The factors affecting strategic change and the impact on performance in local governments

by

Salha M. Alshumrani

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Faculty of Business and Economics
Department of Accounting and Corporate Governance
Macquarie University
Sydney, Australia

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Statement

I certify that this thesis entitled "*The factors affecting strategic change and the impact on performance in local governments*" is the result of my own research to fulfil the requirements for the degree of Master of Research at Macquarie University. It has not, nor has any part of it, been submitted for a degree to any other university or institution other than Macquarie University.

Salha Alshumrani

Student ID: 44765452

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Abstract

The study examines the contingency factors that influence strategic change in local governments in Australia and the impact of strategic change on organisational performance. Specifically, the study examines the impact of organisational culture and the use of multidimensional performance measures on strategic change. The findings indicate that the strategic change is affected by the cultures of innovation, attention to detail and stability, and the use of multidimensional performance measures. However, the findings reveal that there is no association between strategic change and the performance of local governments. The study contributes to the body of management accounting on contingency literature and public management literature by providing an insight into the role of organisational culture and the use of multidimensional performance measures as contingency factors influencing strategic change and their associations with organisational performance in local governments. The findings may be used by managers to manage change effectively.

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List of Abbreviations

NPM	New Public Management
OECD	Organisation for Economic Co-operation and Development
OCP	Organisational Cultural Profile
PMS	Performance measurement System
BSC	Balanced Scorecard

CHAPTER ONE: INTRODUCTION

1.1 Background

As the optimal means by which organisations align with changes in competition, technology and the institutional environment, strategic change is widely acknowledged as an important aspect of strategic management and its success (Kraatz and Zajac, 2001). In particular, significant external changes pose threats and provide opportunities for an organisation's survival or effectiveness, and all organisations must change to maintain competitiveness and to meet customers' increasing expectations (Price and Chahal, 2006). In the public sector, change is increasingly driven by the principles of the New Public Management (NPM). The NPM was promoted as a mean of shifting the focus from administering rules and formal processes to economic goals, entrepreneurship, competition, market and result orientation (Bradley and Parker, 2001). The NPM aims to make public sector organisations more business-like and market-oriented by adopting management techniques and tools used by private sector organisations (Hood, 1995; Deem and Brehony, 2005; Diefenbach, 2009). The Australian public sector in particular has undergone significant reforms informed by the NPM, generating greater pressure on public organisations to enhance the efficiency and effectiveness of their services and activities. This process of reform has focused on decentralisation of authority responsibilities and operations, flexible organisational structures, adaptability and performance management (Hoggett, 1996; Diefenbach, 2009).

Similarly, local governments in Australia have also been pressure to improve the efficiency and effectiveness of their services (Dollery and Marshall, 1997; Aulich, 1999; Dollery and Johnson, 2005). The number of local governments in Australia has also declined significantly over the last few decades. For example, while there were 726 councils in Australia (NOLG, 2001, p. 54) in 2000, following a program of consolidation and amalgamation there are now 538 councils. In Queensland, the number of local governments

declined from 135 to 77; in Tasmania, the number dropped from 46 to 29 in 1998; In Victoria, the number of local councils was consolidated from 218 in the mid-1990s to 79; New South Wales reduced the number of councils from 177 in 1998 to 128; and the number of local governments in South Australia declined from 118 in 1994 to 68. In addition, following the introduction of the NPM approach changes were made to the Local Government Acts across all state governments. For instance, in New South Wales, Western Australia, Queensland and Tasmania, the new Local Government Act replaced the existing legislation (Aulich, 1999; Worthington and Dollery, 2002), while in Victoria, substantial amendments were made in 1996 and 1997 to the 1989 Local Government Act (Wensing, 1997; Worthington and Dollery, 2002). These legislative reforms were designed to transform council operations by emphasising accountability (Wensing, 1997). The reforms also sought to strengthen strategic planning at the local government level, and to create a better framework for decision making across government organisations (Worthington and Dollery, 2002), thereby providing local governments with a greater degree of autonomy in decision making (Wensing, 1997). These provisions also enhanced citizen involvement and participation in policy making and in designing public services (Marshall and Sproats, 2000). In this way, the role of local government shifted substantially from providing basic community infrastructure and property-related services to include wide-ranging social, economic, and environmental functions.

However, while significant strategic change has transpired within local government, there is uncertainty regarding the impact of strategic change on their performance. Hence, given a recent review of the literature on change in public sector organisations by Kuipers et al. (2014) highlights the deficiency in studies focusing on public sector change, this study is motivated to contribute to the scant literature by providing an empirical insight into the impact of strategic change on the performance of local governments. Further, given there is a lack of empirical studies on the factors affecting the change process, the study also aims

to bridge this knowledge gap by examining the effect of organisational culture and the use of multidimensional performance measures on strategic change. Specifically, given the underlying motivation of management decisions to implement strategic change is the assumption of a better fit or alignment with its environment (Audia et al., 2000), this study focuses on the influence of organisational culture and multidimensional performance measures on strategic change in Australian local governments.

Prior research indicates the importance of culture in the strategic change process (Bluedorn and Lundgren, 1993; Zeffane, 1996). For example, there is evidence that organisations characterised by a culture of innovation and risk-taking are more likely to respond positively and flexibly to changes in their external environment (Volberda, 1996; Garcia-Morales et al., 2006). However, while organisational culture can be exploited as a contingent factor to help achieve successful strategic change, there is evidence that differences in organisational culture or the existence of subcultures can potentially increase resistance to change (Baker, 2007), with Bradley and Parker (2001) suggesting that organisations whose cultures emphasise control, rules, and procedures are more likely to seek stability. Consequently, given the association between organisational culture and change, this study aims to examine the role that organisational culture may play in the strategic change process.

Prior research has also highlighted the importance of using multidimensional measures of organisational performance (i.e. a combination of financial and non-financial performance measures) in facilitating change. In this regard, the key argument is that traditional financial measures are insufficient in terms of reflecting an organisation's current position because they are historical and short-term in orientation. Traditional financial measures have also been criticised as unable to provide the strategic planning information required in order to maintain a competitive advantage (Perera et al., 1997; Kennerley and Neely, 2002). For this reason, academics and practitioners have emphasised the use of multidimensional performance measures. In particular, there is empirical evidence of the benefits of such

measures, including enhanced performance (Said et al., 2003; Munir et al., 2011), an increased ability to evaluate progress towards objectives (Kaplan and Norton, 1996b) and enhanced organisational strategy (Perego and Hartmann, 2009). Other studies have shown that the use of multidimensional performance measures can enhance an organisation's ability to execute and manage new initiatives (Van der Stede et al., 2006).

The performance of local governments is inherently multidimensional, focusing on qualitative aspects such as efficiency, quality and productivity. Further, local governments are not for profit organisations, and the use of traditional financial measures cannot support the successful of strategic change process. In addition, local governments have various stakeholders, which means that local governments need to consider different perspectives to assess their performance. Hence, using multidimensional performance measures will enable local governments to link their strategies to their long-term targets, thereby managing strategic change effectively. Accordingly, this study aims to examine the impact of using multidimensional performance measures on strategic change.

Based on the above discussion, this study addresses the following research questions.

Research Question 1: What is the influence of organisational culture and the use of multidimensional performance measures on strategic change in local government organisations in Australia?

Research Question 2: What is the relationship between strategic change and organisational performance in local government organisations in Australia?

1.2 Motivations

There are four motivations of this study: 1) to examine the nature of change in local governments in Australia; 2) to examine the role of organisational culture in influencing strategic change; 3) to examine the role of using multidimensional performance measures in

influencing strategic change; and 4) to examine the association between strategic change and organisational performance. Each of these are discussed below.

1.2.1 To examine the nature of strategic change in local governments in Australia

Local governments provide a greater range of public services than federal and state governments, including infrastructure, economic, and social services. Local governments are important because they are the channels through which citizens express their concerns and expectations. Recent changes in technology, evolving community expectations, privatisation and market deregulation have contributed to their expanded role, driven by two main pressures (Dollery et al., 2003), growing community expectations and increasing limitations in respect to raising revenues to meet those expectations. Accordingly, significant reforms have been implemented to initiate change.

The most recent of these initiatives is the NPM principles, which have been employed by most of the Organisation for Economic Co-operation and Development (OECD) countries in pursuit of local government reform. Following the introduction of the NPM, in the US, many traditional local government functions were privatised, and some local services were provided through private sector contracts (Boyne, 1998; Dollery et al., 2003). In this way, federal funding was reduced to more effectively allocate limited resources and to meet increasing demands for enhanced accountability. Similarly, in the UK, 'Best Value' legislation was introduced as a more inclusive approach to local government reform (Boyne, 2000; Dollery et al., 2003). The intention was to promote innovation, responsiveness and continuous improvement in local services (Boyne, 2000). Managerial and structural reforms in local authorities were also made including more flexible work practices, financial accountability and transparency (Dollery et al., 2003). In Australia, local governments also were subject to changes in leadership, emphasising the role of general managers and CEOs in facilitating NPM reforms (Jones, 2002), which included performance management, output control and competition.

However, recent evidence indicates that the public sector's organisational culture has not changed, especially in local governments, with Harrison and Baird (2014) and Parker and Bradley (2000) reporting that the emphasis on bureaucratic values, hierarchical structures, and rule-orientated procedures continue to dominate. Consequently, amidst evidence that the necessary changes are not transpiring, a fundamental question arises as to why local government has not changed. Accordingly, the present study aims to contribute to the literature by examining the nature of strategic change in local governments and its impact on performance, as well as examining the factors that stimulate strategic change in local governments.

1.2.2 To examine the role of organisational culture in influencing strategic change

The literature on organisational culture confirms its impact on many aspects of organisational life (Schein, 1985), including organisational success (Martins and Terblanche, 2003). Empirical studies indicate the significant influence of organisational culture on employee attitudes and organisational effectiveness (Gregory et al., 2009; Zheng et al., 2010), while there is evidence in the literature of resistance to change due to the failure to consider organisational culture during the change process. Hence, organisational culture is considered to be the most powerful practical tool for management to use in achieving desired organisational outcomes (Hogan and Coote, 2014).

Other studies indicate the important role that organisational culture plays in the change process (Zeffane, 1996; Silvester et al., 1999). However, few empirical studies to date have examined the specific characteristics or dimensions of organisational culture that facilitate the initiation of strategic change (Kezar and Eckel, 2002). Accordingly, amidst evidence that the public sector is not changing (Bradley and Parker, 2001; Harrison and Baird, 2014), the present study investigates the role of organisational culture in initiating and facilitating strategic change in local governments context. Specifically, this study will provide an empirical insight into the association between O'Reilly et al.'s (1991) Organisational Culture

Profile (OCP) dimensions (innovation, outcome orientation, attention to detail, repect for people, and teamwork orientation) and the level of strategic change.

1.2.3 To examine the role of using multidimensional performance measures in influencing strategic change

There is evidence that performance measurement systems are an important element of any change process (Chan, 2004) and may enhance the ability of organisations to execute and manage new initiatives (Van der Stede et al., 2006). The incorporation of multidimensional measures into such systems has been widely promoted by both academics and practitioners, with recent studies indicating the importance of the use of such measures within local governments and governmental departments in Australia (Hoque and Adams, 2011). In particular, it has been argued that using non-financial performance measures allows organisations to address environmental changes by monitoring and assessing the core competencies of the organisational process, which help organisations to achieve greater efficiency (Kaplan and Norton, 1996a, 2001) Furthermore, using non-financial performance measures may facilitate the decision-making process within organisations, assist managers in assessing environmental changes, and evaluate their progress toward organisational objectives (Kaplan and Norton, 1996a; Hoque, 2005).

However, while the role of performance measures in facilitating change has been acknowledged, there are limited empirical studies examining the role of multidimensional performance measures in initiating strategic change. Therefore, this study aims to provide further insight into the contingent factors that may facilitate strategic change within local government organisations by examining the association between the use of multidimensional performance measures and the level of strategic change.

1.2.4 To examine the association between strategic change and organisational performance

Strategic change can assist organisations in overcoming organisational inertia and enable them to become more innovative and adaptive to change (Romanelli and Tushman, 1994), thereby facilitating enhanced performance. However, strategic change can also be disruptive, affecting organisations negatively by promoting ineffective resource allocation and hence undermining performance (Zajac et al., 2000). The literature on the association between strategic change and performance has yielded mixed results. For instance, Haveman (1992) found that strategic change enhanced organisational financial performance and the likelihood of survival. In another study, strategic change was found to have a negative impact on short-term performance, while it had a positive impact on long-term performance (Naranjo-Gil, 2015). However, other studies found that organisations that initiated strategic change did not outperform organisations that did not change (Smith and Grimm, 1987; Zajac and Shortell, 1989). Therefore, there is an urgent need to understand the nature of the strategic change-performance relationship in local governments. Given the nature of organisational processes and resources in local governments, which are different from those of private sector corporations, it can be argued that the association between strategic change and organisational performance may differ there as well. Accordingly, due to the mixed results, it is difficult to provide a rational explanation for the impact of strategic change on organisational performance. Therefore, this study aims to examine the effect of strategic change on organisational performance in a local government context.

