaning reflecting the fact that we are now working for a totally new organisation.

Restructuring also had a significant dislocation effect on staff, reported by both managers and employees. Many stories were told of staff who now travel greater distances to work after having to apply for jobs in neighbouring local authorities when they were unsuccessful in winning a position with their previous, now newly restructured local authority. Most managers have a longer journey to work than before. They are not prepared to uproot family and move house because of a perception of continuing employment instability. During restructuring CEOs were typically offered interim posts further afield than their previous situation and - for those successful in the second round when permanent (usually five year contract) appointments were made - also had to travel longer distances to work. Few CEOs in metropolitan councils were prepared to move families closer to their new employment given the uncertainty they felt about the tenure of their position.

The managerial response to restructuring was to get through it as quickly as possible. In the majority of cases this was seen to have been done with relative ease, especially so with commissioners at the helm as decisions had to be made quickly and this was one of the commissioners' defining characteristics. They were present in the organisation every day (at least the chief commissioner was), they had a mandate to deal with administrative matters; and, as such, these matters were usually immediately dealt with. Staffing matters would have been much worse had decisions been allowed to drag on over a longer period of time.

Compulsory Competitive Tendering (CCT) is a fundamentally different reform issue from local government restructuring. The latter is a once only change from which the new organisation can emerge. CCT is a developing phenomenon which presents new challenges as managers move to tender out council works and services. Notwithstanding appointments of CEOs from the private sector - which are in a minority - local government managers by and large have little direct experience with the issues surrounding contracting out, a phenomenon common in the private sector where outsourcing (of which contracting for work via competitive tender is a part) is the norm.

In discussions with managers, it emerged that much of their concerns were associated with the compulsory aspect of contracting out. Ironically, given the broader rhetoric of reform shifting public sector management thinking from regulation to enabling, their primary concern was to ensure that their council complied with the State's requirements for a specific percentage of operating expenditure to be subject to competitive tender with minimal dislocation to the
organisation. They gave much less thought as to how, for example, they might lever improvements to the nature and delivery of local works and services through contracting out, or how they might orient their council's own employees to thinking about what, why and how they work under this new regime of service provision. The discussions with staff, and their responses in the questionnaire, confirm this general orientation of managers. This is also not surprising given the tight controls exercised by the Office of Local Government.

Managers were also concerned about control issues surrounding contracting out. In the initial development of the tender and subsequent contract, for example, did they include all of the desired outcomes for the service? Would all of the services currently being provided continue to be so? If not, how could they intervene during a contract to change things? Much of their concern was about the administration of contracts, at the expense of thinking about the strategic choices before council in the way in which works and services were tendered out such that the process enhanced local governance.

This focus on administrative choices was more a function of their desire to meet the compulsory requirements of competitive tendering as of a more thorough assessment of what to contract out in terms of the strategic planning for their community. In fact, in the covering letter of their Review of CCT Implementation, Hinds and Robson (1996) suggested to the Minister for Planning and Local Government that in the future the process of market testing should be referred to as competitive tendering rather than compulsory competitive tendering. It is understandable that managers would be preoccupied with meeting the compulsory aspects of competitive tendering when, for most of them, this would be an important criterion in their performance contract. Instead of behavioural displacement where the individual performs to meet the measure rather than its intent, we have widespread organisational displacement where local authorities are overly preoccupied with meeting the State Government's requirement, perversely cutting against some of the basic intentions of market testing.

The values of managers also shone through in their discussions about CCT. At one extreme some managers reported that this is the best management tool we have ever had. By this it was meant that the employees had come to realise that if they didn't work hard to win their in-house bid then they were out of a job. Management didn't have to stand over them to work, nor to cajole them for higher work performance, or bargain with them in the traditional union management sense (although this was by no means absent). If they wanted a job then they had to subject their work to market forces rather than to management's wishes.
With a more optimistic and supportive attitude some managers saw this as a genuine opportunity for employees to become empowered, to take greater responsibility and authority for their work. It could give them a measure of control that they had not previously had which could allow them as individuals, and as work groups, to grow and develop their skills and competence, and to be rewarded accordingly.

