

**DELIVERING CHANGE:  
COMPARING REFORM AT THE FRENCH AND GERMAN POST OFFICES**

by

**Harrison Dean Grafos**

Bachelor of Arts, Whitman College, 2002

Master of Public Administration, New York University, 2005

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This dissertation was presented

by

Harrison Dean Grafos

It was defended on

June 13, 2013

and approved by

Carolyn Ban, Professor, Graduate School of Public and International Affairs

Alberta M. Sbragia, Professor, Department of Political Science

Martin Staniland, Professor, Graduate School of Public and International Affairs

Dissertation Chair: B. Guy Peters, Professor, Department of Political Science and

Graduate School of Public and International Affairs

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This study, using historical explanatory methods, compares two cases of large-scale reform at the French and German post offices. First, what were the causes, patterns, and consequences of change in these post offices? More broadly, how can their patterns of reform shed light on administrative reform? These research questions arise not only from particular organizational realities (financial losses and technological change), but also from shifts in administrative to managerial styles within these organizations, a growing market emphasis, and the rise of New Public Management (NPM). As markets were presumed to be good, privatization (and its business-like components) became an acceptable vehicle of reform; where privatization was not feasible, corporatization was. Here I seek to better understand how the NPM zeitgeist and its related influences led to reform in the two cases (the French post office's corporatization and the German post office's partial privatization). In particular, how were these ideas translated into action within the organizations? Finally, I compare the patterns of reform constraints, methods, and outputs at the post offices in order to offer insights for policy-makers and public managers.

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## LIST OF ACRONYMS

AG (*Aktiengesellschaft*)

ARCEP (Autorité de régulation des communications électroniques et des postes)

AT&T (American Telephone and Telegraph Company)

BDI (Bundesverband der Deutschen Industrie)

CDU (Christlich Demokratische Union Deutschlands)

CFDT (Confédération française démocratique du travail)

CFTC (Confédération française des travailleurs chrétiens)

CGT (Confédération générale du travail)

CPA (comparative public administration)

CSU (Christlich-Soziale Union)

DM (Deutsche Mark)

DPD Deutscher Paket Dienst

DPG (Deutsche Postgewerkschaft)

EC (European Communities)

ENA (École nationale d'administration)

EPIC (*établissement public à caractère industriel et commercial*)

EU (European Union)

FDP (Freie Demokratische Partei)

FO (Force ouvrière)

GDR (German Democratic Republic)

GRAP (Groupe de réflexions sur l'avenir des postes)

LOLF (Loi organique des lois de finance)

NPM (New Public Management)

NSM (Neues Steuerungsmodell)

OECD (Organization for Economic Cooperation and Development)

PTT (Administration des postes, des télégraphes et des téléphones)

UPS (United Parcel Service)

## **1.0 PROBLEM AND PURPOSE**

“Yes, in the old days that was so, but we have changed all that” (quoted in 2003, 225). Although written by the famous French playwright Jean-Baptiste Molière in the 17th century, the utterance could have been made today by the current leaders of the French and German post offices (La Poste and Deutsche Post, respectively). Once unwieldy and outmoded public bureaucracies, the post offices have undergone historic changes. La Poste is a corporatized, business-like organization; Deutsche Post, a corporatized and largely privatized firm, is one of the world’s leading logistics and express delivery companies. All told these changes have left them dramatically different organizations than at the start of the reform process a couple of decades ago.

The reform of the French and German post offices coincides with a momentous wave of public management reform, led by New Public Management (NPM). As the single largest influence on public sector reform in OECD countries over the past three decades, NPM is impossible to ignore. Its emphasis on the market (privatization and personnel management), organizational autonomy, managerial power, performance, and depoliticization helped create a reform zeitgeist that ultimately spread beyond the industrialized West. Yet NPM’s rhetoric and ideas for reform affected some countries differently than others (Christensen and Læg Reid 2013). New Zealand or the United Kingdom, for instance, saw reform that more closely tracked NPM’s core than did France and Germany (Pollitt and Bouckaert 2011).



## 1.1 CONCEPTUAL FRAMEWORK AND RESEARCH QUESTIONS

In this study, I employ a comparative conceptual framework that centers on examining the French and German post offices through the lens of New Public Management. Using a historical explanatory approach (Van Evera 1997), I identify the elements at the post offices that led to change during the reform processes. Then, I draw larger conclusions about the consequences of this change for the organizations. In other words, I look at how NPM's ideas were translated into action within the two organizations in an effort to understand public sector reform in practice.

NPM in France perhaps did not overtly take form until the mid-2000s. Nonetheless, NPM elements infused reform in the country during the 1980s and 1990s, particularly through market-based approaches, business-like management, and a quality focus. In Germany, on the other hand, NPM appeared mainly at the local and regional levels, although market-based ideas of privatization and corporatization also touched federal reforms, including in the former East Germany and at state-owned enterprises. Given the particular French and German reform contexts, as well as the larger backdrop of NPM, my research questions are two-fold. First, what were the causes, patterns, and consequences of change in the post offices? Second, and more broadly, how can their patterns of reform shed light on administrative reform? I compare the patterns of reform constraints, methods, and outputs at the post offices in order to offer insights for policy-makers and public managers. Ultimately, the patterns of change at the French and German post offices can help inform administrative reform debates.

## **1.2 DELIMITATIONS**

As implied through the conceptual framework, this study is not theory-generating. Rather, it is centered on examining contemporary historical developments in practice, grounded in NPM theory, to shed light on the broader phenomenon of public sector reform. Van Evera (1997, 93) calls this “theory-applying,” but in fact the approach is a familiar one to scholars of public administration. Public administration, particularly comparative public administration (Jreisat 2002), has long been a place to bridge practice and the academy to improve public governing and governance; it is a distinction that has historically separated public administration from political science all the way back to the time of Woodrow Wilson’s (1887) early writings, but also in the spirit of later theorists such as Dwight Waldo. Waldo viewed public administration as “an applied, interdisciplinary field of professional practice” (Frederickson 1999, 5). In this vein, my study looks at two largely successful examples of reform to understand how developments on the ground can help in understanding the practical implications of public sector reform.

## **1.3 CHOICE OF POST OFFICES AND SIGNIFICANCE OF THE STUDY**

Why the choice of the post offices as the focus of the study? As two of the biggest and historically important institutions in France and Germany—and given their momentous programs of reform and change—the post offices provide a backdrop with which to examine how NPM was translated into reforms in national contexts for several reasons. With deeply-rooted pasts, rich cultural legacies, and historic roles as communications channels between states, communities, and citizens, the post offices are inherently interesting institutions.

Second, from the vantage of studying changes in public organizations the choice of the post offices is highly pertinent. This is because they were traditionally Weberian (1958 [1946]) in their structure (rational and hierarchical), task orientation (rule-based), and ways of doing things (formal). In this way, they provide convenient milieux in which to observe how the tools of New Public Management may have an impact on reform. NPM tools were designed in particular to help free organizations of the perceived constraints of traditional bureaucracies (Hughes 2003.) Change at the post offices thus provides a helpful “before” and “after” snapshot to analyze reform.

Lastly, the postal services are “marketizeable” (Pierre 1995) and may be provisioned by private operators in the market like any other service. As NPM includes in its core a market-based approach (Peters 2001), the postal services supply a helpful backdrop to explore NPM’s influence. All of these considerations provide grounds for the selection of the post offices and how their experiences permit broader conclusions about public sector reform. In more colloquial terms, they answer the “So what?” question: Through study of the postal reforms, key insights can be gleaned from the organizational dynamics of what does (and does not) work more than abstract theory.

#### **1.4 ORGANIZATION OF THE STUDY**

The study is organized around the case studies, then thematically in terms of the reform themes, and finally as it concerns broader insights for public sector reform. In Chapter 2, I present an overview of NPM and its components. The historical background for NPM’s development is covered, followed by an outline of NPM’s impact and influence in the French and German

contexts. Such understanding is critical in order to better comprehend the administrative and political context in which the French and German post offices operated during their major reforms. Although France was initially a reluctant adopter of NPM, it nonetheless shows important evidence of the phenomenon. Germany, on the other hand, adopted NPM mainly at the local levels with key exceptions such as in railways and postal services, although it employed market tools such as privatization post-reunification. Chapter 3 covers the study's methodology, which centers on a comparative case study approach using process-tracing.

In Chapter 4 and in Chapter 5, I examine the reform trajectory at the French post office. Chapter 4 covers the early period at the French post office including the creation of the budget annex that devoted to it, for the first time, a separate budgetary section. It also covers developments in telecommunications that would eventually provide a strong reason for change at the organization, as well as an unsuccessful effort at reform in the early 1970s. In Chapter 5, the build-up to the recent period of reform at the post office is covered, focusing on Postal Minister Paul Quilès' ambitious and fruitful push to separate the postal from the telecommunications services. This break created, for the first time, two entirely separate state enterprises, paving the way for corporatization in the case of the post office (and corporatization and eventual partial privatization in the case of telecommunications). Finally, I explain (among other developments) the various organizational challenges, changes in leadership, and the creation of a full-fledged banking division.

Beginning with a brief summary of the history of the German post office in Chapter 6, I describe various reforms in the contemporary period. This includes the impact of reunification (and combining of the western and eastern post offices), corporatization, internationalization, and nearly full privatization. Through a relatively short period one is able to see how a large and

outmoded bureaucracy was transformed into one of the world's leading logistics and express mail firms.

With Chapter 7, I identify themes of reform from the French and German post offices. These nine themes of center on the internationalization and Europeanization of telecommunications, financial pressures, new management ideas, entrepreneurial and market orientations, personnel management, agency-like structures, internationalization, reunification, and elite decision-making (including leadership). I then highlight in more detail similarities and dissimilarities among the two reform experiences. Finally, Chapter 8 summaries the study while offering broader implications for reform and future research.

## 2.0 THEORETICAL PERSPECTIVES

New Public Management's (NPM) emphasis on the market (privatization and personnel management), organizational autonomy, managerial power, performance, and depoliticization helped create a reform zeitgeist that ultimately spread beyond the industrialized West. Yet NPM's rhetoric and ideas for reform affected some countries differently than others. New Zealand or the United Kingdom, for instance, saw reform that more closely tracked NPM's core than did France or Germany. More important than abstractly measuring conformity to NPM country-by-country, however, is to examine how NPM was interpreted in national contexts on the ground: in practice, in other words. In this chapter I briefly situate NPM in larger socio-economic developments, detail NPM's major components, and then examine the NPM experience in France and Germany. This approach will allow me in following chapters to study the particular reform strategies employed by reformers at the French and German post offices, thus shedding light on these two large-scale reform experiences and their relationship to the larger NPM push.

## 2.1 NEW PUBLIC MANAGEMENT AND ITS FEATURES

Public bureaucracies have conventionally been characterized as Weberian (1958 [1946]): formal, rational, rule-based, hierarchical, and specialized (Heady 2001). From the 1970s on, however, this prototypical structure of a bureaucracy came under multiple strains: economically, ideationally, and pragmatically. Economically, many industrialized states felt budget pressures from slowing economic growth, increasing expenditures, and declining competitiveness (Caiden 1991, Toonen 2001, OECD 1993). On another front, market-centered ideas about the public sector, its place, and its role in providing services spawned more critical views of the bureaucracy and nurtured a neoclassical economics and neoliberalism. Pragmatically, policymakers, along with business consultants and academics, began to broaden the range of reform tools by devising and experimenting with organizational change strategies to shake up public administration. Taken together, these broad factors help provide the contextual backdrop for the emergence of New Public Management (Pollitt and Bouckaert 2011, Hood 1989).

Initial NPM adopters came in the late 1970s and early 1980s from New Zealand, Australia, the United Kingdom, Canada, and (with another accentuation) the United States (Hood 1989). These countries sought new ways to improve public administration and their reforms in many ways became the NPM archetypes. By the late-1980s and early-1990s countries in continental Europe, North America, and Scandinavia were also adopting NPM reform programs, prodded along by the Organization for Economic Cooperation and Development's Public Management Committee (OECD 1995). By the mid- to late-1990s, NPM spread to industrializing regions including Africa, Latin America, and Asia. The World Bank, the International Monetary Fund, and others emphasized NPM components as part of structural adjustment and reform policies. At the end of the decade some argued that the public sector was

not merely experiencing deep change, but that a “global management revolution” was in fact underway (Kettl 2000).

Given this international diffusion of NPM ideas and practices, what is NPM and what are its basic characteristics? Most commonly, *New Public Management* refers to a business-like management, a quality or service orientation, and the use of market tools in a public organization (Kickert 1997). Beyond these, NPM stresses greater organizational autonomy, managerial power, and depoliticization (Christensen and Lægreid 2013, Hood 1991). NPM thus serves as an alternative to the traditional Weberian bureaucratic structure that is largely focused on task completion. Whereas the traditional bureaucracy was standardized, regimented, or routinized, NPM’s managerial structure might be more heterogeneous, flexible, or adaptable. As understanding NPM’s core features is critical in evaluating public sector reforms, I turn to them next.

### **2.1.1 Market**

Under NPM, the assumption is that markets, not states, lead to the most efficient and cost-effective delivery of services. In the public sector, this is through the use of market-based incentives. Proponents of this view argue that markets provide a superior outcome (in quality and employment of limited resources) through competitive arrangements (Peters 1996). Consequently, by subjecting bureaucracies to the rigors of market-based competition in the provision of public services it is thought that the supply incentives of bureaucracies will better align with public demand for services. The result will be more “entrepreneurial” organizations (Christensen and Lægreid 2001, Osborne and Gaebler 1992). NPM has also sought to apply market-based incentives to public personnel. Using a similar logic, proponents have argued that



subjecting employees to competition and market pressures will induce them to perform more efficiently (Peters 2010). Ultimately, they argue, this will lead to improved quality of service with staff shifting from task completion (Weberian) to meeting demands and objectives (NPM).

The market-based reform approach altered the landscape of public service provision as privatization brought competition to services once monopolized by the state. This occurred through a range of arrangements on the market-state spectrum from (for example) public-private partnerships, to franchising, to contracting-out. Yet whichever form privatization has taken, the outcome is similar: a net reduction in the role of the state in the economic production and utilization of resources, substituting the private for the public sector (Savas 1987, Weizsäcker, Young, and Finger 2005a). Moreover, market-based approaches alter the public's relationship with the state by turning citizens into self-interested *customers*. Rather than participants in a shared process of governing, citizens approach public services as any other, viewing them through a transactional, business-like lens. This, to be sure, has important implications for governance (Pierre 1995). The market approach thus buttresses the demand side of public services (citizens-cum-customers), as well as pushing public bureaucracies to become more market-driven and business-like in their operations, mentality, ethos, and organizational culture.

### **2.1.2 Managerial Power**

NPM proponents have frequently viewed a traditional bureaucracy as unwieldy, inefficient, and task-focused. As such, they criticized it for not being able to react or adapt to changing needs or environments (Aucoin 1988, Pollitt 1990, Barzelay 1992, Dunleavy and Hood 1994). NPM proponents seek to address these perceived deficiencies using managerial power, specifically providing public administrators (now called “managers”) with additional flexibility and freedom

to carry out the work with which they are tasked. “Let the managers manage” thus became a common exhortation from reformers; politicians were to “steer, not row” (another mantra) (Osborne and Gaebler 1992). In other words: provide overarching guidance, but do not intrude on the nitty-gritty of policy implementation.<sup>2</sup> Reformers pushed to lift constraints on managers they believed impeded decision-making. They streamlined or flattened organizational hierarchies, simplified procedures and manuals (National Performance Review and Gore 1993), and gave managers added discretion to approach more problems on a case-by-case basis (rather than in a firmly uniform manner). Such changes reflect a convergence in many ways of private and public managerial practices: Business carried out many similar changes before NPM appeared.

This generic or “general” management approach, highly influenced by the business world and its managerial culture (e.g., Peters and Waterman 1982), has less of a concern for conventional public concerns (Allison 1986). These concerns include equity and fairness that may indeed slow down decision-making and make it less efficient, but they offer nonetheless the public greater inclusion and representativeness (Ingraham and Pierre 2010). As such, NPM on its face may have improved efficiency through its lifting of bureaucratic constraints, but it may also have diminished democratic accountability checks over the bureaucracy (Minogue 1998).

### **2.1.3 Performance Measurement and Management**

Performance measurement and management are critical to NPM (Bouckaert and Halligan 2008). Nonetheless the basic idea finds roots further back with the Planning, Programming, and

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<sup>2</sup> This is also related to efforts to depoliticize the bureaucracy.

Budgeting System, program evaluation (OECD 1994), or Management by Objectives (Radin 2006). Indeed, measurement metrics such as inputs, process, outputs, and outcomes parallel program evaluation; they focus more on the causative link between program activities and outcomes than does performance measurement (Hatry 2006, 1999). This said, the basic idea of a performance-based approach is to deliberately define overall goals, link tasks to them, and then measure to see if they are achieved (Ingraham and Moynihan 2001).

Under NPM the performance approach focused initially on *ex ante* identification to *ex post* control (Peters 2010), moving from “soft” controls more characteristic of a Weberian bureaucracy to “hard” mechanisms reflective of a more market-based managerial context (Bouckaert and Halligan 2008, Dooren, Bouckaert, and Halligan 2010). The result is thus a recapturing of managerial control that was initially yielded under NPM (Peters 2010). The mantra of “managing for results” helps to capture this shift (Kamensky, Morales, and Abramson 2005). Performance management, as Radin (2006) notes, has sought to encourage a continual and long-term process of improvement. It has also been used to make (or help) public organizations justify funding—or to cut them altogether. As such, she says, it can be rife with contradictions: Changes may not always be productive (for example, metrics employed for their own sake) while all-too uniform prescriptions are employed and come at the expense of equity.

#### **2.1.4 Organizational Autonomy**

NPM has facilitated the growth of agencies and agency-like structures. Several reasons have been given for increasing organizational autonomy, but the result has been to move several functions that previously were conducted at the central level to other entities across a number of OECD countries (Verhoest et al. 2011). This has facilitated public management reforms such as

civil service headcount reductions and the introduction of business-like orientations, yet their spread has also helped lead to fragmentation and coordination dilemmas in service provision. Agencies include governmental units or departments, state organizations with some managerial independence, statute-based establishments, state enterprises, lower-level governmental bodies, or private organizations through contracting out, for example (James and van Thiel 2013). The United Kingdom's Next Steps agency is thus one example of this phenomenon (Pollitt and Bouckaert 2011), but so are the array of corporatized public enterprises. The rationale behind the creation of agencies has primarily been to ameliorate the principle-agent problem of delegation with the bureaucracy laboring under uncertainty from politicians and the political process (James and van Thiel 2013).

### **2.1.5 Depoliticization**

NPM has sought to minimize the influence of politics on the bureaucracy, generally holding such pressure as interfering with the efficiency and effectiveness of the organization. Within the industrialized world, politicization refers to influence over policy and implementation,<sup>3</sup> of which several paths to change and control exist: changing employees, changing behavior (attitudes and culture), changing bureaucratic structures, and changing the locus of decision-making (Peters and Pierre 2004). Moves to depoliticize the bureaucracy include adopting a business-like culture and parceling out policy implementation to other entities (for example, the United Kingdom's Next Steps agency) (Pollitt and Bouckaert 2011, James and van Thiel 2013). Such changes,

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<sup>3</sup> Peters and Pierre (2004) note that the wielding of political influence over policy and implementation is the typical pattern in industrialized countries (rather than the more traditional definition centered on patronage appointments and its related implications for public personnel selection, promotions, and discipline in industrializing states).

however, are not without consequences; while they may indeed insulate civil servants from the pressures of politics, they may at the same time be shifting their public service values and motivations to those aligned with NPM, argue Peters and Pierre (2004). This, they suggest, may result in a larger democratic accountability gap between the public's representatives and the bureaucracy. In this way, NPM may depoliticize certain aspects of partisan influence, but it may leave behind a different type of politicized influence in its place: allegiance to a market-inspired managerialism.

## **2.2 NPM IN THE FRENCH AND GERMAN CONTEXTS**

The New Public Management zeitgeist had an impact on France and Germany, albeit to different degrees (Pollitt and Bouckaert 2011). NPM in France did not overtly take form until the mid-2000s, but its elements infused reform during the 1980s and 1990s. This was particularly through market-based approaches, business-like management, and a quality focus. In Germany, on the other hand, NPM appeared mainly at the local and regional levels, although market-based ideas of privatization and corporatization also touched federal reforms, including in the former East Germany and at state-owned enterprises. How did the countries employ the tools of reform? Moreover, how did the countries' national particularities shape (or constrain) NPM's growth? I turn now to this interpretation of NPM in the French and German national contexts.

### 2.2.1 France: Historically Constrained, but Important Change over Time

France's relatively big (Knapp and Wright 2006) administration has largely conformed to Weber's traditional bureaucratic archetype, albeit with a greater emphasis on egalitarianism (Mény 1988). The French bureaucracy's administrative heritage dates to the Ancien régime, although it has experienced changes, particularly post-World War II. One of the most important changes of the time gave civil servants the right to strike. Since then, the functionary *en grève* has become a fixture of the landscape, complicating attempts at reform. Structurally, the civil service is organized in large, statute-based groups called *corps*; members of the elite corps graduate from prestigious training schools known as *grandes écoles*. The training schools, including the École nationale d'administration (ENA) (Bartoli 2008), play a critical role in populating the highest levels of the civil service, as well as contributing to a homogeneity in training and outlook. Finally, the French notion of *service public* that "associates the general interest, the state, the citizen and the delivery of public services" (Le Galès 2005, 123-124) adds an additional wrinkle to the bureaucracy's outlines.

The famed French sociologist Michel Crozier (1964, 1973) criticized many decades ago what he saw as his country's inflexible bureaucracy. Crozier argued that its pathologies impeded social progress, contributing to a "stalled" society. In recent decades (from the 1980s on), France has been characterized as slower to adopt changes from the public management reform push (Pollitt and Bouckaert 2004). Nonetheless, France has undergone important changes in its public sector including in the area of NPM (Rouban 1997, Bezes 2010).

One of the primary areas where public reform ideas have infused the French public sector has been in the introduction of market-based and business-like strategies as governments on the left and right gradually jettisoned *dirigisme* and the state's portfolio of national enterprises

(Knapp and Wright 2006). These were largely inherited from post-World War II nationalizations. Beginning in the mid-1980s governments turned more and more to privatization as a strategy to modernize public organizations including banks, electricity firms, insurers, a television broadcaster, and automobile and steel manufacturers (Schmidt 2001). Privatization enabled nationalized enterprises to convert to private entities that would mirror the structure and management of private business over time. It was believed that the enterprises would be more successful and profitable in the open market, although studies (in fact) show only mixed results (Finger 2005, Weizsäcker, Young, and Finger 2005a).

