Pressure, legitimacy and innovative behaviour by public organizations

KOEN VERHOEST, BRAM VERSCHUERE AND GEERT BOUCKAERT*

According to New Public Management doctrines, public organizations involved in service delivery and policy implementation, will be induced to innovative behaviour under two necessary conditions. Firstly, they must be able to innovate by having enough management autonomy. And secondly, there must be pressure on them to innovate. This results in managerial incentives driven pressure like result control by government, and market incentives driven pressures like competition of other providers. This NPM pressure-response model is tested by using survey data on 84 Flemish public organizations. These tests provide evidence for the assumed effect of NPM-like pressure on the innovative behaviour of public organizations. However, the empirical model shows more complex relationships as is assumed by NPM-doctrine, with e.g. managerial autonomy having an independent effect on innovation. These relationships are corroborated and explained by making reference to a recent multiple case study of four Flemish public organizations from the survey sample. The case research indicates that the concept of pressure as a motivator should be expanded to include political types of pressure triggered by threats for legitimacy. Innovation is only one of the observed ways to restore or strengthen legitimacy. Additional support for the importance of the search for legitimacy as motivating factor is found in recent empirical research and sociological institutionalism as a theoretical framework. Therefore, an expanded political/administrative pressure-response model referring to legitimacy as a motivational force is suggested in order to explain innovative behaviour by public organizations.

NPM AND INNOVATIVE BEHAVIOUR OF PUBLIC ORGANIZATIONS

Does the combination of managerial autonomy, and managerial and market-like pressures, like result control and competition, induce public organizations to innovative behaviour, as assumed by New Public Management (NPM) doctrines? Or are other triggering factors into play?

New Public Management, a set of administrative doctrines which emerged in the eighties of the previous century (Hood), was a reaction to the perceived lack of result- and customer-orientatedness of public organizations that delivered services to the public or implemented policy. One aspect was the perceived inertia of government bureaucracies and their lack of innovative behaviour as to the adoption of managerial techniques and the development of processes and products. According to NPM-doctrines these problems stemmed from ‘government failures’ referring to the inability of centralized, hierarchical organized systems to adapt to the fast changing environment and to deliver services efficiently and effectively (Walsh). ‘Letting the state plagiarize the market’ was considered as the solution (König; Lane). Mainly, the remedies proposed by the NPM-adherents were combinations of “disaggregation, competition and incentivization”, as Dunleavy (see also Hood) has pointed out. The focus of NPM-strategies was largely aimed at establishing alternative forms of policy implementation and service delivery. In particular, the execution of tasks was supposed to be devolved to single-objective organizations with expanded managerial autonomy, which are controlled by government on the basis of result norms. Moreover, this contract-based service

* Public Management Institute, Catholic University Leuven
delivery of goods and services had to be optimised by the introduction of competition by other public or private suppliers, where ever such competitive markets are possible.

Figure 1 shows the basic argument of NPM as to the ways to stimulate public organizations for innovation.

**FIGURE 1**

A NPM pressure-response model with respect to innovations in public management

<table>
<thead>
<tr>
<th>PROBLEM</th>
<th>NPM SOLUTION</th>
<th>EFFECTS</th>
</tr>
</thead>
</table>
| Perceived problems as to public organisations:  
- inertia  
- lack of innovation  
- lack of customer-orientatedness  
as elements of a broader lack of performance | **Enabling** public organisations to innovate by enlarging managerial autonomy  
**Forcing** public organisations to innovate by  
-internal pressures as result control by government  
-external pressures by competition by other providers | Public organisations are:  
- more dynamic  
- more innovative  
- more customer-oriented  
as elements of a broader improvement of performance |

The NPM-argument boils down to two conditions for innovative behaviour.

Firstly, ‘*Let* public managers innovate’, by giving them enough managerial autonomy to develop new ways of processing and handling their business. We define *autonomy* as the level of decision making competencies (discretion) of an organization, whereas control focuses upon the constraints which the ministers/departments exert on the actual use of these decision making competencies in order to influence the decisions made. Making a public organization more autonomous involves shifting decision making competencies from external actors to the agency itself by delegation, devolution or decentralization. *Managerial autonomy* concerns decision making as to the choice and use of financial, human and other resources at strategic or operational level (for a discussion of the concept of autonomy as to public organization, see Verhoest, Peters, Bouckaert and Verschuer; for alternative conceptions see Christensen; Carpenter). Managerial autonomy enables and facilitates innovation, but does not induce public managers in itself to innovation. Therefore, pressure is needed.

Secondly ‘*Make* public managers innovate’ by putting managerial and market-like pressures on them (OECD 1997). Pressure can be created internally in the public sector by means of harsh performance standards in performance contracts with government, to which the public organization is held accountable and to which sanctions or rewards are linked. Sanctions and rewards function as drivers for performance and, as a condition for performance, for innovation because public organization and their managers are assumed to be self-interested actors (Boorsma and Halachmi; Schick). This process by which the political principal of an public organization sets the objectives and corresponding performance standards, monitors and evaluates the progress of the organization with respect to these standards, and, if necessary, sanctions the organization or its managers will be referred to in this paper as ‘results control’.
Governments can create external pressures from outside the public sector, by introducing competition by other suppliers in the form of market-type mechanisms (Le Grand and Bartlett; Nashold; Walsh). If and when market forces and in particular competition functions as a major spur for innovation is an argument that is strongly developed within the literature on innovation in private for-profit firms. Osborne refers to Nelson for a sharp statement of this argument:

For-profit business firms in rivalrous competition with each other are the featured actors [in innovation]. Firms innovate in order to gain competitive advantage over their rivals or to catch up with them. A firm that successfully innovates can profit handsomely. On the other hand, in an industry where competitors innovate, a firm is virtually forced to do so, or fall further behind (Nelson, 364).