1.3 Contributions and practical implications

The study contributes to the management accounting literature in several ways. First, by investigating the antecedent role of organisational culture and multidimensional performance measures in initiating strategic change, this study contributes to the

contingency literature. Secondly, this study further contributes to the literature by empirically examining the association between strategic change and organisational performance. Thirdly, from a practical perspective, the findings can be used by local governments to more effectively manage strategic change. Specifically, by highlighting the factors that affect strategic change, the present findings can help managers in formulating policies and adapting their organisational cultures so as to manage change more effectively. The findings also provide local governments with insights into how they can benefit from the use of multidimensional performance measures to provide information that adequately reflects their current strategic position, enabling them to initiate and effectively manage strategic change.

1.4 Structure of the thesis

The thesis is arranged as follows. Chapter 2 reviews the prior literature on strategic change, discusses the association between both organisational culture and the use of multidimensional performance measures with strategic change, and the impact of strategic change on organisational performance, and develops relevant hypotheses. Chapter 3 then discusses the research method used in this study, the procedures for collecting the data, and the questionnaire design. Chapter 4 presents the findings, and finally Chapter 5 provides the conclusion of the study, the contributions, limitations and directions for future research.

CHAPTER TWO: LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This chapter is structured as follows. Section 2.1 introduces the concept of strategic change. It includes an overview of the definition of strategic change and the nature of strategic change in the public sector. Section 2.2 then provides an overview of the prior empirical research on strategic change with Sections 2.3 and 2.4 providing a literature review of the contingency factors (organisational culture and the use of multidimensional performance measures) influencing strategic change and developing relevant hypotheses in respect to the impact of these two contingency factors on strategic change. Section 2.5 then presents the literature review of the impact of strategic change on performance, and develops a relevant hypothesis. Finally, Section 2.6 provides the summary of the chapter.

2.1 Strategic Change

In recent times many organisations have been subject to substantial pressure to change at the operational and strategic levels (Burnes, 2004; Price and Chahal, 2006). Operational change involves changes to systems or processes, and requires changes to business tasks and functions (i.e. the way employees work). Strategic change, by contrast, entails a shift in the organisational mission, strategy and culture. However, if an operational change results in a dramatic change in the organisational mission or culture, it initiates the process of strategic change (Price and Chahal, 2006).

Gioia and Chittipeddi (1991, p. 433) have defined strategic change as, "an attempt to change current modes of cognition and action to enable the organisation to take advantage of important opportunities or to cope with consequential environmental threats". In other words, strategic change is a change in the position of an organisation's alignment with its internal and external environment (Rajagopalan and Spreitzer, 1997), and entails a

reorientation of strengths and weaknesses to address the prevalent environmental opportunities and threats. It follows that strategic change may involve radical changes or transitions in strategy, and be accompanied by changes to organisational culture (Greiner and Bhambri, 1989; Nadler and Tushman, 1990; Wiersema and Bantel, 1992).

In terms of strategy, strategic change can involve shifts in corporate-level and business-level strategy (Ginsberg, 1988)[1]. At the corporate level, strategic change can be defined in terms of changes or realignments in the level of diversification of products or services and of market domains (Ginsberg, 1988; Dent, 1990), including "evaluation of the appropriate courses of action with regard to potential divestment, downsizings, and restructurings of existing businesses, as well as to acquisitions, mergers, and the internal development of new business units" (Wiersema and Bantel, 1992, p. 93). Questions about strategic industries and business lines, and the distribution of resources among business operations and markets, are crucial at the corporate level (Beard and Dess, 1981). By contrast, strategic change at the business level involves alternatives concerning specific products and services, and/or markets or processes within a given industry (Ginsberg, 1988; Dent, 1990; Wiersema and Bantel, 1992), aimed at enhancing the competitiveness of given business units (Rajagopalan and Spreitzer, 1997). It concerns decisions about how a business unit can best compete within a particular market or industry (Beard and Dess, 1981).

The strategic position of a business operation may be conceptualised using a continuum, with one end being the "defender"[2] position – focused on maintaining a stable position in a

[1] Porter (1980) proposed three business strategies that organisations can adopt to create value and maintain a competitive position in an industry: differentiation, cost leadership or focus. Differentiation strategies involve the creation of value by creating products and services of high quality and unique features desirable according to certain relevant customer values (Spencer et al., 2009). The cost leadership strategy focuses on competition to arrive at the lowest cost in the industry to achieve a competitive advantage (Allen and Helms, 2006). Meanwhile, a focus or 'niche market' strategy involves an organisation devoting its organisational efforts and resources to satisfying specific segments or groups of customers.

[2] Miles and Snow (1978) proposed four strategic typologies to address strategic decisions concerning products and markets. The defender strategy seeks to create and maintain a stable set of products or services and a stable group of customers; this strategy tends to ignore market development and is less responsive to the major changes in its external environment. By contrast, the prospector strategy seeks to locate new products or services and new market opportunities. Prospector organisations emphasise flexibility and innovation and are in a state of continuous development. Analyser organisations seek to balance their market positions to minimise risk and maximise profit opportunities. Finally, reactor organisations respond to product–market problems in inconsistent and unstable ways.

particular market and a relatively stable range of products or services – and, at the other, a 'prospector' stance, where an organisation frequently creates change, responding to new opportunities through product innovation and new market development (Miles and Snow, 1978).

2.1.1 Strategic change in the public sector

In many Organisation for Economic Co-operation and Development (OECD) countries, local governments are responsible for the management and provision of key public services. Local government is the third level of structure of governments in Australia, and is administered by the states and territories. State and territories governments define and control the power and responsibilities of local governments (Australian Government, 2014). Local governments provide a greater range of public services, including infrastructure, economic, and social services.

Management in the public sector differs fundamentally from that in the private sector, with public sector management typically characterised by an emphasis on the enforcement of rules and procedures, formal decision making processes and hierarchical structures (Hood, 1995). Public sector organisations are also subject to bureaucratic controls and constraints imposed by political authorities and legal frameworks. Furthermore, previous research has indicated that public organisations differ from private sector organisations in their goals, the nature of the resources available to them and their activities and functions (Scott and Falcone, 1998). Since the early 1980s, researchers have introduced different frameworks to overcome the deficiencies of the traditional bureaucratic model of public sector management, aimed at improving the efficiency, productivity and effectiveness of public services. The pressure to change has been part of recent reforms in the public sector, specifically at the local government level, designed to improve local governments' performance and the accountability for public services. Reform initiatives in the public sector are based on the New Public Management principles (NPM), which involve moving

towards a more business-like approach, applying managerial principles and techniques (Hood, 1995; Mussari, 2005). Such principles facilitate privatisation, competitiveness and an increasing focus on performance management and evaluation (Sanderson, 2001).

NPM is the most recent program of reform for strategic change in the public sector, and most countries within the OECD have applied NPM principles to some extent (Sanderson, 2001). Hood (1995) identified seven principles of NPM as follows: shift the focus to more competition between the public organisations, and between public organisations and private sector; shift toward a greater disaggregation of public organisations units; move to control results and outputs measures rather than procedures; shift to greater use of the private sector management practice; greater stress on discipline and parsimony in resource use; shift toward more explicitly and measurable standards of performance for public services; and shift toward more active control of public organisations by visible top managers wielding discretionary power. These principles have been promoted in the public sector, and public organisations have been encouraged to adopt them in order to enhance their effectiveness and improve the efficiency of their services.

During the last two decades, local governments in Australia have been guided to meet public interests by NPM-inspired reforms. Traditional bureaucratic structures of administration have been replaced by new forms that are accountable and flexible, increasing the government's responsiveness to demands for better public performance, accelerating the trend towards delegation and autonomy in the decision-making process and focusing more on customers and results (Hood, 1995; Sanderson, 2001; Yetano, 2009). NPM promotes strategic orientations and fosters changes in internal processes and structures (Diefenbach, 2009). Adopting the principles of NPM enables public organisations to shift their emphasis from process accountability to result accountability, from policy making to management skills, and from structured hierarchies to competitive orientations to public service provision (Hood, 1995).

The existing literature provides evidence that both private and public sector organisations face competitive and institutional pressure to reconsider their strategic positions (Naranjo-Gil and Hartmann, 2007). As the external business environment changes, organisations need to change their strategic position to ensure a congruence with its current circumstances (Child, 1972). The need for change in organisations is driven by the changing needs and demands of various stakeholders, with effective responses to these needs and demands increasing overall satisfaction. In particular, to maintain their competitive positions, organisations must meet and satisfy their clients' needs and expectations (Price and Chahal, 2006), who, in turn, expect changes to organisational strategies as well as changes in organisational structures, systems and processes.

Most local government tasks are routine and rule-oriented, emphasising processes and reliability (Parker and Bradley, 2000). However, local governments are facing substantial accountability demands similar to those of state and federal governments (Hall, 2017). As a result, the local governments in various Australian States and Territories have been awarded greater flexibility, to change the way they operate and the kind of services they provide (Dollery et al., 2006). This has led local governments to provide a greater range of services, and to increase their emphasis on people services rather than their traditional focus on property services (Dollery et al., 2006). In response to the demand to increase their accountability and orientation to client requirements, local governments are changing their structures and work processes. Accordingly, local governments need to initiate strategic change to respond to the environmental uncertainty, institutional pressure and community demands.

2.1.2 Prior research in the area of strategic change

The importance of research on strategic change has been well-recognised in the field of strategic management, which is mainly interested in examining environmental changes and organisational adaptations (Ginsberg, 1988). This literature has focused on two main

categories: (1) the initiation of strategic change and (2) the effect of strategic change on organisational performance (Herrmann and Nadkarni, 2014). The initiation of strategic change category refers to 'discrete changes in the content and scope of a firm's existing strategies in response to environmental changes' (Herrmann and Nadkarni, 2014, p. 1320). Research in this area involves both the content of strategies and the processes of devising them (Ginsberg, 1988; Rajagopalan and Spreitzer, 1997; Abernethy and Brownell, 1999; Goll et al., 2007). The research on changes in the content of strategies has been concerned with the goals, scope, resource implications and competitive results associated with strategic decisions by top management (Ginsberg, 1988; Rajagopalan and Spreitzer, 1997; Abernethy and Brownell, 1999). This research conceptualises strategic change as a rational response to environmental variation (Herrmann and Nadkarni, 2014), and has predominantly focused on addressing the organisational and environmental antecedents of strategic change (Smith and Grimm, 1987; Zajac and Shortell, 1989; Kelly and Amburgey, 1991; Zajac and Kraatz, 1993; Audia et al., 2000; Zajac et al., 2000; Kraatz and Zajac, 2001).

In contrast, research on the process of strategic change has been concerned with an organisation's approach to developing and implementing its strategy, and the relationship between strategies and the external environment (Ginsberg, 1988). This research has examined the role of managers in the process of strategic change (i.e., managerial action and managerial cognition), and how managerial interpretations of organisational and environmental conditions shape and influence the process of strategic change (Rajagopalan and Spreitzer, 1997). For example, some studies have examined the role of top management-team attributes in influencing strategic change, while other studies have looked at how CEOs shape strategic change (Boeker, 1997; Zhang, 2006; Naranjo-Gil and Hartmann, 2007; Zhang and Rajagopalan, 2010; Quigley and Hambrick, 2012; Herrmann and Nadkarni, 2014). This study aims to contribute to this contingency literature by examining the influence

of organisational culture (Section 2.2) and the use of multidimensional performance measures (Section 2.3) as contingency factors influencing the initiation of strategic change.

2.2 Organisational culture

The concept of organisational culture first emerged in the 1970s and 1980s, and has evolved to become an important contingency factor in both the management literature and business practice (Brown, 1998; Hofstede, 2001; Schneider et al., 2013). Hofstede (2001, p.9) defines culture as the "collective programming of the mind that distinguishes members of one group or category of people from another". According to Brown (1998, p. 9), organisational culture refers to "the patterns of beliefs, values and learned ways of coping with experience that have developed during the course of an organisation's history and which tend to manifest in the material arrangements and behaviour of its members". A review of literature suggests that most studies in the literature have measured organisational culture using values as a common theme (e.g. Hofstede et al., 1990; O'Reilly et al., 1991).