In France public officials calculated that in privatization (on the one hand) many collective goods could be supplied under private ownership; on the other, they saw that enterprise sales could give the additional benefit of a (one-time) revenue boost (Wright 1994, Knapp and Wright 2006). The latter can be particularly lucrative in banking or insurance, for instance, as well as in periods of economic stress. Finally, state reformers could leverage private investment to reform the organizations rather than use taxpayer dollars. Privatization, however, is not always practical or feasible (Weizsäcker, Young, and Finger 2005b). The term itself can have a negative connotation in France and it may run counter to *service public*. Perhaps more critically, privatization may threaten entrenched interests. These are notably the trade unions that stand to lose the various perquisites and privileges in a free market. For these reasons, it is not surprising that reformers may push state enterprises to adopt business-like management practices and culture (corporatize) while remaining public in ownership.

With the state maintaining ownership under corporatization the government could deflect some political heat from the unions who could otherwise charge the government with risking the organization's future in the free market. At the same time, the public enterprise could gradually

be steered towards adopting business-like practices in management and personnel (and, in theory, toward improving services and profitability). After all, it is hard to argue against better management, customer service, or higher quality standards. It thus makes sense that a process of corporatization could be viewed as a “middle ground” in reform (Wettenhall 2001). The electricity company (Electricité de France) and the railways (Société nationale des chemins de fers français) are examples where corporatization and public management changes have been implemented (Rouban 1997).

France undertook a spate of additional reform initiatives throughout the 1980s and 1990s. They range from quality circles (inspired by Total Quality Management), computerization, updated civil service policies, bottom-up management, strategic plans, and human resources management (Rouban 1997). In 1989, for instance, Prime Minister Michel Rocard issued a circular that called for the use of objectives to modernize the bureaucracy (Guyomarch 1999). In the mid-1990s, additional reform documents (Prada in 1993 and Pique in 1994) built on the Rocard circular with Pique acknowledging the broader reform trends in Europe and the world (Rouban 1997). The Charter for Citizens and Public Services in 1995 would call for better service quality and transparency while also using performance-based criteria (Guyomarch 1999). Feeding into the atmosphere of change, a decentralization effort in the early 1980s moved certain powers to the lower levels of government that had the effect of creating more complex, but also more democratic governance (Mény 1988). France waited until the 2000s with the passage of a new financial legislation for an initiative that would be most true to the NPM model, as Bezes (2010) argues. This came in the *Loi organique des lois de finance* (LOLF) that was implemented in 2006. Although there were hints of NPM in the late 1990s, LOLF brought new accountability and performance mechanisms by, in part, strengthening the parliament’s role in the budget



process. It served as an entrée to further changes and is seen as “path-breaking” in its NPM-like reform character, says Bezes (158).

In sum, over the past three decades France adopted important components reflective of the NPM reform push as it interpreted them within its national context and constraints. These initiatives include market-based approaches including pushing business-like management through corporatization, stressing a quality and performance orientation, and introducing performance-based budgeting controls with the LOLF. As a result, while France may have indeed been slower to take up the NPM flag, it now shows important elements of it that taken together add up to notable change and reform.

### **2.2.2 Germany’s Incremental Adjustments, New Steering Model, and Reunification**

Germany, like France, is prototypically Weberian (1958 [1946]) in its bureaucratic structure, although it emphasizes legalism in its bureaucratic traditions (Painter and Peters 2010). Germany is a coordinated federal state with various competencies shared or delegated to the local, state, and federal levels of government (Esser 1998). Prussian heritage strongly influenced the bureaucracy, which was consolidated under King Wilhelm I and Prime Minister Otto von Bismarck. Despite experiencing multiple wars on its territory, severe economic and political tumult, an East-West split, and a momentous process of reunification, Germany’s bureaucracy has seen remarkable administrative continuity with the outlines of its bureaucratic heritage (König 2001). In its contemporary civil service, the training for higher level civil servants has traditionally been legal-centric despite a push for more civil servants of different backgrounds such as from business (Röber 1996).

Germany has been characterized by some reform efforts, as well as NPM or NPM-like emphases. One of the earliest NPM-like efforts at the federal level was the 1970 Entbürokratisierung (de-bureaucratization) Commission to reform the civil service. The commission's name is evocative of NPM at an early period. Other attempts at reform include the push by the major political parties in the late 1970s, and various budgeting, planning, or statute consolidation. Overall, reform has tended towards refining the Prussian bureaucracy rather than replacing it (Jann 1997). In the mid-1990s, the conservative-liberal coalition government convened a Lean State Commission<sup>4</sup> to examine potential state reforms. Yet despite its high profile and "containing basically every NPM-related suggestion ever made," it ultimately had little immediate impact (Fleischer and Werner 2011, 74). The traditional bureaucratic character of the federal institutions, with few exceptions, thus remained largely intact.

NPM in its most pure form has had more of an impact at the local levels of government. The *Neues Steuerungsmodell* (NSM) emerged in the 1990s that would be pushed by the association, as well as local government consultants, foundations, academics, and practitioners. The literal translation of NSM to "New Steering Model" evokes other New Public Management and NPM-like initiatives in other parts of the world such as Osborne and Gaebler's (1992) mantra calling on governments to "steer, not row." NSM piqued the interest of, and would receive some currency from, political parties across the spectrum as it was viewed as a way to strengthen public services rather than privatize them. Even unions and their political allies such as the Social Democrats would come to back the approach (Fleischer and Werner 2011, Reichard 1997). In the meantime citizens raised their expectations about the quality of public services and would criticize those that fell short of expectations (Röber 1996), thus alluding to a more

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<sup>4</sup> In German: Sachverständigenrat Schlanker Staat.

transactional public service. Eventually, however, NSM faded, leaving a mixed legacy. Its more negative stance towards traditional bureaucracy plus the fact that some of its strongest proponents such as the Bertelsmann Foundation and consultants were seen as “neo-liberal,” worked against it (Fleischer and Werner 2011).

NPM failed to gain extensive traction in Germany for two main reasons according to Reichard (1997). First, Germany did not experience severe financial pressures that caused it to cut back the state as did many peer Western governments. It only began to truly face financial pressures after reunification in 1990, he says, when local and state governments began to experiment with (perceived) less costly ways to deliver public services through contracting-out or public-private partnerships. Second, as Germans have traditionally been supportive of a robust public sector, they have not contested the higher taxes often required to support robust administration.

### **2.2.2.1 Reunification and Public Management**

Although NPM did not see wide-scale adoption across Germany, some use of market-based tools such as privatization were nonetheless employed, most notably at reunification. After the fall of the Berlin Wall, the government spent billions of German marks modernizing former East German administrations, infrastructure, and firms. The massive privatization program under the Treuhandanstalt’s initiative resulted in the restructuring, privatization, or break-up of 12,000 formerly nationalized eastern firms or industrial combine monopolies over a few short years (Reid 2001). This privatization push was partly ideological under Chancellor Helmut Kohl and his Christian Democratic Union/Christian Social Union parties in coalition with the market-oriented Free Democratic Party (Esser 1998). Nonetheless, aside from the heavy privatization of former East German industry, privatization was more generally not embraced for structural and

economic reasons in Germany, says Esser (1998). Germany's federal system and the separation of tasks between local, state (*Länder*), and federal bodies make privatization more difficult. Second, many German officials hold an underlying faith in the social market economy; therefore, they often have a more skeptical stance towards privatization. Minus a few high-profile exceptions at the federal level (telecommunications and postal services), privatization in Germany have been largely "symbolic," notes Esser (see also Finger 2005).

In terms of reunification's impact on public management and reform, the result is a surprising one. Although privatizations and restructurings in the eastern part of the country could have been imagined to have resulted in the public management trends of the time being implemented, they were not. Rather, the structures and civil service would be brought back to the East (Reichard 1997, König 2001). In this way, most of the public management innovations occurred in West Germany through the New Steering Model or through other means.

To summarize the German public sector reform experience, then, is to highlight the early but limited attempts at incrementally tweaking the traditional Weberian bureaucracy. Although some high-profile initiatives, commissions, or reports appeared, they generally had only a marginal effect at the federal level (with notable exceptions such as the post office). More NPM-like changes were seen, however, in the New Steering Model at the local and state levels. Officials there privatized or entered into partnerships with non-governmental entities to provide various municipal services. Finally, although reunification brought an ideological privatization push to shutter or re-work the bulk of the former East German industrial apparatus, the privatization push generally ended there. The former eastern German Democratic Republic was not a testing ground for innovations in public management. This collectively translated into incremental and limited public sector reform à la NPM.

### **2.3 CONCLUSION**

The New Public Management reform push has been one of the most powerful influences on public sector reform in recent decades. Its emphasis on the market (privatization and personnel management), organizational autonomy, managerial power, performance, and depoliticization has left its mark, in varying ways, on reform outcomes. Yet as the experiences of French and German public sector reform experiences show, the impact can be uneven, and different aspects over others are stressed depending upon national context and traditions. This last point is a crucial one to keep in mind in examining how NPM was interpreted by France and Germany in the reform of two of the largest and most traditional bureaucracies there, the post offices.

### **3.0 METHODOLOGY**

This chapter on methodology begins with an overview of the research type and a discussion of the method of data analysis (process-tracing). This is followed by a discussion of the sample and an identification of the study population. Finally, I conclude with information on the study's instrumentation and a synopsis of the data collection.

#### **3.1 COMPARATIVE PUBLIC ADMINISTRATION AND PROCESS-TRACING**

Comparative public administration (CPA) has many manifestations and meanings: to classify and make sense of administrative structures and functions across bureaucracies (Heady 2001); as a means to derive practical insight for public officials and practitioners (Jreisat 2002); or a methodological, even modest theory-generating, tool (Peters 1988). Except in helping to shed light on the influence of national administrative traditions on organizational change, I see CPA's primary role as methodological. As its name implies, the core of CPA is *comparison*. Comparison may be across countries, across policy areas, across functions, across cases, or across time (Peters 1998, 1988). I used CPA in this study as a way to flesh out causal influences and mechanisms at organizations. In particular, I looked at comparing reform, changes, and administrative experiences at the two organizations to identify and deepen our understanding of public sector reform.

Complementing CPA, I employed process-tracing. Process-tracing seeks to map various causal processes in order to confirm or reject hypothesized explanations (Bennett 2010). It is akin to “detective work” and historical research (Gerring 2007, 178, also see George and Bennett 2005) and allowed me to map the links in a correlative chain pointing to what I see as the most valid outcome. As Gerring notes, counterfactual arguments are crucial in process tracing: They illuminate developments that would otherwise remain obscured and consider what may have happened if a process-traced observation had not been present.

Process-tracing is guided by a search for a conclusive piece of evidence, passing a so-called smoking gun test, that will help to confirm or reject hypothesized explanations in a backwards *and* forwards direction (Bennett 2010). Bennett, borrowing from Van Evera (1997), notes that a smoking gun may establish causation; if the smoking gun is found, it can confirm a hypothesis. Importantly, however, the absence of a smoking gun does not exclude a particular explanation. Smoking guns, Bennett underlines, are sufficient (but not necessary) conditions to establish causation. As such, the tests lend strong credence to hypothesized explanations. Smoking guns, in this sense, allowed me to focus data analysis efforts on shedding light on the unclear parts of causation, aided by theory, in order to leverage “generally recognized priors” to make weak connections stronger. In the end, I was able to narrow down various hypothesized explanations (Gerring 2007, 184).

Beck (2006) sees two flaws in process-tracing. First, Beck asks whether the method provides theoretical leverage over explaining broad phenomena or an isolated occurrence (or case)? He uses this point to make a broader statement against qualitative methods and case studies. Beck notes that while the approach allows researchers to better understand individual cases, case studies in his view do not effectively illuminate broader societal phenomena. This

point is readily refutable as qualitative methods and case studies have been shown in numerous cases to shed light on phenomena that add up to a far deeper understanding of the world (Stake 2000, Yin 2003, 1984). Although generalization may be problematic, case studies allow scholars to use the results to compare across other cases and help to draw conclusions based on context (Gray 2009, Dey 1993). Beck's criticism against process tracing and qualitative methods is, in this way, a flawed one.

Second, Beck (2006) is skeptical as to whether process-tracing serves as an observation of causal processes. Beck argues that process-tracing is merely another name for descriptive (instead of causal) inference, referencing King, Keohane, and Verba (1994). Here Beck offers a potentially more serious charge: Process-tracing allows researchers to identify plausible inferences based on theoretical insight or presuppositions, but it does not serve as sufficient grounds for causation. In Beck's view, process-tracing thus would not support (or refute) hypothesized explanations. Unfortunately, Beck's charge is again misplaced. Although process-tracing cannot definitively rule out various explanations,<sup>5</sup> it can nevertheless add strong support through its robust evidence-gathering. In addition, the use of empirical tests such as the smoking gun can serve to strongly support or refute hypothesized explanations. This, to be sure, goes far beyond the descriptive inference Beck describes; process tracing provides an effective and methodologically sound approach to qualitative data analysis.

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<sup>5</sup> Even process-tracing can be fallible, admits Bennett (2010).



### **3.2 POPULATION, SAMPLE, AND SUBJECT DEMOGRAPHICS**

The study's population consisted of upper-level (present and past) management of the French and German post offices. At the outset of the major reforms, the organizations were two historically significant organizations similar in their traditional Weberian structure and in their "marketizeable" services. Despite the daunting challenges, the organizations nevertheless implemented aggressive programs of reform and restructuring, and succeeded on the whole.

The sample consisted of a non-random, purposive sample of current and former members of the organizations. I gleaned additional information for the sample through a convenience and snowball sample of related and affiliated representatives of the government, unions, industry, and non-governmental organizations in order to provide additional depth and background for the cases. A purposive sample is based on identifying traits of individuals and employing these traits in selecting the individuals for sample inclusion, which may in the end produce a cross-section of the population (Gray 2009). The focus, then, turns to individuals who can provide useful information in order to flesh out the cases (see Patton 2002).

I used an organizational chart (current and former ones, where available) to identify informants based on job position, function, and department. In keeping with the top-down focus on change, the sample focused on upper-level management. After having interviewed the selected informants, I interviewed still more individuals when I was provided with suggestions for further interviews. In other words, I followed up my purposive sample through a snowball approach (Davenport and Prusak 1998, see also Northrop and Arsneault 2008, Johnson 2002).

The results of this sampling yielded 36 interviews consisting of a wide range of informants with intimate knowledge of the two organizations (see Appendix A). Most interviews were of current and former senior managers at La Poste and Deutsche Post. These included

division heads, subsidiary heads, directors, personnel chiefs, and presidents or CEOs. With few exceptions, participants were male (largely reflecting the organization's demographic makeup in the senior ranks), middle-aged, or close to (or in) retirement. The bulk of the participants spent all or a large amount of their entire professional careers at one of the two post offices. I also interviewed agency regulators, finance and economics ministry officials, as well as an analyst. In this case, there was more diversity in gender with a mix of male and female informants. Usually they were in mid-to-senior career positions; there was also more diversity of organizational backgrounds, although they tilted heavily toward the postal sector. Finally, some of the key interviews were of various former French and German ministry officials, usually at the highest or near-highest level. These were usually senior, male, and in retirement.

### **3.3 INSTRUMENTATION AND DATA COLLECTION**

Instrumentation consisted of a semi-structured questionnaire designed for each organization, but highly similar in its fundamentals (see Appendix B). A semi-structured questionnaire protocol is common in public administration research similar to this (for example, Driscoll and Morris 2001, Schein 1985). In addition to their widespread use in this form of research, it is appropriate for additional reasons. First, with the need to conduct comparisons both within and across the two organizations some standardized data was helpful for the data analysis. Standardization in the questionnaire's structure allowed me to understand, for example, how organizational change affected one case and not the other. In other words, the technique permitted comparison and some quantitative response tallying while also allowing for probing of informants (Brewerton and Millward 2001). Second, due to the time frame and the fact that much of the change

occurred in the past, it would have been difficult to have interviewed members of the organizations who played exactly the analogous role in the other organization. In reality, some informants were simply too elderly or deceased, for instance. As a result, though the questionnaire could not be uniformly structured, it nevertheless included elements and questions common to both protocols.

Data collection was primarily interviews, followed by written documentation consisting of newspaper reports, corporate documents, and limited recent archival materials. Interviews through key informants are not only common and relevant in qualitative research (Gray 2009), but they are also regularly used in organizational analyses. Interviews help to shed light on organizational dynamics in addition to motives, assumptions, and justifications behind actions that members take in organizations (Strati 2000). Secondary source documents included annual reports, mission statements, consultant reports, employee surveys, and newspaper and press accounts. Finally, I used data triangulation (Hartley 2004) to cross-check data across multiple sources where possible. This was critical to validate the data.

### **3.4 CONCLUSION**

The methodological approach of the study centered on a comparative cases study approach that supports historical explanatory analysis. Process-tracing, a methodologically rigorous way to analyze historical occurrences, was the key tool of analysis. The sample and population consisted of informants with deep and intimate knowledge of the organization such as those who have worked in upper-level or senior management roles. A semi-structured interview format allowed for appropriate standardization in the data collection, but it also permitted limited customization

in the interviews in order to uncover relevant data. I also employed primary and secondary source documentation that permitted data triangulation and validation.

## **4.0 EARLY REFORMS OF THE FRENCH POST OFFICE**

Modern reform at the French post office dates back nearly nine decades to the creation of a dedicated annex to the state budget in 1923. Since then, the post office has seen many attempts at reform, some more significant than others. Clear from these multiple reform attempts, however, is the difficulty in changing an organization with deep historical and cultural roots. Indeed, its origins are believed to date back to the 15th century regime of Louis XI and its horse-drawn royal postal system; the contemporary post office dates to 1878 when it became part of a ministry structure after the merger of postal and telegraphic services under one roof (1949). The profound grounding of the post office, then, has only served to confuse, confound, or stymie the myriad administrators, politicians, ministers, and other public officials who have sought to reform the organization during the modern era. This chapter focuses on early reforms and reform attempts, beginning with the introduction of the state budget annex.

### **4.1 GENESIS OF MODERN REFORM: CREATION OF THE BUDGET ANNEX**

By the end of the First World War, administrators at the Administration des postes, des télégraphes et des téléphones (Post Office, Telegraph, and Telephone Administration; henceforth, the post office or PTT) were chaffing under an unclear budget situation. Although the post office provided important (and growing) services to the public, it lacked the necessary

budgetary means and independence to effectively carry out its burgeoning obligations since it did not have its own dedicated budget. Instead, its expenses and profits were confounded with the main state budget. In a 1917 report to a postal reform commission, the postal minister Etienne Clémentel (1917, 486) lamented: “The Treasury pays for the operations, but it keeps all the profits. Moreover, the post office cannot plan into the future as it does not have its own property.” The author of a Commission of Postal and Telegraphic Services report agreed with the minister, noting that the post office’s constraints prevented the post office from becoming “a modern service” in support of the industrial economy (Deshayes 1918, 411). A few years later, prominent management theorist Henri Fayol (1921) released his work about the post office entitled *The Industrial Incapacity of the State: The PTT*, helping to fuel the debate about its status.

A greater degree of operational clarity for the post office arrived in 1923 when a proposal to create a budget annex for the post office came into force (Le Roux 2002). The annex was seen as a way to better support the growth of the post office and its industrial functions in support of the French economy. The budget annex responded to some of the concerns Minister Clémentel aired for more budgetary clarity and flexibility in responding to operational needs. A break-down of expenses and revenues was included in the new annex, as well as was the possibility to borrow and to amortize capital improvements over the long-term to help finance strategic investments (Le Trocquer and François-Marsal 1920).

The creation of the budget annex resulted in greater financial transparency for the benefit of postal administrators, as well as additional tools for the post office to carry out and develop its services. In this way, it moved the post office a step further towards resembling a traditional state enterprise. Nevertheless, the annex fell short of having a fully-separate budget as might a

traditional state enterprise. In other words, the post office's finances would still not be fully walled-off from the general state budget; thus, it would not have a full margin of maneuver nor be fully independent. The annex, as Le Roux and Oger (2001) note, is thus best seen as a middle ground between the wishes of postal administrators who wanted more autonomy and the government that wanted to maintain control over it.

Although the budget annex may have seemed appropriate at the time of its creation, it would not be long until postal administrators would come to resent its constraints. The annex arrangement did not permit full operational and financial independence for the post office since state budget administrators could continue to dip into the post office's profits. Over the years, administrators would push for further autonomy for the organization (La Poste manager 2011b). Yet postal administrators' frustrations with their diminishing autonomy in administration and planning would not be ultimately addressed until more than seven decades later. The annex would remain in place until 1990.

## **4.2 GROWTH IN POSTAL SERVICES**

After the Second World War, the reconstruction, rebuilding, and development of the economy moved to the fore of governmental priorities. In addition, the de Gaulle government embarked on an aggressive industrial policy, some of which centered on nationalizations of previously private firms (Schmidt 1996). During the economic (and baby) boom period (the so-called 30 glorious years following the war), the post office experienced tremendous growth in demand for its services, growing about 5-6 percent per year (1954). Mail delivery thus expanded along with the growing consumer economy and the postal services became increasingly integral to the

functioning of France. It would take longer, until the 1960s, for telecommunications to take on greater industrial importance (Thatcher 1999).

With the rapid expansion in demand for its services, though, the post office struggled to keep pace with societal growth and change. As one newspaper reporter's (Choffel 1949) headline quipped, the PTT was "Better, but expensive!" Investments in infrastructure like sorting machines, mail delivery equipment, and postal branches were increasingly hampered by the lack of sustained funding. Hiring to sort and deliver the mail was also not keeping up with demand. Indeed, by 1954, the minister of postal, telecommunications, and telegraphic services defended the PTT in the *Le Monde* newspaper while, at the same time, announcing additional investment into the services by the French government to improve operations and quality (1954). By the early 1960s, the post office was reported to have reached a "saturation" point in its services; the personnel shortage and lack of investment to expand infrastructure, particularly in telecommunications, were taking their toll. To make matters even more challenging for postal administrators, the unions launched a series of strikes to protest what they saw as low salaries and the lack of personnel at peak service hours (Simon 1962). Due in part to its constraints it imposed on the post office's finances, the budget annex arrangement was, according to observers, impeding modernization (1963).

### **4.3 THE TELECOMMUNICATIONS BOOM AND THE 'CRISIS OF THE PHONE'**

Growth in telecommunications technology required greater levels of sustained national investment and innovation to keep pace with demand and not fall further behind other countries in the industrialized world. Indeed, the situation was a difficult one for France: The country



ranked dead last in the European Union and 17th in the world in terms of phone density (1963). Phone service was also criticized as too expensive in relation to other countries such as Sweden (Lafay 1962). One account from 1969 noted that the official waiting list to have a phone installed had 430,000 people on it. The average wait time for a phone was half a year, but some would have to wait 10 years for service (Blume 1969).