Common, Flynn and Mellon state that the major purpose of introducing market mechanisms and competition in the public sector is

to have some impact on the managers providing public services. The impact could be achieved through positive or negative incentives: success might produce rewards of cash or greater satisfaction; failure might result in shrinkage or closure. (…) First, there is an expectation that competition will exert a downward pressure on costs as the costs of services are first exposed and then compared with alternatives. Second, managers are expected to be more responsive either to the service user, often restyled as the ‘customer’, or to an agent acting on the customers’ behalf. The idea is that, by introducing a clear ‘buyer-seller’ relationship and giving the purchasers alternatives, the organizations will become more like businesses. Third, the vision of an external ‘enemy’ or competitor is designed to stimulate action to ensure survival, again becoming more business-like (Common, Flynn and Mellon, 33).

Not only present competition by other suppliers, but also the threat of future competition, or potential competition is considered to revitalize public organizations, for instance when introducing competitive tendering or market testing mechanisms(Common, Flynn and Mellon). Empirical evidence that introducing competition enhances performance, in particular efficiency of public organizations is available, though not unequivocally (See e.g. Fölster; Hodge) versus (Ter Bogt; Van Thiel). But research on the influence of competition on innovation of public organization is rather scarce. It can be hypothesized that in competitive environments public organizations are forced to seek and adopt innovations which give them comparative advantages to (potential) competitors in order to achieve high-level performance.

In general, as Stephen B. Osborne states, referring to the Osborne and Gaebler book (Osborne and Gaebler) as an example: “It [the literature on innovative capacity of the public organizations and the voluntary sector] has thus been in terms of how to make them more like for-profit organizations, and consequently as more likely to be innovators” (Osborne, 159). This NPM-theory of public sector innovation refers to the neo-institutional economics, and in particular to agency theory as a broader theoretical framework. Public management scholars observe a shift in many OECD countries to policy implementation and service delivery regimes with semi-autonomous public organizations figuring under increased levels of internal and external pressures (Pollitt and Talbot; OECD 2002; Peters and Bouckaert n.d.). The migration trajectories differ between countries (OECD 1997; Verhoest and Bouckaert n.d.; Bouckaert 2003), as is shown by figure 2.

FIGURE 2
Shifting levels of autonomy and of managerial and market-like pressures on public organizations (based on Bouckaert, 2003)
In the second part of this paper we will test this NPM-assumption with data of public sector organizations in Flanders (Belgium). The findings are then explained by referring to a multiple case research (on a selection of cases from this survey) in the third part. The last part discusses this explanation with reference to other theories and sets some future lines for research.

TESTING THE NPM MODEL OF AUTONOMY, PRESSURE AND INNOVATION

Figure 3 models in a simple causal scheme the NPM-argument as to the influence of managerial autonomy, result control and (potential) competition on the adoption of innovations or innovative behaviour by the public organization. Managerial autonomy is an enabler and a facilitator, and hence is to be considered as having a moderating influence on the effect of NPM-like pressures (i.e. result control and potential competition) on innovative behaviour by public organizations.

FIGURE 3
A NPM pressure-response-model of the influence of managerial autonomy, result control and (potential) competition on innovative behaviour by the public organizations
This model is tested, using data of 84 public sector organizations that are part of the central government in the Flemish Community. In 2002 and 2003, a total of 152 organizations were subject to a survey of top managers of these organizations on their perception of autonomy\(^1\), control, and related performance and innovative behaviour, among several others items. The organizations, that responded to the survey, are involved in policy implementation and service delivery, and they belong to five different formal-legal types:

### TABLE 1

<table>
<thead>
<tr>
<th>Type</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: core government organizations that are part of the legal person of the Flemish community, and that are in the budget of the core department to which they belong</td>
<td>27</td>
</tr>
<tr>
<td>2: internally autonomised agencies with an own budget (some managerial discretion), no legal personality.</td>
<td>9</td>
</tr>
<tr>
<td>3: internally autonomised agencies with an own budget (some managerial discretion), legal personality.</td>
<td>11</td>
</tr>
<tr>
<td>4: externally autonomised agencies with an own budget, public law legal personality and a governing board (indicative for decreased ministerial oversight).</td>
<td>25</td>
</tr>
<tr>
<td>5: externally autonomised agencies with an own budget, private law legal personality and a governing board (indicative for decreased ministerial oversight).</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>

Information about the methodology of data gathering and analysis is to be found in appendix 1. As to the measurement of the level of managerial autonomy, our previous research (Verhoest, Peters, Bouckaert and Verscruere) has extensively shown that there is no straightforward link between the degree of autonomy and the higher types of the typology\(^2\). Hence, we do not use this typology as an operationalization. Rather, we operationalize managerial autonomy by measuring the level of operational managerial autonomy as to financial management (OFA1 and OFA2) on the one hand and personnel management (OPA) on the other hand by several indicators.

**Result control by government** is operationalized quite narrowly by measuring the extent to which the public organizations are subject to sanctions or rewards in case of bad, respectively good performance (RES). These sanctions or rewards may be oriented towards the organization as a whole or to (some of) its individuals\(^3\). The level of potential competition by other providers was measured by the presence of other suppliers with similar products and services on the market on which the public organization is active (COM).

The extent to which the public organization adopts innovative practices is measured by the presence and use within the public organization of one specific kind of innovation. A general and exhaustive definition of innovation is proposed by Stephen P. Osborne as “the

---

\(^1\) Previous research (Verhoest 2002) showed differences between formal-legal and actual levels of autonomy, result control and competition. These differences were found by own analysis of the researcher as well as distinguished in the perception of key-actors.

\(^2\) In this typology, the types are classified in an increasing distance from the core government. The typology can be considered as a continuum of organizational forms that, according to their formal-legal status, should have an increasing level of autonomy. This seems not necessarily to be the case.