While there was a necessity to invest scarce resources in training staff preparing in-house bids some managers went beyond the purely legal and administrative requirements of competitive tendering and engaged their staff in a debate about the strategic choices before them. For example, how could they win their bid when low price would always be an important factor while at the same time positioning their team to successfully develop their competence to ensure they would continue to win the contract next time round? The cost minimisation strategy, however, predominated over the business development strategy. This is understandable for reasons to do with the Office of Local Government's management style, as already mentioned above.

The rate cut, and the subsequent rate cap, was a confirming statement that the process of reform was primarily about reducing local costs. For most managers they made the necessary cuts and adjusted the council's administration accordingly. They responded to this State Government initiative by accepting that they were managing in a period of severe financial constraint, and as good financial managers - which has always been a deeply held value amongst local government managers - made sure that the council budget balanced. The cut had a varying impact across the councils. Those who had the fat were able to adjust without resorting to asset sales and further downsizing, which was in fact the more common response.

While it was clear from the discussions with council managers that there was a wide range of managerial responses to the reforms many professed that they felt quite constrained and, in fact, had limited choices. This response was more a function of their perception of the traditional approach to local government management rather than their ability to see that they could choose different ways to behave. While popular conceptions of the new public management, as found in Osborne and Gaebleris (1992) Reinventing Government, are commonplace in local government professional journals there was little evidence that this way of thinking and acting was occurring across local government organisations.

The Staff Response to the Profile
The Profile was completed by 214 local government employees (124 males, 83 females, 7 did not indicate gender) spread across twenty six local authorities between 6 February and 9 May,
1997. Overall the staff perceptions were more in agreement with the statements (also accounting for those framed in the negative) regarding the ten dimensions of organisational culture, than in disagreement. The factor analysis results were used to identify questions that were not associated with the other questions in their dimension. As a general rule, variables that had a correlation coefficient of less than .3 were removed from the analysis, and the factor structure recalculated. Spearman's correlation coefficient between the questions under the ten dimensions of culture and the commitment questions was .691. This suggests the content validity of the Organisation Profile is good. The aggregate responses from each council also show strong face validity with the information obtained from the interviews with senior management and the representative staff groups. This means we can be confident that the results from the Profile are a good indicator of employee views about cultural aspects of their organisation.

Approximately one third of the councils had not yet returned to elected councillors when this research was carried out (the remaining commissioner-led councils elected councillors on 14 March). The remaining two thirds in the sample had returned elected councillors, at least for twelve months and all (bar one) were surveyed after 14 March. Overall the responses from staff in commissioner led councils were more optimistic across 55 of the 65 items in the profile. This is a significant finding of this research. Staff in commissioner-led councils felt that there was a clearer shared view of what was to be done and how it was expected to be achieved.

In terms of responses based on the characteristics of respondents, there was no difference based on the size of their local authority, on whether they were from a metropolitan or regional council, on whether their council was large or small, on gender, on years of experience in local government (more versus less than five years), or on education. A common response from senior management in rural councils was that the difficulties their council faced was a function of their geographical isolation. This view was not shared by the staff. In fact, as the nested random effects analysis of variance showed, there is greater variability of perception within the sample of respondents than between organisations (in fact, where we would expect this to be the case, environment - a measure of respondent perception as to how much their organisation is influenced by, or influences other organisations - the difference was only 30%). Other factors accounting for this variance are at play. This includes the way in which managers lead and manage their organisation, rather than the specific context within which their local authorities are located. It also reflects the fact that local government employees today are generally well informed about public policy issues and how they impact on local government.
The top three dimensions of organisational culture based on the scores of all respondents were planning, leadership and job performance. The bottom three dimensions were communication, structure and socialisation of entry. This result is not surprising given the nature of the reforms impacting on Victorian local government over the past four years where the emphasis has been on planning and performance in a context which demands effective leadership. Communication, structure and socialisation of entry were the lowest rated dimensions across the twenty six councils. Their views about these dimensions also correlate with questions on commitment.