The press was punctuated with articles about the “crisis of the telephone” (Bonnemain 1968). Despite this, telecommunications was at the time not an important priority for the government; President Charles de Gaulle, for his part, was reported to have disliked the phone (Thatcher 1999). Telecommunications suffered from insufficient research and development funds in the emerging technology, as well as from a lack of investment in national switching centers and phone lines. Even if there had not been this problem, however, the country was not manufacturing enough telephones for use in homes or in businesses. The majority of telephone service was concentrated in Paris, a phenomenon that angered many citizens outside of the capital (1954).

The serious shortfalls in telephone service eventually became a hot political issue following Charles de Gaulle’s resignation in the 1969 presidential elections. After Georges Pompidou was elected, Valéry Giscard d’Estaing became finance minister. At Pompidou’s behest, Giscard d’Estaing made it a key governmental priority to bring French telecommunications up to international standards; he secured significant state funding in order to accomplish this aim. The new PTT minister Robert Galley announced major investments in the technology and improvements, promising to bring France up to par with its Western counterparts. Under the country’s Sixth Plan, six billion francs would be invested in each of the next five years (Bonnemain 1969). A rapid expansion in the coverage, quality, and development

of telecommunications in France followed and the measure is widely considered a successful initiative to this day (Retired government official 2011).

#### **4.4 DIVERGING ORGANIZATIONAL CULTURES**

An important facet of the personnel administration was the relative flexibility of workers to move between postal and telecommunications services. It was not abnormal for telecommunications workers to move to postal services mid-career, for example, and vice versa. This flexibility would be defended by union leaders in future reform proposals. Yet although in the early years of telecommunications' development this feature might have fostered a sense of unity, the organizational divisions between the two services would come to be strained.

The postal service was traditional and largely administrative in its approach and organizational culture while the telecommunications service was more technologically- and project- oriented (Retired senior executive 2011a). This was due, in part, to the differing educational backgrounds of the managers. In the telecommunications services, engineers came from a more technical educational background; in postal services administrators were trained in administration or law. On the other hand, it was due to the nature of the jobs: The core function of postal operations had been unchanged for hundreds of years while telecommunications engineers developed the service from what was once a relatively new field. Therefore, with each new phone engineer hired, futuristic research project launched, or new telephone line buried, telecommunications managers became further and further estranged from their postal counterparts.

An engineer in telecommunications thus found it thus increasingly difficult to relate to manager postal services; conversely, a postal worker found it difficult to understand the highly technical nature of telecommunications. For the organization, the difference gradually undermined the esprit de corps within the organization, despite the fact that inter-service mobility was formally possible (Retired senior executive 2011a). Finally, telecommunications administrators increasingly resented that finances from their operations were controlled by postal service administrators. They wanted greater autonomy, as well as “their” funds to be dedicated to telecommunications. The national industry group (Fédération nationale des télécommunications) argued that finances from telecommunications should be directed to the service’s growth and into improved services, not to funding deficits in the postal operations (1969).

#### **4.5 STATE MODERNIZATION AND FUTURE SERVICE NEEDS**

In the 1960s, state modernization moved onto the government’s agenda. A Ministry for Administrative Reforms was established in 1962 and Prime Minister Michel Debré (who founded the École nationale d’administration in 1945) was determined to modernize the public services (Knapp and Wright 2006). The government would commission studies such as the Nora report of 1967, which called for a new approach to public services (de Montricher 1996). The post office also figured into state modernization plans when the Future of the Post Office Study Group (Groupe de réflexions sur l’avenir des postes or GRAP) was convened to reimagine and plan the post office’s future. As Morgana (2008) explains, administrators believed reflection and long-term planning could improve the service’s functioning; GRAP would serve this purpose.

GRAP's work was, in many ways, of a technocratic nature. It included sophisticated and technical econometric analyses about future mail and package volumes, as well as future needs in the various industrial sectors. For instance, the report's authors projected that all sectors would see growth in postal volume; moreover, the profits from these gains would be reflected in the post office's bottom line. In the paid mail category, the volume of all segments (letters, packages, and periodicals, for example) was projected through 1985 to rise with the exception of periodicals and the projection of registered packages. In fact, the total number of paid items sent through the postal service from 1950 to 1985 was predicted to more than triple from nearly 4.1 million to just over 13 million items sent through the postal service. Finally, the GRAP authors benchmarked the French post office in relation to its international peers (*Groupe de réflexion sur l'avenir de la Poste* 1968).

In terms of the post office's clientele, GRAP identified single family households as comprising the largest share of letters weighing less than 20 grams with industry making up nearly half of package volume in 1966. Industry and agriculture,<sup>6</sup> services, and the public sector captured roughly a third of the segment of letters weighing more than 20 grams; the rest was divided among households and various commercial entities. The authors also noted the changing societal demographics. Households would not only be sending more mail, but would become more urban-centered, professional, and less dependent on agriculture (*Groupe de réflexion sur l'avenir de la Poste* 1968). The GRAP's observations, then, were reflective of the broader French planning tradition that sought to help coordinate economic and social development in the country, including in postal services (McArthur and Scott 1969).

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<sup>6</sup> Agriculture represented less than one percent of the figure.

## 4.6 RESTRUCTURING AND RESISTING CHANGE

The overall state modernization program, the Future of the Post Office Study Group, developments in telecommunications, and the growing divide between postal and telecommunications services all fed into the atmosphere for change at the post office. The post office, after all, had been slow to update its administration, introduce contemporary managerial procedures, take advantage of automation, and use technology to increase efficiency (Retired senior executive 2012b). During his presidential run, then-candidate Georges Pompidou even brought into his campaign Valéry Giscard d'Estaing's idea to create a national phone company as a way to improve the state of affairs (Bonnemain 1969). In 1971, PTT Minister Galley announced a major structural reorganization of the postal and telecommunications structures.

Long having existed as one, the minister wanted to separate the postal and telecommunications services from each other and place them under the same PTT ministerial umbrella (financial services would be housed in the postal branch). Galley felt that the changing demands of the services made this change necessary. He thought that the financial services offered by the postal services would better fit in postal affairs as employees there could execute both functions. Conversely, telecommunications could be its own division (I. 1971, Isnard 1971).

Galley argued that thanks to increasing automation, modernization, and technical changes, telecommunications were less and less complimentary to the offerings of the postal and financial services. A separation of the two services, Galley thought, would also allow telecommunications to better develop and manage its service offerings (1971). This, of course, lent credence to the notion, at the highest levels of the organization, of a cultural chasm between the postal and telecommunications services.

In 1971, Galley convened a technical committee to implement the structural changes, which centered on decentralizing responsibility and separating telecommunications from postal and financial services. Under the reform, telecommunications would fall under one management structure while postal and financial services would be grouped under a second one. These structural changes would be implemented down to the regional level with personnel management, social matters, budgeting, and accounting remaining at the PTT ministry. In addition, Galley worked to consolidate other management structures with the elimination of divisions for buildings and transportation, which were to be subsumed into the postal/financial and telecommunication management entities (Isnard 1971, Retired senior executive 2012b).

Importantly, two of the main mail sorting centers (the Bordeaux and Marseille train stations) would cease to be managed by the roving (Paris-based) sorting center train (*service de tri ambulant*) and would be moved to the regional management structures. The administrators of the postal and telecommunications would be renamed chief executive officers (CEOs) and would be responsible for steering the organizations (1971). The CEOs would parallel commercial firms and would provide the organization with a “true commercial and industrial orientation,” Galley said (quoted in 1971, n.p.), reflecting an openness to the new ideas of management and to the market. Galley also wanted “management by objectives” and stronger administrative controls (quoted in Isnard 1971, 17).

Galley’s proposed reform, however, struck at the heart of the PTT unions’ core fears. First, they were unsettled by the ministry’s growing use of the private sector in telecommunications and feared the eventual privatization of the service.<sup>7</sup> Second, the union leaders saw the potential split of telecommunications from postal and financial services as an

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<sup>7</sup> By early 1971, for instance, a second private firm had already been approved to provide capital to telecommunications (1971f).

existential threat, especially with regards to the mobility of personnel horizontally across the services (1971e). After all, the unions identified themselves in terms of a unified postal *and* telecommunications services (*P* and *T*). A split of the two services would call postal-telecommunications solidarity into question even if cultural and other differences had already been growing between the two services for many years. One of the biggest unions, the Confédération générale du travail (CGT) lamented a potential loss to the services' publicness and feared it could lead to privatization. It also argued that Galley's proposed reform would permit the more profitable urban centers to be serviced by private operators while the (public) PTT would be left the less lucrative (primarily rural) service obligations (Cardoze 1971, 1971d).

The tone of the public discourse between the minister and the unions surrounding the reform and change could thus be characterized at best as colorful and at worst as insulting. Galley was quoted in the (leftist) *Humanité* saying that "public service saboteurs" worked in the postal sorting centers, which he dubbed "sources of infection" for the ills of the PTT. This prompted the paper's headline riposte, "The saboteur is Monsieur Galley" (1971c, n.p.). The Force ouvrière (FO) union was also critical of the minister's proposal during a meeting of the ministry's technical committee. FO worried about consolidation of power in the minister, leaving each of the overarching management structures only nominal control. This was because overall personnel and financial authority would be centralized at the ministerial level. The FO could, however, foresee the split into two management structures (as Galley proposed) so long as horizontal movement between them would be preserved and that they could exercise meaningful control over personnel and finances (1971a).

The malaise among workers and the unions fermented over the following years, however, as they became increasingly upset by the degradation of working conditions, as well as of the

future direction of the PTT. They wanted to preserve PTT unity and prevent potential privatization of the services (Retired CGT leader 2011). The disagreement between workers and a manager in a sorting center that escalated into a nearly two month-long strike in 1974 typified the period's social tensions, besides wreaking havoc on mail delivery (Bouget 2003).

A parliamentary commission rendered a report on the necessity for change at the PTT. This concerned, in particular, the post office's deteriorating financial situation, its needed modernization (automation, new postal codes, and problems in mail delivery), and solving problems with the telephone (Wagner 1972). The strike and political backlash from the unions, however, would have the effect of allowing only small and incremental changes to take place for the next decade and a half. Although the government had succeeded in separating postal from telecommunications services, there would be no national telecommunications (or postal) company with chief executive officers. Nonetheless, the government continued to engender an atmosphere of eventual change with, for example, its 1978 Nora report on the role that new information, computing, and communications technologies would play in the future (Walliser 1989). Major reform at the post office, however, would have to wait until the end of the following decade.

#### **4.7 CHANGE IN REFORM'S TONE: SOCIALISTS TAKE POWER**

The new Socialist Party president François Mitterrand and a Socialist parliamentary majority were in place by late spring 1981. Under the new political constellation, the unions would now receive a more sympathetic audience at the Elysée Palace and Hôtel Matignon, the respective homes of the two institutions. This would also be the case at Ségur Avenue, site of the postal



ministry. The government appointed the well-known Socialist Louis Mexandeau to take the postal ministry reins. Upon his appointment, Mexandeau declared that “the long deterioration of the public services ended on May 10” (the day of Mitterrand’s election) and he promised improvements at the PTT (quoted in 1981b, n.p.).

Mexandeau’s initial initiatives were both symbolic and substantive. They were symbolic because he sought to elevate the PTT from a state secretary to a full-fledged ministerial position while also promising to maintain postal and telecommunications solidarity. He also promised that the ministry would take steps to be more consultative and “democratic.” Mexandeau’s initiatives were substantive as he hired 8000 new employees to improve postal service quality at post offices, in delivery, and in telephone centers (1981b). Indeed, the specter of a definitive postal-telecom split had engendered much angst among unions; Galley’s experience likely led to Mexandeau gingerly approaching any changes.

An important change in employment law covering the public sector (including the post office’s civil servants) would be put into place in 1982. Before the change, civil servants who went on strike for a short period of time (even for just a few minutes, for example) would see an entire day’s pay withheld. This, as a CGT union representative (2013) put it, forced civil servants to go on strike for the entire day. With the modification to the law, however, civil servants would see a better match-up of pay to the amount of time they went on strike. In other words, an hour’s worth of striking resulted in the loss of an hour’s pay (not of an entire day’s). It was frequently used in the sorting centers. The law was thus double-sided. On the one hand, it created fairer conditions for striking workers by making it less financially painful to strike. On the other hand, it inserted greater uncertainty and potential instability as workers could strike at peak times and then (for example) return for the rest of the day.

Mexandeau's pledge not to undermine postal and telecommunications solidarity, however, did not mean a lack of reform. Indeed, he emphasized the continued need to adapt each of the service's management structures to better carry out its specialized functions, including in the decentralization of services and especially in telecommunications (1981b). The minister would thus seek incremental change at the PTT in the coming years. In 1982, for instance, he created five new management structures under the head of postal services in the areas of manufacturing (comprising the postal and financial services networks), communications, finances, logistics, and future outlooks, and international affairs (1982).

Various other reform efforts were also undertaken to introduce more women into the services, including into the overwhelmingly male managerial ranks. Still other initiatives involved the introduction of new technology or new offerings. This included a new credit card for financial services clients, which was challenging to implement. One of the minister's confidants (Retired government official 2011) recalled the problems in the credit card's implementation that for him underlined his broader contention that the organization had a sometimes "medieval" mentality, especially with regards to the postal service. In his view, members of the postal services were often closed-minded and increasingly out of step with the more open telecommunications managers and workers. Postal workers were, he thought, still essentially shuttling "pieces of paper" from one point to another. Finally, the internationalization and Europeanization of telecommunications, along with its new technologies (Thatcher 1999), also had the effect of underlining cultural differences between the two services.

Mexandeau commissioned a report on the PTT, which would help elucidate the options for further reform. He commissioned the dean of the University of Amiens' law school, Jacques Chevallier, to lead a study group that would comprehensively examine the state of affairs at the

postal and telecommunications services, look comparatively at other postal organizations, and recommend changes. In their work, Chevallier and his co-authors (1984) comprehensively examined the state of postal affairs in France, in addition to undertaking comparisons of sister postal services in the United States and in Sweden.

For the French post office, the Chevallier report underscored the classical character of the post office: a “traditional administration” that was “rigid,” “highly centralized,” and almost “military-like” vis-à-vis its rank-and-file employees (Chevallier et al. 1984, 3). As the post office was guaranteed a monopoly in many areas, it was protected from competition. There were also considerable operational deficits with revenues not covering costs for the service, noted the report’s authors. The budget annex of 1923, while providing the post office in theory with greater autonomy to resemble more of a state enterprise, was constraining for the organization’s development. This arrangement, the authors said, was not conducive to a modern organization. Also troubling was the absence of a personnel management strategy and a dismal labor-management climate, which contributed to strikes and a decline in the post office’s prestige among workers (present and future). Chevallier and his co-authors thus recommended changes to all of these areas in order to address the post office’s weaknesses while building on its still-considerable strengths.

The Chevallier report had thus nicely summarized the state of affairs for the post office, including its problems such as with the now-antiquated budget annex arrangement. Moreover, telecommunications was experiencing growth, feeling new European and international competition, and was undergoing technological change (Thatcher 1999). Despite this, Mexandeau was unable to pull off more dramatic change than the incremental modifications described previously. Indeed, he was frequently constrained by union leaders, especially by the

large CGT union. The CGT, for instance, rejected the minister's proposal to create an office focused on strategy. More significantly, it sought to maintain postal-telecommunications unity at all cost and hold onto the existing structure (Retired government official 2011).

#### **4.8 MINISTER LONGUET'S PRIVATIZATION PUSH**

After the Center-Right swept into power in 1986, Gérard Longuet replaced Louis Mexandeau as postal and telecommunications minister (Walther 1986). Longuet came to the ministry with strong ideological leanings and with strong views about the state's role. Indeed, he arrived as part of elections that had the campaign of "rolling back the state"; earlier, he was the architect of a 1979 report that called for deregulation and cutting the number of civil servants (de Montricher 1996, 246). Longuet then was viewed with intense suspicion by trade union leaders. He was considered (in a disparaging way) an "ultra" neo-liberal (Alesandrini 1986).

Evoking the specter of fierce competition in the market, Longuet built on former postal minister Galley's efforts to make the organizations more commercial in orientation. Longuet proposed to turn the post office into an *établissement public à caractère industriel et commercial* (EPIC). As an EPIC, the postal service would become a full-fledged state enterprise. Telecommunications, for its part, would be transformed into a private corporation, a *société nationale* (SA). The minister, it should be noted, was also open to turning both the postal and telecommunications services into separate EPICs. Nonetheless, Longuet believed that a SA arrangement for telecommunications would better permit the organization to raise needed private capital for investment and expansion (Labesse 1986).

Putting aside the minister's ideology, the minister was correct to raise the issue of an increasingly competitive telecommunications environment. As Thatcher (1999) notes, the industry from the 1960s to 1980s morphed from national to transnational in character and rapid technological advancements, deregulation, and internationalization all marked the period. Telecommunications would also eventually figure into European Communities (EC) services liberalization plans by the end of the decade. The experience of the American telecommunications firms, particularly the break-up of American Telephone and Telegraph's (AT&T) monopoly, as well as with the growth of new foreign competitors, were developments of which French telecommunications administrators were keenly aware (Retired senior executive 2011a). They worried that their own structure would leave them in danger of falling behind (Betts 1986).

The initial reaction from the union's to Longuet's proposal was far from positive; the two largest unions (CGT and FO) were opposed with the smaller Confédération française démocratique du travail (CFDT) union open to some changes (Labesse 1986). The unions were most particularly concerned about their members losing their civil servant status, an issue that could be at stake in a privatized post office (Alesandrini 1986, L. 1986). This would mean that civil service privileges such as job security and pay could potentially be at risk, in addition to the publicness of either or both of the services.

Longuet succeeded in introducing greater structural separation between postal services and financial services under the postal services management structure. Nevertheless, he failed in his more ambitious proposal to create from the post office either two EPICs out of postal and telecommunications services or one EPIC and one SA (out of postal services and telecommunications services, respectively). He had to eventually thus content himself with a

lighter approach to the problems of the PTT (Peytavin 1988). Moreover, social tensions and strikes marked part of tenure (Groussard 1989b). Longuet's "neo-liberal" plans for EPICs (or an EPIC and a SA) were, in the end, too bold in their style; moreover, the large unions felt the minister was divorced from the wishes of postal personnel (Retired CGT leader 2011). By 1988, a new Socialist Party majority government would be back in place. This ended the *cohabitation* between the Socialist president Mitterrand and the conservative parliamentary majority.

#### 4.9 CONCLUSION

Early reform at the French post office centered on providing the post office with additional budgetary clarity and autonomy with the 1923 budget annex. Nonetheless, the annex would prove over the following decades to be an inapt solution to the organization's development. With state modernization having moved onto the government's agenda in the 1960s, the post office launched its own planning process under the Future of the Post Office Study Group. The group's work, in keeping with French planning tradition of the period, projected future changing societal demographics and growth in postal services. Later in the 1970s Minister Galley implemented important structural changes that split the postal and telecommunications services into two separate managerial structures. A further push by the minister to orient the services in a more commercial direction failed, however. Moreover, strong social tensions marked the era. Successive ministers pursued incremental reforms while a push to privatize telecommunications also failed. Finally, a cultural cleavage between postal and telecommunications managers that had its roots in the 1960s but was fully apparent by the end of the 1980s weighed heavily on the organization. Technological change, growing competition, and the Europeanization and

internationalization of telecommunications would further exacerbate the now-tenuous postal-telecom relationship. These considerations, plus a new government and eager minister, would set the stage for the post office's next reform.

## **5.0 CONTEMPORARY REFORM OF THE FRENCH POST OFFICE**

Arguably the most significant recent reform of the French post office in 1989 led to the separation of telecommunications from postal services, which turned them into separate commercial entities with far greater autonomy than before. This split in many ways reflects the fruits of a long struggle for more profound organizational change since the introduction of the budget annex in the 1920s. This was, as noted in the previous chapter, exacerbated by a growing divide between postal and telecommunications personnel. This was also a product of the changing nature of telecommunications: namely, from its internationalization, competitive forces, and technological change. Postal Minister Gérard Longuet tried and failed to create a private corporation out of the telecommunications services. Following an extensive airing of the issue, a reform would be passed in 1989 under a new minister that would turn the postal and telecommunications services into separate state enterprises. The move redefines the post office and its place in the French economy and society, marking the beginning of a series of deep internal organizational changes that continue to the present day.

### **5.1 TOWARDS A MAJOR REFORM**

Winning a majority in the National Assembly reversed the Socialist Party's political fortunes in 1988 and gave the Socialist president François Mitterrand the opportunity to appoint one of his



confidants as minister of post and telecommunications. Mitterrand selected for the post of prime minister Michel Rocard, a committed reformer (Rouban 1996). In addition to the change in the political constellation, several other important developments were coming together to create an environment conducive to reform: the extant telecom-postal cultural divide, technological change and deregulation in the telecommunications industry, disruptive industrial action by the unions, a new push by the government for state modernization, and emerging services liberalization of the European Communities (EC) including in the telecommunications and postal sectors. In the new postal minister Paul Quilès, Mitterrand had a skilled political operator who had served as one of his presidential campaign managers in the 1981 election. Quilès had also been minister of defense and minister of transportation. (Quilès likely honed some of his negotiation skills while helping oversee the national railway company, which has a reputation for its strikes.) Michel Rocard, for his part, was set on modernizing the bureaucracy and made it an important part of his agenda (Rouban 1997).

As described in Chapter 4, a cultural division between postal and telecommunications managers had been growing since the 1960s; by the 1980s with even more rapid technological change in telecommunications, administrators and managers pushed for structural change (V. 1988a, Retired senior executive 2011a).<sup>8</sup> New technological developments in telecommunications were rapidly altering the ways of the industry. The introduction of fiber optic lines, satellite technology, and falling telephony prices were forcing telecom administrators and managers to rethink their business model and strategy to compete on a global scale. Deregulation in several countries was on the agenda and the break-up of American Telephone and Telegraph's monopoly left a new group of regional "Baby Bell" telecom players in the

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<sup>8</sup> Top telecommunications managers even wrote a letter to the 1988 presidential candidates effectively endorsing Longuet's proposed split (V. 1988a).

United States. In the United Kingdom, British telecommunications were being privatized; the EC began a drive to play a far greater role in the field, setting the stage for the sector's liberalization (Thatcher 1999). French telecom administrators were highly conscious of these developments (Retired senior executive 2011a).

The effects of new technological developments, industry change, deregulation, and globalization meant that France's telecommunications would find it difficult to maintain the status quo. Although the country had invested heavily in previous decades under President Valéry Giscard d'Estaing's modernization initiative, massive new investments in infrastructure would be required in France to keep up. Europe was also at the early phases of a push to liberalize Europe's telecommunications market. Although administrators had a separate management structure within the ministry, they felt constrained by the PTT's structure (Retired senior executive 2011a). Moreover, telecommunications services were also losing key human capital to the private sector. It was increasingly unable to compete for top managerial talent due to its antiquated personnel system (Groussard 1989a).

The post office already operated in certain competitive markets (such as express package delivery or direct marketing) and had formed new holding companies and subsidiaries in order to do so. One of the most important subsidiaries was Chronopost, an up-start express delivery service. It was created in the mid-1980s to provide faster shipping times for commercial customers and compete with private firms such as DHL and United Parcel Service (Le Galès 1988a, Seroussi 1989, Darrigrand and Pelissier 1997).

