THE IMPACT OF CORPORATISATION AND NATIONAL COMPETITION POLICY: AN EXPLORATORY STUDY OF ORGANISATIONAL CHANGE AND LEADERSHIP STYLE

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Abstract

Category
Research Paper

Purpose
This study surveys managers of an Australian government owned enterprise undergoing organisational change as a result of public sector reform, specifically, National Competition Policy and Corporatisation. The purpose of the study is to examine the extent/type of organisational change and leadership style adopted to implement this change.

Approach
To understand the effect of reforms, the researcher explored the extent of change and leadership style through the use of an intraorganisational survey in a government owned Electricity Supply Corporation in Queensland, Australia. The instrument also included qualitatitive components to enable the researcher to qualify the statistical results.

Findings
Within the public sector, there is an uneasy tension between the need for a revolution of outdated bureaucracies in order to enhance flexibility and innovation on the one hand, and the desire to maintain the standards and procedures that are necessary for quality civic service for a broad range of stakeholders on the other. The results of this study indicate that there was significant organisational change and, according to responses, a change of leadership style indicative of this dilemma.

Research limitations/implications
The implications for reform setters, managers and politicians suggest the consideration of embedded factors whilst determining the processes and directions of change. Furthermore, it is necessary to choose a leadership style that is indicative of the type of change to be implemented. Additionally, greater participation by organisational members can increase the success of organisational change. The limitations of the study include the measurement of organisational change and leadership style. This instrument was originally used in structured interviews, however, measures were taken validate the instrument in its altered setting. Further, the study is confined to a single electricity organisation. Fertile fields for future research projects could include a larger quantitative study conducted with multiple States or nation wide electricity distribution companies.

Originality/Value
The study provides empirical evidence of the extent of change as a result of public sector reform. In doing so the study utilises organisational change and leadership style models within a public sector environment.

Keywords: Organisational Change, Leadership Style, Public Sector Reform

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In recent years many countries around the world have witnessed a paradigm shift in public sector management. The new paradigm is commonly referred to as NPM or new public management (Common, 1998; Hood, 1995). In essence, NPM is grounded in two fundamental philosophies: 'managerialism' and 'economic rationalism' (Parker and Guthrie, 1993). Management technologies involved in promoting these philosophies have involved: structural redesign; performance agreements; contracting out of selected services and functions; and commercialisation[1], corporatisation[2] and privatisation[3] of major areas of public sector activity (Guthrie, 1993). In Australia the contention of recent reforms is that public services can become more efficient, more effective and more economical if they adopt a more market-oriented approach to public policies and introduce more business-like methods to public sector management.

The principle being followed in Queensland, the north-eastern State of Australia, is one of exposing large parts of the public sector to competition and market mechanisms. These organisations are faced with a relentless pressure to change their focus and management practices. People promoting change are often faced with lethargic or politically protected organisations. Progressive leaders in these organisations are seeking ways to adjust to changes with expectations that are becoming ever more frequent in their occurrence and comprehensive in scope (Nutt and Backoff, 1992). How does one generate new directions for the lethargic organisation, make change seem appealing to the politically protected organisation, and help the proactive organisation respond to rapidly changing and often contradictory expectations? These are the challenges facing today's pubic sector leaders. What type of leadership is required to undertake these changes? Leadership is a process of guidance carried out to make something happen. It is concerned with creating and maintaining a vision. Leaders must obtain the support of many people and interest groups,

both inside and outside the organisation, to carry out the change. Regardless of the specific phases of the change process, organisational leaders choose to embark on the change journey to strengthen organisational performance and improve effectiveness. However, the extent to which the organisation achieves the benefits at the end of the process is affected by the influence strategies used by the organisational leaders to encourage adoption and implementation of change (Holt *etal.,* 2003).

There is a relative scarcity of literature that examines organisational change and leadership style in the Australian public sector during this turbulent time. In order to go some way towards filling that gap, the objective of this study is to answer the questions posed above by ascertaining the extent/type of organisational change that has been implemented in a government owned corporation (GOC) and the type of leadership style that is adopted to achieve the type of organisational change undertaken as a result of NCP and corporatisation.

The paper is structured by firstly providing relevant background material in relation to the concepts of NCP and corporatisation. It then looks to the recent reforms in the Australian Electricity Industry, focussing specifically on the Queensland Electricity Supply Industry (QESI). A literature review follows that not only examines organisational change but also looks at the style of leadership in relation to this phenomenon. A discussion is then given on the research method adopted followed by the results and concludes with a discussion of the findings.

BACKGROUND

NCP and Corporatisation

In 1992, NCP became an important issue in Australia. In an address, Prime Minister Keating argued, "the engine which drives efficiency is free and open competition" (Keating in *One Nation,* cited in Hughes, 1998, p.90). It was whilst Keating was Prime Minister that

inefficiencies of government enterprises were addressed in a comprehensive way. By the end of 1992, the Keating government commissioned the Hilmer Committee to review the operation of the *Trade Practices Act,* 1974 and to advise on appropriate changes to legislation. Its purpose was to develop proposals for a national policy that would promote and maintain competitive forces to increase efficiency.