\(^3\) The concept of ‘result control’ contains several subitems (e.g. goalsetting, indicators, measuring, evaluating, sanctions and rewards), of which the last subitem ‘sanctions and rewards’ has been chosen as an operationalization. Rewards and sanctions are closing the results control cycle and are the most tangible element in the cycle. Moreover, tests of correlation between the results control items and the innovation type showed that only ‘sanctions and rewards’ correlates significantly (Tau-b = .30 (.007), see appendix 1).
introduction of newness into a system usually but not always, in relative terms and by the application (and occasionally invention) of a new idea. This produces a process of transformation which brings about a discontinuity in terms of the subject itself (such as a product or service) and/or its environment (such as an organization or society)” (Osborne, 24).

In our survey we asked top management of public organizations to what extent they used specific performance techniques. These techniques refer to specific instruments of performance management, quality management and personnel management as well as to the development of new products and services. Possibly, the introduction of specific management instruments can be considered as an innovation when taking the classical bureaucracy as default position and looking at the whole population of public organizations in the Flemish context. However, such instruments can be long standing practice within the public organization concerned and hence, not to be labelled as an innovative practice for this organization. Therefore we restrict our analyses to the performance techniques, which refers to pure innovation sensu stricto, i.e. ‘the development of new products and services’ by the public organizations (NewSP). This performance technique fits most neatly with the definition of innovation which we use. Moreover, although the introduction of new managerial instruments may ameliorate performance of a public organization, in most cases, probably only the development of new products and services may cause sustainable performance leaps. A last motivation to select only this specific performance technique out of the range we have surveyed is that the presence of other performance techniques in public organizations can be caused relatively more by imitating strategies, by government-wide trends or norms of good management, or is relatively more likely to be contingent upon factors like the kind of product and the size of the organization.

In order to test the model, represented in figure 3, we pursued a three-level strategy. First, we performed ordinal regression for the dependent variable NewS&P, with OPA, OFA1, OFA2, COM and RES as independent variables. The relevant relations were then tested for spuriousness, moderating and mediating effects by bivariate crosstabulations, with and without controlling for third variables. This enables us to detect interaction effects of independent variables on the relationship between other independent variables and the dependent variable. In appendix 1, more details about the survey, the operationalisation of the concepts, the subsequent analytical steps and their outcomes are included.

INNOVATION AS A FUNCTION OF AUTONOMY, RESULT CONTROL AND COMPETITION

---

4 A first group of performance techniques refer to instruments concerning strategic, financial and personnel management: Multi-year planning, (development of) a results driven human resources management, (development of) cost-calculation systems. In addition, the elements of performance based control systems within the organization to control lower management levels or organizational units are included in this group of performance techniques: internal steering of organizational units on objectives and results, internal allocation of resources to organizational units on the basis of results; development of internal reporting and evaluation system to enable board and management to assess results; extended internal management autonomy for lower organizational units. A second group of performance techniques point at to quality management techniques or mechanisms for customer-orientation: public reporting on performance of the organization in e.g. year reports, budget reports, …; quality standards for production / service delivery; customer surveys; quality management systems (e.g. ISO, CAF, EFQM, Balanced Score Card); internal units that monitor quality. A third group of performance techniques are externally oriented towards the development of new products and services and the restructuring of the organization along its external orientation: development of innovative products and services; extension of service delivery for pay; and restructuring of internal processes to market, product or target group.

5 The respondent was asked if ‘the development of new products and services’ is absent in the organization, if it is present/used to a small extent or to a large extent.
If we investigate the relationship between autonomy, result steering and (potential) competition on the one hand, and the development of new products and services on the other hand, some observations may be made (for details, see appendix 1).

At a first basic level, there is a positive and significant effect of having high levels of OPA, the presence of sanctions and rewards (RES) and potential competition (COM) on the development of innovative products and services (NewSP) (A, B & C on figure 4. See also table 2&3 in appendix 1: correlation coefficients of respectively .30, .30 and .22, Regression estimates of respectively 1.2, 1.1 and .8). On a second level, interaction effects are found altering some of these relationships (table 4 in appendix 1).

1. The relationship between potential competition and the development of innovative services and products (NewSP) is altered by controlling for the variable OPA: in the group of organizations that have low levels of OPA a stronger effect of COM on NewSP is found, compared to the total sample (D on figure 4. See also table 4 in appendix 1: correlation coeff of .43 compared to total sample coeff of .22).

2. Next to that, the positive relationship between OPA and NewSP is altered if it is controlled for potential competition. In the group of organizations that face no other suppliers (no potential competition), the effect of OPA on NewSP is stronger than in the total sample (E on figure 4. See also table 4 in appendix 1: correlation coeff of .45 compared to total sample coeff of .30).

FIGURE 4

The influence of OPA, OFA1, OFA2, COM and RES on NewS&P

When we confront the empirical model in figure 4 with the theoretical NPM-model (see figure 3), it is clear that the models differ on some important issues:

1. The influence of the variable ‘managerial autonomy’, measured by OFA1, OFA2 and OPA, is not restricted to one of a moderating kind. Managerial autonomy, in particular for operational decisions of personnel management, seems to have a direct influence on the development of new services and products, independent of pressure triggered by the presence of results control (RES) or potential competition (COM). In the NPM model managerial autonomy was assumed to only be an enabling factor for innovation, but not to enhance innovative behaviour by the public organization in itself. However, other factors that are outside the model and that are related to OPA may induce the organization to innovate.

Note that managerial autonomy for financial management does not seem to have a direct effect on the development of new services and products, nor does it have a moderating effect. Probably, being able to make operational decisions as to recruitment,
evaluations, rewards, and promotion of staff is more important for innovating public managers than having managerial flexibility with respect to financial management, i.e. shifting budgets, taking loans, participations and setting tariffs. In public organizations, typically personnel is the main source of production. Moreover, in order to develop new services and products, one must be able to hire, motivate and promote the persons with the expertise needed.