Telecommunications administrators also thought that they could push further in this direction and they observed the beginnings of a nascent mobile telephone industry. Telecommunications also had its subsidiaries such as France Telecom for its international

division; it later re-branded telecommunications as France Télécom to provided it with a stronger identity (Retired senior executive 2011a). Subsidiaries would often bring in top managers from the main post office or telecommunications services to manage them, thus building an important organizational bridge to the larger organization. The subsidiaries allowed administrators to raise capital from outside and overcome the limited capital funds from the state. Also important was the ability to staff the subsidiaries with contractual employees. These employees were usually paid less and did not fall under civil service rules since they were detached from the main organizations through the holding companies (La Poste manager 2011f).

Unlike administrators who took advantage of subsidiaries as a way to develop beyond the ministerial structure's confines and meet new strategic commercial pressures, the trade unions became increasingly suspicious of their growth. They saw subsidiaries as stealth attempts at privatization and protested them (La Poste manager 2011f). Yet this was an area in which the minister was unlikely to back-track on, perhaps especially given his views to create an "entrepreneurial public service" at the post office (Le Galès 1988b, n.p., Quilès 1988). Quilès wanted to adapt the organizations so they could be more effective in serving clients. Yet in his negotiations for reform of the organizations, Quilès' proposals for change came up against resistance as they did for previous ministers. This was especially from the Confédération générale du travail (CGT) and Force ouvrière (FO) unions, although the FO was less strident in its opposition) (Retired government official 2012c). This was true even though upon arrival at the ministry Quilès pledged to preserve civil servant status for the current workforce in the name of restoring the public service's prestige. To mark a contrast with the previous government and its postal minister Longuet, Quilès decried the "brutal" deregulatory politics of period (Le Galès 1988b).

Despite this, unions staged dramatic industrial action in 1988. Called the yellow truck strike for the color of the post office's delivery trucks, the strike was especially hard on small- and medium-sized businesses as mail and package deliveries were impeded over several days. As one business owner put it, "It's a catastrophe. A few hundred truck drivers have brought a city like Paris to its knees" (Vaysse 1988, n.p.). Unions such as the CGT feared not only a postal and telecommunications split, but also that reform would affect their civil servant privileges and that services would be completely deregulated (Retired CGT leader 2011). Behind the scenes, though, Quilès was negotiating with the unions on changes to the post office to allow it to evolve and adapt to its changing commercial demands and an altered economic picture, notably in telecommunications. Tensions were thus present, but Quilès insisted on pursuing change at the post office. Although he was ideologically closer to the unions as a Socialist politician, he was also a reformer.

Quilès therefore convened marathon meetings at the ministry, one of which lasted 13 hours, according to a recollection. The minister wanted restructuring of the post office to make it less bureaucratic, more dependable, and more efficient. With the minister's effort to be more conciliatory towards the unions, the massive yellow truck strike made little sense to him. Yet contentious meetings (and what seemed like endless back-and-forth exchanges) yielded little agreement: The minister could not overcome the resistance to change from the largest union, the CGT. The FO union for the most part sympathized with the CGT, but its position was less clear. The Confédération française démocratique du travail (CFDT) union was reformist. Ultimately, the minister became deeply frustrated by the unions' intransigence (Retired government official 2012c, Retired senior executive 2012b).

The CGT's leaders wanted one of two options: (1) adapt the 1929 budget annex and modernize the services or (2) separate postal and telecommunications into legally separate entities under the control of a ministry (Dumas 1989). The CGT also wanted to retain civil service status for postal and telecommunications employees, as well as create a separate category of civil servants for the post office (Retired CGT leader 2011). It is thus possible to see how the importance of postal and telecommunications unity between the services proved important at the time of negotiation, even if the unity between the two services was tenuous in practice. On the other hand, the reformist CFDT and its smaller sister Confédération française des travailleurs chrétiens (CFTC) union were more open to change (La Poste manager 2012b). The union advertised in the *Le Monde* newspaper in support of more budgetary autonomy for the post office (Fédération Unifiée des PTT CFDT 1988).

In the end, however, negotiations between the minister and the unions deadlocked. In the minister's view, the CGT's position effectively translated into non-reform of the post office. Quilès thus decided to launch a high-profile "public debate" on the future of the postal and telecommunications services in France (V. 1988b). If the minister could not win his case for reform behind closed doors with the unions, he would take it out in the open, directly before the public.

## 5.2 PRÉVOT REFORM COMMISSION

Paul Quilès appointed Hubert Prévot, then-president of the Cours des comptes (state auditor) and a close friend of Prime Minister Michel Rocard, to lead an extended consultative review on the future of the postal and telecommunications services (Féligonde 1988). Quilès became convinced

of the wisdom of advancing the reform in the public sphere in order to create an “entrepreneurial public service” (Retired government official 2012c, Quilès 1988). Prévot’s selection was strategic: Prévot served previously in the Rocard government as a head planning commissioner and had been in the CFDT’s leadership ranks (Féligonde 1988). On its face, the union affiliation would make him less threatening to the left. As head of the prestigious state auditor, Prévot’s recommendations would carry considerable weight among policy makers and the public, lending them an aura of neutrality.

Although he excluded privatization as an option, Rocard announced that the debate over the post office’s future would take place under his full support and “without taboos.” For Rocard, neither the status quo nor opposition to dialogue would be tolerated (Vaysse 1989c). More cynically, however, the public debate could be seen as a way to circumvent the unions. The secretary general of the CGT postal section, for example, derided the Prévot exercise as a “cliché” with the goal of gaining public acceptance of a pre-determined outcome (Dumas 1989). Indeed, such “independent” commissions often provide policy-makers political cover to propose and implement controversial change.

Prévot led an extended consultative process that took his commission not only to France’s largest cities, but also to small towns and villages (Vaysse 1989c). Such an approach underlined the institutional and cultural importance of the post office to French society. Indeed, the post office is often an integral part of life in small towns (and even in larger cities). Changes of a letter carrier can thus provoke consternation among citizens (Koxar 2007), to say nothing about when specific post offices that could be proposed for closure, consolidation, or relocation (Retired senior executive 2012b). Anecdotes abound of letter carriers bringing a baguette to the isolated elderly woman in the countryside or a man receiving his life-sustaining medication by

way of the mail (La Poste manager 2011c). Moreover, the post office is also responsible for delivering most national and regional newspapers. It has also offered the *Livret A* passbook savings account, permitting citizens from varying economic backgrounds to accumulate savings (Government official 2012a).

These aspects of the post office thus serve to reinforce social cohesion in France while also lending the post office an almost mythical status among the French. Indeed, the post office's standing among the population finds few parallels elsewhere (Government official 2012a). In addition to the organizational, political, logistical, and business aspects of postal reform, Quilès and his reform team would therefore have to contend with this social side of the post office.

The Prévot-led consultation over the future of the postal and telecommunications services was participative and innovative for its time. It solicited participation from all of the postal-telecom employees, the unions, and the public. Internally, employees could provide feedback through traditional mail, the electronic Minitel information system, 8000 meetings, or video conferences. Externally, the public was invited to participate in numerous public hearings around the country, at seven large national meetings, and through written questionnaires. Prévot's commission also consulted industry experts, academics, high civil servants, and members of industry to round out survey collection (Prévot 1989, Vaysse 1989c).

When Prévot presented the final report to the minister at the end of July 1989, he made four main observations and recommendations for future reform:

- Have the state guarantee these important public services in a supervisory and regulatory capacity while dispensing with the cumbersome and erratic budget annex in favor of a normal state appropriation, common for other state enterprises that are industrial and commercial;

- Provide the post office and France Télécom with the autonomy and independence to carry out their missions, making them independent and separate legal entities with control over their budgets and operations, and keep the financial services within the post office;
- Continue PTT (postal and telecommunications services) unity by maintaining the link between the organizations' social, educational, and research activities by creating a "PTT National Council" to oversee such activities; and
- Better incorporate the subsidiaries of the post office and telecommunications into the main organizations' management, salaries, and working conditions (Prévoit 1989).

In certain respects, the recommendations were carefully formulated in an attempt to assuage union concerns. This included maintaining PTT solidarity in ancillary activities and harmonizing the subsidiaries with the larger organizations. In other respects, however, the recommendations were less subtle. Prévoit called for a definitive postal-telecom split that was largely similar to the previous government's unsuccessful reform proposal to create two separate enterprises. In even bolder terms, Prévoit suggested minor modification to the civil service. The change was immediately reported in the left-wing press as an "abandonment" of civil service status for the post office's employees (Laurent 1989). In reality, Prévoit proposed a relatively minor change that would likely affect civil servants only on the margins; his suggestion was that employees be given a choice between maintaining their present civil servant status or moving to a new employment regime (Vaysse 1989a, b).

Prévoit's suggestions, if implemented, would then take the post office beyond the previous incremental reforms of the past. The creation of two state enterprises would, in effect, redefine the post office and its place in the French economy and society. The postal and telecommunications services would, in other words, become state enterprises like other



publically-owned companies. It would also mean that the two services would be free to take their own independent paths, untethered from the constraints of each other's presence. This, of course, was of particular importance to telecommunications administrators. Finally, the reform proposed keeping the financial services within a new postal entity rather than spinning it off and creating a postal bank as was the case in many other European countries (including Germany).

### **5.3 OBSTACLES TO CHANGE**

The Prévot exercise, a reformist government, and a confluence of other factors had then opened a “window of opportunity” for policy change (Kingdon 1995). Nonetheless, careful resolution of several sticking points still needed to be worked out. This included maneuvering around the complicated arrangement surrounding the post office's financial services section, as well as securing agreement from the finance ministry, the parliament, and the president. Finally, Quilès would have to deal with opposition from several unions hostile to the Prévot recommendations.

For more than a century, the post office offered its savings products and postal checks in order to encourage the French to save more and to facilitate the adoption of banking services in the country. The arrangement was successful. Yet it was conducted under a highly complicated, inter-institutional arrangement that left the post office as a mere repository for funds. Once the post office received the funds through its financial services section, they were sent to the treasury. In turn, the treasury transferred the funds to the Caisse nationale d'épargne, a national savings institution. The funds were further parceled out to the Caisse des dépôts et consignations, another public financial institution (Oger 2006, Vezinat 2010). This all left the post office with nominal control over its financial product offerings since they were in practice administered by

the treasury, not by the post office. Quilès wanted the financial services to be able to offer a larger and more robust array of financial products including loans and insurance (Labrouillere 1990). Such offerings would approach those supplied by banks.

As the report was being finalized, Quilès and his cabinet lobbied the finance minister on the case for change at the postal and telecommunications services since the ministry had a powerful say over any reform. In addition to the needed green light for the reform itself, the question remained as to how to handle the relationship of the post office's financial services section and the products that could be offered there. Finally, there was the issue of the enormous retirement pension legacy obligations that would eventually cause considerable financial strain on the post office (La Banque Postale supervisory board member 2012, Retired senior executive 2012b).

Securing agreement for the overall postal and telecommunications reform was not the largest hurdle; Quilès was given the ministry's accord. It helped that Finance Minister Pierre Bérégovoy had a good personal rapport with Quilès. Bérégovoy was largely supportive of the core of the reform and would not seek major concessions from the postal minister. Nonetheless, the tension concerning the arrangement between the funds deposited at the post office was left to linger. An expansion of the financial services would also not come to fruition as would not a resolution of the legacy pension liabilities (La Banque Postale supervisory board member 2012, Retired government official 2012c, Retired senior executive 2012b).

The issue of the expansion of banking products was difficult for Quilès as he ultimately publically reversed his position and opposed the expansion of financial services at the post office that he had initially supported (P. and V. 1990). Indeed, a strong banking lobby made its presence felt during the parliamentary debate (Labrouillere 1990). For postal administrators,

however, it meant that they could not widely expand the post office's financial offerings as they had hoped. Finally, Quilès secured the support of an initially reluctant President Mitterrand who ultimately had final say over the reform due to France's hybrid presidential-parliamentary system (Retired senior executive 2012b).

The reform that Quilès announced included the core of the Prévot recommendations (postal-telecommunications split and the creation of two state firms) with the exception of the change to the status of the civil servants. Prévot had recommended that employees be given the option to either stay in the current system or to move to a new personnel arrangement; Quilès rejected it. *All* civil servants would be grandfathered in the new entities' civil services. Nonetheless, there would be changes to the civil service's grade scheme, Quilès made clear (Vaysse 1989b). There was, however, significant union resistance to the proposed reform that Quilès would need to overcome.

The CGT and FO unions lined up against the proposal while the CFDT and CFTC were more open to change (Apel-Muller 1990, C. 1990). The CGT wanted the post office to continue under direct state management: It could either modernize within the existing 1923 budget annex structure or postal and telecommunications services could be separated and housed in a state ministry. The CGT was also staunchly opposed to a reform that would modify (in any way) the law governing civil servants (Dumas 1989, Retired CGT leader 2011). Both the CGT and FO saw the Prévot proposal leading to privatization and the state abrogating its public service obligations (Apel-Muller 1990). This was even if the public services could be secured through regulation, as was implied by Prévot's recommendations.

The smaller CFDT and sister CFTC unions came to the debate from a different perspective. They sympathized with the minister's reform plans for the post office and were open

to negotiations with him to ensure the post office's viability (V. 1989, La Poste manager 2012b). In fact, they had paid for advertising in *Le Monde* a year earlier to air their view about the need for more operational control of the postal and telecommunications services (Fédération Unifiée des PTT CFDT 1988). The CFDT and CFTC union leaders believed that the state has less of a role to play in the day-to-day management of commercial businesses (La Poste manager 2012b). Yet it is also worth recalling that Prévot was himself a former leader of the CFDT; this could have also had an impact on their point of view.

In the end, parliamentarians in the National Assembly overwhelmingly (285 votes in favor with 30 opposed) adopted Quilès proposed reform (S. 1990). This showed not only that there was relatively high consensus for change among the political class, but that the reform also struck the right balance in its approach and tone. In terms of the unions, the CGT was opposed until the final Assembly vote; the FO, CFDT, and the CFTC joined in support of the new law (Desportes 1990). Existing civil servants were guaranteed their civil service status and there would be a generous transition period. The civil service itself, however, would be greatly simplified and consolidated. The two organizations, in the end, would be turned into state enterprises (La Poste manager 2011b). The hard work of internal organizational change could now begin.

#### **5.4 INTERNAL REFORM BEGINS IN EARNEST**

On January 1, 1991, the post office that had been known as “la Poste” became “La Poste” with the capital letter “l” signifying its new enterprise status (Darrigrand and Pelissier 1997). Telecommunications also saw its “France Télécom” identity become official, reflecting a

rebranding effort that administrators introduced earlier (Retired senior executive 2011a). Although the Quilès-led reform effort had been long and complicated, significant internal organizational reform would now begin in earnest for the two enterprises.

In anticipation of reform, Quilès appointed a new head of the post office, Yves Cousquer. Quilès knew Cousquer from their days in the same graduating class at the prestigious École polytechnique engineering school. When Quilès was transportation minister, he tapped Cousquer to serve as his director of economic and international affairs at the ministry in 1984. Cousquer had largely spent his career in the private sector, a then-novelty at the post office, and one that underlined the minister's intension of breaking with the status quo (Groussard 1989b, Vey 1989).

Cousquer prioritized modernization and sought to instill a more business-like culture at La Poste. He had been impressed by former postal minister Robert Galley's introduction of modern managerial methods at the post office in the 1970s; he felt obliged to further update La Poste's managerial practices. Cousquer had attended a management training workshop and seminar in the United States early in his career and honed managerial skills over the years; he could now implement at La Poste some of these management approaches, many of them rooted in corporate private sector practice (Retired senior executive 2012b, Groussard 1989b).

Besides negotiating an extensive services contract with the state that explicitly detailed the obligations of La Poste in public service provision, state subsidies, and other requirements, Cousquer concentrated on three substantive reform areas: personnel, decentralization, and financial services (Retired senior executive 2012b). Implementing personnel reform was by far the greatest early challenge. Although the reform split the post office from telecommunications the organizations continued to jointly manage hiring and recruitment. These had to be separated in order that each organization could manage its personnel independently. The work to separate

was already in process during the run-up to the formal reform with the civil service *corps*, grades and ranks renegotiated. This would permit the creation of separate departments of personnel at both the new La Poste and France Télécom (Retired manager 2011, Retired senior executive 2012b, Retired government official 2012c).

Under the old civil service system, there was little coherence between rank and job responsibility. It was also highly complex. Reform thus centered on streamlining from 45 into six *corps* and 111 to 11 grades, as well as moving civil servants into one of four job functions (Retired manager 2011, La Poste manager 2012a). Under the new regime, job experience and the capability of the individual (rather than the academic degree) would be emphasized in hiring (Charpentier 1990).

The new personnel management regime encountered resistance, however, from the CGT. This was true even though civil servants would not lose their civil servant status or benefits. Nonetheless, the CGT continued to oppose the reforms while the FO, CFDT, and CFTC unions supported the changes to the personnel system on the whole. Ultimately, around five billion francs would be paid out over several years to smooth the transition process. This would be in the form of bonuses or other incentives. Civil servants who migrated to the new scheme were usually placed at a higher rank and salary after the transition. Although the personnel reform greatly simplified the system, it also resulted in higher payroll costs for La Poste due to the relatively generous transition measures. Administrators nonetheless saw the reform as essential to the organization's modernization and future (Leroy 1990, Charpentier 1990, C. 1990, Retired manager 2011).

For Cousquer, the geographical organization of La Poste was convoluted and inefficient: There were too many regional offices, hierarchies were strict, and control was overly centralized

in Paris. He thus made decentralization and consolidation of regional management structures an important priority. He streamlined regional management divisions to eight. The move made sense to the La Poste president not only from his management philosophy, but also from a practical perspective. Why should Paris and its suburbs have two management structures, he thought? This was duplicative and superfluous, especially given his goals for the organization. He wanted to make management more effective and give them more autonomy. In his view, streamlined and reorganized divisions would help facilitate this and provide better service quality (Retired senior executive 2012b).

La Poste's structural reorganization complemented the personnel reform as employees could be reassigned to different areas (and to different managerial units) based on function. It also fit with the general managerial trends of the period. Yet the reforms at the same time indirectly advanced a previous governmental priority of decentralizing the French state and making it less administratively concentrated in Paris.

Cousquer also placed a priority on modernization, breaking a taboo among branch employees when he experimented with dispensing of the protective glass walls separating postal workers from the public at service counters (Retired senior executive 2012b). When he ordered tropical palm trees for the lobby of La Poste's headquarters, it was seen by some as extravagant (Government official 2012b). Cousquer, however, was trying to infuse a more business-like ethos into La Poste's administrative culture. He improved La Poste's delivery services by air, modernized its sorting centers, and instructed employees on the front lines to refer to postal clients as "customers." He also bolstered the quality of financial services and pushed to make the division's offerings more personalized as part of a wider improvement initiative there (Retired senior executive 2012b).

La Poste's financial services had declined over the years since they were highly limited (La Banque Postale supervisory board member 2012, La Poste senior executive 2012). La Poste was best known for its passbook savings account (the *Livret A*) and its postal checks that functioned similar to money orders. Yet it was never a full-fledged bank and was losing market share by not being able to offer to customers an array of diverse financial products. At the time of reform in 1989, its savings deposits as a percentage of the market had shrunk from 30 to 12 percent (more than half). The private banking industry was pushing to offer the *Livret A*, which La Poste provided with two other institutions under a legally-protected monopoly. Moreover, La Poste was prohibited from making personal loans with the exception of home improvement loans. This was at a time when demand for loan products was growing fast in France (Court and Le Galès 1989).

La Poste was thus limited in its financial services offerings and constrained by their structure. Nevertheless, it also had an enormous advantage if it could expand its financial services and gain more flexibility from the state. For instance, the savings accounts and the processing of the postal checks provided a steady cash flow. The problem was that the finance ministry effectively controlled these funds and saw them as part of the state treasury (Veziat 2010). It was effectively co-administration with the administrative power falling far more on the finance ministry's side (La Banque Postale supervisory board member 2012, Retired government official 2012c).

Control of the funds and their future was thus of strategic importance to both the state and to the post office's future. With the finance ministry effectively exercising control over La Poste's financial services funds, La Poste was deprived of developing the area further in a meaningful manner. Administrators saw the arrangement as untenable and ripe for reform



(Vezinat 2010). In the interim, however, incremental changes would have to be put through such as Cousquer's hiring of a banker from the private sector to introduce new products and services to modernize where possible (Retired senior executive 2012b). La Poste also succeeded in negotiating a change in 1995 so that the finance ministry would no longer arbitrarily dip into La Poste's financial services coffers (La Banque Postale supervisory board member 2012). Financial services would have to wait for more profound reform until the mid-2000s.

An importance consequence of the Quilès reform was how it redefined La Poste's obligations in relation to the state. Once the post office became *La Poste* (a commercial state enterprise not managed on a day-to-day basis by the ministry), service delivery was redefined from state-supplied to contractual. The service obligations of La Poste would now be contractually agreed upon in a services agreement. The agreement detailed La Poste's obligations to the state and the state's compensation for certain public service tasks (such as the state subsidizing the delivery of newspapers by mail). Moreover, this redefinition of service delivery in France's postal sector dovetailed with Brussels' push for regulated liberalization of the postal market under the single market program. For the postal sector, this would begin officially in 1992 with the issuance of a European Commission (1992) green paper. The postal services would thus cease to fall under the imprecise notion of *service public* and would move into clear and contractually-enumerated obligations.

## **5.5 REFORM MOMENTUM SLOWS, 1995-2002**

The end of Mitterrand's nearly 14 year-long presidency in 1995 resulted in the more conservative president Jacques Chirac being elected president to govern alongside a conservative

majority in the National Assembly. The previous year, André Darrigrand replaced Cousquer as president of La Poste in a move that reflected the influence of politics on La Poste's management. Cousquer was viewed as too close to the (departed) postal minister Paul Quilès (1993). Darrigrand turned out to be a weak president, however, and was generally seen as an ineffectual leader (Government official 2012b). Darrigrand was replaced in 1996 by Claude Bourmaud (E. 1996).

In 1995, Prime Minister Alain Juppé proposed pension reforms that would have extended the working age of most public sector workers. The effort prompted a vigorous response from the unions, which opposed changes to the law. After a month of strikes around the country, including in postal sorting centers and at post offices, the government backed down. The strikes not only weakened the conservative government, but they also dealt a serious blow to the still vulnerable La Poste (La Poste manager 2011a). La Poste's balance sheet would reflect a one billion franc loss due in part to the strikes (Le G. 1996a). Postal volume had fallen considerably during the strike and did not readily recover; several business clients, the bread and butter of La Poste's revenues, had switched to other private operators. The strikes, even if they had not been directly related to anything La Poste had proposed, nonetheless weakened morale among postal managers and reformers at a time where the organization was trying to modernize and transform itself into an enterprise (La Poste manager 2011a).