The general theme of the NCP reforms were to develop a domestic market for goods and services that was open and integrated by eliminating nonessential barriers to trade and competition, and diminishing complicated and duplicated procedures and administrative processes (Hughes, 1998; Queensland Treasury, 1996). This in turn, led to reform of government enterprises through the separation of regulatory and commercial activities and the separation of natural monopolies from activities that could be made competitive. The approach adopted was that of corporatisation. Its purpose was to make organisations more like private sector firms in all aspects except ownership (Coates, 1990; Guthrie, 1993; Halligan and Power, 1992; Hughes, 1998; Parker and Guthrie, 1993).

Over the past decade, the Queensland government has sought to make government enterprises in various industries more economic and accountable through the implementation of wide-ranging financial and administrative reforms. These reforms, primarily driven by corporatisation and NCP, have consisted of a number of initiatives directed at increasing the efficiency and effectiveness of enterprises through the introduction of market disciplines. As the reform process is still in its infancy, newly corporatised businesses are facing a whole range of issues, including the introduction of management autonomy, accountability for performance, but most importantly, organisational change.

The reforms to date have focused on separating the natural monopoly elements of the industry (transmission and distribution of electricity) from the potentially competitive activities (generation and retail supply). The competitive activities have, in turn, been subject to

significant reform to ensure the development of competition and economic efficiency. These structural reforms resulted in the emergence of fifteen GOCs which included three publicly owned retailers.[4] During the period late 1997 to early 1998, the three publicly owned retailers had exclusive rights to supply all customers in their respective geographical regions. From January 1998, these franchises were progressively removed to enable electricity users to either purchase electricity directly from generators or from other retailers.

In July 1999, the Queensland government further restructured the State owned electricity sector, merging six of the seven regional distribution companies into one corporation and merging two retail corporations into one. It also aligned two retail franchise boundaries with that of the two remaining distribution companies. Figure 1 presents the structure of the QESI as of 1999.

TAKE IN FIGURE 1

This study focuses specifically on one organisation that has been in the midst of the changes to its industry. In order to be flexible and become a leader in its field, the organisation itself has undergone considerable change. Figure 2 graphically represents the overall changes to the subject organisation from 1959 to the new millennium.

TAKE IN FIGURE 2

LITERATURE REVIEW

Organisational Change

Organisational change has been defined in a variety of ways in the literature, in essence, Van de Ven and Poole (1995, p.512) describe change as "…. an empirical observation of a difference in quality of state over time". The literature identifies a number of theories of

change which can be placed along a continuum ranging from incremental to radical change, including change to individuals or groups. The many different perceptions of organisational change are mainly a result of the different perspectives of those involved and random setting of boundaries to the respective system. These perspectives have led to a number of various ways of categorising organisational change, for example:

- Change in terms of scale (from incremental to radical) and centrality (from minor to nucleus) to the primary task of the organisation (Buchanan and Badham, 1999; Dunphy and Stace, 1993);

- Changes of identity, co-ordination and control (Kanter, Stein, and Jick, 1992);

- Human-centred classification of change at individual, group, inter-group or organisation level (Burnes, 1992);

- Incremental, radical and quantum change (Burnes, 1992; Goodstein and Warner, 1997; Greenwood and Hinings, 1993; Johnson and Scholes, 1993; Tushman, Newman and Romanelli, 1988);

- Planned change and emergent change (Wilson, 1992); and

- Strategic and non-strategic change (Pettigrew, 1987; Rajogopalan and Spreitzer, 1996).

Despite their diversity, these different perspectives on organisational change are nevertheless interconnected (Burnes, 1992; Cao, Clarke and Lehaney, 2000). Change is a dynamic process, with change in any one dimension often resulting in compensatory change in others (Leavitt, 1964; Nadler, 1988).

A review of the literature revealed a dominant theme based on a contingency framework. For example, a framework developed by Tushman *etal.* (1988) models organisational life being drawn from numerous studies and case histories, which consists of periods of converging change, punctuated by frame-breaking changes. They put forth two types of converging change: fine-tuning and incremental. Both these types of change have the mutual aim of supporting a match between organisation strategy, structure, processes and systems. Tushman *etal.*, however, suggest that at times of major change in an organisation's environment, incremental adjustment will not bring about the major changes in

strategy, structure, people and processes which might be required to undergo radical transformation. Frame-breaking changes are radical changes of the systems such as a reformed mission and core values; altered power and status; reorganisation, where a new strategy requires a modification in structure, systems and procedures; revised interaction patterns such as new procedures, communication networks and decision-making patterns; and/or new executives (Tushman *etal.,* 1988).

As with the model put forth by Tushman *etal.* (1988), another contingent framework, developed by Dunphy and Stace (1993), is based on research in the Australian service industry. What sets this framework apart is the division of Tushman *etal.'s* (1988) change category 'frame-breaking' into two categories – 'modular-transformation' and 'corporate-transformation'. This is a useful development in revealing the different levels at which frame-breaking change can take place. Dunphy and Stace's scale of change types are: Type 1: Fine-Tuning; Type 2: Incremental-Adjustment; Type 3: Modular-Transformation; and Type 4: Corporate-Transformation (Dunphy and Stace, 1993). Characteristics of these organisational change types are presented in Table I.