The correlation coefficients between the dimensions of culture show that there is a strong relationship between leadership and planning (.707); leadership and job performance (.669), job performance and planning (.667). Leadership and planning correlate strongly with environment (.636 and .630 respectively). Communication and humanistic management practices (.621) work together as does innovation and planning (.620). Socialisation of entry and structure do not correlate strongly with any of the other dimensions.

**Leadership**
The average score for the leadership and planning dimensions was the most favourable. From the responses to leader commitment and leaders who symbolise the organisation's values and beliefs this score suggests that managers are leading the change process in local government. Notwithstanding the variance around these items the average responses are more toward agreement than disagreement in putting clients first, keeping the organisation on course and leaders who sets precedents for others.

**Planning**
Organisational planning is very much focused on the requirements of competitive tendering. The contract specification process has had a positive effect in that it has forced council organisations to work hard at defining just what is required in the delivery of local services. Many stories were told of how beneficial this was for council employees, regardless of whether it was in preparation for an in-house bid or simply as a part of council restructuring.

**Job Performance**
The job performance dimension highlights inconsistency surrounding this important area of work. While staff were in agreement that the emphasis is on achieving results they have weaker views about individual rewards being based on performance. While there is greater variance of responses on the latter item, managers should be concerned where this difference in perception exists. While it is important to acknowledge that the emphasis is on achieving results, if this...
achievement is not connected to individual rewards staff will surely lose interest in results-based performance. Interestingly, given this anomaly, staff believe that their colleagues care about and strive for excellent performance. They also accept people on the basis of their results. They are however less convinced that there is a clear way of measuring performance in their organisation. Clearly managers can do more to connect individual work performance with organisational performance.

Environment
In terms of the broader environment in which they work, respondents agree that people in their organisation are aware of the importance of caring for their clients, although they are less certain about knowing what the client wants. This is reflected in their general agreement with the statement that needs of the client are emphasised more than the needs of the employee. They agree that their organisation is regarded as taking a leadership role in relation to other similar organisations yet they are less convinced that their organisation responds quickly to external changes.

Development of the Individual
Staff believe that their organisation invests in their development and provides opportunities for personal and career development. This is consistent with the strategy articulated by most managers that they need to make this investment in staff if they are to understand the changes before them and to respond accordingly.

Understandably staff have a strong concern for their career development. As they observe continuing change in their council organisations, including uncertainty around job tenure, staff are keen to ensure they are competent and up-to-date with the latest approaches in their field. This also means understanding the rationale for reform, even if they don't agree with it.

The discussion with staff revealed that the onus for staff development was with both the organisation and the individual. The organisation was concerned that staff had a minimum level of competence to ensure that it was at least able to keep up with the mandatory changes required under the reforms. Individuals were concerned that they had skills and abilities that would ensure continuing employment in a much more competitive job market.

Innovation
The traditional conservative culture of local government is reflected in responses to statements about innovation. On the one hand staff tend to agree that their organisation avoids risk; on the other, people are encouraged to use their initiative, innovation and creativity and new ideas are
seen to be highly valued. Importantly they also find themselves having to make decisions based on limited information. Whether this reflects the quality of performance management systems in local government or the traditional culture of local government is not clear. Overall, however, it is clear that staff believe that they are encouraged to voice their ideas, be innovative and to show creativity in their work.

*Humanistic*

It is clear from the responses to these statements that staff perceive there is greater care and respect via the informal social systems of the organisation than via the formal. They tend to disagree that the organisation regards the welfare of its employees as its first priority. This is in the light of a more favourable perception about the encouragement of social relationships.

Respect and care comes from other people in the organisation who help with on-the-job and personal problems.

*Communication*

While staff believe that open and free exchange of information is encouraged this encouragement is about specific work-related issues. They do agree, for example, that managers encourage staff to give their views and that these managers are generally responsive to them.