Although there is no common definition of organisational culture in the literature, it is agreed that it plays a significant role in many organisational processes. Organisational culture is a key factor that has either a positive or a negative impact on organisations, and failing to take it into consideration can lead to undesired outcomes and resistance to change by employees (Baker, 2007). However, organisational culture is difficult to change and imitate because of its complexity (Chan et al., 2004) and because different subcultures operate independently from one another[3]. Thus, it is important that organisations recognise and consider subcultures when implementing strategic change to reduce the potential for resistance to change (Baker, 2007). Furthermore, differences in the organisational culture can affect the interpretation and perceptions of responses to strategic change (Schneider and De Meyer,

[3] Subcultures are based on either different divisions and/or departments within an organisation, groups of staff who have a specific function or the beliefs of like-minded individuals (e.g., religious, political or ethnic groups) (Baker, 2007). Most organisations are differentiated according to subcultures or subgroups defined by different values, beliefs and assumptions that compete with the dominant culture (Brown, 1998).

1991). For instance, a prospector-type organisation with a decentralised flexible structure is likely to identify opportunities within the environment and to respond to change in a proactive way (Meyer, 1982). However, an organisation that is subject to political influences and the interests of different groups is likely to interpret strategic issues as a threat due to the existence of competition and conflict for limited organisational resources (Schneider and De Meyer, 1991).

Therefore, organisational culture plays a central and vital role in fostering and facilitating strategic change. The assumptions, beliefs and values that characterise the existing organisational culture impacts the interpretation of the environmental stimuli and therefore determines what strategic responses will be undertaken, thereby influencing the level of strategic change (Johnson, 1987; Volberda, 1996). Management incorporates organisational culture into its organisational processes as a contingent management tool with which to manage strategic change (Zeffane, 1996). Organisations promote and enhance the cultural aspects that best reflect their distinctive competencies in order to achieve successful strategic change (Zeffane, 1996). However, according to the literature, overemphasising the role of organisational culture or a specific type of culture can become dysfunctional, resulting in the dissipation of strategic change objectives (Denison and Spreitzer, 1991; Zeffane, 1996).

Given its critical role within organisations in initiating and operationalizing strategic change, this study examines the role of organisational culture in influencing the initiation of strategic change. In operationalizing organisational culture, the study relies on the Organisational Cultural Profile (OCP) instrument developed by O'Reilly et al., 1991, hypothesising that five of the six dimensions of the measure (innovation, outcome orientation, attention to detail, respect for people and teamwork orientation) will influence the initiation of strategic change in local governments. The following sub-sections discuss the nature of the OCP instrument and how these five cultural dimensions are expected to influence strategic change.

2.2.1 Organisational Cultural Profile

Despite the provision of several instruments for measuring organisational culture in the literature, the OCP instrument is the most widely used by researchers due to its significant reliability and validity (Chatman and Jehn, 1994; Windsor and Ashkanasy, 1996; McKinnon et al., 2003; Sarros et al., 2005; Baird et al., 2007; Tung et al., 2011; Schneider et al., 2013). Thus, the OCP cultural dimensions of O'Reilly et al. (1991), as adapted by Windsor and Ashkanasy (1996), are adopted and applied in this study. Recently, the OCP was described as one of the most appropriate frameworks with which to measure organisational culture (Sarros et al., 2005). One of the reasons for this is that it facilitates the reflection on perceptions held by individuals about their "actual cultural values" (Baird et al., 2007). Therefore, in line with the first research question of the current study uses the OCP to evaluate the extent to which specific culture dimensions influence the initiation of strategic change in local governments.

2.2.2 The association between organisational culture and strategic change

This study develops four hypotheses to examine the influence of five cultural dimensions (i.e. innovation, outcome orientation, attention to detail, repect for people, and teamwork orientation) on stragic change with the nature of these associations discussed below.

Innovation

Innovation is defined as "business unit receptivity and adaptability to change, as well as willingness to experiment" (O'Reilly et al., 1991, p. 505). An Innovative culture is characterised by innovation, proactivity in taking up opportunities, risk-taking, action orientation and the willingness to experiment (O'Reilly et al., 1991). Innovation in an organisation involves the creation of new products and strategies, ensuring innovative

outcomes and encouraging change, which contributes to the achievement of a sustained competitive advantage (Kenny and Reedy, 2006; Goll et al., 2007). Regarding local governments, Newman et al. (2001, p. 61) define innovation as a "discontinuous or step change, as something which was completely new to a particular local authority, and a change which had already been implemented rather than just an aspiration or planned initiative".

Innovation significantly impacts work productivity and organisational performance (Yamin et al., 1997; Roper and Love, 2002; Said et al., 2003). Being open and responsive to new initiatives and opportunities, while taking risks, is encouraged in an innovative culture. Hassard and Sharifi (1989) suggest that an innovative culture is the key to organisational survival and success, and has a significant impact on strategic decision-making. In addition, organisations with strong innovative values are most successful within their industries and are considered to be more receptive to environmental opportunities and threats (Hitt et al., 1998). Given that there is increasing pressure on local governments to initiate change and improve their performance to provide effective delivery of public services, it is expected that an innovative culture will facilitate the change process in local governments. However, innovation is sometimes perceived to be a "fad" or fashionable as it constrains an organisation from effectively and incrementally adopting and sustaining change (Abrahamson, 1991; Ottenbacher and Harrington, 2010). This can occur when local government organisations tend to imitate other organisations in order to respond to external pressures. In this case, adopting innovation within local governments may be for legitimacy purposes rather than for enhancing the efficiency and effectiveness of their services (Johansson and Siverbo, 2009). Consequently, it is likely that organisations will encounter rejection when trying to implement innovative ideas (Abrahamson, 1991).

Innovation can facilitate the initiation of strategic change for several reasons. First, Garcia-Morales et al. (2006) suggest that a positive response to external change, and the promotion of new competences and capabilities to enhance performance, is more likely to occur in

organisations that promote an innovative culture. Thus, innovation can support local governments to change and respond to increasing pressure for accountability. Secondly, Volberda (1996) argues that an innovative culture helps to ensure that an organisation is more flexible to strategic change. Hence, local governments can better support change efforts by innovating and taking risks in initiating strategic change. Thirdly, innovation involves the creation of new ideas through the process of learning (Kontoghiorghes et al., 2005; Baird et al., 2012). Moreover, Jones et al. (2005) argue that an open system organisational culture which supports innovation, risk-taking, and learning is more likely to promote positive employee attitudes towards strategic change. Hence, innovation can encourage local governments to engage in organisational learning, which in turn will enhance their capacity to undertake successful strategic change.

Based on the discussion above, it is expected that the promotion of innovation within the organisation culture of local governments will encourage and lead to a greater degree of strategic change.

H1: There will be a positive association between a local government focus on the culture factor of innovation and strategic change

Outcome Orientation

The organisational cultural factor of outcome orientation refers to the extent to which organisations value actions, results and achievements, have high expectations for performance, and are competitive (O'Reilly et al., 1991). Outcome orientation also emphasises high efficiency, productivity and delivering products or services on time while controlling costs (O'Reilly et al., 1991; Miron et al., 2004). Outcome oriented organisations focus on results and endeavour to enhance their competitive advantage and performance (Baird and Harrison, 2017). To attain and facilitate enhancements in their competitive

advantages and results, local governments are expected to improve the quality of their services, to adjust their goals and thereby initiate strategic change. Hence, more outcome orientation organsiations are expected to engage in greater strategic change.

H2: There will be a positive association between a local government focus on the culture factor of outcome orientation and strategic change

Attention to Detail

Paying attention to detail involves being precise, careful, and complying with rules and procedures (O'Reilly et al., 1991). Product and/or service quality and efficiency of processes are valued in an organisational culture that is characterised by attention to detail. Further, attention to detail is valued in organisations where the focus is on standardisation, reliability, and conformity to rules and procedures (Detert et al., 2000; Miron et al., 2004; Garnett et al., 2008). An organisation that adopts this type of culture establishes a clear structure that can be used to guide employees on how much consideration to allocate to a given task (Miron et al., 2004). Consequently, the provision of precise and accurate information is ensured, thereby fostering effective decision-making.

Regarding local governments, Harrison and Baird (2014) reported that the organisational cultures of Australian public organisations were bureaucratic and hierarchal, with a focus on internal processes, formality, conformity and attention to detail. However, formality in rules and process and paying great attention to detail constrains the ability of organisations to deal with uncertainty, and therefore, its tendency to initiate strategic change. As those organisations emphasise the availability of adequate information to avoid the uncertainty associated with change, it is expected that such organisations will seek more stability rather than implement strategic change. Organisations set specific processes and procedures for their employees to follow and adhere in order to reduce ambiguity. However, those strict

processes and procedures obstruct change initiatives and the implementation of new development (Eby et al., 2000; Büschgens et al., 2013). Moreover, low levels of commitment, job satisfaction, job involvement, empowerment and loyalty are associated with work environments that incorporate a rule-oriented culture (Lund, 2003; Kaarst-Brown et al., 2004). This increases the likelihood of resistance to change, which represents a significant threat to the successful initiation of strategic change in organisations (Self and Schraeder, 2009).

Based on the discussion above, it is expected that local governments who adopt a rule-oriented culture with an emphasis on attention to detail will implement fewer strategic changes.

H3: There will be a negative association between a local government focus on the culture factor of attention to detail and strategic change

Respect for People/ Teamwork orientation

Sheridan (1992) defined the cultural dimensions of respect for people and teamwork orientation as key interpersonal relationship values. The OCP dimension of respect for people comprises values of fairness, tolerance, respect for individual rights and being socially responsible (Windsor and Ashkanasy, 1996). It is more likely that employees will be motivated to be loyal to their organisation and to work hard if they are treated fairly and with respect by their employer (Su et al., 2009). Kerr and Slocum (1987) also found that employee loyalty, commitment and job satisfaction were promoted in organisations with a culture of respecting people. Similarly, McKinnon et al. (2003) reported that an organisational culture in which respect for people was valued was associated with organisational commitment, job satisfaction and information sharing. The way in which organisations treat their employees and involve them in the process of change, is considered

to be a key determinant factor in deciding to pursue strategic change (Fedor et al., 2006). Hence, it can be argued that organisations that promote and value respecting the rights of individual employees are more likely to receive a positive reception from employees when implementing strategic change. Further, promoting the value of respect of people enables organisations to be open to their employees' concerns about the outcomes of change (Korsgaard et al., 1995), and therefore increases the likelihood of receiving a positive reaction to strategic change.

The OCP dimension of teamwork orientation comprises value statements of being people, team oriented, and being able to work in collaboration with others (Denis et al., 1996). Teamwork refers to "the extent to which employees work in unison to achieve organisational goals" (Baird and Wang, 2010, p. 579). It has become a vital management initiative across both private and public sectors (Gould-Williams and Gatenby, 2010), and has been demonstrated to enhance organisational and employees outcomes (Bacon and Blyton, 2000). Working as a team is considered to be an effective way of reorganising the manner of working (Procter and Currie, 2004). In addition, organisations in which teamwork is emphasised empower and encourage employees to take responsibility for their decisions and work (Baird and Wang, 2010). Thus, organisations will provide more autonomy and a great extent of delegation of decision-making authority to teams, thereby facilitating the response to uncertainties and problems or changes in the environment. Further, for successful implementation of strategic change, the collaboration between the organisation and its employees is needed. Organisations that adopt teamwork will provide the opportunity for their employees to be involved in strategic change initiatives, and therefore ensure their activities are directed to achieving organisational objectives (Chenhall and Langfield-Smith, 2003). In this way, working in teams encourages employees' readiness to collaborate in the strategic change process. Accordingly, it is likely that local governments that promote and encourage teamwork will initiate strategic change to a greater extent than those who don't.

Based on the discussion above, it is expected that local governments that emphasise the values of respect for people and teamwork orientation are associated with increased strategic change.

H4: There will be a positive association between a local government focus on the culture factor of Respect for people/Teamwork orientation and strategic change

2.3 The use of multidimensional performance measures

The importance of performance measurement systems (PMSs) in local governments is emphasised in the literature, with Australian local governments acknowledging that there is a need to improve PMSs as means of enhancing their accountability to their stakeholders. Since the NPM reforms, public sector organisations, including local governments, have faced increasing pressure to establish an effective PMS (Hood, 1995). The use of PMSs by local governments to track improvement in their performance and ensure that their goals and objectives are being met has become imperative (Baird et al., 2012). These systems enable organisations to motivate, monitor, control and reward employees; develop their skills, and promote good performance or manage it if it is poor (Lawler, 2003). Further, PMSs enhance the performance of employees and their organisation, and help to align organisational interests with the objective of achieving desired outcomes (Baird et al., 2012). PMSs also help organisations to realise their strategic objectives, as well as to plan, measure and manage their operations to ensure that decisions, resources and activities are reflected in their strategies (Bento and Bento, 2006; Grigoroudis et al., 2012). Thus, an effective PMS is essential in expediting an improvement in the performance of a public organisation, such as local government.