2. The mere existence of potential competition is sufficient for a direct effect on innovative behaviour, which matches the theoretical NPM-model.

3. Being subject to results control by government, in particularly sanctions or rewards in the case of deviating performance seems to stimulate public organizations to innovate, as is assumed in the NPM-model.

4. The NPM-model assumes that a high level of managerial autonomy would enable or strengthen the effect of potential competition on innovation. However, both the variables concerning managerial autonomy with respect to personnel management (high and low levels) and potential competition (present – absent) interact empirically in an unexpected way. The effect of one factor on innovation increases when the other factor is absent/low. However, the presence of both variables does not necessarily increase the prevalence of innovation. The influence of each of both, independent of the other variable, is quite similar in strength. Hence, the variables OPA and COM seem to interact as potentially compensating leverages in their effect on innovation by public organizations. Again, this points at a direct effect of managerial autonomy with respect to personnel autonomy on innovation, independent from the presence of potential competitors. On the other hand, potential competition can induce public organizations even when they have low levels of managerial autonomy and hence flexibility with respect to personnel management. This seem to imply that potential competition is a strong motivator for innovative behaviour (certainly stronger than result control).

5. Moreover, the empirical model only explains part of the variance of the dependent variable, more exactly, about 25% (R²=.25 Nagelkerke, ordinal regression in appendix 1). So, the development of new products and services depend largely on other factors.

EXPLAINING THE FINDINGS

NPM does not provide an explanation for the direct and independent influence of managerial autonomy concerning personnel management on innovation, nor for the unexpected interaction of potential competition and managerial autonomy. Only the empirically observed effect of potential competition and result control (as operationalised by being subject to sanctions and rewards or not) on innovation seems to fit the model. If the mismatch between the theoretical model and the empirical findings is not due to methodological deficiencies of the analysis, then the theoretical NPM-model is not corroborated and the observed relationship between the independent and the dependent variables should be explained by other models or theories.

We first will discuss a multiple case research that suggest a broader model of pressure which seems to corroborate a more comprehensive theoretical framework for the empirical findings than the NPM model. We then take a look at some broader theories in order to assess their

---

6 The public managers of the organizations that were studied in an multiple case research (Verhoest 2002 – see below), stated that managerial autonomy concerning personnel management was of greater importance than managerial autonomy as to financial matters if they wanted to enhance organizational performance.

7 Before we discuss some theories, we should ask ourselves if the relationships we draw in the empirical model can be the other way around. Then, the development of new products and services would enhance the rise of potential competitors or the increase of managerial autonomy. Only the latter seems intuitively acceptable and
potential explanatory power and their relationship to the theoretical model that arises from the multiple case research.

In an attempt to test some elements of NPM-doctrines, we analysed (Verhoest 2002) the effect of managerial autonomy on the performance and of results control (including financial incentives) and competition as NPM-like pressures. The case study research was on four public organizations which are included in the survey population, in particular agencies of type 4, which are constituted by parliamentary decree and function under a public law regime. They have a governing board which consists of a mixture of government and societal actors representatives. The powers of the Portfolio minister and the minister of Finance to intervene within the decision-making of these public organizations are strictly regulated by the statutes of the organizations and corresponding legislation. Traditionally, the control system relied heavily on ex ante and input control, limiting to some extent the managerial autonomy and flexibility of the agencies (VOI: Vlaamse Openbare Instellingen). In the period from 1992 to 1999 the Flemish government changed its policy concerning the control of the VOI’s from an ex ante input orientation to an ex post result and market orientation (for more information see Verhoest and Van Thiel; Verhoest n.d.). This was also the time scope of the four case studies. Appendix 2 gives more details about this research and the outcome per case.

The four case studies suggest a model with a broader framework of pressures or motivations of public organizations to innovate (see figure 5).

FIGURE 5
A political/administrative pressure-response model based on four case studies

is not to excluded a priori. However, the interaction effects would be hard to explain in such an turned-around model.
The numbers in figure 5 refer to the relevant conclusions:

1. The managerial and market-like pressures as advocated by the NPM, i.e. result control and competition, do motivate public organizations under specific conditions to innovate.

2. However, there are also other pressures of a more political nature, stemming from threats to the legitimacy of the public organization. Such pressures may be raised by a multitude of factors which are not taken into account in the NPM-logic. ‘Political pressure’ comes from the (threat of a) decline in societal or political support for the public organization, which may be caused by factors like the mere presence of other potential suppliers (and their appeal to politicians), the lack of political consensus about the role and form of public intervention, or the perceived political and societal expectations stemming from an autonomous status. As to the latter factor, autonomy in itself may be a cause for political pressure to innovate. The public managers of the VOI’s under scrutiny did fear that a loss of legitimacy and support of society and political principals could result in a reduction of tasks, cut backs of resources, restructuration or ultimately, abolishment of the public organization.

3. Moreover, innovative behaviour is only one way public organizations may develop to both kinds of pressure. Communication and image-building, competition-inhibiting behaviour, (sometimes symbolic) responsive behaviour towards the political principals, political coalition-building and lobbying, goal stretching were elements of other strategies. So, also less desirable responses (from the viewpoint of the political principal and society) are possible.

4. Some internal features of the public organization, like e.g. the strategic vision and capacities of governing board and top management, the internal control system and the organizational culture, may enhance or inhibit the capacity to react to these pressures (see table 2 in appendix 2).

5. The extent to which the public organization succeeds in restoring or enlarging societal and/or political support may result in an decrease of NPM-like or political pressure, or in a increase or at least a preservation of resources, tasks and autonomy.

Does this case based broader model of pressure-response help to explain the findings of our analysis of the survey-data?