TAKE IN TABLE I

Dunphy and Stace (1993) explain that fine-tuning organisational change might entail refining policies, methods, and procedures; creating specialist units and linking mechanisms to permit increased volume and attention to unit quality and cost; developing personnel especially suited to the present strategy; fostering individual and group commitment to the company mission and the excellence of one's own department; promoting confidence in the accepted norms, beliefs, and myths; and clarifying established roles. Incremental adjustment may involve expanding sales territory; shifting the emphasis among products; improved production process technology; articulating a modified statement of mission to employees; and adjustments to organisational structures within or across divisional boundaries to

achieve better links in product/service delivery. Modular-Transformation could involve major restructuring of particular departments/divisions; changes in key executives and managerial appointments in these areas; work and productivity studies resulting in significantly reduced or increased workforce numbers; reformed departmental/divisional goals; and introduction of significantly new process technologies affecting key departments or divisions. Corporate-Transformation could see reformed organisational mission and core values; altered power and status affecting the distribution of power in the organisation; reorganisation - major changes in structures, systems and procedures across the organisation; revised interaction patterns - new procedures, work flows, communication networks and decision-making patterns across the organisation; and new executives in key managerial positions from outside the organisation (Dunphy and Stace).

NCP, corporatisation and other reforms have been used to demand massive change in public organisations. Such sweeping change calls for radical change or transformation such as the modular/corporate-transformation identified by Dunphy and Stace (1993). The transformed organisation develops more flexibility that becomes a part of its capacity to act. Transformation is developmental. The organisational increases its range of responses, such as serving a greater variety of clients in new and different ways (Nutt and Backoff, 1992). Given the extent of changes to the QESI, the following research proposition is put forward:

> **P1: As a result of the significant changes to the industry, it is expected that there will be significant organisational change to the extent of 'Modular/Corporate'-transformation.**

Leadership

As indicated, transformational change is proposed given the extent of change to the industry, however, very difficult to master. Many public organisations have a hard time making any kind of change. It is with this in mind that the concept of leadership becomes an important issue in the pursuit of effectual organisational change. Subsequently, this research also

prompted the need to investigate leadership processes within the substantive context of organisational change.

Leadership style is a more implicit characteristic of the organisation as it is more about the role of leadership as part of organisational life and about its relationship with organisational change. Leadership is about influencing others in pursuit of the achievement of organisational goals (Watson, 1983). What makes a leader be able to do this? There are two broad categories of theories (approaches) which attempt to inform this question. The first category of theories argue for a universal view of leadership and looks more to the unique characteristics or traits and behaviour a leader should have. Leadership traits focus on the physical and personality characteristics, skills and abilities, and social factors such as interpersonal skills, sociability and socio-economic position, whilst behavioural studies of leadership look more towards the behaviour that a leader should demonstrate.

A comprehensive framework of leadership behaviour discussed by a number of authors including Bennis and Nanus (1985), Tichy and Ulrich (1984), Tichy and Devanna (1986), Bass (1990) and others is that which falls under the label of transformational leadership theory. The study by Bass (1990) describes two behavioural types, transactional leaders and transformational leaders. Both transactional and transformation leadership styles have varying behavioural characteristics. Firstly, the transactional leader may provide contingent rewards where contracts of rewards are exchanged for effort or for good performance, this type also recognises accomplishments. The active transactional leadership style manages by exception, that is, the leader watches and searches for deviations from rules and standards and takes corrective action if needed. The passive transactional leader only intervenes if standards are not met. The *Laissez-faire* transactional leader abdicates responsibilities and avoids making decisions. In contrast to the transactional leader, Tichy and Ulrich (1984) describe transformational leadership as involving dramatic organisational changes including the development and implementation of a vision. Transformational leaders help to realign the

values and norms of their organisation, and when necessary, accommodate and promote both internal and external change. The transformational leader can also take on distinct characteristics. The charismatic transformational leader provides vision and sense of mission, instils pride, gains respect and trust. The inspirational transformational leader communicates high expectations, uses symbols to focus efforts, and expresses important purposes in simple ways. The intellectually stimulating transformational leader promotes intelligence, rationality and careful problem solving whilst giving individualised consideration by giving personal attention, who treats each employee individually, coaches and advises (Bass, 1990).

The second category of leadership theories looks more towards a range of leadership styles that could be applied according to the situation in which leadership is required, that is, the style of leadership is contingent upon the situation the organisation finds itself in. This category therefore, is relevant to the context of this study.

Recent concerns of leadership have involved incorporating the notion that leadership is a dynamic situation based social process that is contingent upon the context to which the change occurs (Bess and Goldman, 2001; Hackman and Johnson, 1996; Ohman, 2000; Parry, 1998). Situational leadership theories look to the leadership style that is dependent on the situation of which the leader finds him/herself in. Tannenbaum and Schmidt (1973) developed a theory of leadership, which arranges leadership along a continuum. At one end of the continuum is the 'boss-centred leadership style' where leaders tell subordinates what to do and at the other end is the 'subordinate-centred leadership style' where leaders and subordinate jointly make decisions. Tannenbaum and Schmidt do not support one preferred style, rather they suggest the leader should move along the continuum depending on the type of situation.