Until the late 1980s, traditional financial performance measures were used to gauge organisational success (Neely et al., 1995; Tseng, 2010). In particular, organisations used various financial measures such as return on investment (ROI), return on assets (ROA), and

earnings per share (EPS), to measure and evaluate their progress and financial position. The primary focus of these measures is on costs and profits that capture the financial outcomes of organisational activities in the past (Upadhaya et al., 2014). However, financial measures have been criticised as being insufficient and inappropriate in reflecting an organisation's position as a result of increasing competition and complexity in businesses and markets (Ittner and Larcker, 1998; Kennerley and Neely, 2002). Johnson and Kaplan (1987) argue that traditional performance measures are not only too late and too aggregate, but also poor proxies for aspects that matter to customers such as quality and delivery speed. Furthermore, rapid changes in business and technology have increased competition among and across industries, creating the need for companies to response to customer needs and expectations (Kaplan and Norton, 1996a). Hence, it has been argued that financial measures are inadequate because they focus on short-term and past information, and thus cannot provide the necessary strategic planning information required to maintain a competitive advantage (Perera et al., 1997). The limitations and deficiencies of traditional financial measures (a cost-based system) have motivated researchers and practitioners to ascertain how organisations can establish PMSs that reflect their current and future position (Kennerley and Neely, 2002). Hence, due to the limitations of financial measures, organisations have moved toward using PMSs that incorporate multidimensional performance measures (i.e. a blend of financial and non-financial measures).

The literature emphasises the importance of using a combination of financial and non-financial performance measures due to the limitations of a traditional financial measurement system in reflecting current changes in the environment and strategies (Kaplan and Norton, 1996a; Upadhaya et al., 2014). Organisations are motivated to use non-financial measures because they require the proper implementation of management strategies in order to overcome the deficiencies inherent in short-term financial measures (Said et al., 2003). The incorporation of non-financial measures results in positive outcomes for organisations,

including enhanced performance (Said et al., 2003) and the increased ability of the organisation to evaluate and determine its progress in achieving its objectives (Kaplan and Norton, 1996a). The inclusion of non-financial measures also enhances the quality of organisational strategies and helps organisations to align the endeavours of their managers with strategic quality goals (Perego and Hartmann, 2009). Consequently, academics have introduced and developed various multidimensional performance measures systems such as the Performance Pyramid (Lynch and Cross, 1991), Results and Determinants Framework (Fitzgerald et al., 1991) and the Balanced Scorecard (Kaplan and Norton, 1992). Among these systems, the Balanced Scorecard (BSC) is the most recognized and applied contemporary PMS, and hence is adopted in this study. Specifically, this study examines the impact of using multidimensional performance measures, operationalised in respect to the four dimensions of the BSC (financial, internal business processes, customer and learning and growth) on strategic change.

Kaplan and Norton (1992) introduced the BSC as a multidimensional PMS that complemented financial measures with three categories of non-financial measures: customer[4], internal business processes[5], and learning and growth[6]. The nonfinancial measure aspect of the BSC can serve a dual role in the public sector as a PMS to guide performance and a tool to enhance public accountability (Kaplan and Norton, 1992; Kaplan, 2001). Hence, the performance of public sector organisations, including local governments, should be based on multidimensional measures, rather than financial aspects only (Modell, 2004; Lee, 2008). The use of a multidimensional performance approach plays a critical role in performance measurement and in the discharge of public accountability performance (Lee,

[4] The customer perspective measures organisational performance with targeted customer's segments, using measures such as market share, customer satisfaction, customer retention, new customer acquisition, and customer profitability.

[5] The internal business processes perspective includes measures such as product design, product development, efficiency, and quality.

[6] Learning and growth perspective measures the ability of organisational procedures, employees, and organisation's information system to manage the business and adapt to change, including measures such as employee motivation and employee retention.

2008). Lee and Fisher (2007) concluded that managers in the public sector use both financial and non-financial data when making decisions and evaluating organisational performance. Accordingly, this study examines the association between the use of multidimensional performance measures and strategic change.

2.3.1 The association between the use of multidimensional performance measures and strategic change

Multidimensional PMSs assist organisations to ensure that all the related performance dimensions are considered (Ittner et al., 2003). Furthermore, Van der Stede et al. (2006) found that organisations that use PMSs with objective and subjective non-financial measures, achieve better performance. Van der Stede et al. (2006) also demonstrate that using non-financial measures enhances the ability of organisations to execute and manage new initiatives. In local governments, organisational objectives are often defined in non-financial terms. Therefore, it is likely that using multidimensional performance measures will assist local governments to consider all the relevant performance dimensions to provide accurate performance evaluation. Furthermore, local governments are non-profit organisations and have multiple stakeholders (Schraeder et al., 2005). Hence, using the multidimensional performance measures provides a comprehensive overview of organisational performance, which help local governments to enhance public services.

The use of multidimensional performance measures is expected to enable local governments to initiate and facilitate the strategic change process. First, the use of multidimensional performance measures allows local governments to address environmental changes and uncertainties through monitoring and tracking the core capabilities of their organisational processes, thereby ensuring the efficacy of their organisational processes (Kaplan and Norton, 1996a; Hoque, 2005). Local governments often set their objectives in non-financial statements, and therefore the use of non- financial measures will provide accurate information about performance. Hence, local governments will be able to assess the need for

change, evaluate their ability to initiate change, and assess the progress of the change process. Secondly, using multidimensional performance measures helps local governments to evaluate the position of their progress toward achieving long-term organisational strategies and objectives (Kaplan and Norton, 1996a). The use of traditional financial measures provides short-term information that cannot adequately support local governments to achieve long-term survival. Hence, the use of a combination of financial and non-financial measures captures all the relevant aspects of local governments' performance to help them make a successful strategic change. Thirdly, the use of multidimensional provides specific non-financial information such as customer satisfaction, employees' satisfaction and quality of services, which provides local government with adequate and proper information for decision-making to guide them toward achieving successful strategic change. Accordingly, it can be argued that the use of multidimensional performance measures has a positive influence on strategic change, leading to the following hypothesis:

H5: The use of multidimensional performance measures in local governments is positively associated with strategic change

2.4 The impact of strategic change on organisational performance

The second category of the strategic change literature focuses on the consequences and outcomes of strategic change, examining the performance implications of strategic change (Rajagopalan and Spreitzer, 1997; Herrmann and Nadkarni, 2014). The empirical literature on the association between strategic change and organisational performance has seen contradictory results (Rajagopalan and Spreitzer, 1997; Zhang and Rajagopalan, 2010). For example, the influence of strategic change on organisational performance might be adaptive, supporting organisations in overcoming organisational inertia and allowing them to be more innovative and adaptive to change (Romanelli and Tushman, 1994). However, strategic change can also be disruptive to organisations and affect them negatively by leading to ineffective resource allocation, which reduces performance (Zajac et al., 2000).

Some studies have found that strategic change leads to improvement in organisational performance; for example, Haveman (1992) found that strategic change enhanced organisational financial performance and the likelihood of survival. Zajac and Kraatz (1993) examined how environmental and organisational pressures forced organisations to undergo strategic changes that enhanced organisational performance. In addition, Hambrick and Schecter (1983) concluded that the type of strategic change and the nature of the industry environment influenced the relationship between strategic change and organisational performance.

However, in other studies, strategic change was found to have a negative effect on organisational performance and on the likelihood of survival (Singh et al., 1986; Kraatz and Zajac, 2001; Naranjo-Gil et al., 2008). Other researchers such as Smith and Grimm (1987) found mixed results. Notably, they found that, in response to environmental change, organisations that implemented strategic changes achieved better performance than organisations that did not make any changes, and the effect on organisational performance depended on the kind of strategic change pursued. Other studies report no relationship between strategic change and performance (Zajac and Shortell, 1989; Kelly and Amburgey, 1991). Zajac and Shortell (1989) found that organisations that implemented strategic changes did not outperform organisations that did not change, and observed that change in the external environment was not a good predictor of performance differences. More recently, strategic change has been reported to have a positive influence on long-term performance and a conversely negative effect on short-term performance (Naranjo-Gil, 2015). Other researchers have argued that strategic change has an inverted "U" shaped relationship with performance (Zhang and Rajagopalan, 2010; Yi et al., 2015).

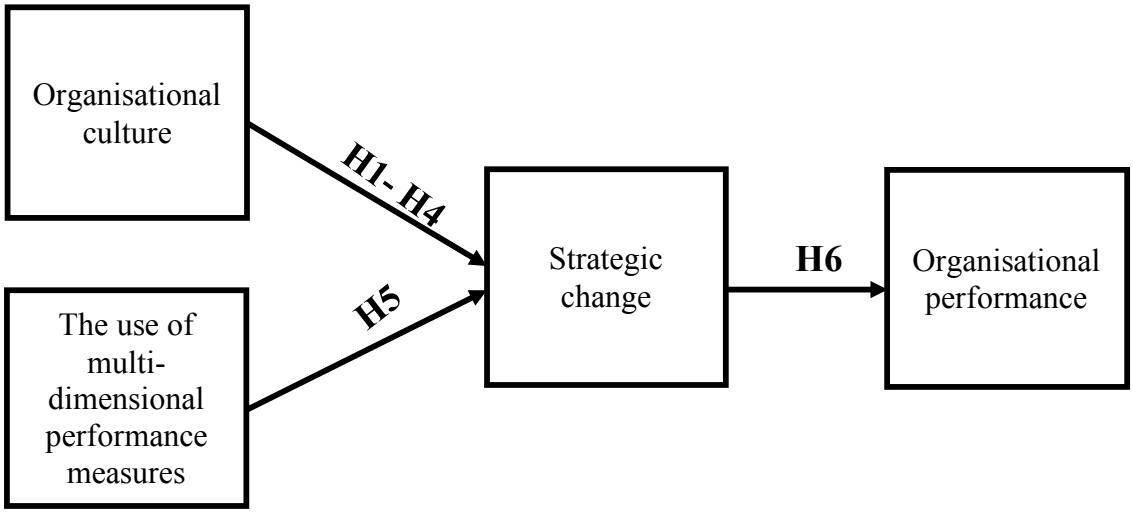
Hence, there is a heightened need to understand the nature of the strategic change-performance relationship in local government as a result of the mixed findings in the

literature. Given the uncertainty in regard to the nature of this relationship, the following hypothesis is stated in the null form:

H6: There will be no association between strategic change and organisational performance

Figure 2.1 below summarises the hypotheses of this study.

Figure 2.1 Hypotheses summary



2.5 Chapter summary

This chapter provided an overview of the previous research on the factors influencing the initiation of strategic change and the impact of strategic change on performance. Relevant hypotheses have been developed concerning the impact of organisational culture and the use of multidimensional performance measures on strategic change, and to the impact of strategic change on performance. The next chapter discusses the research method used in this study.

CHAPTER THREE: RESEARCH METHOD

This chapter describes the research method used in this study and is divided into six sections. Section 3.1 justifies the choice of the mail survey method for data collection. Section 3.2 presents an overview of the procedures used to design the survey questionnaire. Section 3.3 describes the data collection process which includes identifying the unit of analysis, calculating the sample size, and noting the procedures used to distribute the survey. Sections 3.4 and 3.5 then describe the measurement of the dependent and independent variables respectively. Finally, Section 3.6 considers the response rate and nonresponse bias. Finally, Section 3.7 provides the summary of the chapter.

3.1 Justification of the mail survey method

There are different types of research approaches such as qualitative and quantitative study approaches. However, selecting the proper research approach depends on the aim of the study and the type of data required to respond to the research question. As the research questions of this study relate to (1) the association between organisational culture and the use of multidimensional performance measures with strategic change and (2) the association between strategic change and performance, the quantitative approach is appropriate to address these research questions. The quantitative method examines the relationship between the independent variables and their effect on the dependent variables. In addition, the quantitative method enables the researcher to objectively and systemically address the research question, thereby attaining unbiased results and conclusions and increasing the generalisability of the results.

This study uses the survey method to collect data for several reasons. First, the survey method is suitable for empirical testing of the causal association amongst numerous variables. Given the primary purpose of this study is to examine the association between two contingency factors and strategic change and the association between strategic change and

organisational performance in Australian local governments, the survey method is considered appropriate. Secondly, using the survey method provides more detailed and accurate information about a large population. Hence, given that this study aims to examine strategic change in Australian local governments and requires a large sample to obtain adequate information, the survey method is suitable for this study. Thirdly, using the survey method allows for the consideration of various topics which can be answered by participants. Finally, the data collected with the survey method can be statistically analysed, which can provide more objective and generalizable results.