On the other hand the perception that the 'grapevine' is the best source of information in the organisation and that communication across all levels of the organisation tends to be extremely poor suggests that communication is preoccupied with task-related matters at the expense of working relationship issues. This is confirmed by employee ambivalence when asked if the organisation keeps them well informed on matters important to them.

*Structure*

Staff responses to the statements on structure suggest that it continues to be a vexed question in local government organisation. They are inclined to agree that organisational structure limits the way things are done in their organisation and that an orientation to rules as a basis of action exists, if only marginally.

At the level of the individual worker staff do not have to ask for their boss's approval to do most things and have discretion in the way in which they complete their tasks. Importantly, however, they do not believe that organisational policies are helpful, well understood and up-to-date.
Socialisation of entry

Staff perceive that they have strong role clarity. However this clarity is achieved by working with peers rather than through planned induction and orientation programs. The generally believe that it takes time for newcomers to settle in.

Commitment

The responses to the fifteen statements measuring commitment reveal that staff have high levels of commitment and loyalty to their organisation. Generally they care about the fate of their organisation, they are prepared to put in a great deal more effort to help the organisation be successful, they choose to stay with their organisation, and they are proud to tell others they work for local government. All of this is in spite of the perception that they often find it difficult to agree with the organisation’s policies on matters relating to its employees, and that they are only marginally inclined to agree that their values and their organisation’s values are very similar. Clearly these respondents have a higher set of goals in mind than those that are of an immediate concern to their organisation.

Discussion

How can we interpret these results such that they provide insight into the managerial and organisational choices before local government as it attempts to meet the challenges of competition policy, greater accountability and high community expectations? We will do this by focussing on the leadership choices shown by local government managers. In terms of the qualitative findings from discussions with senior managers and from the quantitative responses from staff to the Organisation Profile it is clear that leadership, judged by their actions, is what defines those managers managing reform. Importantly their sense of purpose, the strategic direction they believe they are heading in, is also a fundamental ingredient to organisational success.

These responses to the survey augur well for Victorian local government. The characteristics of effective leadership identified in the literature are found in these responses (Kotter, 1995 Kouzes & Posner 1995, Heifetz 1994). Heifetz and Laurie (1997), for example, identify six strategies which characterise the work of leadership. They are:

1. Getting on the balcony [takes a broad view]
2. Identifying the adaptive challenge
3. Regulating distress
4. Maintaining disciplined attention
Giving the work back to people; and
Protecting voices of leadership from below

Effective local government leadership from chief executive officers and executive managers contains these strategies. From the discussions with managers and from the Profile responses it is clear that effective local government leaders have a broader view and are aware of the major issues facing their organisations. They do not deny conflict and uncertainty during this transition period. They use the energy that drives conflict to create new ways of working. They are certainly focussed on the task, which is clearly defined - and they present a consistent message to staff who are engaged in learning new ways of working in Victorian local government.

As management theorists have noted over the last two decades it is a constant focus on the task that matters when successfully negotiating organisational change. Katensbach and Smith (1993), for example, note that a demanding performance challenge tends to create a team:

"The hunger for performance is far more important to team success than team-building exercises, special incentives, or team leaders with ideal profiles. In fact, teams often form around such challenges without any help or support from management. Conversely, potential teams without such challenges usually fail to become teams."

This hunger for performance was apparent throughout those councils successfully managing through the reforms. The hunger was met through effective management of the CCT process. Where staff saw that this process delivered local services in ways which were consistent with their values about how they should be delivered, that is, there was a high degree of alignment between individual and organisational values, there was a high commitment to the organisation. Important to attaining this high level of commitment was the degree to which staff were engaged in the planning of council work.