In contrast to the previous theories discussed the work of Dunphy and Stace (1993) has specifically linked styles of leadership to types of organisational change. The styles of leadership identified by Dunphy and Stace (1993) are: Type 1: Collaborative; Type 2: Consultative; Type 3: Directive; and Type 4: Coercive. The collaborative style of leadership involves widespread participation by employees in important decisions about the organisation's future, and about the means of bringing about organisational change. The consultative style of leadership involves consultation with employees, primarily about the means of bringing about organisational change, with their possible limited involvement in goal setting relevant to their area of expertise or responsibility. The directive style of leadership involves the use of managerial authority and direction as the main form of decision-making about the organisation's future, and about the means of bringing about organisational change. Finally, the coercive style of leadership involves managers/executives or outside parties forcing or imposing change on key groups in the organisation. Although not specifically stated the first two style types are indicative of transformational leadership behaviour whilst the latter two appear to encroach upon the transactional style of leadership. Dunphy and Stace (1993) place these management styles on a grid with corresponding classifications of their organisational change typologies. This grid is illustrated in Figure 3.

TAKE IN FIGURE 3

An examination of Figure 3 shows that any style of leadership can be used with any type of change. However, Dunphy and Stace's (1993) research with 13 service sector organisations in Australia, which had gone through large scale change indicates that for transformational change, a directive/coercive style of leadership is likely to be most successful. Whereas, for incremental adjustment or fine-tuning, a consultative/collaborative type of style would be more appropriate.

The cumulative effect of public sector reform on organisations is broad. As has been discussed, the increased effort to increase the efficiency of government owned organisations has resulted in organisational change. Ministers are now to preserve and improve their policy-setting role, and to retreat from management activities (Coulter, 1993; Halligan and Power, 1992). Chief executives are less constrained by ministerial dominance and now have, through the strategic planning process, a mechanism for formally setting goals and objectives. Such changes involve a distinctive change to the approach of management where the elements of a more cognizant managerial approach involve a shift in the authority of the chief executive officer and his/her role as strategic leader, an increase in leadership at multiple levels and the building of proficient senior management teams with greater autonomy (Otley, 1990).

Differing reforms affect different public sector agencies in different ways. In this study, corporatisation and NCP has had a dramatic effect on the subject organisation in that it is no longer a statutory authority but a GOC, facing, as it has never had to do before, competition. Given that the extent/type of organisational change is proposed to be modular/corporate-transformation due to the extensive effect of reforms, it is expected that this will be matched with a leadership style suited to the extent of organisational change. In line with Dunphy and Stace's (1993) leadership/organisational change grid described earlier, the following proposition is put forwarded:

> **P2: When the extent of organisational change is 'Modular/Corporate'-transformation, it is expected that the leadership style adopted will be that of 'Directive/Coercive'.**

The previous sections have linked together the underlying cause of organisational change within the subject organisation, that is, NCP and corporatisation. Further, the inherent characteristics of leadership style have been explored in order to understand its potential role in the extent/type of organisational change. The following section describes the method

used to determine the extent/type of organisational change within the subject organisation as well as to analyse the type of leadership style that was used to implement these changes.

METHODOLOGY

The organisation studied is a Queensland Electricity Corporation. The organisation distributes electricity related products and services throughout Australia and exports energy management and technical consulting services to the Asia-Pacific Rim. The key areas of business are electricity retailing, network maintenance, asset management and technical services. In order to preserve anonymity, the subject organisation's name has been fabricated and is herewith termed PowerCorp.

The form of evidence of the study was obtained from an intraorganisational survey. The survey method, according to Roberts (1998) is one of the most common approaches used in the social sciences to empirically study the characteristics and interrelations of sociological and psychological variables. The purpose of using the survey method in this study was to provide a vehicle for respondents to respond to anonymously what they may have perceived as being sensitive issues and as a means of tapping into the views held by a large group of managers in the organisation.

The population of managers was drawn from a list of third or middle level departmental managers presented in the organisational chart available on the organisation's Intranet, giving a total of 128 managers. It was believed that departmental managers would have greater insight into the type of change and leadership style in that they were at the operational level of management within the organisation as opposed to fourth level group or functional managers (of which there were well over 300) and second level executive managers. The survey was distributed through the internal mailing system of the

organisation. The managers were advised that survey responses would remain anonymous and were voluntary.

Of the 128 surveys initially distributed, 63 completed surveys were received within two weeks. At this time a reminder letter was forwarded to all managers requesting that if they had not already completed the survey could they please do so, or alternatively, return the survey uncompleted. This resulted in another 21 useable surveys returned, providing a total response rate of 65.6%.

The survey questions concerned the manager's background, for example, gender, age, length of employment etc., and their perceptions in relation to organisational change and leadership. Table II presents the descriptive statistics for the background data of the respondents.

TAKE IN TABLE II

The measurement instruments of the organisational change and leadership style variables were drawn from the behaviour and organisational change literature, and were adapted to reflect the internal environment of the organisation. The questions posed in the survey were initially piloted with second level executive managers for validation and approval prior to its final distribution to departmental managers.