1. The observed direct influence of managerial autonomy, in particular concerning operational decisions of personnel management, on the development of new services and products (and its interaction effect on the relationship between potential competition and innovation):

The model, that emerges from the case studies, suggests two possible explanations. Firstly, public organizations with managerial autonomy which are not subjected to NPM-like pressure, may be motivated to innovative behaviour because they face other forms of pressure from threatening legitimacy. Secondly, having more managerial autonomy in itself may raise ‘political’ pressure for a public organization. Public organizations with relatively larger managerial autonomy may face additional expectations from their political principals and important actors in society (customers, interest groups such as labour unions): the expectations of being more flexible, to perform better and to be more innovative than their counterparts with less managerial autonomy. This was echoed in the case studies by interviewees referring to the greater visibility of their autonomized organization.

---

8 In that sense, managerial autonomy concerning personnel management is more visible and has a more salient nature for political and societal actors than managerial autonomy concerning financial management (which is more technical if nature and more difficult to understand). Public organizations which have personnel regimes deviating from the standard governmental personnel statute, clearly are monitored quite closely by, for instance, labour unions and the associated political factions. Moreover, the case study research indicated that
2. The observed direct effect of potential competition on innovative behaviour (and its interaction effect on the relationship between managerial autonomy concerning personnel management and innovation):

This empirical observation supported the theoretical NPM-model. In addition, the perceived presence of other providers with similar products and services – our operationalization of potential competition in the survey – may evoke also a political kind of pressure. Even in the absence of direct competition of such other providers, the mere presence of these providers and their appeal on the political principals of the public organization may create an uncertain and risky political environment for the public organization, which motivates the public organization to restore or strengthen its legitimacy. Innovative behaviour is one of the observed responses.

3. The observed direct effect of result control, operationalized as the presence of sanctions or rewards, on innovative behaviour:

This finding supported the NPM-model, indicating that the possibility of getting sanctions and rewards from government in case of deviating performance, had a motivating effect on the development of new products and services to increase performance. But we may assume that being explicitly sanctioned or rewarded by political principals because of performance, affects reputation and legitimacy in the eyes of principals and customers. An organization that has been sanctioned by principals in the past, will probably face a bigger chance to lose financial means and competencies and be restructured, downsized or abolished in the future. As such, the possibility of sanctions and rewards creates also a political pressure in addition to the managerial NPM-like pressure.

4. The empirical model in figure 4 explains only a part of the variance of the independent variable (R²=.25 (Nagelkerke), see regression in appendix 1):

It is clear from the case study research that public organization may be motivated to innovative behaviour by any factor which endanger its legitimacy. These factors could be numerous and are not included in the NPM-model. Moreover, some of the unexplained variance may be due to ‘innovation by default’ in public organizations (i.e. the intercept) or by other motivations of public managers, like public spiritedness.

DISCUSSION WITH REFERENCE TO BROADER THEORIES AND A RECENT RESEARCH

Empirical observations may be explained by reference to the expanded model, emerging from the case-studies. If these explanations hold, then the concept of pressure of NPM-adherents is too narrow to explain innovation by public organizations. A broader concept, including political pressures from legitimacy threats could be more useful. Moreover, the broader model suggests that some organizations will find it easier to respond to such pressures than others,
because of certain internal features, which are taken into account in the NPM model. However, if we take a look at other research and theories, is it possible to find support for the broader concept of pressure as a trigger for innovation?

In his research on innovation in public services by voluntary and non profit organizations (VNPO), Osborne tests several factors as to their influence on innovative behaviour of such organizations. Osborne finds important support for his institutional hypothesis, and questions why institutional factors, like societal changes, central government perceptions, perceptions and expectations of funders and of other similar organizations. He found that the major impetus for innovation via these institutional factors is "the search for legitimacy. This is the benefit that innovation can bestow upon a VNPO – be it legitimacy in the eyes of their beneficiaries, their staff, their peers, or perhaps most significantly, their funders" (Osborne, 160, his emphasis). Whereas the profit motive and direct competition are major factors for private sector innovation, the legitimacy motive in the perspective of the institutional framework is central in voluntary and non profit sectors (Osborne; see also Verhoest 2002 for a similar conclusion for the public sector). This corresponds clearly with our notion of political pressures stemming from legitimacy threats.

Suchman (574, in Cashore 515) defines legitimacy as “a generalized perception or assumption that the action of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions”. In his work on for profit firms he points out that organizations seek legitimacy through “achievement strategies” that conform to the external audience, manipulate the external audience or inform unaware audience members of the organization’s activities. Cashore adapts these concepts and strategies to a broader setting and gives examples. So, like Osborne points out,

“(…) Innovative activity is not the only way in which to gain legitimacy. Providing a specialist service, being a campaigning organization, or providing a key mainstream service could be equally valid. Indeed, some of the traditional organizations eschewed innovation quite purposefully, in exchange for one of these other sources of legitimacy”10 (Osborne, 160).

Our case studies showed that public organizations, in order to strengthen their legitimacy, can also choose for defensive and reactive behavioural strategies. Moreover, as is acknowledged by Osborne, they even tried to influence the environment in order to reduce the factors that causes legitimacy threats or to influence the criteria and frameworks of reference used by important stakeholders to evaluate the public organization. A clear example of the latter point is that the two VOI’s with a performance contract in our case studies sought to dominate the contract negotiations in order to insert performance objectives in their contracts which were both closely aligned to their own interests and quite easy to achieve. Also, by the broad support for their innovations, to some extent launched independently of their political principals, two VOI’s (the Flemish Employment Agency and the Child Support Agency) influenced the policy framework in their field, and as such, the criteria on which they were evaluated (see Carpenter for a rich description of similar processes).

This emphasis on legitimacy as a drive for organizations is not that new, and has been discussed thoroughly in the literature on sociological institutionalism (Peters; Scott). In particular, the work of DiMaggio and Powell on organizational isomorphism11 and subsequent applications to non profit sectors are of importance here. Isomorphism of an organization to

---

10 VOI-A in the case study research found it more important to deliver a stable and continuous services, eschewing major disturbances. Moreover, its activities were focussed on maintaining and improving the availability of infrastructure, leaving little room for radical innovations.