La Poste's administrators, however, adapted from the 1995 experience. They were determined not to let strikes wreak as much havoc on the organization in the future. Going forward, they would deploy a secret plan to circumvent strikes so that mail sorting could continue. This would take place in shadow suburban sorting centers away from the downtown centers, the strongholds of the unions. The shadow centers could be run by managers and

contractual employees, thus permitting La Poste's work to continue during strikes (albeit at reduced capacity) (La Poste manager 2011a).

Administrators would also begin to confront the looming retirement issue. Indeed, a large number of civil servants would require pension payouts in the not-so-distant future that would quickly overwhelm La Poste's finances. After negotiations between La Poste leaders and finance ministry officials, it was decided that La Poste would make a large, one-time payment to the retirement fund. At the same time, La Poste's retirement system would be merged into the country's primary retirement plan. In this scheme, used by the majority of French companies, the employer and employee share in funding pensions. The change would thus place La Poste under the standard retirement scheme. Had La Poste remained under its historical pension scheme, it would have been financially crippled as it alone was responsible for guaranteeing and funding pensions (La Banque Postale supervisory board member 2012). The finance ministry had, in effect, made an important concession to La Poste by assuming a large new financial liability in guaranteeing future retirement obligations after La Poste's one-time payment.

To the consternation of some of the unions, La Poste began to gradually increase the number of contractual employees it hired. This enabled the organization to decrease the number of civil service positions as departing civil servants would increasingly be replaced by contractual employees (Guiomard 1998, La Poste manager 2012a). By the beginning of the following decade, La Poste would stop hiring civil servants (Montaigne 2004).

Cohabitation at the political level would also mean the president of La Poste (Claude Bourmaud) would in practical terms share the position with Martin Vial (who became the director of the postal services). Vial was seen as close to the Socialists; he replaced a previous postal services director (Claude Viet) who had worked under the conservative Minister Gérard

Longuet (1997c). Bourmaud concentrated on increasing the international presence of La Poste aboard such as with the purchase of Deutscher Paket Dienst (DPD) in Germany and with an agreement with the American giant FedEx to help deliver express shipments (Colomer 1999, Lemaître 2000). Management also reorganized the internal structure of the La Poste (Silbert 1996). Despite these change, the organization was still reeling from the 1995 strikes and saw its quality deteriorate (S. 1997a, Queinnec 2000). Management announced a plan to speed up postal delivery times with La Poste was increasingly feeling competitive pressures from private operators. In the all-important business segment, firms were shifting away from La Poste in increasing numbers (Barbier 1997). The Germans, for their part, were far ahead of La Poste in preparing for the forthcoming European liberalization of the postal market, which France was trying to slow (Le G. 1996b, D. 1996). The period was marked by a high degree of social tension between the unions and management; La Poste's management launched an initiative to solicit employee contributions and feedback called "Listen and Exchange" (Leroy 1997).

La Poste's management also came under pressure from the government to adjust its hiring, another consequence of the political change from a conservative to a left-right cohabitation government. Christian Pierret was nominated industry minister. Upon arrival at the ministry, he criticized the "bad social climate" at La Poste and pushed it to hire 2,500 workers under the government's young employment program (1997b, n.p., 1997a). The minister wanted thousands more new young workers hired by 1998 and he announced that La Poste should become a public service "in an entrepreneurial spirit" (Lemaître and Stern 1997, n.p.). In the meantime, however, La Poste's financial balance sheet was deteriorating. The Senate released two key (and alarming) reports entitled "Save the Post Office" whose author Gérard Larcher felt the post office "could die" in the face of competition (1997d, S. 1997b, 17, Silbert 1999b).

Moreover, the public services that La Poste needed to maintain on behalf of the state (delivery of newspapers, a robust rural network, and passbook savings accounts) proved costly and burdensome for the business (Bridier, Colomer, and Dupuy 1999).

The government, however, continued its push to hire more workers at La Poste, which now fell under part of the so-called 35 hour work-week program. La Poste was already France's largest employer after the state and would become even bigger: 20,000 new hires for 1999 and 2000 (Mouloud 1999, Dion 2001). The problem, however, is that these political directives came at an inopportune time given La Poste's struggles to adapt to a new marketplace, balance its budget, and improve its service quality. Moreover, the government forced La Poste to self-finance these new employees that, all in all, led to a dramatic drop in worker productivity (La Poste manager 2011a). Top management would change again in December 2000. Martin Vial became La Poste's new president with the government choosing not to renew Claude Bourmaud's term. Vial was viewed as a loyal Socialist in the eyes of the government and he appointed replaced several top positions at La Poste with left-leaning managers (Lemaître 2000).

Although Vial in many ways anticipated the influence of the Internet and the information economy (Renault 2000, Silbert 2000), he was unable to stem decline. The financial situation was grim. La Poste would be forced to shut down its DPD express subsidiary in France, merging it with its other operations (Denis 2001). Social tensions were also high with strikes and the CGT union protesting what it saw as an insufficient number of new employees at La Poste (Dague 2000). Senate rapporteur Larcher (2003) was convinced that La Poste needed urgent attention or it could face near obsolescence.

## 5.6 STABILITY AND STEADINESS: REFORM UNDER BAILLY

The surprise elimination of Socialist Lionel Jospin as candidate for president in the first round of voting in 2002 left Chirac and the conservatives assured of victory against extreme right-wing (Front National) candidate Jean-Marie Le Pen in the second round of voting. Conservatives now had the presidency and a majority in the National Assembly. Several years of awkward cohabitation between the left and right ended. Although Martin Vial was to have originally served a longer term as La Poste president, the government targeted him for dismissal. Vial had not only dutifully implemented the Socialists' 35-hour work-week at La Poste, but he had also presided over steep financial losses at the organization and social tensions (with Claude Bourmaud, in part).

Jean-Paul Bailly, the new La Poste president, was plunged into the waters of this broader political and economic environment in 2002. Coupled with the organizational decline at La Poste and the instability from the revolving door of leaders over the past decade, Bailly would have no shortage of challenges with which to grapple. Bailly was not inexperienced in such matters, however. He previously headed the difficult-to-govern (and strike-prone) Parisian subway agency, the Régie autonome des transports parisiens. At the subway agency, he implemented a system to help calm social tensions and had enacted important changes at the organization (Lemaître 2002a, Le Roux 2007). Also in his favor was his management style that emphasized consultation (La Poste manager 2011c). In this climate, he was thus a good choice to succeed the more partisan Vial.

Bailly urgently needed to develop a reorganization and modernization plan at La Poste to make up for lost time, as well as negotiate a new services contract with the state. Shortly after his arrival, Bailly announced that La Poste's condition was "fragile and precarious" and he proposed

change. In his announcement, he noted that La Poste had fallen far short in modernizing in relation to competitors such as the Deutsche Post. Germany's post office, for example, benefited from an 83-strong network of automated sorting centers while La Poste modernized just one or two of its 130 centers a year (quoted in Lemaître 2002b, n.p.). Finally, another directive to further liberalize the postal market in Europe had passed that would soon increase competitive pressures on La Poste (European Parliament and Council of the European Union 2002).

Bailly first set on reorganizing La Poste's major divisions by turning them into strategic business units reporting to the headquarters. This provided clearer lines of authority and accountability for each of the divisions. Moreover, each of the divisions could focus on its own strengths. The mail division could focus on mail, for example. Within the divisions, management was decentralized and hierarchies were flattened. Where multiple management layers existed, Bailly streamlined them to just three: headquarters, regional, and local (La Poste senior executive 2012).

Working on aspects of organizational cultural change, Bailly sought to instill in the organization's members his "Three S's": "meaning of work" (*sens du travail*), "teamwork" (*sens d'équipe*), and "customer satisfaction" (*satisfaction des clients*). He bolstered support of middle management to aid implementation. Last, Bailly stressed a results-based culture with emphasis on follow-through of tasks (La Poste senior executive 2012). Nonetheless, the change also had its downside for the country's employment rolls as employees were not replaced as positions were consolidated or eliminated. Contractual employees, which started to increase in importance for La Poste in the 1990s, became standard practice while civil service positions for new employees would be phased out (La Poste manager 2012a, Montaigne 2004).

At the operational level, the focus was on improving organizational execution of tasks while making investments to support efficiency and better organizational functioning. Bailly and administrators steered €3 billion into renovations and modernization of mail infrastructure and sorting centers, which would become some of the world's most modern. Other important investments were made in marketing (especially expanding direct marketing offerings available to commercial customers), developing new and better services for businesses, and diversifying services at postal branches. Contracted postal outlets run by local merchants or municipalities were enhanced and expanded, allowing La Poste to shutter less-frequented rural branches that were expensive to maintain (La Poste senior executive 2012).

In the post offices, management conducted quality surveys that led to a goal for improved service. Branch managers and employees were pushed to facilitate a more welcoming, open, and personalized environment for customers that emphasized fast and efficient service. Use of automated postal machines was expanded, allowing customers to perform the vast majority of transactions without having to wait in line. Branches were also redesigned (La Poste senior executive 2012, La Poste manager 2011e). Indeed, customers visiting a post office today will notice the boutique-like service stations rather than the lines of postal counters. All of this reflects the business-like operational ethos of New Public Management.

The other main operational change centered on continuing the transformation of the financial services, which began under former president La Poste president Yves Cousquer. Cousquer had taken interim steps to bolster the financial services by appointing a former corporate banker to head the division, but he was blocked from offering a wider array of financial products (La Poste project manager 2011). Indeed, the finance ministry had earlier stymied Quilès' effort to expand the post office's financial services in the 1989 reform, handing



a victory to the commercial banking lobby. The result was that La Poste's financial services were losing customers and market share to private institutions (Jublin 1990, Labrouillere 1990, La Banque Postale supervisory board member 2012).

Bailly set on finally obtaining bank status for La Poste, which occurred after careful and delicate political maneuvering by Bailly and top administrators. Commercial banks were not keen to see La Poste's limited financial services become a bank that would compete with private institutions. They worried that La Poste's large network, originally built with state funds, would unfairly provide a competitive advantage. In addition, a new postal bank would likely be able to offer lower cost banking products, undercutting private banks. These concerns were, however, downplayed by La Poste's administrators who argued that La Poste already served the fixed- and low- income population that private banks ignored. Indeed, in many small towns and villages, the only direct access to financial products is through a postal office since commercial banks did not usually see such locales as profitable. La Poste administrators convincingly argued this public service mission before the government, sympathetic legislators, and the European Commission (La Banque Postale supervisory board member 2012, La Poste senior executive 2012). In 2006, La Poste was able to change its financial services division into a full-service bank offering a panoply of financial products. Since then, La Banque Postale has flourished. Importantly for La Poste as a corporate group, the bank's revenues and profits help compensate for the decline in mail volume in the mail division (La Banque Postale supervisory board member 2012, La Poste manager 2011e, 2012a, 2011d).

## 5.7 CONCLUSION AND FUTURE CHALLENGES

In 2010, with the final European Union directive being finalized to fully liberalize the European postal market by the next year, La Poste was given the authorization to convert itself to a private corporation (*société anonyme*) (Barjonet 2010). Although the state would hold 100 percent of shares (at least initially), the transformation of the historic post office from a traditional bureaucratic administration to a competitive, corporate company closed the chapter on a long line of reform attempts. Another sign of La Poste's maturity as an organization is that Bailly had not been forced out by the French government as part of the change of government or as a condition for passing the new reform law. In most regards, La Poste had finally overcome its major internal and external barriers to change.

In addition to the success of the postal bank, La Poste can count important improvements in on-time deliveries (nearly 88 percent of priority letters arrive at their destination within continental France a day after mailing versus 81 percent in 2006) (ARCEP 2013). Moreover, automation has reduced the time customers need to wait in line at branches (Government official 2012a). The organization has become more innovative by, for instance, keeping some branches in larger cities open beyond traditional business hours. In addition, La Poste had expanded internationally in the 1990s by purchasing DPD, one of the larger regional express delivery operators in Europe, and continuing to develop it. This has made La Poste one of the largest express operators in Europe (La Poste senior executive 2012). Finally, Bailly has brought long-needed stability and continuity to the organization.

At the same time, however, some lingering challenges remain. The number of customer complaints sent to La Poste per 10,000 items between 2006 and 2012 items more than doubled, indicating underlying issues with service quality (ARCEP 2013). It also indicates that in more

traditional parts of the business like mail, change is (and has been) harder to implement (La Poste project manager 2011). Changing customer mailing habits will thus be one of the largest long-term challenges for the company going forward. Indeed, France's regulator reports a steady decline in all types of correspondence for all postal operators over the past six years (ARCEP 2013). The state also could decide to sell its ownership in La Poste, thus introducing a greater degree of uncertainty for La Poste.<sup>9</sup> New shareholders could question La Poste's strategic direction by pushing for the postal bank to be spun-off from the larger group, for instance.

Although La Poste succeeded in the 1990s of relieving itself of its retirement financing burden, it is a large organization with much of its costs fixed in personnel. It is still weighed down to an extent, then, by its legacy costs despite having achieved considerable operational efficiencies (La Poste manager 2012a). Senior management and Bailly were recently tested by a series of middle-management suicides (Lebelle and Hacot 2012), potentially underlining strains among a key group of implementers of Bailly's reforms. Reacting to the tragedies, Bailly named his cabinet director ombudsman (Visseyrias 2012). Yet the fact that he chose not to create a separate position (she continues to serve as Bailly's cabinet director, a highly demanding job in and of itself) potentially undermines her effectiveness from the start. Finally, the express and package delivery business has intensified in recent years due to industry consolidation. Deutsche Post's DHL and others remain nimble and fierce competitors of La Poste in France and across Europe. For these reasons, La Poste will need to continually adapt and evolve.

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<sup>9</sup> The state manages its La Poste shares with a long-term perspective and grants La Poste management near full autonomy in operations and strategy (Government official 2012a).

## **6.0 REFORM OF THE GERMAN POST OFFICE**

Given the German post office's relative stability and continuity for much of its contemporary history, the magnitude of transformation at the institution over the past 25 years is highly significant. Put simply, the post office undertook a momentous program of market-based and managerial reform that dramatically transformed the institution from a bloated state bureaucracy into a large multinational firm. It broadened its activities to encompass logistics, reintegrated East German operations, restructured, spun off divisions, corporatized its operations, and phased out new civil servants. I examine the changes of the past three decades, beginning with a brief overview of developments after World War II, including the troubled East German post office. I then move to the ambitious West German push for postal reform at the federal level in the 1980s and track the political developments of the first postal reform law. I consider reunification and the merger of the two disparate post offices. Finally, I document the profound internal organizational and structural changes managers carried out from the 1990s to the present, concluding with future prospects.

## 6.1 WORLD WAR II'S LEGACY: POST OFFICE SPLIT AND THE EASTERN POST OFFICE'S RELATIONSHIP TO THE SECRET POLICE

Germany's post office has deep historical roots. Franz von Taxis in the late 15th century helped found the modern postal system under the Habsburg Dynasty. In 1876 during more modern times, Chancellor Otto von Bismarck unified regional postal and telegraph services by creating the Reichpost<sup>10</sup> (Eidenmüller 1991). This was consistent with Bismarck's desire to unify the disparate German Confederation into a German empire; the post office became one unit of national cohesion and import. After World War I, however, the Reichpost had to contend with serious financial challenges and administrative reshuffling. Nonetheless, it was able to set up the country's first airmail service in conjunction with Deutsche Luft-Reederei (a predecessor to Deutsche Lufthansa AG) (Eidenmüller 1991).

The conditions would not be easier for the Reichpost at the time of the National Socialist (*Nationalsozialismus*) regime's defeat by the Allied Powers at the Second World War. Indeed, the Reichpost's operations were left in tatters (Steinmetz 1979). The eastern part of Germany would eventually become the German Democratic Republic under the control of the Soviet Union and officials would found the East German post office (Deutsche Post) (Lotz 2007). In the West the occupying powers laid the groundwork for what became the German Federal Republic. After the new German constitution was put into place in 1949, the new Bundespost was established in 1950 under the Federal Ministry for Postal and Telecommunications Services (Steinmetz 1979).

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<sup>10</sup> Formally, the Reichs-Post- und Telegraphenverwaltung or "Royal Post and Telegraph Administration" (Eidenmüller 1991).

This severing of the eastern from the western half of the post office was dramatic: What had for many decades served as a unifying institution across Germany was suddenly dismembered. Yet the postal division reflected developments across Germany: The country became ground zero for a high stakes geopolitical and ideological struggle between the West and the Soviet Union, helping usher in the cold war. Despite the geopolitical stakes rooted in an East-West split, the post office (on both sides) continued to deliver the mail and provide telecommunications services; the West's Bundespost also supplied limited financial services (Steinmetz 1979, Lotz 2007). This was, after all, an era before the Internet, faxes, or e-mail; citizens and officials alike relied on the post office as a critical channel for communication. Similarities between the western and eastern post offices, though, largely ended there.

The German Democratic Republic (GDR) was known for its totalitarian practices. One way GDR authorities repressed the population was through the Ministry of State Security (Ministerium für Staatssicherheit), commonly known as the "Stasi." From its founding in 1949, the Stasi would earn a notorious reputation for its repressive acts and control over citizens. This especially through its elaborate system of surveillance that not only included a robust administrative apparatus, but also through informants and specialized surveillance equipment (Dennis 2003). The post office, for its part, was intimately involved in the surveillance as it was a key conduit for communications. Many of its administrators worked hand-in-hand with the Stasi to help the secret police carry out the security ministry's mission. Besides the post office's complicity with the secret police, the GDR era also marked a period of operational and technological decline for the organization. The full degree to which the GDR's administration of the post office's eastern operations and infrastructure were allowed to fall into disrepair, however, would not become fully apparent until after German reunification in 1990. This was

also true for the organization's relationship to the secret police services (Retired senior executive 2012a, Deutsche Post manager 2011a, b).

## 6.2 WEST GERMANY'S BUNDESPOST, 1950-1988

In contrast to its Stasi-infiltrated eastern counterpart, West Germany's Deutsche Bundespost was a straight-forward operation. It concentrated on the mail and package delivery, telegraphic and telecommunications services, and limited savings products (Steinmetz 1979, Lotz 2007). Generally speaking, the Bundespost settled into a relatively uneventful period of stability. It was, therefore, fitting that its headquarters would be based in Bonn, the sleepy new capital of the Federal Republic that replaced Berlin. The structure was reflective of the classic Weberian (1958 [1946]) model: formal, rational, hierarchical, and rule-based. The Bundespost was a traditional bureaucratic organization with an administrative culture that was risk-adverse and focused on task completion; one account described postal administrators as "legalistic," for example (Deutsche Post manager 2011a).

The Bundespost reflected in many ways the subsequent expansion in the welfare state during the country's so-called economic miracle (*Wirtschaftswunder*) and the size of the bureaucracy steadily increased. In 1970, the Bundespost was one of Germany's largest organizations employing more than 430,000 workers in its various postal and telecommunications services combined (1971b).<sup>11</sup> Ten years later, there would be more than

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<sup>11</sup> The postal services employed 273,356; telecommunications employed 162,411.

455,000 workers employed (1981a). This was in addition to the more than 18,000 post offices and facilities, as well as the 18 regional administrations across the country (Lotz 2007).

Yet although the Bundespost increased in size, it nonetheless struggled to keep up with the expanding needs of the population and the economy. Structurally, not much had changed in the way things were done from the era of the Reichpost at the early part of the century. The post office, in particular, was in need of more capital (4 billion DM in 1966 alone), modernization, and greater operational autonomy vis-à-vis the federal government. This was the message from a 1966 expert commission, which also said that the post office should be run more like a business. The post office tried to compensate for its financial deficits with frequent rises in postage fees (1966b, 1966a). The price of a letter doubled between 1948 and 1972 with nearly every year showing price increases (1973). The post office's problems were being felt by the public: Not only did the rises in postal *Gebühren* (fees) bring consternation, but others complained about the quality of the service. Writing in the *Frankfurter Allgemeine* newspaper in 1959, for example, one commentator (Hamm 1959) lamented the mis-delivered mail and slower delivery. It often takes two days to receive mail where it used to only take one, he complained.

After the commission's report, Postal Minister Richard Stücklen advanced modernization plans that centered particularly on trying to reduce deficits and running the organization in a more business-like fashion (1966c). Nonetheless the following decades showed that the post office's situation would not dramatically improve; operational deficits remained high in postal services while clients' postal rates continued to rise. Moreover, the post office's telecommunications division was subsidizing losses on the postal side, creating an unsustainable dynamic. As in France, the development of a modern telecommunications sector, as well as the industry's Europeanization and internationalization, would begin to make its presence felt at the



post office. Major new investments would be needed to compete in the growing marketplace (Retired government official 2012b, Deutsche Post manager 2011a, c). To make matters even more challenging, by the late 1970s Germany was experiencing higher inflation and unemployment that slowed economic growth (Siebert 2005).

### **6.3 CONTEXT FOR CHANGE**

A new minister, Christian Schwarz-Schilling, was appointed to the postal ministry as part of the Christian Democratic Union (CDU) and sister Christian Social Union (CSU) parties' sweep into power in 1982. The CDU minister would bring a new, market-oriented attitude to postal affairs. In coalition with the Free Democratic Party (FDP), the CDU/CSU government had different views on the public services than their Social Democratic predecessors: namely, they were more open to market- and business-oriented solutions (Roberts 2009). The government was thus supportive of efforts to decrease the state's role in the economy while bolstering the private sector where it felt it could do a better job. The postal minister himself believed that the state did a poor job in managing services that could instead be better handled by private actors. He had taken this attitude with regards to a commission he previously chaired on communications and broadcasting; now he took it to the post office (Retired government official 2012b).

On a macro-level, the telecommunications industry and its technology were rapidly evolving and so with it, the entire sector. This included deregulation and new competitors (Thatcher 1999). The growth in telecommunications would ultimately require the post office to spend heavily on new and expensive infrastructure and technology in order to compete with peer services in the United States and elsewhere (Retired government official 2012b). The European

Communities (EC) would also eventually include telecommunications in a services sector liberalization push, which developed in the mid-1980s (Thatcher 1999). The idea was to liberalize sectors across member states to create an internal European market (Gilbert 2012). Postal services would officially come later in 1992 with the first green discussion paper (European Commission 1992).

The post office's challenges (service and finances), an evolving telecommunications landscape, European liberalization, political ideology, and a difficult economy thus defined the period by the early 1980s. These elements would feed into the context for reform at the post office. By the mid-1980s, Minister Schwarz-Schilling would make his intentions clear that he intended to pursue a dramatic reform of the post office that would split the organization into three entities: post office, telecommunications, and banking. In the process, he would also have to deal with important opposition from the major trade union.