The quantitative data provided by the surveys were analysed with the SPSS statistical analysis programme. Tests of normality were conducted on all variables under study and no abnormal distributions were noted. In addition, tests to identify any differences between early and late respondents were also performed. No significant differences were found in the responses for all variables suggesting no problems associated with response bias.

The Variables

Organisational Change

The instrument developed by Dunphy and Stace (1993), used previously in structured interviews, was adapted to determine the categorisation of organisational change perceived by the department managers. In their study, Dunphy and Stace assessed the responses of managers of thirteen Australian organisations to a forced choice instrument that classified organisational change as typifying four generic processes of change in the presence of the researcher. In this study, in the absence of the researcher, respondents were asked to rate the scale of change from 1 to 4 using those four generic processes. Descriptions of each of the processes were provided and represented descriptions discussed earlier. The name of the type of change, for example, fine-tuning, was omitted to avoid any possible response bias and simply stated as Type 1, 2 etc. Table III presents the descriptive statistics for these four dimensions of change.

TAKE IN TABLE III

Leadership Style

The researcher included an instrument that would measure leadership style within the distributed survey. The instrument was developed from Dunphy and Stace's (1993) classification of leadership style during the process of organisational change. In this study, respondents were asked to rate the type of leadership style on a scale of 1 to 4. Descriptions of each of the scales were provided and represented descriptions discussed earlier. The name of the leadership style, for example, collaborative, was again omitted to avoid any response bias. Table IV presents the descriptive statistics for these four leadership styles.

TAKE IN TABLE IV

RESULTS

Proposition 1

The results presented in Table III identify the mean for the organisational change type variable as 3.78. This value indicates that Type 4: corporate-transformation was the perceived dominant method of organisational change at PowerCorp., further, this Type had the highest frequency of selection at 34. However, this result was followed closely by Type 3: modular-transformation with a frequency of 33. Type 1 (fine-tuning) and Type 2 (incremental adjustment) had minimal responses with nine and eight respectively. Subsequently, given the significant changes to the industry, there is support for the proposition that there will be significant organisational change to extent of 'Modular/Corporate'-transformation rather than Fine-tuning or Incremental Adjustment at PowerCorp.

Qualitative Evidence

The first proposition suggested that that there would be organisational change to the extent of either modular and/or corporate-transformation. The quantitative results support this proposal. This instrument also included a component that asked respondents to comment on any other areas that they believed were important for organisational change at PowerCorp. The comments made are presented in Table V.

TAKE IN TABLE V

The comments presented in Table V suggest that although change was accepted to a certain degree there was dissatisfaction with the level of unity during change. That is, comments suggest that the process of organisational change was conducted on a singular theme for each department causing unnecessary division throughout the organisation. Furthermore,

there appeared to be a lack of involvement and consultation with employees in relation to the process and expected outcomes of organisational change.

Proposition 2

The results presented in Table IV identify Type 3: Directive as the prominent style of leadership at PowerCorp. with a mean score of 2.82 and a frequency of 32. However, close to this result was Type 2: Consultative with a frequency of 29, suggesting a mixed leadership style of Directive/Consultative. The proposition put forward suggested that there would be a mixed leadership style of Directive/Coercive, therefore, the results provide some support for this proposition with directive style having the highest frequency and coercive having the third highest frequency of 20. The collaborative leadership style was selected only three times.

Qualitative Evidence

Respondents were also asked, given their choice of leadership style, to comment on whether there were any particular aspects or issues that they believed should be considered or changed from PowerCorp.'s style of leadership. Some of the comments made are presented in Table VI.

TAKE IN TABLE VI

The comments presented in Table VI suggest dissatisfaction with the leadership style adopted for PowerCorp.'s organisational change. Further, there appears to be some indication of resistance to change, whether this resistance is a direct result of leadership style or organisational change is further blurred by comments given in response to an additional question that asked respondents to comment on any extra issues/facets they believed occurred as a result of organisation change. Table VII presents these comments.

TAKE IN TABLE VII

The comments presented in Table VII suggest that overall the organisation is moving towards a more commercialised ethos but with some resentment and resistance. Scott and Jaffe (1988) describe the process of organisational change as one that consists of four phases, namely: initial denial, resistance, gradual exploration, and eventual commitment. Based on the comments, the movement here could be said to encompass each of the first three phases, however, at this point in time there is very little evidence of commitment. Scott and Jaffe do put forward, however, 'eventual' commitment, as such, it could be suggested that given the organisation satisfies the first three phases, the fourth is an 'eventuality'.

Overall, the results support the proposals of the study, in that significant changes to the public sector and the industry have prompted considerable organisational change and a directive/coercive leadership style was found to be prominent.

DISCUSSION

The corporatisation of PowerCorp. took place in two steps. First, was the establishment of PowerCorp. under the G*overnment Owned Corporations Act 1993* on 1 January 1995, and second was the registration of PowerCorp. under Corporations Law on 1 July 1997. In the midst of this was the introduction of NCP.

The purpose of this study was to examine the extent/type of organisational change and the leadership style adopted to implement this change. The first proposition put forward was that given the extent of the changes to the QESI there would be change indicative of Corporate/Modular-transformation as put forward by Dunphy and Stace (1993) at PowerCorp. The results of the internal survey distributed to managers of the organisation indicated that indeed, the type of change was Corporate/Modular-transformation.