Although there are different types of surveys available, this study uses the mail survey method. First, collecting the data using the mail survey is efficient, cost-effective and timely, and enables sufficient data to be collected to examine numerous variables and statistically test multiple hypotheses. Further, the mail survey can reduce the researcher's bias because he or she is not able to influence the subjects' responses. The respondents are also free to answer the questionnaire at any time, as direct contact with researcher is avoided. Also, using the mail survey method allows the researcher to access a wider geographic coverage, which enhances the external validity and sample representation. In addition, using the mail survey method will provide more accurate and detailed information for a large population, which will reduce sampling errors.

Although other survey methods are available, they were deemed unsuitable for this study. An internet survey was not chosen because it could result in a lower response rate than a mail survey (Singleton and Strait, 2010) due to the ability to ignore or delete emails. An interview-based survey was also rejected because of time limitations and as the study's sample covered a wide geographic dispersion of local governments in Australia. Finally, a telephone-based survey was not selected because of the huge amount of time needed to contact the participants and collect the required data from them.

3.2 Design of the survey questionnaire

The questionnaire was administrated using Dillman's (2007)Tailored Design Method with the questionnaire structured in a "respondent-friendly" style to maximise the response rate. Specifically, the questionnaire was framed using simple worded questions and printed in colour to enhance the likelihood that respondents would complete the questionnaire. Further, the questionnaire was designed to be as straightforward and concise as possible. Specifically, four questions were included in a four-page questionnaire collated and printed in a booklet format (see Appendix 1). The questionnaire was designed to take no more than ten minutes to complete, and its completion did not require the participants to access any organisational records. Moreover, the contact information for the researcher was included to clarify any questions, thereby reducing the likelihood of receiving uncompleted questionnaires due to insufficient information or a lack of understanding on the part of the respondents.

As the main purpose of the study was to examine factors that influence strategic change in local governments, the question about strategic change came first. In addition, the questions were close-ended and required the participants to only tick one box for each answer. All the measures were obtained from previous studies to enhance the reliability, and a five-point Likert scale ranging from "Not at all" to "To a great extent" was applied to all of the questions, except for one question which used anchors of "Strongly disagree" to "Strongly agree".

3.3 Data collection

This section consists of three parts. Section 3.3.1 defines the unit of analysis, Section 3.3.2 provides details of the calculation of sample size and sample selection and Section 3.3.3 then describes the procedures for survey distribution.

3.3.1 Unit of analysis

The unit of analysis for this study is individual Australian local governments. As the focus of this study is strategic change, respondents were required to complete the questionnaire concerning their entire local government organisation.

3.3.2 Sample size

This study defines the population as the 538 local governments located in seven Australian states/ territories. Therefore, this study examines the entire population in order to get further insights into the strategic change in local governments. Hence, it uses the total population sample technique. The advantage of this technique is to make the sample more purposive and more easily generalisable to the population, thus increasing the reliability and validity of the results.

3.3.3 Survey distribution procedures

The survey questionnaires were mailed to 538 Australian local governments located in New South Wales (NSW), Queensland (QLD), Victoria (VIC), Western Australia (WA), South Australia (SA), Tasmania (TAS) and the Northern Territory (NT). One questionnaire was sent to either the General Manager or Chief Executive Officers (CEOs) of each local government. General Managers or CEOs possess knowledge regarding the strategic position and strategic goals of local governments, and therefore were considered to be appropriate respondents to complete the questionnaire.

Contact information, including the names and postal addresses of the CEOs and General Managers were obtained from the Australian Local Government Association website, and from the official websites of the respective state governments. One questionnaire was sent to each council along with a cover letter printed on official university letterhead, a pre-numbered pre-paid reply postcard and a pre-paid reply envelope. The cover letter explained

the purpose of the study, included the contact information of the researcher, and explained the purpose of using the postcard. Further, to encourage a highest response rate, the cover letter was printed on official university letterhead and signed by the researcher. The self-addressed pre-paid reply postcard had an identification number to enable identification of respondents without compromising the confidentiality of their responses, and to ensure that the follow-up mail-out would only be sent to non-respondents. Further, respondents were asked to indicate their willingness to participate in future research on strategic change, and whether they wished to receive a copy of the results of the study. The follow-up mail-out was sent to non-respondents four weeks after the initial survey was mailed and included a cover letter, a questionnaire, a pre-paid reply postcard and a pre-paid reply envelope.

3.4 Measurement of dependent variables

3.4.1 Strategic change

Choosing the appropriate measure for strategic change depends on the adopted definition of strategic change. For instance, the narrow definition of strategic change focuses on changes in strategy, and hence, prior research has measured strategic change by using a continuum of the degree of movement between the defender and the prospector positions (e.g. Shortell and Zajac, 1990; Abernethy and Brownell, 1999; Naranjo-Gil and Hartmann, 2007; Naranjo-Gil, 2015). However, this study adopts a broader definition of strategic change which includes changes in organisational strategy and changes in the organisation as well. Accordingly, strategic change was measured by requiring respondents to indicate the extent to which their organisation had undergone change in respect to 13 different aspects of strategic and organisational change during the past two years, on a five-point Likert scale with anchors of (1) “Not at all” and (5) “To a great extent”, (See Question 1 in Appendix A).

We conducted factor analysis of the 13-item measure of strategic change, with the results in Table 3.1 showing that the 13 items loaded on to three specific factors, which accounted for 54.57% of the total variance.

Table 3.1 Factor analysis of strategic change

Items	Components		
	1	**2**	**3**
1) Business unit vision, mission, goals	-.011	**0.740**	0.318
2) Restructuring	0.252	0.**757**	0.026
3) Range of product/service lines	0.431	0.**480**	0.203
4) New technology adoption	0.061	0.074	**0.845**
5) Research and development	**0.489**	0.100	0.479
6) Branding and Marketing strategies	0.259	0.355	**0.420**
7) Geographic coverage	0.320	**0.592**	0.048
8) Human resources management	0.389	0.251	**0.531**
9) Product / service quality	**0.671**	0.123	0.268
10) Product/service pricing	**0.672**	0.248	0.204
11) Business partnership	**0.581**	0.155	0.379
12) Distribution channels	**0.773**	0.258	-0.095
13) Financing of operations	**0.663**	0.203	0.197
Variance explained (%)	38.64	8.1	7.83

Table 3.2 shows the measures that loaded on to each dimension. The first dimension was labelled "Product change", the second dimension was labelled "Structural and directional change", and the third dimension was labelled "Operational change". The Cronbach alpha for the "Product change" and "Structural and directional change" dimensions were within or close to the required (0.70) standard of reliability (Nunnally, 1978) (see Table 3.3). However, the Cronbach alpha for the third dimension was relatively low at (0.56), and hence it was excluded from the subsequent analysis.

Table 3.2 Items loading on the of strategic change dimensions

Dimensions	Items loaded on the dimensions
Product change	5) Research and development 9) Product/service quality 10) Product/service pricing 11) Business partnership 12) Distribution channels 13) Financing of operations
Structural and directional change	1) Business unit vision, mission, goals 2) Restructuring 3) The range of product/service lines provided 7) Geographic coverage
Operational change	4) New technology adoption 6) Branding and marketing strategies 8) Human resources managements

Table 3.3 Reliability test of strategic change factors

Dimensions	Number of items	Cronbach's Alpha
Product change	178	0.81
Structural and directional change	181	0.67
Operational change	182	0.56

3.4.2 Organisational performance

This study measured organisational performance using a six item instrument. The first three cover financial measures adopted from Henri (2006a) (i.e. profit, sales and return on investment (ROI)), and the next three items cover nonfinancial measures adopted from Su et al. (2015) (i.e. product quality, customer retention and employee turnover). These six items measure the financial, customer, internal process and employee perspectives of organisational performance. Respondents were required to indicate the level of their agreement with statements in respect to their council's performance in respect to each of the six measures using a five-point Likert scale with anchors of (1) indicated "Strongly disagree" and (5) "Strongly agree". Factor analysis of the organisational performance items indicated that the all of the measures loaded on to one dimension which was labelled "Performance".

3.5 Measurement of independent variables

3.5.1 Organisational culture

Although several instruments are available to measure organisational culture, this study measured it using the Organisational Cultural Profile (OCP) of O'Reilly et al. (1991), as adapted by Windsor and Ashkanasy (1996). The OCP has been widely used and is validated in the literature (Chatman and Jehn, 1994; Windsor and Ashkanasy, 1996; McKinnon et al., 2003; Sarros et al., 2005; Baird et al., 2007; Tung et al., 2011; Schneider et al., 2013). This version contains 26 value statements from the original OCP version[7], which are divided into six cultural dimensions: Innovation, Outcome Orientation, Respect for People, Attention to Detail, Teamwork Orientation and Stability. Respondents were asked to indicate the extent to which each item was valued in their organisation on a five-point Likert scale with anchors of (1) "Not valued at all" to (5) "Valued to a very great extent" (See Question 2 in Appendix A).

Factor analysis of the organisational culture measure (see Table 3.4) shows that the 26-items loaded onto five dimensions. The second dimension is "Innovation"; the third dimension is "Attention to detail"; and the fifth dimension is "Stability". However, Table 3.4 shows that 12 of 26 items loaded on to dimension 1. These items cover three dimensions of organisational culture: respect for people, teamwork orientation and outcome orientation. Given there is evidence that the teamwork and respect for people dimensions have loaded together in previous studies (Tung et al., 2011; Baird et al. (2012), we included these items as a combined dimension, with the remaining items, added together to represent outcome orientation. Hence, as shown in Table 3.5, there were five dimension which accounted for 68.75% of the total variance. Table 3.5 shows the measures that loaded on to each dimension

[7] The OCP as developed originally by O'Reilly et al. (1991) consists of 54 items that capture seven cultural dimensions.

of organisational culture, with Table 3.6 showing that the Cronbach alpha scores for each factor, are higher than the required score (0.70) (Nunnally, 1978), indicating that the measures of each of the organisational culture dimensions are reliable.

Table 3.4 Factor analysis of organisational culture

Items	Factors				
	1	**2**	**3**	**4**	**5**
1) Fairness	**.835**	.056	.189	-.060	.229
2) Respect for the rights of the individual	**.850**	.072	.182	-.007	.194
3) Tolerance	**.856**	-.055	.093	.074	.032
4) Being socially responsible	**.813**	.057	.197	.173	.081
5) Being competitive	.253	.280	.211	**.478**	-.251
6) Being achievement oriented	**.673**	.464	.242	-.036	-.050
7) Having high expectations for performance	**.627**	.485	.284	-.056	.023
8) Being results oriented	**.669**	.410	.308	-.045	-.107
9) Being analytical	**.506**	.324	.403	.135	-.308
10) Being people oriented	**.788**	.217	.134	-.142	.191
11) Being team oriented	**.824**	.260	.104	-.101	.145
12) Working in collaboration with others	**.785**	.305	.022	-.122	.197
13) Being action oriented	**.537**	.464	.217	.055	.139
14) Willingness to experiment	.184	**.711**	.049	.213	-.121
15) Not being constrained by many rules	-.029	.162	-.092	**.735**	-.007
16) Being quick to take advantage of opportunities	.365	**.619**	-.112	.335	.158
17) Being innovative	.451	**.665**	.126	.079	.025
18) Risk taking	-.045	**.687**	-.224	.411	.060
19) Being careful	.191	-.124	**.691**	-.005	.093
20) Paying attention to detail	.415	.302	**.655**	-.116	.262
21) Being precise	.317	.349	**.675**	-.047	.240
22) Being rule oriented	.044	-.024	**.767**	-.051	.141
23) Security of employment	.240	.013	.321	-.055	**.767**
24) Stability	.315	.029	.299	.044	**.760**
25) Being aggressive	-.268	.196	-.053	**.709**	.022
26) Predictability	.160	-.352	.474	**.419**	.295
Variance explained (%)	29.108	13.307	11.897	7.368	7.065

Table 3.5 Items loaded on the dimensions of organisational culture

Dimensions	Items loaded on the dimensions
Respect for people/ Team Orientation	1) Fairness 2) Respect for the rights of the individuals 3) Tolerance 4) Being socially responsible 10) Being people oriented 11) Being team oriented 12) Working in collaboration with others
Innovation	14) A willingness to experiment 16) Being quick to take advantage of opportunities 17) Being innovative 18) Risk taking
Attention to detail	19) Being careful 20) Paying attention to detail 21) Being precise 22) Being rule oriented
Outcome orientation	6) Being achievement oriented 7) Having high expectations for performance 8) Being results oriented 9) Being analytical 13) Being action oriented
Stability	23) Security of employment 24) Stability

Table 3.6 Reliability tests of cultural factors

Cultural factors	Number of items	Cronbach's Alpha
Teamwork/Respect for people	180	0.94
Innovation	182	0.82
Attention to detail	183	0.81
Outcome orientation	182	0.90
Stability	180	0.84

3.5.2 Multidimensional performance measures

The use of multidimensional performance measures was measured based on a question covering 26 financial and nonfinancial performance measures identified in the literature (e.g. Henri, 2006b; Hoque and James, 2000). Respondents were asked to indicate the extent of their use of the multidimensional performance measures. Specifically, they were asked to indicate the extent to which their council used multidimensional performance measures to evaluate their council's performance on a five-point Likert scale with anchors of (1) 'Not at all' to (5) 'To a great extent' (See Question 3, Appendix A).