A common theme repeated in the rhetoric of local government reform is that small local councils are not efficient units and are unable to organise themselves and plan their work such that they can provide an efficient level of service. Inefficiency is also seen to relate to low levels of accountability (see Maclellan in Johnstone and Kiss 1996). That they have now been restructured into larger and apparently more efficient units and are required to subject a specific percentage of expenditure to competitive tendering has driven local government to think more closely about outputs - not just at senior management levels, but right through the organisation.
as all council employees are subject to this process. In this light it is not surprising that a strong orientation to organisational planning and job performance is seen as a high priority. Local governments have defined plans and strive to follow these plans. Staff believe these plans have clear goals and that they are reviewed periodically. The rating for participation in strategic planning suggests an ambivalence by some managers to involve their staff in this process, one which we would expect to be central in effective managerial and organisation reform, especially in relation to the competitive tendering processes.

The lack of a strategic, organisational focus to individual performance in some local government organisations must be of concern to policy makers. Accountability, from a multitude of perspectives - council to community, staff to elected members, staff to each other, contractors (in-house and external) to council - is a pervasive theme in Victorian local government reform. While local government staff, overall, acknowledge the importance of accountability the inconsistencies in the responses to the job performance questions are symptomatic of an inability to connect individual and organisational performance. Performance management is not a strategic as it could be.

In terms of local government's relations with its community it is clear from the research that local government employees clearly understand the importance of serving the client even if they are less clear about what these clients actually want. This is consistent with the rhetoric of being customer focussed.

Spicer et alis (1996) review of the New Zealand experience in transforming government enterprises concluded that strategic and organisational responses such as defining core business, markets and strategy; aligning organisation design with this strategic direction; and, developing employment relations and human resource management systems were crucial to the on-going success of the organisation. Importantly, however, the culture, attitudes and organisational beliefs were the final filter affecting the overall performance of the organisation.

Spicer et alis (1996) findings are consistent with the findings of this research project. The belief systems that operate in local government organisations, beliefs relating to what we do and how we do it, are still central to predicting the overall performance of the organisation. Managers do have strategic choices which influence the culture and the ultimate performance of their organisation. What are these choices and what are the implications of making different choices?
The research by Kitay and Lansbury (1997) into workplace reform suggests that changes in employment relations in Australian workplaces can be broadly categorised as follows:

from compliance to commitment;

regarding employees as a cost to be minimised versus assets in which enterprises need to invest;

from adversarial relations between management and employees to collaboration;

from reliance on external third parties to regulate employment relations to a less regulated decentralised enterprise and a workplace focus (p. 219).

Those managers adopting a more optimistic attitude to the reforms can be seen as making choices based on commitment, investing in employees, collaborating with staff to give them every opportunity to compete in a fair and equitable manner, and encouraging a decentralised organisation focussed on work output.

For managers these choices will be strategic when they are conscious of the consequences of the choices they make. There were, however, many managers who were unable to clearly articulate choices, such as those outlined above, in deciding how to approach their role. In deciding what is the most appropriate organisational culture for local government, managers need to be clear about the consequences of the choices they make.

Conclusion

The reforms to Victorian local government have been driven by the State Government and have been focussed on institutional arrangements surrounding this area of government. As the research outlined in this paper shows, institutional change by fiat and edict is no guarantee that the culture of local government organisations will change in accordance with the State government's intentions. Broad institutional changes can certainly impact on the culture of local government organisations and, sadly, it is the unintended consequences that often seem to have the most impact. Fundamental organisation culture change takes time. Historically such change occurs at the grass roots level as a ground swell of change. If this ground swell underpins a clear focus, or vision for the future, one which engages the hearts and minds of people, then it will truly transform the organisation - in spite of, or in concert with, institutional change.
Local government managers are central to effective change in their organisations. It is clear from this research that they do have a range of managerial and organisational choices in response to external pressures, whether they be of the radical institutional kind imposed by other governments or whether they be broader social, economic and culture changes impacting on the way in which they work. That many local government managers are unable to articulate well-thought-out strategic choices about how they manage and organise during periods of turbulence and radical change is of concern. This suggests many are still burdened by an administrative, regulatory mindset of local government which has the effect of creating unnecessary tension and conflict within organisations asked to make fundamental changes in the way in which they work. Managerial attitudes and beliefs such as this are masked by concerns for propriety and due process. Ethics and morality are confused with competence and survival.
References


Commonwealth Department of Housing and Regional Development (1994) *Australian Classification of Local Governments,* Canberra, AGPS.