11 Meyer and Rowan with their theory of rationalized myths suggests that innovations with respect to organizational structures may be of a symbolic nature, with little effect on operations of the organization (1977).
its institutional environment enhances legitimacy and by consequence, results in “greater access to resources, which reduces mortality rates” (Singh and Lumsden, 184 as quoted in Osborne, 46). In the DiMaggio and Powell perspective, isomorphism induces pressures to structural uniformity within an organizational field in coercive, mimetic or normative ways. Osborne (187) states that in order to explain innovation in non profit sector there is another pressure at work – “a pressure to congruence with the prevailing expectations within the institutional field”, what he calls instrumental isomorphism. In our case studies, there is evidence that the VOI’s oriented themselves quite strongly towards what they perceived as the expectations of their customers, interest groups and, sometimes quite indirectly, their political principals (or some factions of these principals)\textsuperscript{12}.

The interviewed public managers in the case studies pointed at another important issue. When public organizations successfully deploy behavioural strategies in order to restore or strengthen legitimacy, they got more and wider societal and political support for an increase of resources, tasks and autonomy, a decrease of harshness of control and competition, or at least for a preservation of the level of all these aspects. As such, innovative behaviour is one of the possible so-called ‘smart practices’ (Bardach) that public organizations can use to safeguard or to ‘forge their autonomy’ (Carpenter; see also Behn ‘earned’ autonomy). This implies that, in a larger time perspective, there may be feedback influence of innovative behaviour on the independent variables of our empirical model: more/less innovative behaviour may result in more/less managerial autonomy and less/more harsh result control or competition.

CONCLUSIONS

A statistical test provided evidence for the NPM-pressure-response model on the innovative behaviour of public organizations. However, the empirical model showed more complex relationships as was assumed by NPM-doctrine, with managerial autonomy having an independent effect on innovation. An explanation was suggested by a recent multiple case study of four Flemish public organizations. The case research indicated that an expanded political-administrative pressure-response has more explanatory power. Central in this broader model is the search for legitimacy by the public organization in the eyes of its users, stakeholders and, ultimately its political principals. Innovation was only one of the observed ways to restore or strengthen legitimacy and public organizations differ to their capacity to react adequately to these kinds of pressure. Additional support for the importance of the search for legitimacy as motivating factor was found in empirical research by Osborne (1998) and the sociological institutionalism as a broader theoretical framework.

However, theoretical and empirical research on innovation suggests also other factors that affect the capacity of organizations to innovate. In his empirical model, Osborne suggests some of these factors to explain the prevalence of innovative behavior of voluntary and non

\textsuperscript{12} However, it is interesting to analyze to what extent the prevalence of the innovation type that we have studied, could be explained by coercive, mimetic or normative isomorphism. If that is the case, one would expect that, for instance, the development of new products and services as a innovation type is relatively much more present within the groups of organizations residing under some ministerial departments, than within the groups under another departments. The minister and his department may play a major role in advocating such innovations for the organizations for which they are responsible. However, comparisons based on the departmental affiliation, showed no clear links between innovation and the mother departments. Also, the prevalence of the innovation type showed no clear link with the formal-legal types of organizations, indicating a low level of uniformity within these types as to innovation.
profit sectors. These factors interact in a complex way with the institutional forces and on eachother, and they function like moderating and intermediate variables. Theories with relevance in this respect are e.g. network and resource dependency theory, theories about organizational culture and contingency theory. This may suggest that the effect of the pressure for innovative behaviour (be it NPM-like or political of nature) is contingent upon the presence of some of these additional factors (see the internal features in the case study research, appendix 2). Constructing and testing a model which encompasses such variables could be a future line of research.

REFERENCES


Bouckaert, Geert. 2003. La Réforme de la Gestion Publique Change-t-Elle les Systèmes Administratifs? (Does the Reform of the Public Management Change the Administrative Systems?) Revue Française d’Administration Publique (French Public Administration Review)105-106 : 39-54


13 He did not include the NPM-variables as such, although he did measure autonomy as defined by the Ashton measures, i.e. autonomy of organizational decision-making concerning, among others, matters of personnel and finances. However, the decision-making competencies of all the 24 organizations under study resided within the organization or its management committee. This is due to the independent status of voluntary and non profit organizations, contrary to public organizations. Osborne found no apparent differences between innovative and non-innovative organizations as to organizational autonomy.


König, Klaus. Three worlds of public administration modernization. Paper presented at the 'Round Table of the International Institute of Administrative Sciences In Quebec, 14-17 July 1997.


University of Groningen.


--------------------. N.d. The Impact of Contractualisation on Control and Accountability in Government-Agency Relations: the Case of Flanders (Belgium). In Gavin Drewry, Carsten Greve and Thierry Tanquerel, eds., *Contracts, Performance and Accountability*, EGPA/IOS.


Appendix 1. The statistical analysis of the survey-data

OPERATIONALISATION OF THE VARIABLES IN THE STATISTICAL ANALYSIS

Independent variables: autonomy, competition & result steering

Operational personnel management autonomy (OPA)

Low levels (0): organisation agrees on zero or one of following statements: a. organisation can issue extra-legal advantages to personnel member, b. promote personnel member, c. evaluate personnel member, d. appoint personnel member.

High levels (1): organisation agrees on three or all of abovementioned statements\(^{14}\).

Operational financial management autonomy 1 (OFA1)

Low levels (0): organisation agrees on zero or one of following statements: within the regulative framework set by oversight authorities; a. organisation can engage in loans, b. organisation can set tariffs for services and products delivered, c. organisation can participate in private law legal persons.

High levels (1): organisation agrees on two or all of the abovementioned statements.

Operational financial management autonomy 1 (OFA2)

Low levels (0): organisation cannot shift budgets

High levels (1): organisation can shift budgets on one, two or three of following cases: a. between personnel and running costs, b. between costs and investments, c. over different years.