According to members, the Corporate/Modular-transformation involved major restructuring of departments and divisions as well as changes in key executives and managerial appointments in these areas. There were reformed organisational/departmental/divisional goals to reflect the new mission and core values. A change to a process structured organisation as opposed to a functionally based organisation resulted in a change in the distribution of power and status as well as significant new systems and procedures across the organisation. Changed communication channels were also noted as a direct result of the changed structure and process base, however, it appeared that rather than assist in change it resulted in a reduction of communication flows. It was also advised that there were new managers that were employed from the private sector in order to assist with the changing ethos to a more commercialised organisation. These findings support the view that the significant changes to the industry have necessitated significant changes to the organisation.

Additionally, managers were asked to comment on any areas that they believed were important to the change that their organisation was undergoing. For the most part, comments appeared to stress that greater communication and awareness should be encouraged amongst organisational members to ensure change was smooth and not dysfunctional. It was evident through the responses that many organisational departments and groups were focused on 'self' rather than on the organisation as a whole.

The second proposition looked to the leadership style adopted during the process of change. According to Dunphy and Stace (1993), the type of leadership style that would be most suited to the type of change of modular/corporate was that of directive/coercive. The results of the survey, however, found a leadership style that was directive/consultative. Australian research, conducted by Dunford, Dunphy, and Stace (1990), has suggested that it may be necessary to manage rapid and radical change in a directive or coercive manner, as a participative approach would be too time consuming and thus ineffective. However, results

of a survey, ten years later by Buchanan, Claydon, and Doyle (2000), found that this method of managing change was now unacceptable and that the adoption of participative methods, which included management practices of communication and consultation, was given much more support. The results of this study indicate that both views were supported, that is, a leadership style was adopted that combined the expectations of Dunford *etal.* and Buchanan *etal.* Not surprisingly, some researchers suggest in order to overcome resistance to change the organisation leader must first: create the proper attitude; flood the organisation with communication about the change; set a good example; solicit opinions from employees and, last, reward acceptance (Caruth, Middlebrook and Rachel, 1995).

The public sector could be send to foster a more traditional or transactional type of leadership style, one that is more directive as opposed to collaborative. Given that, although recent research recommends a leadership style in times of transformation change to be one that is open and communicative, the fact that the leadership in this study was of a public sector leader we saw a more public sector type of leadership style prevailing. Recognition of turbulence, change and uncertainty in future public organisational environments in western countries is widespread and undisputed. Within the public sector, however, there is an uneasy tension between the need for a revolution of outdated bureaucracies in order to enhance flexibility and innovation on the one hand, and the desire to maintain the standards and procedures that are necessary for quality civic service for a broad range of stakeholders on the other. In effect there is tension between the concomitant needs to be transformational and transactional at once. The results of this study substantiate this dilemma.

As an additional confirmatory component, respondents were asked to comment on any particular areas they believed important in relation to the leadership style adopted. The comments suggest that greater involvement/participation by staff is required to have effective change. This coincides with Buchanan *etal.* (2000) and their view on participative leadership

style. The comments further imply that, although greater involvement was sought by lower level managers, this, in reality, was either not encouraged or disregarded.

This study has several limitations, notably the measurement of the extent of organisational change and leadership style. This instrument was originally used in structured interviews and although measures were taken to overcome the possibility of differing interpretations, it is necessary to be aware of this. This aspect is not dissimilar to other research studies which use survey instruments for the purpose of collecting data. Further, the instrument did not take into account the effect of the existing culture of the organisation. This may have had implications in regards to resistance to change as identified in the study and possible causal linkage. Future studies may wish to add to the body of knowledge in this area by extending the instrument used in this study. Another limitation of the study is that it is confined to a single electricity organisation, therefore, generalising the results reported in this paper to other situations should be done cautiously.

There are many possible research areas that are external to PowerCorp. that could provide fertile fields for future research projects. Firstly, a larger quantitative study may be undertaken to multiple State or nation wide electricity distribution companies to understand the processes involved in implementing change. Future research may be undertaken that includes the distribution company of a State as well as the other interconnected organisations within the industry, that is, a three site study that incorporates the generation, distribution and retail areas in order to ascertain organisational changes. Each of these possible research proposals may be undertaken within the QESI or within other States, or even between other States to identify differences.

So what we can infer from this study? The results suggest that that there are issues that managers need to be aware of when seeking to implement organisational change. Although change can be planned, it can quite frankly simply emerge in unplanned ways. This study

investigated the characteristics of change in order to provide organisations, their members, practitioners, managers and politicians with information to negotiate appropriate paths to organisational change and therefore increase the likelihood of successful change outcomes for other organisations. First, there is no universal rule to follow in managing change; the internal and external context of an organisation plays a significant part in the process of change. Second, it is important to see change as a complex process, with unintended consequences and the potential to disrupt the life of the organisation. Hence, managers or others responsible for introducing and implementing change need to be aware that the leadership style adopted can have significant consequences, in that it can hinder or facilitate change including even a simple change such as a new management technique or procedure. Pursuing change and transforming organisations is hard work. Although culture was not specifically targeted in this study, many change initiatives fail because cultures do not readily accept change, and leaders do not effectively anticipate the impact on human systems (Trader–Leigh, 2002). This is where bitter implementation battles and strident resistance can occur. Increasing the success of implementation strategies demands leadership in the management of resistance as well as organisational change. Furthermore, greater participation by organisational members can increase the success of organisational change. The conclusions drawn in this paper will offer many opportunities for referral of the characteristics of change as well as the opportunity to gain an insight into possible reactions and developments and how these may be assisted/averted during the process of organisational change.