#### **6.4 REFORM ENCOUNTERS RESISTANCE**

Shortly after arriving at the ministry, Schwarz-Schilling announced a 1.6 billion DM (\$650 million) investment increase for the post office with the majority allocated to improve telecommunications (Carr 1982). The minister felt that fresh investments were urgently needed, especially in the new technologies that were emerging (Schwarz-Schilling 1983). He charged Professor Eberhard Witte in 1985 with the task of carrying out a comprehensive study on the future of telecommunications. Witte had a history of working on postal reform and his commission would be long (two years) and comprehensive (dozens of meetings and consultations in Germany and abroad) (Lotz 2007). Moreover, the telecommunications industry,

keenly aware of the high cost of German telecommunications and its equipment, were pressing the government (together with the FDP) for liberalization of the market (Bruce 1987).

The postal services, for their part, continued to experience deficits (1983b). The minister was frustrated with its state of affairs and at various points expressed his disappointment with its quality of service or lack of modern managerial techniques (Schwarz-Schilling 1986, Jünemann and Thelen 1984). Postage was expensive, having quadrupled since 1960 (1985). The minister announced plans to modernize, lower costs, and provide the postal services with more growth opportunities, as well as develop a future strategy. Underlining his market orientation, he brought in private consultants to help craft these new plans (1984a, 1984b).

By 1987, various ideas and plans for reform of the post office had been circling around the ministry and among government officials. When the Witte Commission's report was released in September, it proved decisive in bringing reform of both telecommunications and postal services into the spotlight (Lotz 2007). The postal services and telecommunications services were grouped together and the minister felt that it therefore made sense for them to be reformed hand-in-hand (Retired government official 2012b). Indeed, it would be difficult to modify the status of the telecommunications services without also undertaking an effort to reform the postal services. Schwarz-Schilling announced the outlines of his reform in September 1987 that would call for the creation of three separate entities centered on the Bundespost's core operations: postal services, telecommunications services, and financial services. Each of the entities would become state enterprises, thus gaining autonomy and their own boards. The reform would also help the post office conform to emerging EC regulatory policies (1987b, 1989).

The press portrayed Schwarz-Schilling's proposal as a "middle ground" between privatization and the status quo (Thelen and Tichy 1987). Nonetheless, the proposal was

dramatic for an institution with nearly five centuries of history: The post office would be turned into a state enterprise while being separated from telecommunications and financial services. Politically, Schwarz-Schilling generally had the support of his party for the reform proposal, including from the domineering Chancellor Kohl (Retired government official 2012b). Reflecting its economically liberal orientation, the smaller FDP was supportive, even calling for partial postal privatization (1986).

The opposition Social Democratic Party expressed skepticism for reform, although most of its leaders also felt that changes were needed at the post office to improve its services and render it more efficient (1989). In addition, the BDI (Bundesverband der Deutschen Industrie) industry group came out strongly in favor of reform (1987c). Structurally, enacting the reform would be challenging as the post office was enshrined in the constitution of the Federal Republic (Steinmetz 1979). This not only underscored the service's historical importance, but it meant that a constitutional amendment with a super-majority vote in the parliament would be required.

Although the postal minister had the political support of his party and others, in relation to the large union that represented postal and telecommunications civil servants, the story was different. The Deutsche Postgewerkschaft (DPG) expressed its disapproval with the new market orientation of the ministry's plans for the post office (1983a). During the run up to reform, the heart of the union's attack centered on opposing what it believed would be privatization and a split of the services. The union did not want to see the post office's services, especially telecommunications, oriented to the market and eventually delegated to private enterprise. It wanted to improve the organization, but keep the structure. Union leaders in particular feared ever-higher postage rates, changes to public services (*Daseinsvorsorge*), and layoffs. Through a concerted action that saw union members distribute 16 million leaflets across Germany, the DPG

argued for a “citizen’s” instead of a “corporate” post office (1987a, 1989, Lotz 2007). This, combined with their rallying cry to “Protect the Post Office, Save Telecommunications” (Deutsche Postgewerkschaft 1987, 1), was simple yet clear. These messages for the union encapsulated the government’s ideology and plans for the future of the Bundespost.

The tension between union leaders and the minister deteriorated with at one point the DPG’s leader Kurt van Haaren characterizing Minister Schwarz-Schilling’s plans as a “large sham” (1987a). Despite the DPG’s tough opposition and protest of the government’s proposed postal reform, however, Schwarz-Schilling and the government succeeded in the end in attaining a super-majority of votes to pass the new law. The vote included a significant number of Social Democrats who also voted for the changes (Lotz 2007), which underlined the general consensus for change. On July 1, 1989, the reform would take effect; it created a special legal entity (*Sondervermögen*) from which essentially three state enterprises (post office, telecommunications services, and postal bank) would be formed (Kührlings 1990).

The creation of the three separate organizations meant that the ministry for postal and telecommunications was more of a supervisory body with less control over day-to-day operations. It also gave the three organizations far greater autonomy and flexibility to pursue individual paths. Schwarz-Schilling’s reform at the post office was dramatic, but his step to appoint as head of the new Deutsche Bundespost Postdienst Klaus Zumwinkel, a former partner at the McKinsey and Company consultancy, indicated that change there was only beginning. Three of the six new division directors would also come from the private sector (Lotz 2007). Shortly after reform, however, the post office would have to deal with an unexpected development that would complicate the modernization task: dissolution of the German Democratic Republic and reunification of East and West Germany.

## 6.5 REUNIFICATION AND THE CHALLENGE OF THE STASI

The quick succession of the Berlin Wall's fall in 1989 and the German Democratic Republic's dissolution in 1990 altered the post office's path to change. Indeed, the official presses in the West's Federal Republic hardly had the chance to cool down from printing revised versions of the new postal law when officials pondered additional reform. Leaders at the ministry and Bundespost Postdienst would come to believe that a second reform would be needed sooner rather than later (Retired senior executive 2012a). After all, the reform completed just two years prior had not taken into account the possibility of reunification; although additional reform and privatization in the future was projected, reunification now opened a window for further reform sooner than planned. This would come in a reform that would eventually lead to privatization of the post office.

Before the specifics of a new change to the status of the post office could be considered, however, postal managers and ministry officials in the meantime would have to consider the GDR's abrupt end. West German postal managers now faced the need to modernize and integrate a dilapidated postal system in the East, as well as coming to grips with a radically different organizational culture. The eastern post office's systems, procedures, infrastructure, and services were antiquated—far below the standards of its West German counterpart. To bring the GDR's Deutsche Post up to a minimum level of (Western) standards, they would have to dispense with GDR-era technology and rebuild *anew* (Deutsche Post manager 2011a, Retired senior executive 2012a).

The West German management took a strategic (and politically sensitive) decision early on to maintain one headquarters in the West to avoid duplicative structures and systems. This was in contrast to the Deutsche Bahn (national railway), which was seen as an inefficient

arrangement (Retired senior executive 2012a). Yet the headquarters decision was perhaps one of the most straight-forward; reorganization of other elements of the eastern post office would be far from banal. This was due, as previously mentioned, to the role that the East German secret police played at the post office. The eastern Deutsche Post would have to be purged of its Stasi collaborators or, at the very least, see them assigned to peripheral tasks.

Zumwinkel and his management team thus inherited the daunting task of dealing with administrators intimately involved in such efforts, some of whom had direct ties to the Ministry for State Security. Western administrators did not know, however, the extent of the secret police's infiltration into the post office's ranks as there was no master list. Administrators therefore employed an ad hoc or snowball approach to uncover as many of those with Stasi ties as they could. For milder cases, they reassigned employees; those with the most nefarious pasts were dismissed. Indeed, West German managers could not get rid of everyone. There was already a shortage of managers at the post office since Zumwinkel had sent some of his top Bonn-based administrators to the East to take over for brief periods; a complete purging (even if theoretically possible) would have left the GDR's former Deutsche Post too lightly staffed (Retired senior executive 2012a, Deutsche Post manager 2011b, a). Eastern employees thus continued to offer still-needed competencies and institutional memory. These were critical elements needed to reform and provide continuity during a time of unprecedented change.

## **6.6 TURNING TO THE PRIVATE SECTOR FOR LEADERSHIP**

Klaus Zumwinkel, whom Minister Schwarz-Schilling appointed as the post office's chief administrator in 1989, brought a private sector ethos and mindset to his new task. This was by

design: The CDU's Schwarz-Schilling, Chancellor Kohl, and FDP leaders wanted a private sector management team in place at reform. The minister in particular felt that business could do a better job at running an enterprise than government. Zumwinkel was not only one of the most successful businessmen in the country, but he also was a managing partner at the McKinsey and Company consultancy (Retired government official 2012b, Heeg 2003). The prominent consultancy provides managers in the public and private sector alike with reform and restructuring blueprints, as well as managerial and operational expertise.

Zumwinkel's appointment to the post office represented a radical change for an institution that had been highly statist and administrative. He would step into a bureaucratic managerial environment and culture. The West's post office was hyper-bureaucratized and focused largely on fulfilling standard operating procedures. In the East, the managerial culture was even more challenging since it was linked to the official state apparatus. As such, Zumwinkel would have to challenge basic assumptions there about how a western organization is run—and to operate in absence of an enmeshed party structure. Zumwinkel and the board saw their long-term task mission to corporatize and privatize the organization (Retired senior executive 2012a).

The irony of a corporate leader's appointment to the statist post office was also not likely lost on union leaders. Not only was Zumwinkel an outsider, but he embodied the corporate ethos the union had been opposing during the reform debate. In addition, half of the internal divisions were staffed by individuals from the private sector. Such appointments underlined the government's drive to transform many aspects of the post office into an organization resembling one found in the private sector. It was also in keeping with the broader push to implement business-like management and managerial structures in the public sector.



## 6.7 MODERNIZATION AND CORPORATIZATION

One of Zumwinkel's first jobs was to put into place a more advanced postal code scheme (from four to five digits). He and the post office launched a publicity campaign to educate and inform citizens and businesses that their postal codes would be changing. The switch-over to the new postal codes was necessary, in part, because of reunification: Some cities had duplicate codes (1992). Transitioning to new postal codes, however, would constitute a relatively minor undertaking when compared to other tasks facing western postal managers. These included replacing infrastructure in the East and West, corporatizing the organization, and revamping the personnel (civil service) system.

Reunification and the merging of the West and East German post offices were among the most daunting. The former East German post office was not only tainted by the legacy of the Ministry of State Security, but it was also dilapidated. It required a vast program of infrastructure and systems modernization, as well as a cultural change in its ways of doing things (Retired senior executive 2012a). To effect change and to modernize the post office there, Zumwinkel pushed his Bonn-based administrators to take short assignments in the East. He incentivized them to leave the comfortable Bonn environs by linking future career advancement to the assignments. When the administrators (now "managers") arrived in the East, they quickly realized that the existing infrastructure from sorting machines and sorting centers, to post offices and delivery vehicles, was antiquated and would have to be scrapped. A bottom-up rebuild of the infrastructure would be required to bring it up to modern standards (Deutsche Post manager 2011a, c, b).

Yet the former Bundespost in the West also needed updated infrastructure due to underinvestment and neglect, even if it wouldn't require full-scale replacement. A particular

need was modern mail sorting centers that could employ fewer staff but sort mail more quickly and accurately because of improved technology. Smaller, older centers were therefore consolidated into more modern, larger ones. Importantly, the federal government was persuaded to give up its historical ownership in the postal network, the post offices, sorting centers, and other buildings that it had accumulated over the post office's history. Many of these locales, particularly the sorting centers, were in dense downtown districts of high value from a real estate perspective. The post office sold many of the central sorting facilities, using proceeds from their sales to help finance new centers in peripheral or suburban locations. Finally, the network of post offices was renovated and expanded; franchised outlets were opened, thus increasing the number of places to sell stamps and related products; a modern controlling and accounting system was put into place; and preparations were taken to prepare for privatization of the organization. In a novel development, Deutsche Post laid the groundwork to sell-off post offices themselves, eventually only serving as proprietor of one outlet located in the federal parliament (Retired senior executive 2012a, Deutsche Post manager 2011a, c, b).

The federal government's effective gifting of its historic claim to the post office's real estate portfolio symbolized the generous commitment the government made to the post office in political and financial terms. All in all, the post office's change process benefited from steady support during its most dramatic phase of restructuring, the 1990s. The mechanization, very large investments in relation to peer services,<sup>12</sup> and savvy business decisions would turn the post office into a "top-performing and dominant market player" (Campbell 2002, 94). This was in direct contrast to France where administrators were generally deprived of necessary funds for modernization and investment (Retired senior executive 2011b).

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<sup>12</sup> Over one short period (1996-1998), for example, Deutsche Post invested nearly 2 billion DM per year.

In addition to investments in infrastructure, management also adopted organizational and personnel changes that reflected a business- and NPM-like ethos. At the start of reform, managers were systematically assessed across the organization to ensure that they were placed where they could be most effective. Departments, divisions, and managerial ranks were also streamlined to better reflect the main business lines as hierarchies were flattened. This included introducing more flexibility and autonomy for managers (Deutsche Post manager 2011a, Deutsche Post board of management member 2011, Retired senior executive 2012a). They were thus given more flexibility in their work, but had to meet enumerated performance aims. Put bluntly: Traditional Weberian practices were “out” while measurable accountability, performance targets, and commensurate pay were “in.”

Zumwinkel wanted his managers to take on varied assignments. They were encouraged to leave the relatively rigid civil service and move to contract-based employment. The result would be additional risk for employees, but private sector-style salaries and organizational mobility. Managers thus had a choice: remain grandfathered into the civil service (and see advancement and pay constrained) or move to contractual employment (and lose job security, but earn more and take on more interesting assignments). Many took the latter path (Deutsche Post manager 2011a, c, b).

For those who did remain in the civil service ranks, Zumwinkel promised no forced redundancies through agreement with the union. Zumwinkel did not, however, promise that employees would remain in their same positions; rather, he required that they be reassigned to fit the evolving needs of the organization (Retired senior executive 2012a). As a result, managers and employees who were used to performing the same job or task for many years would

suddenly be faced with learning something entirely different—a challenging prospect for some (Deutsche Post manager 2011a, b).

## **6.8 SECOND POSTAL REFORM: ‘DEUTSCHE POST AG’**

A second postal reform was now moving through the political process to convert the post office’s special state enterprise status into a full-fledged private corporation. Minister Schwarz-Schilling stepped down due in 1992 to an unrelated disagreement over the government’s stance on the situation in the former Yugoslavia. Wolfgang Bötsch, a member of parliament from the Christian Social Union, took the helm of the postal and telecommunications ministry in 1993. Despite the change, Bötsch offered continuity as he was committed to Schwarz-Schilling’s already-developed plans for a second postal reform. Indeed, most of the groundwork for the reform had been laid under Schwarz-Schilling (Retired government official 2012a). The reform also required constitutional change (Busse 2001) and the DPG union strongly criticized the minister’s plans. The union was especially concerned about privatization of the (until-then) public post office and about implications for social cohesion in the country following such a change (Lotz 2007). Nonetheless, the momentum had already been set in motion by the initial reform plans for further market oriented moves. This was especially true given the government’s appointments of a strong private sector management team at the Deutsche Post (Campbell 2002). Moreover, postal liberalization was on the agenda of the European Communities that would require the post office to operate in an ever-more competitive marketplace (European Commission 1992, European Council 1994).

Deutsche Bundespost Postdienst became Deutsche Post AG officially on January 1, 1995. The former postal, telecommunications, and banking special entities were converted into autonomous corporations, *Aktiengesellschaften* (AGs). The organizations were thus privatized, although their ownership would be initially controlled by the German government (Busse 2001, Campbell 2002). The change to an AG was another significant milestone in the post office's transformation.

## **6.9 INTERNATIONAL EXPANSION AND GROWTH**

Corporatization at the post office continued under the new corporate structure, including further reorganization. As the built environment can have a powerful symbolic effect on helping shape an organizational culture (Martin 2002), management opened an international architectural competition in 1997 to construct what would become the new Deutsche Post AG headquarters (Deutsche Post DHL 2009). The result is a glittering, futuristic skyscraper on the banks of the Rhine River that resembles more a bank in Germany's city of finance (Frankfurt) than the central administration of a post office. The Post Tower (Figure 1) dominates the river's plain for many miles and is the ninth tallest building in the country, symbolizing Klaus Zumwinkel's drive to shed any bureaucratic pretense. The building thus not only made concrete the corporatization process, but it also underlined the post office's international ambitions, stretching far beyond ordinary letter deliveries in Germany.



**Figure 1.** *Post Tower.* Photograph courtesy of Deutsche Post AG (2003).

Becoming a major player in the express and logistics industry became a key part of the new Deutsche Post strategy. Internationalization was seen as a way to diversify the post office's business beyond the home market, thus providing a new revenue stream as conventional mail volume was peaking. Studies were projecting that businesses and consumers would increasingly use other communications methods (faxes and e-mail, for example) rather than sending traditional mail. Maintaining traditional mail service would thus become increasingly costly; branching out into other business lines could be a way to subsidize and compensate for declines in the mail segment (Retired senior executive 2012a).

The post office embarked on a series of acquisitions, buying up smaller express delivery firms in Europe and elsewhere. When the post office added logistics services (integrated pick-up, storage, and shipping services), it could sell another valuable service to its customers. The

corporate name of the post office changed, as well, becoming “Deutsche Post World Net” (Frenkel 2000, Campbell 2002). The re-branding symbolized the post office’s increasingly interconnected and international aspirations, replacing the more inward-looking Deutsche Post that translates literally to “German Post Office.” As the European Commission pushed to liberalize the internal market in postal services, the German government opened more of the legally-protected market to competition in 1997, ahead of what was required by Brussels (Campbell 2002). This increased domestic competitive pressures, but it also furthered the Europeanization and internationalization of the business.

The most important piece of its international strategy would come to be its investment in California-based DHL, as well as Swiss-based Danzas (a logistics company) (Frenkel 2000). Zumwinkel built DHL to be worldwide competitor to American express service giants United Parcel Service (UPS) and Federal Express (now FedEx). Zumwinkel wanted DHL to be an international leader in logistics and express shipping services (Retired senior executive 2012a). Through DHL, Deutsche Post would be able to branch out into highly competitive lines of business, take greater risks, and maintain global operations. It could also funnel profits back into the umbrella organization as needed. The international division would create additional autonomy for Deutsche Post as an agency-like structure within the larger organization. In sum, it was a historically unprecedented outgrowth for what had always been a domestic mail service.

## **6.10 MANAGEMENT’S OVERREACH: BIG LOSSES PROMPT RETREAT**

By the mid-2000s DHL was Europe’s largest express and parcel firm, it led competitors in the Asia-Pacific and emerging markets regions, and it was third-largest for international express in

the United States. Revenues from abroad (60 percent of the total) exceeded those in the domestic German market and it serviced more than 220 countries and territories. It had started to sell shares on the stock market in 2000; by mid-decade, the government's share of stock in the company through its investment arm fell to just 34 percent of all stock shares with the remainder of outstanding shares floating (2000, Deutsche Post AG 2006). Nonetheless, the expansion was not without significant challenges.

When Zumwinkel crafted his strategy to take on UPS and Federal Express in their home (US) market, he came up against two fierce competitors who were loath to surrender market share to a competitor. Deutsche Post World Net invested heavily in the US market, however, spending hundreds of millions of euros in an effort to scale up DHL's business. Investments included expensive new hub sorting centers in the Midwest and elsewhere (Retired senior executive 2012a). Despite the aggressive push, though, Deutsche Post's spending spree in the United States was not producing gains fast enough. In a letter to shareholders, Zumwinkel wrote that the US business housed the company's "greatest challenges" (Deutsche Post AG 2004, 2). It was also operating in an extremely challenging market given the *de facto* duopoly of the American express firms UPS and FedEx. Deutsche Post launched legal action against the two express mail giants, accusing them of anti-competitive behavior (Heeg 2003).

Internationalization of Deutsche Post through the purchase and expansion of DHL resulted in a transformed German post office. No longer the insular and bureaucratic Bundespost, Deutsche Post World Net had become a gigantic and multinational player in the express and logistics markets. The modern skyscraper that replaced the old Bundespost buildings, the "World Net" re-branding, the aggressive international expansion, the state-of-the-art technology and infrastructure, and a multicultural business were all tangible signs of a changed organization. The



developments underscored the cultural shift to a more business-like organization that took place over a relatively short period. Although Deutsche Post maintained its traditional mail business in Germany, it was no longer the organization's primary revenue-generator. Deutsche Post had become global in character; the emphasis in the future would be less and less on the domestic mail business.

Yet the same strategy that profoundly altered the Deutsche Post's business and culture came at a cost. In some cases, the price was in human terms as some of the postal managers and workers who remained during the change process experienced difficulties in adapting to new management styles, practices, and work tasks. The pressure to meet performance targets constituted a big change that was difficult for some, causing considerable stress and angst (Deutsche Post manager 2011b, c, a). The strategy also had great financial cost that was evident in the consistent losses at DHL's US operations and failure to break-even (Milne 2006). Long-term, Deutsche Post would be unable to sustain the red ink on its balance sheet from the US operations. In 2007 alone, the firm had to write down nearly €600 million in losses from the region while all other regions improved in their profitability (Deutsche Post AG 2007). With DHL floundering in the United States, company funds and energy were being diverted from other priorities. Deutsche Post's leadership in the end underestimated the degree to which UPS and FedEx would be able to maintain their grip on the American express mail business. Zumwinkel had overreached.

Klaus Zumwinkel, though, would not be around to decide DHL's fate in the United States. On an early morning in February 2008, police raided Zumwinkel's home outside of Cologne and brought him in for questioning, accusing the postal chief of using an undeclared Lichtenstein trust to avoid paying €1 million in taxes (Atkins et al. 2008). As the news made its

way through the media, Zumwinkel resigned as Deutsche Post chief executive (Milne and Williamson 2008). It was an unfortunate and tough end to Zumwinkel's 18-year tenure at the post office. As the organization's leader, he had been intimately involved the entire change and transformation process. Frank Appel, Zumwinkel's favorite manager, abruptly became the new chief (Siedenbiedel 2008). Appel, though, would have little time to reflect on the departure of his mentor: A global economic crisis was looming and DHL's losses in the United States were still a large weight on the balance sheet.

Appel and Zumwinkel had both worked together at the McKinsey and Company consultancy, but Appel brought a lower-profile leadership style to the Deutsche Post than his predecessor. He is seen by his peers as "precise" with a "cool intellect" (Siedenbiedel 2008, 44). Colleagues also describe him as "cooperative" and more consensus-driven (Deutsche Post manager 2011a). This leadership style, however, did not keep Appel from making two tough strategic decisions. First, he engineered a sale of Deutsche Post's banking subsidiary (Postbank) to Deutsche Bank shortly before the collapse of the Lehman Brothers investment bank in the United States and the ensuing economic fall-out (Wilson 2008). The sale was considered prescient (Retired senior executive 2012a). The move returned Deutsche Post to its core operations while also helping cash-flow.