Competition (COM)

Low levels (0): organisation faces no other suppliers on market for its services and products

High levels (1): organisation faces other suppliers (few or a lot) on market for its services and products

Result steering (RES)

Low levels (0): organisation is no subject to sanctions (in case of bad results) nor rewards (in case of good results)

High levels (1): organisation is subject to sanctions (in case of bad results), rewards (in case of good results) or both sanctions and rewards

Dependent variable: innovative technique

Development of innovative services and products (NewSP)

Low levels (1): organisation never develops innovative services and products.

Intermediate levels (2): organisation develops innovative services and products to a small extent.

High levels (3): organisation develops innovative services and products to a great extent.

Sample size (N) and distribution

<table>
<thead>
<tr>
<th>Value // IV</th>
<th>COM</th>
<th>OPAB</th>
<th>OFA1</th>
<th>OFA2</th>
<th>RES</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘0’</td>
<td>40</td>
<td>40</td>
<td>51</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td>‘1’</td>
<td>43</td>
<td>38</td>
<td>28</td>
<td>37</td>
<td>40</td>
</tr>
</tbody>
</table>

\(^{14}\) Organisations that agree on two of the four statements have been abandoned from the sample, in order to be able to distinguish better between high and low autonomy.
Compared to the total number of cases in the sample (table 1, pg 5), we have a smaller number of cases in the statistical analysis, due to the fact that not all organisations responded to every survey question (missing data).

STATISTICAL ANALYSIS OF THE MODEL

**Step 1: correlations (Tau-b) between independent variables and dependent variable**

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>COM</td>
<td>OPA</td>
</tr>
<tr>
<td>Corr Coef</td>
<td>1,000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.737</td>
</tr>
<tr>
<td>N</td>
<td>83</td>
</tr>
<tr>
<td>OPA</td>
<td>Corr Coef</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.737</td>
</tr>
<tr>
<td>N</td>
<td>77</td>
</tr>
<tr>
<td>OFA1</td>
<td>Corr Coef</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.524</td>
</tr>
<tr>
<td>N</td>
<td>78</td>
</tr>
<tr>
<td>OFA2</td>
<td>Corr Coef</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.304</td>
</tr>
<tr>
<td>N</td>
<td>75</td>
</tr>
<tr>
<td>RES</td>
<td>Corr Coef</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.214</td>
</tr>
<tr>
<td>N</td>
<td>77</td>
</tr>
<tr>
<td>NewSP</td>
<td>Corr Coef</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.046</td>
</tr>
<tr>
<td>N</td>
<td>75</td>
</tr>
</tbody>
</table>

There seem to be strong relationships between COM, OPA and RES on the one hand (DV) and NewSP (IV) on the other hand. Next to that strong and significant relationships between independent variables (OFA1, OPA and OFA2) also emerge, indicating some potential collinearity between independent variables.

**Step 2: ordinal regression**

All independent variables are entered in the model for NewSP (dependent). Manual backward elimination leads to final model. In two steps, OFA1 and OFA2 are eliminated. The model we become is then:

<table>
<thead>
<tr>
<th>TABLE 3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IV</td>
<td>Estimate</td>
</tr>
<tr>
<td>OPA</td>
<td>1.2</td>
</tr>
<tr>
<td>RES</td>
<td>1.1</td>
</tr>
<tr>
<td>COM</td>
<td>.8</td>
</tr>
</tbody>
</table>

15 Showing no significant effect in regression. Moreover no relationship with dependent variable was observed in correlation analysis. Finally, also chances to collinearity in regression decreases, as both variables strongly correlate with each other and OPA.
This model explains 25% (.25 Nagelkerke $R^2$) of the variance in dependent variable NewSP. The model fit significance is .001.

**Step 3: crosstabulation**

The three variables in the model are put in a crosstabs-analysis, in order to control their effect on NewSP for the other variables (Healey, p. 407 and further, Bryman and Cramer, p.234 and further).

**TABLE 4**

Crosstabulation analysis, controlled for third variable

<table>
<thead>
<tr>
<th>Initial relation</th>
<th>Tau-b (Sig.)</th>
<th>Controlled for</th>
<th>Tau-b (Sig.) for:</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPA – NewSP</td>
<td>.30 (&lt;.01)</td>
<td>RES</td>
<td>For RES=1: .36 (.009)</td>
<td>No considerable mediating effect</td>
</tr>
<tr>
<td>OPA – NewSP</td>
<td></td>
<td>COM</td>
<td>For COM=0: .45 (.001)</td>
<td>Relation OPA – NewSP affected by level of COM</td>
</tr>
<tr>
<td>RES – NewSP</td>
<td>.30 (&lt;.01)</td>
<td>OPA</td>
<td>$X^2$ test not sign</td>
<td>-</td>
</tr>
<tr>
<td>RES – NewSP</td>
<td></td>
<td>COM</td>
<td>$X^2$ test not sign</td>
<td>-</td>
</tr>
<tr>
<td>COM – NewSP</td>
<td>.22 (.04)</td>
<td>OPA</td>
<td>For OPA=0: .43 (.001)</td>
<td>Relation COM– NewSP affected by level of OPA</td>
</tr>
<tr>
<td>COM – NewSP</td>
<td></td>
<td>RES</td>
<td>$X^2$ test not sign</td>
<td>-</td>
</tr>
</tbody>
</table>

Relationships of variables in model (OPA, COM and RES) on NewSP, controlled for OFA1 and OFA2 (variables removed out of model) did not show a significant mediating effect.
Appendix 2. The case study research

The research (Verhoest 2002) was a two-step multiple case study, with an in-depth case study of two sections within one VOI as the first step. The causal model which emerges from this first step was then tested in three additional cases of a more limited magnitude in order to find some first indications as to the wider external validity of this broadened causal model. Taking result control as a replication criterion, one additional case was a literal replication of the in-depth case, whereas the other two cases were theoretical replications (Yin). The case study research was done by document analysis of legislation, documents related to control and market regulation, historical analysis of decisions, data series analysis of performance data, and (semi-)structured interviews.