Factor analysis shows that 25 out of the 26 items loaded onto six dimensions, which accounted for 65.79% of the total variance (see Table 3.7). Dimensions 1 and 3 both included items in respect to internal business processes and were therefore combined. The second dimension was labelled "Learning and Growth", the fourth dimension was labelled "Financial", the fifth dimension was labelled "Customer", and the sixth dimension was labelled "Quality". Table 3.8 shows the measures that loaded to each dimension.

Table 3.7 Factor analysis of multidimensional performance measures

Items	Factors					
	1	2	3	4	5	6
1) Sales revenue	.447	.050	-.202	**.411**	.007	.099
2) Cash flows	.064	-.029	.015	**.825**	.030	.077
3) Operating income	.042	-.060	.089	**.783**	.157	.005
4) Return on Investment	.329	.160	.282	**.570**	-.044	-.180
5) Debt ratio	-.101	.060	.270	**.614**	.056	.007
6) Surveys of customer satisfaction	-.162	.057	.140	.002	**.820**	.014
7) Number of customer complaints	.079	.059	.098	.096	**.853**	.035
8) On-time product delivery	.303	.083	.239	.214	.459	.123
9) Number of new customers	**.740**	.286	-.085	.184	.079	.110
10) Sales to new customers as a proportion	**.775**	.315	-.130	.070	-.046	.014
11) Level/hours of training	.330	**.733**	.033	-.031	.013	.090
12) Staff turnover rates	-.054	**.583**	-.011	.391	.296	.214
13) Improvements made to employee facilities	.293	**.700**	.075	-.043	.044	.224
14) Time spent developing employee programs	.224	**.807**	.197	.018	.047	.024
15) Employee satisfaction ratings	-.080	**.479**	.278	.093	.536	.032
16) Suggestions implemented per employee	.451	**.486**	.165	-.083	.322	-.180
17) Cost effectiveness of providing services	-.039	.038	**.716**	.166	.305	.132
18) Usage/wastage of resources	.055	.067	**.780**	.163	.153	.236
19) Productivity	.073	.203	**.817**	.122	.119	.115
20) Cycle time	**.640**	.188	.435	-.071	-.011	.026
21) Hours/number of machine breakdowns	.428	.251	.219	.017	.003	**.551**
22) Quality of products	.128	.070	.137	-.038	.084	**.874**
23) Costs of quality	.377	.194	.276	.121	.037	**.644**
24) Internal product defect rates	**.734**	.012	.171	.091	.055	.401
25) Number of product returns	**.825**	.105	.057	-.002	-.041	.183
26) Expenditure on warranty claims	**.854**	.121	.036	-.008	-.025	.121
Variance explained (%)	27.85	13	8.42	6.95	4.98	4.59

Table 3.8 Items loaded of multidimensional performance measure dimensions

Dimensions	Items loaded on the dimensions
Internal Business processes	9) Number of new customers 10) Sales to new customers as a proportion 17) Cost effectiveness of providing services 18) Usage/wastage of resources 19) Productivity 20) Cycle time 24) Internal product defect rates 25) Number of product returns 26) Expenditure on warranty claims
Learning and Growth	11) Level/hours of training 12) Staff turnover rates 13) Improvements made to employee facilities 14) Time spent developing employee programs 15) Employee satisfaction ratings 16) Suggestions implemented per employee
Financial	1) Sales revenue 2) Cash flows 3) Operating income 4) Return on Investment 5) Debt ratio
Customer	6) Surveys of customer satisfaction 7) Number of customer complaints
Quality	21) Hours/number of machine breakdowns 22) Quality of products 23) Costs of quality

Table 3.9 shows the Cronbach alpha scores for each factor, meet the acceptable score of reliability (0.70) (Nunnally, 1978).

Table 3.9 Reliability tests of multidimensional performance measure factors

Factors	Number of items	Cronbach's Alpha
Internal Business processes	177	0.84
Financial	181	0.81
Learning and Growth	177	0.70
Customer	183	0.75
Quality	183	0.78

3.6 Response rate and non-response bias

3.6.1 Response rate

A total of 94 completed questionnaires were returned within four weeks of the initial mail-out representing an initial response rate of 17.47%. Using the postcards, local governments who did not respond to the initial mail were identified. The follow-up mail-out was

distributed four weeks after the initial mail-out, and a further 89 completed questionnaires were received within another three weeks, representing an extra 16.54% response rate. Accordingly, the total response rate was 183 completed questionnaires (34.01%).

3.6.2 Non-response bias

Non-response bias can be tested using late responses as a proxy for non-respondents (Roberts, 1999). In other words, non-response bias can be assessed by comparing the mean scores of early respondents (i.e. initial mail-out) with those of late respondents (i.e. follow-up mail-out). A one-way ANOVA was used to compare the early and late respondents for each of the dependent and independent variables. The results in Table 3.10 show that with the exception of product change (p = 0.031), there were no significant differences between the data between the early and late respondents. This indicates that non-response bias was not a problem. In addition, a comparison of the mean size of the early and late responding also revealed no significance difference, thereby considering that non-response bias was not a problem.

Table 3.10 Results of One-way ANOVA comparing the mean values of all the variables between early and late respondents

Variables	Early respondents	Late respondents	F-value	P-value
	Mean (St. Dev.)	Mean (St. Dev.)		
Performance	3.23 (0.78)	3.27 (0.58)	0.193	0.661
Product change	2.50 (0.70)	2.73 (0.71)	4.708	**0.031**
Structural change	2.65 (0.71)	2.84 (0.85)	2.655	0.105
Respect for people/ Teamwork	1.83 (0.78)	1.95 (0.94)	0.985	0.322
Outcome orientation	2.20 (0.75)	2.17 (0.79)	0.058	0.811
Innovation	2.73 (0.70)	2.52 (0.81)	3.326	0.070
Attention to detail	2.45 (0.68)	2.51 (0.72)	0.386	0.535
Stability	2.24 (0.88)	2.47 (0.84)	3.187	0.076
Use of multidimensional performance measures	3.12 (0.52)	3.06 (0.51)	0.642	0.424

3.7 Chapter summary

This chapter includes a description of the research methodology for collecting data to test the developed hypotheses. This study employed a mail survey method for data collection, and the procedures for designing the survey and the process for collecting data are described in this chapter as well. The measurements of the dependent and independent variables are defined and explained. The survey was sent to a total of 538 local governments within seven states and territories; a total of 183 completed questionnaires were returned, representing a response rate of 34.01%. Non-response bias was assessed, indicating that it was not an issue.

CHAPTER FOUR: RESULTS

This chapter presents the results of the study. Section 4.1 provides the demographic information and descriptive statistics of the independent (organisational culture and the use of multidimensional performance measures) and dependent variables (strategic change and organisational performance). Section 4.2 then presents the results of the structural equation model used to test the hypotheses. Finally, Section 4.3 provides the summary of the chapter.

4.1 Descriptive statistics

Table 4.1 provides information regarding the response rate, the profile of the respondent local governments (i.e. state and size), and other demographic statistics (i.e. gender and title of current position). Panel A reveal that a total of 183 completed questionnaires were returned, representing a response rate of 34.01%. Panel B reveals that most of the respondents were from NSW and WA (26.2% and 21.9% respectively), while the majority have a population size of up to 5000 (30.1%) and between 5001 to 20000 (29.4%), with only 12.6% of local governments having a population size more than 100000. Finally, Panel C shows that the majority of respondents were males (78.1%), with only 21.9% of female respondents.

Table 4.1 Demographic information

Panel A: Response rate			
Local governments	**Sample** 538	**Response** 183	**%** 34.01
Panel B: Respondent's local governments profile			
State	**Frequency**	**%**	
NSW	48	26.2	
VIC	29	15.8	
QLD	22	12.0	
SA	22	12.0	
WA	40	21.9	
TAS	18	9.9	
NT	4	2.2	
Size (population)*			
Up to 5000	43	30.1	
5001 to 20000	42	29.4	
20001 to 50000	27	18.9	
50001 to 100000	13	9.1	
Over 100000	18	12.6	
Panel C: Respondent's demographic statistics			
Gender	**Frequency**	**%**	
Male	143	78.1	
Female	40	21.9	
Title of current position*			
CEO	96	60	
General manager	64	40	

* NB: Not all respondents completed these questions.

The descriptive statistics for each of the independent and dependent variables are presented in Table 4.2. The mean score for organisational performance is (3.25). The mean score for the structural and directional change (2.74) is slightly higher than the mean score for product change (2.61), although both are below the middle of the range. In respect to the organisational culture dimensions, respect/teamwork has the highest mean score (4.10) followed by outcome orientation (3.81), stability (3.64), attention to detail (3.52) and innovation (3.37). This indicates that the respect/teamwork is valued to the greatest extent in local governments whereas innovation is valued to the least extent. The mean score for the extent to which local governments use the multidimensional performance measures is (3.09).

Table 4.2 Descriptive statistics for all the dependent and independent variables

Variables	N	Actual (Theoretical) Minimum	Actual (Theoretical) Maximum	Mean	Std. Dev.
Performance	173	1.17 (1)	5.00 (5)	3.25	0.70
Product change	178	1.00 (1)	4.33 (5)	2.61	0.72
Structural change	181	1.00 (1)	5.00 (5)	2.74	0.79
Respect/Team	180	1.00 (1)	5.00 (5)	4.10	0.86
Outcome orientation	182	1.00 (1)	4.80 (5)	3.81	0.77
Innovation	182	1.00 (1)	4.50 (5)	3.37	0.76
Attention to detail	183	1.00 (1)	4.75 (5)	3.52	0.70
Stability	183	1.00 (1)	5.00 (5)	3.64	0.87
The use of multidimensional performance measures	171	1.75 (1)	4.60 (5)	3.09	0.51

4.2 Structural equation modelling analysis

This study uses structural equation modelling (SEM) to test the hypotheses. In order to ensure the model has a good fit, the paths that were not significant were removed until all remaining paths in the model were significant (Anderson and Gerbing, 1988). Figure 4.1 shows the results of the structural equation model with the results of the path analysis presented in Table 4.3.