After the Postbank sale, Appel next decided to pull DHL out of domestic express mail operations in the United States and offer only international express service there. Given the years of widening losses (\$1.5 billion in 2008) and the economic crisis, the pressure simply became too great for Appel not to have done something dramatic. Deutsche Post shuttered all of the company's 18 ground hubs, reduced its stations from 400 to 100, and fired 14,000 American

employees. It was an expensive and painful move—one that forced the company to write-off nearly \$4 billion in restructuring costs (Wilson and Baer 2008).

## **6.11 CONCLUSION AND FUTURE OF DEUTSCHE POST DHL**

In Germany through Deutsche Post, it is now possible to order and pay for postage with a mobile phone rather than purchasing paper stamps. In another novelty, Deutsche Post allows catalogs and bills to be sent to a digital mailbox. Customers can then decide which (if any) of them they want printed and delivered in paper form. Finally, many of its branches now sell an array of products resembling small convenience or drug stores rather than traditional post offices (Rosenthal 2011). These examples of innovation demonstrate how far the former Bundespost has changed and adapted. Time will tell whether these developments will prove successful for the company's bottom-line given the steady decrease in traditional mail volume. Despite the DHL debacle in the United States, however, overall Deutsche Post is strongly positioned. The purchase and expansion of DHL and related businesses was therefore forward-looking. Today, Deutsche Post DHL leads its competitors in express services in all markets except North America (Deutsche Post AG 2012). An increasingly globalized and interconnected world is likely to continue to create medium-to-long-term opportunities for the company to grow. This international side of its business will help secure the company's prospects as traditional mail continues to decline.

## **7.0 COMPARATIVE ANALYSIS OF REFORM THEMES**

As stated previously, this study examines the reforms of the French and German post offices, particularly the significant change program that coincided with the New Public Management (NPM) reform push of the 1980s and 1990s. This chapter seeks to answer the first part of the research question posed in Chapter 1: What were the causes and patterns of change at these post offices?<sup>13</sup> I examine in more detail here how NPM's ideas were translated into action within the two organizations, looking broadly and comparatively at the elements and themes of change in, and across, the cases. These nine themes of reform center on the internationalization of telecommunications, financial pressures, new management ideas, entrepreneurial and market orientations, personnel management, agencies, internationalization, reunification, and elite decision-making. I employ certain aspects of Pollitt and Bouckaert's (2011) framework to help situate these reform themes in context.

### **7.1 FRAMING PUBLIC MANAGEMENT REFORM**

Public management reform in practice involves interwoven sets of processes that come together to lead to particular outcomes, argue Pollitt and Bouckaert (2011). Reform is best understood

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<sup>13</sup> In Chapter 8, I address the consequences of change (that is, the results) at the post offices, as well as the second research question as to what the postal reforms can tell us more broadly about administrative reform.

when it is seen in light of these larger processes rather than in isolation, they say, and can be broken down into major spheres of influence:

- *Socio-economic forces* encompassing global economic forces, socio-demographic change, and socio-economic policies;
- *Political system* including new management ideas, pressure from citizens, and party political ideas;
- *Chance events*; and
- *Administrative system* comprising the contents of the reform package, implementation processes, and results achieved (33).

At the center of all of these is *elite decision-making*, say Pollitt and Bouckaert. Nonetheless, they acknowledge elites may be influenced by many of these factors and change pressures do not always need to be of a top-down nature.

The Pollitt and Bouckaert picture of public management reform is a broad, even all-encompassing, one. Yet, they say, it is best employed as a heuristic device in order to help understand reforms in practice. It is in this spirit that I make reference to it: In order to help situate the particular reform experiences of the French and German post offices into the broader reform context. Indeed, I noted at the outset that I seek to frame and illuminate the diverse causes, patterns, and consequences of reform at the French and German post offices in a historical explanatory work (Van Evera 1997). To this end, Pollitt and Bouckaert's spheres of influence can serve as guideposts in situating reform influences at the post offices.

In analyzing reform at the post offices, I begin with the socio-economic forces in the internationalization of telecommunications followed by financial strains (linked to socio-demographic developments). Next were the new management ideas that were in certain instances

prominent in the political sphere, sometimes encouraged by party ideology. In the administrative system, such new management ideas were emphasized and then later implemented. The ideas that were turned into reform center on creating entrepreneurial and market-oriented organizations, moving from civil service systems to personnel management, using agency-like structures, and internationalization. Finally, reunification and elite decision-making also marked reform experiences in important ways.

### **7.1.1 Reform Theme: Internationalization and Europeanization of Telecommunications**

Socio-economic considerations represent the broad, catch-all basket into which a host of influences may be placed. These can include larger economic forces such as globalization, multinational firms, and international trade (Pollitt and Bouckaert 2011). The growth and spread of the modern telecommunications industry is likely the most potent global economic force that had an impact on the reforms of the post offices. It may seem counter-intuitive to begin with the spread of telecommunications; nonetheless, the factor appears in several key interviews as one of the major reasons reform of the post office was pursued. After all, telecommunications was originally intimately linked to the post office, but eventually grew to surpass it in both scale and strategic importance.

The telecommunications industry over just a few decades (1960s-1980s) grew from a small service to eventually experience major investments, rapid growth, and later internationalization. In a key market, the United States, the break-up of giant American Telephone and Telegraph Company (AT&T) helped unleash telecommunications competition worldwide. Deregulation also followed in some cases. All of these developments necessitated major investments to keep up with the growing demand for phone services, as well as to make

the phone more accessible and cost-effective for all. By the late 1980s, telecommunications would figure into the liberalization plans of the European Communities (EC) under the single market program (Thatcher 1999). The program sought to inject greater dynamism into West European economies by liberalizing service sectors including telecommunications (the first postal services developments at the EC level came later).

In France, telecommunications administrators were not only keenly aware of these developments, but they felt pressure from them (Retired senior executive 2011a). Thatcher (1999) has documented how telecommunications developments abroad left a major mark on how French telecommunications would develop. Administrators tried to compete with foreign firms and launched strategic ventures into overseas markets. For example, they created separate subsidiaries to pursue strategic ventures outside of France such as in Japan (Hennion 1988). The problem, however, was that administrators lacked the needed capital to pursue investments in technology. The growing feeling among telecommunications administrators was that they needed to have greater flexibility to react to international developments. This was, of course, exacerbated by the growing cultural divide between postal and telecommunications administrators. Finally, various ministers (Galley, Longuet, and Quilès) came to recognize the need for greater flexibility for telecommunications; as telecommunications were linked to the postal services, the post office would also need to adapt.

Germany, for its part, also felt the pressure of the telecommunications developments by the 1970s and 1980s. The country, like France, would require massive investments in new technology and infrastructure to keep up and evolve. This could be more easily borne by the private market than by the increasingly strapped state, which by the early 1980s was dealing with

higher unemployment. The growing internationalization of the telecommunications marketplace was thus an important place to which to turn for funding.

### **7.1.2 Reform Theme: Financial Pressures**

Strains on the welfare state also played into reform on both sides of the Rhine River. Concerning these broader socio-demographic challenges, industrialized welfare states would begin to feel budget pressures from slowing economic growth, increasing expenditures, and declining competitiveness from the 1970s on (Caiden 1991, OECD 1995). France saw the so-called 30 glorious years, the period of rapid economic growth and shared prosperity post-World War II, slow in the mid-1970s. Similarly, Germany watched its *Wirtschaftswunder* (economic miracle) eventually fade into history (Siebert 2005). At the European level, the EC launched the single market program to help address economic slowdowns in Western Europe.

At the organizational level, the post offices contributed to these economic strains. Roughly coinciding with the larger macro-economic difficulties, the post offices began to experience deficits in their postal operations. In Germany, operational deficits became *de rigueur* from the 1960s on; in France, deficits became more frequent in the 1970s. Despite the deficits, the post offices sought to keep up with changing times. French officials, for instance, undertook the Future of the Post Office Study Group (GRAP) to prepare the postal services for what was to come. France also launched a series of other study reports in the following years. In Germany, the Bundespost tried to modernize its operations from the 1960s on. Press accounts on the post office from those years are littered with announcements from postal officials about the need to rationalize the organization. This was in addition to the regular investments that were needed by the federal government.



Clear, then, from both of the cases was that over the long-term the state would not be able to sustain the increasingly frequent deficits. (Telecommunications were often showing operational surpluses.) The postal service deficits would thus help contribute to a sense among elites that something would eventually need to be done to address the situation. This was magnified by the fact that postal services, in both countries, already represented one of the largest public expenditures.

### **7.1.3 Reform Theme: New Management Ideas**

New management ideas can play a critical role in feeding into the political system, as well as into the consciousness of the elite decision-makers who usually decide reforms. In both cases, however, it is difficult to establish a direct correlation and the picture is usually fuzzier than straight-forward (Pollitt and Bouckaert 2011). Nevertheless, new management ideas did play a role in the reform of the French and German postal services; in important ways, they filtered into implementation of reform. Yet before turning to this point I briefly re-cap the managerial trends of the past few decades that I highlighted in Chapter 2:

- Favoring the role of markets and their related reform tools such as making public organizations more “entrepreneurial” or business-like, as well as corporatizing or privatizing them;
- Increasing the power of managers by giving them greater flexibility to carry out their responsibilities;
- Emphasizing performance management for personnel and their managers;
- Creating agencies or agency-like structures; and
- Depoliticizing the bureaucracy.

These trends have been generally grouped under the rubric of NPM and took on an international flare when they began to be internationalized in the 1990s.

In Chapter 2 I also noted how France reflected some of these developments (namely, market-inspired reforms such as privatizations) in the 1980s and 1990s, but did not likely experience the most authentic NPM until the mid-2000s with the *Loi organique des lois de finance* (Bezes 2010). In Germany, NPM-like changes were generally pursued at the local levels of government under the related New Steering Model. At the federal level, officials pursued extensive market-based solutions (privatization) in the former German Democratic Republic, but most other changes in management practices consisted of bringing the *Rechtstaat* back to the East rather than introducing the latest management trends (Reichard 1997, König 2001). In contrast, corporatization was more common at the federal level (in both East and West) with the traditionally state-owned firms such as the railways. In the cases of the French and German post offices, it appears that market-infused reform ideas (including its related privatization, corporatization, or business-like emphases) were one of the reformers' favorite tools, followed by personnel management and using agencies. There were, however, other important themes of reform that were not necessarily due to the NPM push. I thus turn now to how these ideas were interpreted by the political and administrative systems during the postal reforms.

#### **7.1.4 Reform Theme: Entrepreneurial and Market-Oriented Organizations**

Beginning with France, several new management ideas stand out in the run up to the major 1989 reform, as well as in further organizational changes. Of primary note was the idea to create “entrepreneurial” public services that would operate in a more business-like fashion. In the late 1980s, the minister emphasized the approach when he took the reins of the ministry. The ideas,

however, go further back with an initiative to transform the post office into more of a commercial entity in the early 1970s, as well as a commercial services push in the mid-1980s. Telecommunications administrators would also create the international subsidiary (France Télécom) while postal administrators would inaugurate express services (Chronopost) to compete with private operators, thus underlining commercial orientations.

In another example of how the French post office demonstrated entrepreneurial affinities was when the new corporate head of the financial services was appointed by the first La Poste president. This director would transform the basic financial services (which were centered on passbook savings accounts) to look more and more like services at commercial bank. Eventually, the financial services division would be transformed into a full-fledged bank in 2006. Finally, the reform converted the post office from a ministerial structure into two state enterprises (*établissements publics à caractère industriel et commercial*), which by definition emphasized a commercial orientation. When the post office became a public corporation (*société anonyme*), it would resemble virtually any other French company under the law although its ownership would remain with the state. These initiatives thus not only demonstrated a preference for the market and an entrepreneurial orientation, but they also underscored strategic prowess and the further effort to carve out organizational autonomy under the then-constrained system.

The German public sector reformers who took power in the early 1980s during the country's economic downturn were strongly influenced by commercial, entrepreneurial, and market-based ideas. The postal minister and the conservative-liberal government had a stronger affinity for market-based solutions than the previous government. When the minister turned his efforts to the post office, and especially to the telecommunications services, he believed that the state was a poor manager of commercial services. Over the following years, he pushed through

(with the support of powerful chancellor) a constitutional change that transformed the German Bundespost into three separate state enterprises: postal services, telecommunications services, and banking services. This intermediate step was then followed by conversion of the post office into a corporation (*Aktionsgesellschaft*) under another constitutional change in 1994 that paved the way for privatization of the organization.

All of these developments underline the period's market-oriented approach to managing the public sector. The full extent of this market and entrepreneurial orientation was made even clearer at adoption of the reform in 1989: The minister appointed management from the private sector to lead the organization in restructuring. In time, the board and management would have a large number of appointees made up of members coming directly from the business community. These appointments sent a clear signal not only to the corporate world, but also to postal employees and managers as to where the new Deutsche Post would be headed organizationally and strategically. It would, in other words, no longer be the sleepy and bureaucratic Bundespost of years ago.

#### **7.1.5 Reform Theme: Civil Service System to Personnel Management**

The second area where reforms appear to parallel new management ideas was personnel management. Pollitt and Bouckaert (2011) note how difficult it can be to change entrenched administrative systems, but both post offices experienced considerable changes in this area. As personnel costs are one of the highest expenses at the post offices, it is not surprising that the managers there tried different ways of carrying out personnel functions.

In order to pass reform of the French post office, the minister guaranteed that current employees would maintain their civil servant status. In fact, these employees largely benefited

from the reform as the consolidated and simplified pay and grade scheme under the new civil service structure was advantageous to them: They were often moved into higher scales and grades. Nonetheless, this revamping of the civil service was only an intermediate part of the reform process. La Poste would begin to hire on a contractual basis like any other French private organization, eventually phasing out new civil servants. Additionally (and in keeping with the new management ideas), employees would begin to be evaluated against performance metrics. This was in an effort to push managers to think differently about their work. In other words, it was to push them to be less like task-oriented administrators and to think like goal-driven managers. Pay would eventually be linked to such performance; La Poste began to hire managers who had been trained in business schools, rather than from more public (administrative) backgrounds.

As in France, German managers at the Deutsche Post implemented wide-ranging reforms to personnel management. Administrators grandfathered-in existing employees to the civil service system in order to ensure continuity from the old to the new system. Nevertheless, leaders at the Deutsche Post gave managers a choice as to whether they wanted to stay in the current system or not. If employees chose to remain in the civil service, their salaries and opportunities for promotion would plateau. On the other hand, if managers accepted new responsibilities, challenges, and additional risk, their remuneration would closely match that of the private sector. Moreover, the managers would also be more likely to receive more interesting work assignments.

### **7.1.6 Reform Theme: Agencies and Agency-Like Structures**

The use of agencies and agency-like structures was an important part of reform efforts at the post offices. Most broadly, the creation of French and German postal state enterprises (corporatization) was reflective of this phenomenon. Yet the various subsidiaries and divisions within the organizations were also important parts of the reforms at the post offices. These structures enabled the post offices to work around some of the constraints imposed by the civil service system, as well as those constraints in raising capital. At the French post office, three developments used agency-like structures to reform. First of note was the creation of a subsidiary in the mid-1980s called Chronopost, an express package mail business in France and Europe. The start-up was important to the post office for two main reasons: First, it allowed the post office to compete with private operators for business customers in the express mail division. Secondly, it could hire employees outside of the civil service to staff its operations while relying on the main post office for administrators (who would then take leaves from headquarters to manage it). Later in the 1990s and 2000s, La Poste would make other strategic acquisitions such as of Deutscher Paket Dienst (DPD) that would bolster these services, further enabling La Poste to be a player in the European market.

In addition to Chronopost (and more important to its future), La Poste transformed its once-limited financial services into a full-fledged bank. Technically, the bank operates as one of La Poste's divisions, but it is essentially a company within a company with its own extensive management team and headquarters. As such, it may be considered agency-like in stature. For La Poste, the bank is strategically important as it can leverage La Poste's extensive branch network, its clientele base, and the "Poste" brand to sell banking products. Moreover, these products are often less expensive than the main commercial operators; they also serve customers who can be

sometimes excluded by these same operators. The French postal bank (La Banque Postale) provides growth opportunities, as well as needed revenues to help compensate for the declining mainline mail business. In addition, it helps pay for the expensive brick-and-mortar postal branches, although it remains an open question as to whether true synergies exist between the two spheres.

At Deutsche Post, the agency strategy was critical to the organization's reform and to its future. In order to pursue this track, Deutsche Post purchased, among other operators, the US-based DHL express mail firm. The post office would then over the years transform DHL by eventually combining it with other operators to create one of the world's largest express logistics firms. The purchases of subsidiaries and their integration into the post office enabled the organization to grow. The strategy allowed Deutsche Post to use its DHL division to compensate for the decline in traditional domestic mail services while pursuing other income streams and lines of business that might be difficult to rationalize as a traditional post office. Moreover, in order to support DHL and recruit top managers, Deutsche Post relied on contractual employment with competitive private sector-level salaries instead of hiring through the civil service.

### **7.1.7 Reform Theme: Internationalization**

The Deutsche Post management decided in the mid-1990s that internationalization would be a key part of its corporate strategy. It rebranded itself "Deutsche Post World Net" to emphasize its global orientation and leveraged DHL to pursue this strategy, investing heavily in the business. DHL ran into major difficulties with its US operations and had to ultimately exit the American domestic market. Despite this DHL accounts today for more revenues than the mainline German mail operations and is seen as the core of the post office's business model, present in more than

220 countries and territories. Through ambitious international expansion and buy-outs, Deutsche Post's DHL became a multinational behemoth and the world's number one express firm in all regions except for the Americas. DHL and its international orientation is thus a key prong of the company's business model. At France's La Poste, through Chronopost and its other subsidiaries, the scale is much smaller in terms of internationalization; as such, the organization is not as dependent on the international business as is Deutsche Post.

### **7.1.8 Reform Theme: Germany's Reunification**

Chance events are rare, but they can often have an important impact on the shape of public sector reform (Pollitt and Bouckaert 2011). In the former West Germany, the major constitutional reform of 1988 had already been completed, but the fall of the Berlin Wall and the end of the German Democratic Republic would have implications for the implementation of reform in the East. This, of course, marks an important contrast with France's La Poste, which did not have to contend with such a daunting, disruptive, and costly one-time event. For the German post office, the end of the German Democratic Republic created two dynamics. On the one hand, reform and change were temporarily slowed as administrators had to deal with the problem of the Secret State Police, as well as rebuilding the entire East German post office. On the other hand, administrators received financial support from the federal government to fully renew the postal infrastructure there. The end result, then, was a truly state-of-the-art postal service.



### **7.1.9 Reform Theme: Effects of Elite Decision-Making**

As the locus of socio-economic, political system, and administrative system interactions, elite decision-making is thus at the center of public management reform (Pollitt and Bouckaert 2011). At the post offices, the decisions made by elites at particular moments served to move forward or encumber reform. Beginning with France, in order to understand the impact elite decision-making can play on reform, it is helpful to recall a major reform attempt from the early 1970s. At that time, postal minister Robert Galley decided to create state enterprises (EPICs) out of the postal and telecommunication services. The unions, however, launched massive industrial action against the proposal, and defeated it through debilitating strikes that wreaked havoc on the country's mail and package deliveries. The minister was ultimately unable to make the case for change; his decision was out-of-step with a seemingly insurmountable union push-back.

A generation later, French postal minister Gérard Longuet also attempted major reform with a move to privatize telecommunications by turning the post office into a state enterprise. Longuet attempted to advance a broader privatization agenda under Prime Minister Jacques Chirac. The telecommunications industry was rapidly changing and Longuet recognized that something needed to be done. The minister, however, made the wrong calculation (privatization of telecommunications) for the period and the reform plans (again) fell through.

The successful 1989 postal reform, on the other hand, benefited from savvy decision-making by a new postal minister Paul Quilès. After marathon negotiations with the unions ended in failure, Quilès initiated a year-long "public consultation" as a way to sell a reform to the public. In its broad outlines, the reform that emerged from the exercise did not look that much different from proposals that were put forward by the previous ministers in the past: The post

office would be transformed into a state enterprise.<sup>14</sup> Yet in contrast to former ministers Galley and Longuet, this elite decision-maker was good at employing the press to help make his case for change by amplifying the post office's problems. He effectively circumvented the majority of union resistance through his public exercise and modified the tone of the reform's presentation so that it would be less threatening. He would also not pursue privatization of telecommunications as his immediate predecessor had proposed. Finally, Quilès guaranteed that the civil servant status for existing workers would not change (although the civil service *corps* and grades would be reformed). All of the major unions except the Confédération générale du travail signed on to the reform plans.

On the other side of the Rhine River in Germany, the postal minister made a critical and highly prescient decision in hiring the first manager of the new Deutsche Post. A key decision was made to bring in a leader and management team from the private sector. This team reorganized the post office, transforming it into a profitable firm of international import. In the top manager (Klaus Zumwinkel) the Deutsche Post had a quintessential entrepreneurial leader who was innovative, visionary, and inspiring. In addition, the management team was largely backed by political elites (both at the ministerial and government levels) to pursue the postal reform strategy. Huge amounts of state investments would be poured into the post office to prepare it for a future without massive state subsidies.

In terms of state support for modernization and investment, La Poste administrators for their part looked enviously at their German Deutsche Post counterparts in how managers there were able to expand and modernize the post office with generous state funding. In France, such investments had to generally be self-financed out of the existing budgets. One newspaper's

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<sup>14</sup> In this way, it would also be susceptible to privatization, an outcome that many of the unions feared.

headline captured La Poste's dilemma well: "grand ambitions, but limited means" (Silbert 1999a). This meant that strategic acquisitions and investments were of a smaller scale or even cost-prohibitive. Lack of adequate funding hampered the organization's strategy as it had to pursue opportunities (such as acquisitions) on a much smaller scale than the Deutsche Post.

Finally, not long after La Poste's formal reform, interference by French political elites into the affairs of La Poste during the 1990s created a serious impediment to reform progress. La Poste labored under a revolving door of presidents and leaders until late 2002 when Jean-Paul Bailly was brought in as president. The politically-driven implementation of the 35-hour work-week came at a very high cost to La Poste's balance sheet, plunging it into serious financial and operational peril. In short, while Deutsche Post managers benefited from steady support from the government for their reform program, French political elites interjected themselves into La Poste's operations by replacing or shuffling its top management team.

## **7.2 COMPARING AND CONTRASTING REFORM EXPERIENCES**

In walking through the themes of reform at the French and German post offices, both similarities and differences appear in the two cases. Similarities include the pressure from telecommunications with its internationalization and Europeanization, as well as financial losses on the postal services side. These pushed towards change. The influence of new management ideas also infiltrated both cases such as with an entrepreneurial or market-oriented approach to reform, as well as in the implementation of a new personnel management regime. Yet divergences are also apparent in the decisions taken by elites that had the effect of moving German reform further along and faster than in the case of France's La Poste. Likewise, the use

of agency-like subsidiaries was present in both cases but was on a larger scale in the German case. Deutsche Post leaders also led a concerted internationalization push where French leaders emphasized the creation of a commercial bank as key to sustainability. Finally, elite decision-makers on the French side often politicized postal operations during the 1990s, which hampered its change program. The blending of these multiple reform pressures and influences underscore Pollitt and Bouckaert's (2011) contention that public management change in practice is process-based and does not occur in isolation.