Attachment A: Summary of the Organisational Profile

The ten dimensions from Broadfoot's (1993) thesis are leadership; structure; innovation; job performance; planning; communication; environment; humanistic; development of the individual; and, socialisation on entry. The items used to measure perception are listed below followed by a brief discussion of each dimension.

**Leadership**

The leadership items are:

1. By their actions, our senior management show that they put our clients first.
2. Management keeps the organisation on course.
3. Leaders demonstrate their own commitment to what this organisation is trying to accomplish.
4. There are leaders in this organisation who symbolise its values and beliefs.
5. Management in this organisation sets precedents for others.

The role of leaders is in directing an organisation, maintaining its culture and acting as role models. Items one, three, four and five represent these characteristics of leaders. The second item investigates the beliefs of members as to whether the leader is taking the organisation in the right direction. If consensus on these items is high leaders may have a strong influence over the culture of the organisation (after Broadfoot 1993, p. 43).

**Structure**

The structure items are:

1. This organisation is rule oriented.
2. Organisational policies and procedures are helpful, well understood and up to date.
3. I have to ask my boss before I can do almost anything.
4. Members of this organisation are expected to follow orders even when they are wrong.
5. The organisational structure limits the way we do things here.

To what degree does the organisation's structure limit the actions of members? The first two items focus on the influence of policies and procedures on the actions of members. Items three and four reflect the concentration of power and item five seeks a direct indication of the perception of members as to whether they are limited in their actions by organisational structure (after Broadfoot 1993, p. 43).

**Innovation**
The innovation items are:
1. This organisation avoids risk.
2. I often find myself having to make decisions based on limited information.
3. People here are encouraged to use their initiative to develop better methods.
4. New ideas are highly valued here.
5. Innovation and creativity are encouraged here.

An organisation’s risk preference is gained through these items on innovation. The first (negatively framed) and second items indicate the organisation’s willingness to take risks. The remainder focus on whether innovation and creativity are encouraged and rewarded by the organisation (after Broadfoot 1993, pp. 43-44).

**Job Performance**
The job performance items are:
1. Individual rewards are based on performance in this organisation.
2. We accept people who don’t fit in, provided they produce results.
3. The emphasis here is on achieving results.
4. There is a clear way of measuring performance in this organisation.
5. Members of this organisation care about and strive for excellent performance.

This dimension measures the degree to which task performance is emphasised by the organisation. The second, third and fifth items focus on the extent to which the organisation and its members are task oriented. If this is achieved members will be rewarded as indicated by item one. Item four implies the need for performance appraisal methods (after Broadfoot 1993, p. 44).

**Planning**
The planning items are:
1. We really strive to follow the organisation’s plans.
2. This organisation has very clear goals.
3. Participation in strategic planning is encouraged here.
4. Progress towards meeting planned objectives is periodically reviewed here.
5. This organisation has a defined plan to meet its goals.

Testing the focus of the organisation is met by determining goal clarity through item two, planning to meet goals through item five; efforts to follow these plans through item one;
processes of review through item four; and, commitment to the plan through participation in the process through item three (after Broadfoot 1993, p. 45).

Communication
The communication items are:

1. Open and free exchange of information is encouraged here.
2. Our managers encourage their staff to give their views and are generally responsive to them.
3. Communications across all levels in this organisation tend to be extremely poor.
4. The grapevine is the best source of information about this organisation.
5. This organisation keeps employees well informed on matters important to its employees.

The first, third and fifth items focus on the free sharing of information within the organisation. The fourth item acknowledges the importance of rumour, while the second item is indicative of the directions of communication (after Broadfoot 1993, p. 45).