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Figure 1: Structure of the QESI - 1999.

GENERATION

Shareholding Ministers

CS Energy

Stanwell Corporation

Tarong Energy Corporation

Queensland Power Trading Corporation

Wholesale Electricity Pool

Powerlink Queensland
....
Queensland System Operator

TRANSMISSION

DISTRIBUTORS

Energex Distribution

Ergon Distribution

Energex Retail

Ergon Energy

Private Retailers

Independent Power Producers

Gladstone Power Station
Central Qld Power (Barcaldine)
Somerset Dam
Sugar Mills
Qld Sugar Power Pool
Transfield/NRG Joint Venture (Collinsville)
AES Mt Stuart P/L
Transfield Townsville
Oakey Power P/L

Source: Adapted by the author Electricity Reform Unit (2001).

Figure 2: Graphical Representation of the Changing External and Internal Environment of the Subject Organisation.

Research Site

New GM – restructured for competitiveness between regions, attempted quality assurance

New GM – restructured for cohesiveness and competitiveness, Instigated TQM and Strategic Planning

New GM – change management. Shift to commercial values in 1993/94

Corporatised. Two major restructures; changed focus to efficiency. Change Management. Changes = Transfer pricing, Reward Systems. PMS. Incremental Budget changes

1997 – 2000 TQM renewed focus – customer and growth focus, New Info Systems New Customer Service Division

New CEO

1959   **1984**   **1985**   **1987**   **1989**   **1991**   **1992**   **1995**   **1996**   **1998**   **2000**

Bjelke Petersen 1957 – 1987 (National Party 1959 – 1989)

Public & Federal Pressure. Qld Began minor attempts at reform

New National Party Premier. Instigated PSR. 2nd Savage Inquiry, resulting in further Public Sector reforms and investigation of such

CoAG – competition policy discussion

Competition Policy introduced in QLD Liberal Party elected into power with Borbidge at the helm

1st Savage review into Public Sector & need for reform

State Govt. amalgamated electricity industry forming the Qld Elect. Commission

New Premier Labor Party – further PSRs. Fitzgerald Inquiry into Corruption of Public Sector and National Party corruption

1985 – 1989 small incremental reform to Public Sector, focus on efficiency, accountability and public dissatisfaction with services. Strategic planning, efficiency moves. See 1st Savage Review

Labor Party elected to power. See 2nd Savage Review. Major PSR focus on efficiency and introduction of competitive market

State Govt Restructure Electricity Industry to accommodate competition

Boards Corporatised

1998 Labor Party elected back into power. One Nation debacle

Govt & PSR

Source: Developed by the author.
PSR – Public sector reform

29

Figure 3: Change Matrix

Style of change management	Fine-tuning	Incremental adjustment	Modular transformational	Corporate transformation
Collaborative				
	Type 1		**Type 2**	
	Participative		Charismatic	
Consultative				
Directive				
	Type 3		**Type 4**	
	Forced evolution		Dictatorial	
Coercive				

Source: Dunphy and Stace (1993).

Table I: Organisational Change Classifications

Type 1: Fine Tuning - Organisational change which is an ongoing process characterised by fine tuning of the "fit" or match between the organisation's strategy, structure, people, and processes. Such effort is typically manifested at departmental/ divisional level.

Type 2: Incremental Adjustment - Organisational change that is characterised by incremental adjustments to the changing environment. Such change involves distinct modifications (but not radical change) to corporate business strategies, structures and management processes.

Type 3: Modular Transformation – Organisational change that is characterised by major realignment of one or more departments/ divisions. The process of radical change is focused on these subparts rather than on the organisation as a whole.

Type 4: Corporate Transformation – Organisational change which is corporation-wide, characterised by radical shifts in business strategy, and revolutionary changes throughout the whole organisation.

Source: Adapted by the author from Dunphy and Stace (1993).

Table II: Descriptive Statistics for Items pertaining to Background Data.

Panel A: Nominal/ Ordinal Level Variables			
Item	**N**	**Category**	**N of Category**
Gender	84	1 = Female 2 = Male	1 = 6 2 = 78
Age Group	84	1 = 20 to 29 2 = 30 to 39 3 = 40 to 49 4 = 50 or more	1 = 1 2 = 25 3 = 43 4 = 15
No. of employees in department/ group	84	1 = 1 to 50 2 = 51 to 100 3 = 101 to 150 4 = 150 or more	1 = 46 2 = 13 3 = 10 4 = 15

Panel B: Interval Level Variables					
Item	**N**	**Min**	**Max**	**Mean**	**Standard Deviation**
Length of Employment at Organisation	82	2	39	18.07	9.47
Length in Position	82	.5	17	3.93	3.61
No. of reporting employees	80	0	60	11.84	12.24