### **7.2.1 Similarities**

The internationalization of telecommunications had a decisive effect on why reform was originally pursued in the cases. Initially, telecommunications in both France and Germany became increasingly estranged from their postal service counterparts. This manifested itself not only in the mentality of administrators and managers, but also in how technology affected how work in the organizations was carried out (postal managers were more administratively inclined while telecommunications engineers were more project-focused). Added to this divergence was the growth in technology and its corresponding need for major financial investments. The internationalization of the sector, including deregulation in certain areas of the world and new competitive forces, would eventually reach the French and German contexts. Administrators and their ministers were keenly aware of these pressures and did not want to see their services left behind in what was emerging as a strategically important sector. Moreover, they knew telecommunications would continue to require large amounts of funding; the private sector could thus help in this regard.

Another important similarity between the French and German post office reform experiences were the persistent deficits in postal services. This helped move administrators, as well as their ministers, to consider alternate ways of structuring the organizations to improve their functioning. In the 1970s, for instance, France's postal minister introduced new managerial practices. He also sought to turn the post office into postal and telecommunications state enterprises to give the services greater flexibility and independence. During the 1960s and later, German postal ministers were constantly forced to raise the infamous postal *Gebühren* (fees) that were already among some of the highest in Europe. Despite this, the postal fee income would not (and could not) compensate for the yawning operational deficits in postal operations. This slowed investment in modernization as operational costs were often deficit-prone and needed to be covered.

The influence of new management ideas also infiltrated both cases such as with an entrepreneurial and market-oriented approach, as well as with personnel management. In the early 1980s, Germany's new political coalition composed of the Christian Democratic Union, Christian Social Union, and Free Democratic Party came to favor market-based solutions to the post office's quandary. The government advanced reforms that would eventually lead to privatization of the post office and it installed a strong private sector management team early in the change process. This management team emphasized an entrepreneurial approach to the post office's operations and strategy, helping to carry out the market-oriented reform program. In France, although governments in the 1970s and 1980s changed their political stripes, the basic market-oriented reform outline remained from government to government: create a state-owned enterprise. This reform would permit corporatization of the organization, allowing it to become (in the words of then-Postal Minister Paul Quilès) an "entrepreneurial" public service.

Both of the French and German cases pursued (on the whole) similar personnel management strategies in transitioning away from the civil service system: The post offices grandfathered-in existing civil servants, a move that reassured workers who worried about losing their civil service protections. Germany's Deutsche Post moved at a faster pace towards a classic (private sector-like) personnel scheme by encouraging its managers to leave the civil service for more lucrative pay and higher amounts of responsibility under contract. France's La Poste continued to offer a recruitment *concours* until the early 2000s, underlining the persistence of its administrative system during reform. Nonetheless, today La Poste practices similar personnel management as the Deutsche Post by hiring from top graduate and business schools rather than through a civil service-organized competitive process. It also substituted contractual-based employment for civil service positions at an increasing pace from the mid-1990s on.

### **7.2.2 Dissimilarities**

The French and German cases begin to diverge in the way the changes were implemented and in how they filtered through the administrative systems. This relates, in part, to the differing administrative system contours (structural and union-management relations, for example), as well as to the key decisions of elites and their exhibited leadership during reforms. First, a key structural difference was in the reform process itself as West German reformers of the Bundespost had to contend with changing the constitution on two separate occasions. This was, to be sure, a high hurdle as the government had to secure super-majorities in the two houses of parliament to enact reform. France's reform, in contrast, did not require constitutional change and it in this sense, was an easier legislative hurdle. Finally, German reformers and Deutsche Post managers had to contend with the unique event of reunification. This created an immediate

problem for managers of how to deal with the administrative involvement of members of the East German state police (Stasi) who were sometimes involved in direct management of postal operations.

Another area related to the administrative system centers on reform implementation and union-management relations. With the French reform, strikes were employed on a much more frequent basis in France than in Germany to protest changes at the post office. When La Poste managers had to deal with frequent strikes and disruptions, they saw their reform momentum slow. For example, industrial action in the mid-1990s had key ramifications for profits and productivity at La Poste. (This is not to mention how strikes in the 1970s helped defer major reform for more than a generation.) German strikes were generally not as frequent or as disruptive to operations over the long-term. This divergence in the two experiences highlights how administrative systems can play important roles in affecting final reform outputs and outcomes.

Turning now to differences from the effects of elite decision-making, La Poste labored under relatively frequent state interventions in its business operations and in its strategy during the 1990s. This was through the decisions made at the highest political levels to often replace or shuffle La Poste leaders when there was a change of government; to implement the 35-hour work-week, even at a very high cost to La Poste's balance sheet; and in not adequately funding modernization of postal infrastructure or investments (as was the case in Germany). The French decisions, which were in many cases the opposite of Germany's, had the effect of slowing La Poste's reform progress. La Poste even went backwards in some instances. Whereas German elites at the postal ministry in Bonn chose not to interfere in the business affairs of the Deutsche Post, La Poste's operations were destabilized on multiple occasions. Whereas Deutsche Post

benefited from organizational coherence through its stable management team, La Poste's business reached a crisis situation by the early 2000s to the point of the Senate rapporteur for postal affairs issuing a dramatic report on La Poste's state of affairs. La Poste, in his opinion, had just one "last chance" to get it right (Larcher 2003).

These issues relate to another theme of decision-making: leadership. It is clear that on the German side that more continuity in the change program existed due to the nearly-unbroken management team at the top of the organization. Moreover, good leadership (versus plain management) often exhibits creativity (Grint 2010), which was also on display at Deutsche Post's helm in Klaus Zumwinkel. The postal minister appointed Zumwinkel early on in the reform process to transform the post office; Zumwinkel was (to use the NPM jargon) in many ways a "bureaucratic entrepreneur" (Levin and Sanger 1994, 18). Zumwinkel developed a clear vision for the Deutsche Post and then methodically put into place the strategy. An example of his creative solution to the eventual decline in the traditional mail business was the purchase of DHL to move the post office primarily into a logistics and express mail firm. This built a more sustainable future for the Deutsche Post, although the company did experience problems with the strategy in the United States.

La Poste, to be sure, also had some very capable and intelligent leaders during the period. Nonetheless, the organization was in the 1990s unable to leverage this talent effectively to La Poste's benefit. La Poste struggled to carry out reform and change, falling behind by the end of the decade. This was due, in part, to political elites demanding change at the top of La Poste's management when there were changes in government at the national level. Consequently, it could be expected that continuity in reform would be disrupted as each new leader arrived. Each leader would emphasize different points of strategy and bring his distinct biases to the table. Yet



the problem also had to do with the inability overall of La Poste's leaders to create a strong and unifying vision for the future of the organization, attain the requisite buy-in from managers and employees, and effectively implement the difficult change that was necessary to solve La Poste's travails. La Poste's climate was also marred by social tension throughout the latter half of the 1990s through the early 2000s.

Moving on (briefly) to other differences in the reform experiences, the Germans employed agency-like structures with subsidiaries (most prominently, DHL) to great advantage in order to create new opportunities. This worked not only for their employees and the state (which would no longer have to subsidize the organization), but it also created a sustainable business model for the long-term. In France, La Poste had to use its own limited capital to try to scale up its independent Chronopost express division, but its efforts in the 1990s were hampered by a lack funding and support from decision-makers. Finally, while Deutsche Post leaders led a concerted internationalization effort, French postal leaders saw a full-fledged commercial bank (La Banque Postale) as key to La Poste's future. Deutsche Post on the other hand bought in the 1990s and then sold off the postal bank a decade later. By the end of the 2000s Deutsche Post's leadership decided to focus on its major competencies, which did not include banking.

### **7.3 CONCLUSION**

In this chapter, I outlined how various themes entered and contributed to the contours of the French and German post office reform experiences. Using certain aspects of Pollitt and Bouckaert's (2011) model of public management reform as a guidepost, I began with the broader socio-economic pressures that had an impact on reform (internationalization and Europeanization

of telecommunications and financial pressures), followed by examining elements of the political system (new management ideas). I then turned to the administrative system (entrepreneurial and market-orientation, personnel management, agencies, internationalization, and reunification) before concluding with the role that particular elite decision-makers made on reform trajectories. The result of this exercise underscores the complexity of the two reforms, as well as how the various elements of influence combine and interact to produce particular reform outputs that are both similar in some ways and different in others. In the next and final chapter, I will discuss the broader results and implications of these reforms.

## **8.0 CONCLUSION AND IMPLICATIONS**

This chapter summarizes the study and offers implications from the reforms of the French and German post offices that were developed in the preceding chapter. The major reform themes at the post offices centered on the internationalization and Europeanization of telecommunications, financial pressures, new management ideas, entrepreneurial and market orientations, personnel management, agency-like structures, internationalization, reunification, and elite decision-making. I thus seek here to shed some light on the second prong of the research question that I posed at the outset of the study: What do the reform experiences of these post offices tell us more broadly about reform? The answer for successful reform practice centers on the dual need for effective structural change and effective agency. I conclude with some speculation about what the French and German cases could mean for a post office such as the United Kingdom's Royal Mail. The postal service will likely be soon privatized in the country, which has traditionally been an enthusiastic adopter of New Public Management (NPM).

### **8.1 SUMMARY OF THE STUDY**

By the 1980s the French and German post offices faced an uncertain future: persistent financial deficits, needed investment in telecommunications infrastructure, and changing societal expectations and demographics. At the same time a NPM public sector reform push was

beginning to spread through Organization for Economic Cooperation and Development countries, eventually reaching France and Germany. The NPM emphasis on the market, organizational autonomy, managerial power, performance, and depoliticization helped create a reform zeitgeist that infused the choice of reform tools and methods at the post offices. Once unwieldy and outmoded public bureaucracies, the post offices today are dramatically different organizations than at the start of the reform process a couple of decades ago.

At the outset of this study, I sought to add to our understanding of the public sector reform process. More specifically, I wanted to (1) better understand the ways in which the NPM zeitgeist and its related influences led to reform and (2) how its ideas were translated into action at the French and German post offices. The case selection of the post offices was made not only because the organizations are historically significant (their rich and storied pasts make them inherently interesting), but more pertinently as they embodied the prototypical traditional bureaucracy at which NPM was thrust. Reforms, therefore, can be contrasted to their pre-reform state to trace back to provide this type of insight through analysis. Finally, postal services are marketizable, making them ideal candidates for NPM's market-infused approach. They are thus a good place to look for the mark of NPM. All of these considerations led me to post two research questions: What were the causes and consequences of change at the post office; how can their patterns of reform shed light on administrative reform?

The study's methodology centers on a comparative case study approach that employs the historical explanatory tool of process-tracing. In process-tracing, causal processes are mapped in order to confirm or reject potential explanations (Bennett 2010) leading to the outcome (here, organizations that have undergone reform). Akin to "detective work" (Gerring 2007, 178; see also George and Bennett 2005), it offers a rigorous historical analysis that fits well with a study

such as this that is “theory-applying” (Van Evera 1997). I used a non-random, purposive sample (complemented by snowball sampling) largely made up of current and former members of the organizations (usually senior management), in addition to current and former government officials. Instrumentation consisted of a semi-structured questionnaire. Data collection focused primarily on the three dozen interviews, followed by written primary and secondary source documentation consisting of newspaper reports, corporate documents, and archival materials. I employed triangulation (Hartley 2004) wherever possible to cross-check data across multiple sources to ensure accuracy and validity.

Pollitt and Bouckaert (2011) note public management reform is, in practice, a complicated mix of reform influences and pressures. The findings of this study, nine reform themes, underscore this point and how NPM was translated into change at the post offices. First, the *internationalization and Europeanization of telecommunications*, as well as (2) *financial pressures* from loss-making postal operations, created important socio-economic pressures on the post offices (exogenously and endogenously). Both France and Germany felt the increasingly strong internationalization and Europeanization of the telecommunications industry. This intensified competition in the industry transnationally and necessitated reflection on the part of postal administrators and politicians as they would have to finance strategic investments and expansion. The postal services’ deficit-prone operations meant that in the long-term, action would need to be taken to fix an unsustainable situation. This was especially true in light of greater economic strains on state budgets beginning in the 1970s and into the following next decades.

Third, *new management ideas* would then come to infuse the reform debate in the 1980s and 1990s, helping to condition reformers’ change tools of choice. With the formal reforms

enacted, the political and administrative systems would begin to see the effects of management ideas as they filtered into implementation. Most prominent were the (4) *entrepreneurial and market-oriented* changes: Both the French and German post offices stressed business-like cultures, although Deutsche Post saw swifter and more far-reaching implementation in this domain. This was due to the government's own ideological leanings and the strength of a leadership team that was infused with individuals with private sector management backgrounds.

Other ways that new management ideas entered into reform solutions included how (5) *personnel management* began to supersede the civil service and how (6) *agencies and agency-like structures* (including subsidiaries and divisions) provided important avenues for growth. In the case of La Poste, an express mail division (Chronopost) and a full-fledged bank (La Banque Postale) provided the organization with other avenues of growth and business diversification. At Deutsche Post, agency-like structures emerged through the aggressive purchase and expansion of DHL, the worldwide logistics and express operator. In addition, the transformation of both post offices from ministerial structures to state enterprises embodied agency creation as a way to reform on a macro level. On the German side, (7) *internationalization* was a key strategy and DHL now exceeds Deutsche Post's mainline postal revenues (which are in decline). At La Poste, internationalization has also been important, but on a smaller scale with Chronopost and other subsidiaries.

A special issue and a divergence for the reform of the German post office was the need to cope with the challenging issues posed by the dissolution of the eastern German Democratic Republic and (8) *reunification*. Deutsche Post's western management had the unique challenge of purging secret police collaborators, a task for which they had no precedent or operating

procedure upon which to draw. Deutsche Post's management had to also completely overhaul the eastern post office's infrastructure, which was highly deficient.

A final notable divergence centered on (9) *elite decision-making* and the role that such decisions affected the reforms at the post offices. Deutsche Post's reform benefited from greater degrees of support for reform (including financial) at the political level while La Poste labored under sometimes challenging political meddling in its managerial affairs. More significantly, however, was how innovative, patient, and effective leaders (namely, Klaus Zumwinkel) provided the necessary continuity and strategic coherence to carry out the massive reform process for nearly two decades. La Poste also had capable some leaders, but the 1990s and early 2000s were marked by too many changes in the management team that had the effect of slowing (even reversing) La Poste's reform progress. Indeed, it would not be until the current president of La Poste arrived in late 2002 that necessary organizational changes, which should have come sooner in the reform process, were implemented.

## **8.2 IMPLICATIONS FOR PRACTICE AND FUTURE RESEARCH**

A study of the French and German postal reforms provides the opportunity to reflect more abstractly on what these changes mean for reform practice and future research. It is clear from these post offices that successful reform entails not only effective implementation of structural change, but it also it requires effective agency by reform actors. The importance of structural modifications was illustrated most prominently with the split of the postal from telecommunications services in both the French and German cases. These separations ultimately enabled the two business lines (with increasingly divergent and less compatible paths) to pursue

their own autonomous futures. Structural change was also necessary in terms of the various internal reorganizations and new personnel management schemes at the organizations. Finally, agencies and agency-like structures also provided the La Poste and Deutsche Post with more sustainable futures. This came in terms of the larger organizations themselves, but also in the form of the postal bank for La Poste and in the form of DHL for Deutsche Post.

On the other hand, the importance of actors' agency was also on display during the two reform experiences. La Poste, for its part, labored under political elites' meddling into operations and strategic decision-making. The revolving door of leaders there, coupled with uneven follow-through of reform, left La Poste struggling by the end of the 1990s. Conversely, La Poste's sole leader throughout most of the 2000s would provide the organization with the needed managerial and strategic consistency to implement difficult internal changes. In the case of Deutsche Post, a coherent management strategy through leadership continuity proved decisive in enabling it to radically transform itself into the dominant express firm in most of the world's regions. Yet the role of agency was also solidly apparent through its effective leader and CEO. These examples of structure and agency show their complementary nature and how they come together in reform. Successful reform, in other words, requires both since it is difficult in practice to divorce one from the other.

Turning briefly to avenues for further research, it is notable that one of the world's most eager adopters of New Public Management (the United Kingdom) has allowed its own postal service Royal Mail to decline over the years. A 500 year-old British institution, Royal Mail has struggled, especially when it was deprived of profits from a mail monopoly. Among other problematic areas, Royal Mail's competitors were allowed to cherry-pick the profitable business-to-business segment, leaving the company with less profitable and costly-to-service routes.



Royal Mail is also a huge organization with massive personnel costs. The government also failed to modernize Royal Mail's infrastructure and anticipate the growth in package delivery. In recent years, however, Royal Mail has been able to turn a profit thanks to a strategic decision by its Canadian CEO to emphasize package delivery (O'Connell and Marlow 2012, Groom 2012, 2013, Hope 2013).

Given the recent turnaround, the conservative-liberal governing coalition is now widely viewed to be pursuing privatization of the state firm. This comes amid stiff opposition from the unions, however, who want it to remain a public entity. If carried out, however, Royal Mail's sale would mark one of the country's largest sell-offs since the privatizations of former Prime Minister Margaret Thatcher's government in the 1980s (Hope 2013). As one account pointed out, even Lady Thatcher was "not prepared to have the Queen's head privatized" (quoted in Groom 2012, 3). La Poste and Deutsche Post, to be sure, faced similar challenges as Royal Mail does today. Administrators there also experienced declining business lines, bloated staffs, and infrastructure in great need of modernization. Royal Mail's reformers and future suitors would therefore be wise to heed some of the lessons from their French and German counterparts who (on the whole) successfully reformed their post offices. Ironically, if reports in the financial press are to be believed, Deutsche Post AG is one possible buyer of the Royal Mail business (Hope 2013).

### **8.3 CONCLUDING REMARKS**

The reforms of the French and German post offices have, in the end, shown NPM's mark on not-so-obvious cases. Considered two of the most challenging cases for reform, the French and

German post offices carried out changes that left them dramatically different organizations than at the start of their reform programs. These reforms saw the organizations adopt, among other measures, a new personnel management scheme, expand into other competencies through agency-like structures, and use market-infused ideas to change the organizational cultures and pursue greater levels of organizational sustainability in the long-term. Throughout the reform processes, elites and leaders made key decisions that pushed forward or hindered reform. Indeed, both La Poste and Deutsche Post (at different points in their reform processes) illustrate this dynamic. The changes and reforms at the French and German post offices underline the dual importance of structural and agency considerations for reform practice: *both* are needed. This was true for France's La Poste and Germany's Deutsche Post. It is an insight that will likely be true for the impending reform and privatization of the UK's Royal Mail, as well.

## **APPENDIX A**

### **PERSONS INTERVIEWED**

#### **A.1.1 France**

Assistant director, Ministry of Economics, Finance, and Industry

Commissionner, Autorité de régulation des communications électroniques et des postes

Department head 1, Ministry of Economics, Finance, and Industry

Department head 2, Ministry of Economics, Finance, and Industry

Deputy head of unit, Ministry of Economics, Finance, and Industry

Director 1, La Poste

Director 2, La Poste

Director 3, La Poste

Director 4, La Poste

Director 5, La Poste

Director 6, La Poste

Former senior leader, Confédération générale du travail (postal and telecommunications section)

Manager at La Poste and union representative for Force ouvrière

Manager at La Poste and union representative for Confédération française démocratique du travail

Member, supervisory board, La Banque Postale

Project manager, La Poste

Representative, Comité économique et sociale européen

Retired administrator, La Poste

Retired director, La Poste

Retired government official

Retired senior executive 1, La Poste

Retired senior executive 2, La Poste

Retired senior executive 3, La Poste

Retired senior executive, France Télécom

Retired senior government official

Retired senior manager, La Poste

Senior executive, La Poste

Senior manager 1, La Poste

Senior official, Ministry of Economics, Finance, and Industry

### **A.1.2 Germany**

Department vice president, Deutsche Post

Managing director, Deutsche Post

Member, management board, Deutsche Post

Retired senior executive, Deutsche Post

Retired senior government official 1

Retired senior government official 2

Senior manager, Deutsche Post

## **APPENDIX B**

### **INTERVIEW PROTOCOL**

The core elements of this interview protocol was the same for interviews in the French and German postal contexts, although it was on occasions slightly adapted to fit the role of the person interviewed. I conducted nearly all of the interviews in either French or German without the presence of an interpreter. Finally, the flexibility of the semi-structured format permitted clarification and amplification of thoughts even if they had not originally been in the protocol.

#### **B.1.1 Background**

I'd like to begin by talking to you very briefly about your background at La Poste (Deutsche Post).

1. First, when did you join La Poste (Deutsche Post)? What is the position through which you entered? What's your current one?
2. What is your role in the organization?

### **B.1.2 Reform**

Now I'd like to talk about reform at La Poste (Deutsche Post).

3. As you know, over the past two decades, La Poste (Deutsche Post) has changed considerably.
  - a. How would you characterize the most important changes in the process of reform?
  - b. Why do you think these things happened?
4. How has La Poste changed the way it assess performance?
  - a. In terms of the services it delivers?
  - b. In terms of its personnel?
5. How has the accounting of costs changed?
6. How has the way in which work is conducted changed?
7. How would you describe the current organizational culture at La Poste (Deutsche Post)?  
How has it changed?

### **B.1.3 Technology**

I'm also interested in talking to you about technology at La Poste (Deutsche Post) in your own work and in the services La Poste (Deutsche Post) provides.

8. Could you tell me how technology has changed this?

#### **B.1.4 Administrative System and Traditions**

I have a few more general questions for you.

9. The first question concerns trade unions. Have unions had an impact on the way La Poste has changed? And on the type or timing of reform?
10. What do you think providing a public service means in the context in services at La Poste (Deutsche Post)? What do the employees think about it? How do citizens see it?
11. How have relations with the state changed the way that services are provided?

#### **B.1.5 Leadership**

I'd like to know about how leadership has affected change at the organization.

12. Have there been changes in leadership? How have these changes affected the reform process?
13. I'd like to ask you to describe the typical background of senior leaders or managers in the organization.
14. Has management's mandate or direction for change been clear to you over the years?
15. Have leaders motivated you? Have they been inspirational?

#### **B.1.6 Conclusion**

Finally, I'd like to ask you to think a little about the future.

16. As you know, in the industrialized world including in France (Germany), the postal industry has experienced important structural decline as a result of changing mailing



habits and lower volumes of mail over the past years. Considering this, do you see La Poste (Deutsche Post) being relevant to citizens and French (German) society in the future?

17. Is there anything you would like to add that we may have missed?

18. Is there anyone else you could recommend to speak with?

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