Environment
The environment items are:

1. Employees know what clients want from this organisation.
2. This organisation emphasises the needs of the clients more than the needs of the employees.
3. Everyone in this organisation is aware of the importance of the care of the client.
4. This organisation is regarded as taking a leadership role in relation to other similar organisations.
5. This organisation responds quickly to external changes.

Items one, two and three focus on the extent to which the organisation is responsive to the needs of its clients. Items four and five are interested in the extent to which the organisation is influenced by, and influences, the actions of other organisations (after Broadfoot 1993, p. 46).

Humanistic
The humanistic items are:

1. Individualism is respected in this organisation.
2. People in this organisation help each other with on-the-job and personal problems.
3. This organisation regards the welfare of its employees as its first priority.
4. Social relationships are encouraged here.
5. Overall this organisation is a harmonious place to work.

These items measure the extent to which the individual is respected and cared for by the organisation. Item one deals with the acceptance of individual differences. The second and fourth items focus in the degree to which informal relationships between members are perceived as important by the organisation. The third item reflects the employee's perception of the extent to which the organisation is concerned about their well being. The final item asks for an assessment of whether the organisation is a harmonious place in which to work (after Broadfoot 1993, p. 46).

**Development of the Individual**

The items for development of the individual are:

1. This organisation regularly invests time and resources in developing people.
2. Members of this organisation are concerned about their personal and career development.
3. This organisation provides opportunities for personal and career development.
4. This organisation is successful in developing people for more challenging work within the organisation.
5. I do not have enough training to do my job well.

The items in this dimension focus on whether the organisation expends sufficient effort in providing opportunities for people to develop their skills. Items one, three and four measure this directly while items two and five measure employees concern for personal development and their views on their current levels of competence (after Broadfoot 1993, p. 47).

**Socialisation of Entry**

The items for socialisation of entry are:

1. It takes time for newcomers to settle in here.
2. I know what is expected of me as a member of this organisation.
3. It is up to peers to teach new employees how things are done here.
4. This organisation does not have a formal induction program.
5. People are properly oriented and trained on joining this organisation.

These items measure perceptions about the socialisation process in the organisation. Items one, three, four and five measure aspects of induction into the organisation. Item two is concerned with perceptions about role clarity (after Broadfoot 1993, pp. 47-48).
Commitment

The commitment items are:

1. For me, this is the best of all possible organisations for which to work.
2. I really care about the fate of this organisation.
3. It would take very little change in my present work circumstances to cause me to leave this organisation.
4. Often I find it difficult to agree with this organisation's policies on important matters relating to its employees.
5. I find that my values and this organisation's values are very similar.
6. I would accept almost any type of job assignment to keep working for this organisation.
7. I could just as well be working for a different organisation if the type of work was similar.
8. Deciding to work for this organisation was a definite mistake on my part.
9. I am proud to tell others that I am part of this organisation.
10. I am willing to put in a great deal more effort than normally expected to help this organisation be successful.
11. This organisation inspires the best of me in the way of job performance.
12. There is little to be gained by sticking with this organisation indefinitely.
13. I talk up this organisation to my friends as a great organisation to work for.
14. I feel very little loyalty to this organisation.
15. I am extremely glad that I chose this organisation to work for, over others I was considering at the time I joined.

For the purpose of this research the commitment dimension provides another perspective on aspects of organisational culture. As conceived in the original research (Broadfoot 1993) the commitment dimension was in addition to the ten organisational culture dimensions outlined above. Commitment is the strong belief in, and acceptance of, the organisation's goals and values and a readiness to exert considerable effort on behalf of the organisation. (Broadfoot 1993, p. 48) This dimension helps to appreciate an individual's reaction to organisational culture. As Broadfoot notes an individual who is not committed to the organisation ... lacks fit with the culture. (Broadfoot 1993, p. 49) Importantly the dimensions of culture items and the commitment items allow for a measure of content validity with the Profile.