Table III: Descriptive Statistics for Organisational Change by Categorisation

Category	Frequency
Type 1 – Fine Tuning	9
Type 2 – Incremental Adjustment	8
Type 3 – Modular Transformation	33
Type 4 – Corporate Transformation	34
Mean	**3.78**
Standard Deviation	**0.97**

N = 84

Table IV: Descriptive Statistics for Leadership Style by Categorisation

Category	Frequency
Type 1 – Collaborative:	3
Type 2 – Consultative:	29
Type 3 – Directive:	32
Type 4 – Coercive:	20
Mean	**2.82**
Standard Deviation	**0.82**

N = 84

Table V: Qualitative Evidence: Comments on Organisational Change

There is a need to ensure all departments/ divisions are informed of changes occurring in other parts of the organisation and understand what the changes mean to them and how they operate.

Constructive criticism, deployment of processes and applied learnings could be improved. I would also empower more staff to take accountability/ responsibility.

The competitive market that has opened at the large business customer end and which will by January 2001 open at the domestic and small business level has required the type of organisational change to take place.

Time to settle down before more change (I hope in vain).

More sharing and less duplication of expertise and effort related to changes, i.e. HR department gives more support to change.

This division is expected to operate as a commercial business but we are tied to corporate dogma and are not allowed any flexibility. Reduce corporate numbers and power.

Change Management does not address staff concerns of job security.

Separate business units seem to have different drivers for change. We need to improve the links between the Strategic Business Units and start working together again.

There is too much divisional focus and not enough Power Corp. wide objectives as department targets.

Product lines are unproductive and inefficient which restrict individual ability. Apply reasoning and appropriate business like reaction to most issues – franchise structure and multi-skilling provide a much more appropriate challenge.

Not enough care taken to identify, protect and retain the good features of the structure prior to changes. Too often the end result was pre-ordained.

My personal performance has been greatly affected by the constant state of change, be it structural changes, whereby finding the right person to help or new systems/ processes that have been implemented too soon.

Change has been so dramatic and so regular throughout the whole organisation; the concept of consolidation seems unheard of.

People management needs improvement.

Table VI: Qualitative Evidence – Comments on Leadership Style

More involvement and communication within organisation. Internal magazine was indicative of a more positive communication with all staff.

Leadership complacency must be monitored and actioned.

The organisation tends to support a lot of ineptitude around the place. (At the top level).

We have more direction but the CEO does not appear to be the one leading.

Once again, it seems to vary from division/ department to other divisions/ departments – it almost depends on the management team of each.

Staff commitment to the change by developing an environment which respects staff reluctance to change.

Needs to be more like type 2.

Managers in general do not appear to care for or seek general feedback from staff, even though there is a staff survey, the responses seem to be ignored. Customer contact face to face is critical to determine how we may better service their needs. Depot closures do not support this objective.

There should be a universal adoption of principle-centred leadership throughout the management of Power Corp., moving from type 3 to type 1 ASAP.

It would seem that consultation does occur with third level managers but the ultimate decision is still made by higher-level managers. The higher-level manager will always have some separate needs that may sway the decision from the consensus achieved during group consultation.

I have two leaders who don't consult or effectively communicate. One is a round peg in a square hole.

Too many of the 'old school' bureaucrats pretending to be managers/ leaders in areas outside their competence. Did I mention a lack of any real business sense!

Currently Power Corp. lacks leadership at the top. We need to change the current unworkable structure to one that facilitates teamwork across Power Corp..

Type 1 is better than the type 3 we have.

The current management need to develop their vision of the future of Power Corp. both technically and business wise and communicate this vision to staff so that those staff who have expertise in particular areas have an input in providing an effective way of achieving vision.

Communication from employees to changes prior to implementation.

Table VII: General Comments Regarding Organisational Change

Slightly more knowledge is required about the workplace.

Family has become slightly less important.

Moderately more knowledge is required about the firm's objectives.

Customers are moderately more important.

Competition in contrast to cooperation has become considerably more important.

There is no significant difference in planning.

Risk has become considerably more accepted.

There is considerably more change in the workplace.

The diversity of staff is considerably greater.

There is no significant difference in the centralisation of the organisation.

Group decision-making has considerably increased.

There is considerably greater emphasis on task as compared to people.

The work place has become slightly less formal.

There is slightly more commitment to serving the public.

There is no significant difference in the prestige gained from work.

There is no significant difference in the working conditions.

There is slightly less importance placed on being a manager.

Taking a business like approach is considerably more important.

There is moderately more emphasis on personal growth and development.

The importance of a challenging job is moderately greater.

There is slightly less commitment to caring.

There is no difference in opportunities to improve services.

Social aspects of work are considerably less important.

[1] Commercialisation involves the restructuring of government departments and functions so as to introduce accountability and economic efficiency.

[2] Through this process the trading activities of government departments or enterprises are transferred to government owned corporations. Although the ultimate ownership of these activities does not change under corporatisation, the form of the ownership structure does.

[3] Privatisation is the highest level of reform. It involves the withdrawal of the government from the ownership of the production of goods and services.

[4] The former QGC was separated into three independent and competing generating corporations. The QTSC, QETC and the seven distributors were established as independent GOCs.