Figure 4.1 Results of the structural equation model (SEM)

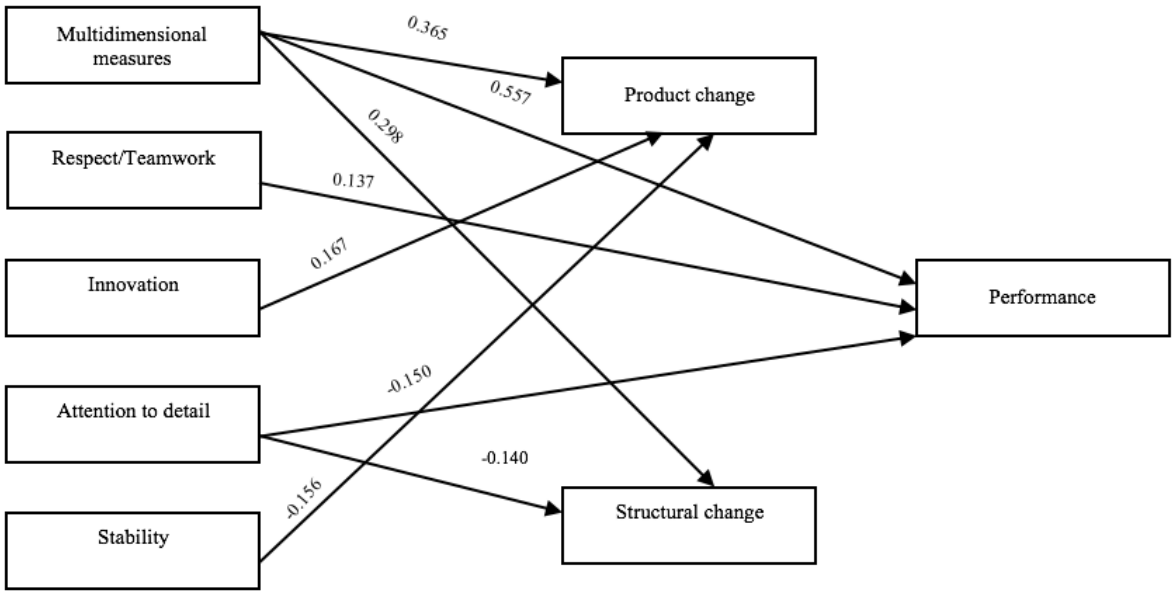


Table 4.3 Results of the path analysis testing the hypotheses

Regression path	Std. beta	Std. error	Critical ratio	P- value
The use of multidimensional measures → Product change	0.365	0.97	3.777	0.000
The use of multidimensional measures → Structural change	0.298	0.111	2.679	0.007
Innovation → Product change	0.167	0.055	3.063	0.002
Stability → Product change	-0.156	0.049	-3.211	0.001
Attention to detail → Structural change	-0.140	0.071	-1.978	0.048
The use of multidimensional measures → Performance	0.557	0.091	6.134	0.000
Respect/Teamwork → Performance	0.137	0.062	2.205	0.027
Attention to detail → Performance	-0.150	0.076	-1.975	0.048

The results of the model fit (CMIN/DF = 0.814; CFI = 1.000; RSMA = 0.000) indicates a good fit of the model[8]. In respect to the association between organisational culture and strategic change, the cultural dimension of innovation was found to be positively related to

[8] A good model has values of CMIN/DF <3 (Ullman and Bentler, 2003) , CFI > 0.9 (Byrne, 2013), and RMSEA < 0.05 (Schermelleh-Engel et al., 2003).

product change (β = 0.167; p = 0.000). However, no significant association was found between innovation and structural change. Therefore, there is a partial support for Hypothesis 1. No association was found in respect to the influence of outcome orientation on strategic change, and therefore Hypothesis 2 is not supported.

The cultural dimension attention to detail was found to be negatively related to structural change (β = -0.140; p = 0.048), which provides partial support for Hypothesis 3. The cultural factor respect/teamwork was found to be not related to any of the strategic change dimensions, and therefore Hypothesis 4 is not supported. Finally, whilst the study did not hypothesise the influence of stability on strategic change as expected, a negative association was found between stability and product change (β = -0.156; p = 0.001).

The use of multidimensional performance measures was found to be positively related to both product change (β = 0.365; p = 0.000) and structural change (β = 0.298; p = 0.007), thereby supporting Hypothesis 5. However, no association was found between organisational performance and any of the dimensions of strategic change, resulting in the acceptance of the null hypothesis (Hypothesis 6). While strategic change is not associated with performance, the analysis revealed a direct positive relationship between respect/teamwork and organisational performance (β = 0.137 p = 0.027). In addition, a positive significant association was found between the use of multidimensional performance measures and organisational performance (β = 0.557; p = 0.000), and a negative direct relation was found between attention to detail and organisational performance (β = -0.150; p = 0.048). Table 4.4 provides a summary of the results in respect to the testing of the hypotheses.

Table 4.4 Summary of the results of hypotheses testing

Hypothesis	Support/Reject
H1: There will be a positive association between a local government focus on the culture factor of innovation and strategic change.	Partial support
H2: There will be a positive association between a local government focus on the culture factor outcome orientation and strategic change.	Reject
H3: There will be a negative association between a local government focus on the culture factor of attention to detail and strategic change.	Partial support
H4: There will be a positive association between a local government focus on the culture factor of Respect for people/Teamwork orientation and strategic change	Reject
H5: The use of multidimensional performance measures in local governments is positively associated with strategic change.	Support
H6: There will be no association between strategic change and organisational performance.	Support

4.3 Chapter Summary

This chapter includes the examination of the influence of organisational culture and the use of multidimensional performance measures on strategic change in local governments in Australia and the impact of strategic change on organisational performance. Structural equation modelling was used to test the developed hypotheses. The findings indicate a significant influence of the cultural factor of innovation, stability and attention to detail on strategic change. Further, the findings reveal the positive impact of using multidimensional performance measures on strategic change.

CHAPTER FIVE: DISCUSSION AND CONCLUSION

This chapter is organised into three sections. Section 5.1 discusses the results of the study and the practical implications. Section 5.2 discusses the contributions of the study, and finally Section 5.3 provides the limitations of the study and the directions for future research.

5.1 Discussion

This study empirically examines the effect of organisational culture and the use of multidimensional performance measures on strategic change and the association between strategic change and performance. To examine the influence of organisational culture on strategic change, this study assessed strategic change based on the extent to which the local government changed in respect to 13 different aspects of strategic and organisational change. Organisational culture was assessed according to the extent to which 26 values of the Organisational Culture Profile (OCP), as adopted by Windsor and Ashkanasy (1996), were valued by local governments. Regarding the nature of strategic change in local governments, the results indicate that local governments have focused more on structural change than on product change.

The findings reveal no significant association between strategic change and performance. These findings are consistent with previous studies (e.g. Zajac and Shortell, 1989; Kelly and Amburgey, 1999). However, strategic change remains important for organisations in both public and private sectors as it may impact other aspects of the organisation, even if it does not directly impact performance. In respect to organisational culture, the results indicated that local governments valued respect for people/teamwork the most, followed by outcome orientation, stability, attention to detail and innovation. That is, there is substantial evidence of the benefit of strategic change. Given the lack of association between strategic change and performance, this study contributes to the literature by providing an insight into the effect of contingency factors (organisational culture and the use of multidimensional

performance measures) on strategic change. First, regarding the influence of organisational culture on strategic change, it was expected that the cultural factor innovation would have a positive influence on strategic change, (with its components willingness to experiment, not being constrained by many rules, being innovative and risk taking). The findings show a significant association between innovation and the strategic change dimension of product change, while there is no significant association with the structural change dimension This suggests that local governments that have a risk-averse culture will restrict their managers and employees in generating and implementing new ideas (Bommert, 2010), while local governments that value an innovative culture, will also be able to respond proactively to any opportunities and threats related to the business environment, thereby increasing customer satisfaction. Therefore, it is recommended that managers in local governments change the bureaucratic nature of such organisations and create an environment in which innovation and risk-taking are promoted.

Secondly, while it was expected that the cultural factor outcome orientation would exhibit a positive relationship with strategic change, the results indicate that no significant relationship existed with either dimension of strategic change. A possible explanation for this is that the differences between public and private sectors remain with local governments continuing to value the efficiency of internal processes over results and performance. Further, the lack of competiveness in the public sector in general and local governments in particular may encourage local governments to not value results and performance orientation and to focus more on aspects such as the quality of services.

Thirdly, the cultural factor attention to detail was shown to exhibit a negative association with strategic change, specifically structural change. This result is consistent with the New Public Management (NPM) principles that encourage a change in rule-oriented culture and the structure of the public sector towards a more business-like structure, with more flexibility and delegation in the decision-making process. Attention to detail, with its components of

being careful, being precise, paying attention to detail and being rule-oriented, is found to constrain the initiation of strategic change. Hence, managers in local governments who wish to initiate structural change may need to change their existing hierarchical structure into a decentralised structure. This would enable local governments to respond more promptly to the threats and opportunities associated with environmental changes and to effectively respond to the needs of customers.

Finally, the results show no significant association between the cultural factor respect for people/teamwork[9] and either dimension of strategic change. A possible explanation for this finding is that local governments, despite valuing respect for people/teamwork, do not consider it to facilitate the initiation of strategic change. However, given the likelihood of employee resistance to change and low levels of employee satisfaction and commitment, managers in local governments should promote the culture of respect for people and teamwork orientation during the process of strategic change. In particular, there is evidence that the participation of employees during the change process has been shown to encourage employees to express their concerns about change, which would facilitate the change (Korsgaard et al., 1995). Promoting teamwork is also expected to facilitate the change process, as collaboration between the organisation and their employees is ensured.

The use of multidimensional performance measures was evaluated by examining the use of 26 performance assessment measures by local governments. The results reveal the significant positive impact of using these measures on both product change and structural change in local governments. The findings provide managers in local governments with an insight into the importance of using both financial and nonfinancial performance measures during strategic change to successfully bring about change. Therefore, it is recommended that managers incorporate multidimensional performance measures into the process of

[9] The factor analysis loaded Respect for people and Teamwork orientation on one factor, with their components fairness, respect for the rights of the individuals, tolerance, being socially responsible, being people oriented, being team oriented and working in collaboration with others.

decision making regarding strategic change. Multidimensional performance measures can provide such managers with information on customer satisfaction, quality of services, cost of services and internal processes. Local governments can use this information to effectively assess the need for strategic change and thus improve their ability to predict the achievement of desired outcomes for the change process. The results indicate that the use of multidimensional performance measures in local governments is focused on the four main aspects of the Balanced Scorecard, with the addition of a fifth dimension which it identified as the quality perspective.

The results of this study also provide evidence of direct associations between organisational culture and performance and between the use of multidimensional performance measures and performance. Specifically, the results indicate a positive association between the culture factor of respect for people/teamwork and performance. Accordingly, managers in local governments are encouraged to enhance the communication channels with their employees, give employees the opportunity to participate in the decision-making process and promote teamwork in operations to help achieve organisational goals and thereby enhance organisational performance. However, it was found that the culture factor attention to detail exhibited a negative influence on performance, suggesting that organisational structures that focus on rules, details and efficiency are likely to have a negative impact on performance. Therefore, local governments should adopt more flexible organisational structures and enhance the decentralisation of decision making.

Consistent with the findings by Munir et al. (2011), Van der Stede et al. (2006) and Said et al. (2003), a positive association was found between the use of multidimensional performance measures and performance. This indicates that using a combination of financial and nonfinancial measures gives local government accurate and comprehensive information on organisational position, thereby enhancing performance. Therefore, it is recommended

that managers in local governments use multidimensional performance measures to evaluate organisational performance.

5.2 Contributions

The study contributes to the contingency literature in several ways. First, the findings provide an insight into the role of organisational culture in the strategic change process. Specifically, the results provide evidence of the influence of the culture dimensions of innovation and stability on the product change dimension of strategic change and the influence of the cultural dimension of attention to detail on the structural change dimension. This can help local governments to adapt their organisational culture to enable them to initiate strategic change. Further, this study provides empirical evidence of the influence of organisational culture on performance. Specifically, a positive association was found between the cultural factor of respect for people/teamwork and organisational performance, and a negative association was found between the cultural factor of attention to detail and organisational performance.

Secondly, the findings provide evidence of the impact of using multidimensional performance measures on strategic change. In particular, the findings suggest that both dimensions of strategic change are influenced by the use of multidimensional performance measures. The findings also provide empirical evidence of the impact on performance of using multidimensional performance measures. This finding provides managers in local governments with an insight into the benefits of using multidimensional performance measures in initiating and facilitating strategic change and in evaluating and enhancing organisational performance.

5.3 Limitations and directions for future research

This study is subject to several limitations. First, the study used the mail survey method to collect data, which fails to show causal relations between variables (Singleton and Strait, 2010). This method also used the single-respondent approach, where only one respondent from each organisation completes the questionnaire. This increases potential bias, as the respondent may answer questions based on their social desirability (Singleton and Strait, 2010). Future research may incorporate other methods such as the interview approach in order to gain a deeper insight into strategic change in local governments. Future studies could also collect data from respondents at different management levels in order to overcome the common bias associated with the single-respondent approach. Furthermore, the focus on a sample of local governments in Australia may limit the generalisability of the findings to other organisations within the public sector. Accordingly, future studies may focus on different types of public organisations and compare the findings with the results of this study.

There are several opportunities for future research, as well. First, as the findings of this study indicate no association between strategic change and performance, future studies may conduct additional analysis to determine whether particular strategic change items impact performance. Second, future studies may examine other factors that facilitate the initiation of strategic change, especially in the context of public sector organisations.

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APPENDIX 1: Strategic change Survey

General Questions:

Please indicate your: (a) Gender: ☐ **Male** ☐ **Female**

(b) Qualification:

☐ **BA/B.Com** ☐ **MA/M.Com/MBA** ☐ **CA / CPA** ☐ **PhD** ☐ **Other**

What is your current position within your local council? ☐ **CEO** ☐ **General Manager**

Which state/ territory is your council in?

☐ **NSW** ☐ **VIC** ☐ **QLD** ☐ **SA** ☐ **WA** ☐ **TAS** ☐ **NT**

How many years have you worked in your current position (job): …… years

1

Please indicate the extent to which your council has undergone change during the past 2 years with respect to:

	Not at all			To a great extent	
1) Business unit vision, mission, goals	☐1	☐2	☐3	☐4	☐5
2) Restructuring	☐1	☐2	☐3	☐4	☐5
3) The range of product/service lines provided	☐1	☐2	☐3	☐4	☐5
4) New technology adoption	☐1	☐2	☐3	☐4	☐5
5) Research and development	☐1	☐2	☐3	☐4	☐5
6) Branding and marketing strategies	☐1	☐2	☐3	☐4	☐5
7) Geographic coverage	☐1	☐2	☐3	☐4	☐5
8) Human resource management (e.g. reward systems, training, recruitment)	☐1	☐2	☐3	☐4	☐5
9) Product/service quality	☐1	☐2	☐3	☐4	☐5
10) Product/service pricing	☐1	☐2	☐3	☐4	☐5
11) Business partnerships	☐1	☐2	☐3	☐4	☐5
12) Distribution channels	☐1	☐2	☐3	☐4	☐5
13) Financing of operations	☐1	☐2	☐3	☐4	☐5

2

Below is a list of twenty-six values that may be used to describe the nature of the work environment in your council. For each item listed below please indicate the extent to which it is valued in your council. Please note that there are no right or wrong answers. The best answer is the one that most closely reflects your true feelings or beliefs. Please tick (√) one box only.

	Not valued at all				Valued to a great extent
1) Fairness	☐1	☐2	☐3	☐4	☐5
2) Respect for the rights of the individual	☐1	☐2	☐3	☐4	☐5
3) Tolerance	☐1	☐2	☐3	☐4	☐5
4) Being socially responsible	☐1	☐2	☐3	☐4	☐5
5) Being competitive	☐1	☐2	☐3	☐4	☐5
6) Being achievement oriented	☐1	☐2	☐3	☐4	☐5
7) Having high expectations for performance	☐1	☐2	☐3	☐4	☐5
8) Being results oriented	☐1	☐2	☐3	☐4	☐5
9) Being analytical	☐1	☐2	☐3	☐4	☐5
10) Being people oriented	☐1	☐2	☐3	☐4	☐5
11) Being team oriented	☐1	☐2	☐3	☐4	☐5
12) Working in collaboration with others	☐1	☐2	☐3	☐4	☐5
13) Being action oriented	☐1	☐2	☐3	☐4	☐5
14) A willingness to experiment	☐1	☐2	☐3	☐4	☐5
15) Not being constrained by many rules	☐1	☐2	☐3	☐4	☐5
16) Being quick to take advantage of opportunities	☐1	☐2	☐3	☐4	☐5
17) Being innovative	☐1	☐2	☐3	☐4	☐5
18) Risk taking	☐1	☐2	☐3	☐4	☐5
19) Being careful	☐1	☐2	☐3	☐4	☐5
20) Paying attention to detail	☐1	☐2	☐3	☐4	☐5
21) Being precise	☐1	☐2	☐3	☐4	☐5
22) Being rule oriented	☐1	☐2	☐3	☐4	☐5
23) Security of employment	☐1	☐2	☐3	☐4	☐5
24) Stability	☐1	☐2	☐3	☐4	☐5
25) Being aggressive	☐1	☐2	☐3	☐4	☐5
26) Predictability	☐1	☐2	☐3	☐4	☐5

3 **Please indicate the extent to which each of the following measures are used to assess your council's performance.**

	Not at all				To a great extent
1) Sales revenue	☐1	☐2	☐3	☐4	☐5
2) Cash flows	☐1	☐2	☐3	☐4	☐5
3) Operating income	☐1	☐2	☐3	☐4	☐5
4) Return on investment	☐1	☐2	☐3	☐4	☐5
5) Debt ratio	☐1	☐2	☐3	☐4	☐5
6) Surveys of customer satisfaction	☐1	☐2	☐3	☐4	☐5
7) Number of customer complaints	☐1	☐2	☐3	☐4	☐5
8) On-time product delivery	☐1	☐2	☐3	☐4	☐5
9) The number of new customers	☐1	☐2	☐3	☐4	☐5
10) Sales to new customers as a proportion of total sales	☐1	☐2	☐3	☐4	☐5
11) Level/ Hours of training provided	☐1	☐2	☐3	☐4	☐5
12) Staff turnover rates	☐1	☐2	☐3	☐4	☐5
13) Improvements made to employee facilities	☐1	☐2	☐3	☐4	☐5
14) Time spent developing employee programs	☐1	☐2	☐3	☐4	☐5
15) Employee satisfaction ratings	☐1	☐2	☐3	☐4	☐5
16) Suggestions implemented per employee	☐1	☐2	☐3	☐4	☐5
17) Cost effectiveness of providing services	☐1	☐2	☐3	☐4	☐5
18) Usage/ wastage of resources	☐1	☐2	☐3	☐4	☐5
19) Productivity	☐1	☐2	☐3	☐4	☐5
20) Cycle time	☐1	☐2	☐3	☐4	☐5
21) Hours / number of machine breakdowns	☐1	☐2	☐3	☐4	☐5
22) Quality of products	☐1	☐2	☐3	☐4	☐5
23) Costs of quality	☐1	☐2	☐3	☐4	☐5
24) Internal product defect rates	☐1	☐2	☐3	☐4	☐5
25) Number of product returns	☐1	☐2	☐3	☐4	☐5
26) Expenditure on warranty claims	☐1	☐2	☐3	☐4	☐5

4 **Please indicate the extent to which you agree with each of the following statements relating to your council's overall performance compared to councils.**

	Strongly Disagree		Neutral		Strongly Agree
1) Profit goals have been achieved	☐1	☐2	☐3	☐4	☐5
2) Sales goals have been achieved	☐1	☐2	☐3	☐4	☐5
3) Return on investment goals have been achieved	☐1	☐2	☐3	☐4	☐5
4) Our product(s) are of a higher quality than that of our competitors	☐1	☐2	☐3	☐4	☐5
5) We have a higher customer retention rate than our competitors	☐1	☐2	☐3	☐4	☐5
6) We have a lower employee turnover rate than our competitors	☐1	☐2	☐3	☐4	☐5

If there is anything else you would like to tell me in relation to your experience with the strategic change in your council, please do so in the space provided below.

Please return your completed survey in the enclosed postage paid envelope to:
Salha Alshumrani
C/- Dr. Rahat Munir
Room 312, Building E4A,
Department of Accounting and Corporate Governance
Macquarie University, Herring Road, North Ryde
NSW 2109

Thank you very much for your participation

APPENDIX 2 Cover letter for initial mail-out

3rd July 2017

Chief Investigator's / Supervisor's Name: Rahat Munir
Chief Investigator's / Supervisor's Title: Associate Professor

Information Letter

Project Title: The factors affecting strategic change and the impact on performance in the local government

You are invited to participate in a study examining the factors affecting strategic change and the impact on performance in the local government. The research is being conducted by Salha Alshumrani to meet the requirements for the degree of Master of Research in Accounting, under the supervision of Associate Professors Rahat Munir (02 98594765, rahat.munir@mq.edu.au) and Kevin Baird (02-98508532, kevin.baird@mq.edu.au) of the Department of Accounting and Corporate Governance, Macquarie University, Sydney Australia.

Participation in this study is entirely voluntary. You are not obliged to participate and if you decide to participate, you are free to withdraw at any time without having to provide a reason and without consequence. Please note that completion and return of the questionnaire will be regarded as consent to use the information for research purposes. If you decide to participate, you do not need to disclose your identity or that of your council, and, except as required by law the information you provide will be kept strictly confidential. I ask that you please return the enclosed postcard and questionnaire separately. The purpose of the identification number on the postcard is to alert me that you have completed and returned the survey, thereby avoiding any follow ups. The questionnaire should take approximately ten minutes to complete.

Any information or personal details gathered in the course of the study are confidential and only the researchers will have access to the data. No individual will be identified in any publication of the results. While a postcard is provided, the purpose of this is to inform us that you have completed the questionnaire, thereby preventing a follow up being sent. If you would like a copy of the results of the study please indicate so on the postcard.

Please return the completed survey in the reply paid envelope provided. If you have any inquiries about the survey, please feel free to contact Salha Alshumrani on 0451895055 or by email salha.alshumrani@hdr.mq.edu.au. If you would like to receive a copy of the results of this study, please indicate this on the postcard.

Thank you for your assistance.

Yours sincerely,

Salha Alshumrani

APPENDIX 3 Cover letter for follow-up mail-out

31st July 2017

Chief Investigator's / Supervisor's Name: Rahat Munir
Chief Investigator's / Supervisor's Title: Associate Professor

Information Letter

About four weeks ago, I sent you a questionnaire requesting you to participate in the study I am undertaking as a part of my Master of Research degree at Macquarie University. The topic of the study is 'the factors affecting strategic change and the impact on performance in the local government councils', conducted under the supervision of Associate Professor Rahat Munir. My records indicate that your survey has not yet been returned. However, if you have already returned the questionnaire, please ignore this letter and thank you for your assistance. If you have not yet completed the survey, can you please do so, your assistance will be appreciated. Only a sufficiently high level of participants in this survey will ensure that the results are truly representative and valid.

In case you have misplaced the questionnaire, I have attached another copy of the questionnaire in this mail. If there is any reason as why you are not prepared to complete the survey, could you please let me know by returning a note or by indicating reason on the survey, and return it in the self-addressed envelope provided. Once again, I assure that the information you provide will be completely confidential and anonymous.

If you have any questions about the survey, please contact Salha Alshumrani on 0451895055 or by email salha.alshumrani@hdr.mq.edu.au.

Thank you in advance for your assistance.

Yours sincerely,

Salha Alshumrani

APPENDIX 4 Final ethics approval letter

Ethics Application Approved - 5201700580

To:Rahat Munir <rahat.munir@mq.edu.au>;
Cc:Nikola Balnave <nikki.balnave@mq.edu.au>; Kevin Baird <kevin.baird@mq.edu.au>; Salha Alshumrani (HDR) <salha.alshumrani@hdr.mq.edu.au>;

Dear Associate Professor Munir,

RE: 'The factors affecting strategic change and the impact on performance in local governments' (Ref: 5201700580)
The above application was reviewed by the Faculty of Business & Economics Human Research Ethics Sub Committee. Approval of the above application is granted, effective "19/6/2017". This email constitutes ethical approval only.

This research meets the requirements of the National Statement on Ethical Conduct in Human Research (2007). The National Statement is available at the following web site:

http://www.nhmrc.gov.au/_files_nhmrc/publications/attachments/e72.pdf.

The following personnel are authorised to conduct this research:

Associate Professor Rahat Munir
Associate Professor Kevin Baird
Mrs Salha Alshumrani

NB. STUDENTS: IT IS YOUR RESPONSIBILITY TO KEEP A COPY OF THIS APPROVAL EMAIL TO SUBMIT WITH YOUR THESIS.

Please note the following standard requirements of approval:

1. The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Human Research (2007).

2. Approval will be for a period of five (5) years subject to the provision of annual reports.

Progress Report 1 Due: 19th June 2018
Progress Report 2 Due: 19th June 2019
Progress Report 3 Due: 19th June 2020
Progress Report 4 Due: 19th June 2021
Final Report Due: 19th June 2022

NB. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report for the project.

Progress reports and Final Reports are available at the following website:
http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms

3. If the project has run for more than five (5) years you cannot renew

approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).

4. All amendments to the project must be reviewed and approved by the Committee before implementation. Please complete and submit a Request for Amendment Form available at the following website:

http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms

5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that affect the continued ethical acceptability of the project.

6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at the following websites:

http://www.mq.edu.au/policy/
http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/policy

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide the Macquarie University's Research Grants Management Assistant with a copy of this email as soon as possible. Internal and External funding agencies will not be informed that you have approval for your project and funds will not be released until the Research Grants Management Assistant has received a copy of this email.

If you need to provide a hard copy letter of approval to an external organisation as evidence that you have approval, please do not hesitate to contact the FBE Ethics Committee Secretariat, via fbe-ethics@mq.edu.au or 9850 4826.

Please retain a copy of this email as this is your official notification of ethics approval.

Yours sincerely,

Dr. Nikola Balnave
Chair, Faculty of Business and Economics Ethics Sub-Committee
FBE Ethics Secretariat
Faculty of Business and Economics
Level 5, E4A Building
Macquarie University
NSW 2109 Australia
T: +61 2 9850 4826
F: +61 2 9850 6140
www.businessandeconomics.mq.edu.au/