The independent variables ‘managerial autonomy’, ‘result control’ and ‘competition’ were operationalized quite similarly to the analysis we described earlier in this paper. The independent variable under review in this study was the performance of the public organization with respect to the objectives as defined by the political principal (i.e. the spending minister and the Flemish government). However, we analyzed in addition the presence of the performance techniques as a precondition to good performance. Hence, we have data on the ‘development of new products and services’ in the four public organizations.

Table 5 summarizes the findings for the four case studies. We will discuss shortly the main findings of this research, by making reference to the different case studies.

**TABLE 5:**

<table>
<thead>
<tr>
<th>VOI</th>
<th>MANAGEMENT AUTONOMY</th>
<th>RESULT CONTROL</th>
<th>FINANCIAL INCENTIVES</th>
<th>COMPETITION</th>
<th>OTHER PRESSURES (ON LEGITIMACY)</th>
<th>ENHANCING /INHIBITING FACTORS</th>
<th>INNOVATION</th>
<th>PERFORMANCE IMPROVEMENT *</th>
</tr>
</thead>
<tbody>
<tr>
<td>FES Job brok.</td>
<td>++</td>
<td>(+)</td>
<td>+ (+)</td>
<td>+++</td>
<td>+</td>
<td>++ (+)</td>
<td>++ (+)</td>
<td>++ (except for equity objectives)</td>
</tr>
<tr>
<td>FES voc. training</td>
<td>+ (+)</td>
<td>++</td>
<td>+</td>
<td>+ (+)</td>
<td>-</td>
<td>+ (+)</td>
<td>+ (except for equity objectives)</td>
<td></td>
</tr>
<tr>
<td>FAI-A</td>
<td>+ (+)</td>
<td>+ (+)</td>
<td>++ (+)</td>
<td>+ (+)</td>
<td>+/-</td>
<td>+</td>
<td>+ to (+)</td>
<td></td>
</tr>
<tr>
<td>FAI-B</td>
<td>+</td>
<td>0</td>
<td>0</td>
<td>++ (+)</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>'Kinder en Gezin'</td>
<td>+ (+)</td>
<td>0</td>
<td>0</td>
<td>++ (+)</td>
<td>++</td>
<td>+</td>
<td>+ (except for equity objectives)</td>
<td></td>
</tr>
</tbody>
</table>

0: not present; (+) present to a very little extent; +: present to a limited extent; +(+): present to a modest extent; ++: present to a considerable extent; ++(+): present to a very considerable extent; +++: present to a maximal extent, =: being held constant. ?: no enough data to make conclusions
* Performance improvement: excludes the influence of external factors as much as possible.

The in depth case study analyzed the effects of managerial autonomy and NPM-like pressures on the performance within two divisions of the Flemish Employment Agency (FES), i.e. the job brokerage division and the vocational training division. The job brokerage division managed to achieve a considerable performance improvement during the period of 1992 to 1999. It developed new products and services, which were considered as ‘revolutionary’ and successful, even in international context. These innovations were mainly based on on-line interactive technology and corresponding changes in service delivery. The FES- job brokerage initiated these innovations itself, independently

21
from instructions of the spending minister and the cabinet. The vocational training division only slightly increased its performance, because it was only able to conduct some ‘incremental’ and marginal changes to its product and service portfolio among others.

The in-depth case study showed that these different outcomes were to be explained by three factors.

Firstly, the divisions were induced to performance enhancing and innovative behaviour by means of managerial autonomy, in combination with more result control, financial incentives and competition, but only if these control instruments are used in a well-balanced way and if certain conditions are taken into account. These conditions were mostly absent in the vocational training division.

Secondly, a more fundamental motivational force for performance-enhancing and innovative behaviour was at stake in the FES-divisions: the need of the FES(-divisions) for strengthening its legitimacy towards its customers and especially towards its political principals (in particular ministers, government and parliament) in response to certain legitimacy-threatening factors or pressures. In the job brokerage division this urge clearly stemmed from the perceived risks, caused by the gradual liberalization of the job brokerage market and the presence of other providers. In the perception of the FES-management, this evolution increased the risk of a reduction or a restriction of transactions with the Flemish government in the future. And, more important, it increased the risk of abolition or reform of the FES(-division). The other providers on the job brokerage market were more and more perceived as alternatives for the FES, and they mobilized political pressure on the principals of the FES (i.e. interest groups, spending minister, the cabinet and members of parliament). As such, the threats stemming from the mere presence of these real and potential competitors and their appeal on the political principals increased the motivation of the job brokerage division. The legitimacy of the vocational training division was mainly threatened by the rivalry with other actors for the allocation of governmental subsidies, but also by the lack of political consensus about the role of the FES-vocational training in a free market and its increased political salience because of societal evolutions.

Moreover, it proved that performance-enhancing behaviour was only one of the possible behavioural strategies that the FES-divisions followed in order to retain/restore legitimacy. Competition-inhibiting behaviour, communication and image-building and symbolic responsive behaviour towards the political principals were elements of other strategies. Moreover, the risks of potential competition pressed the FES to emphasize its economic objectives, rather than its social objectives, which was contrary to the will of its political principals (i.e. goal conflict).

Thirdly, the vocational training division was considered to be less receptive for external stimuli for performance-enhancing and innovative behaviour, stemming from NPM-like pressures or more political pressures by legitimacy-threats. Or it could not react adequately because of certain internal features, which affects the receptiveness for, or the capability of, a public agency to react to such stimuli negatively. Table 6 lists these features.

### TABLE 6

**Features which influence the receptiveness of executive public organizations for performance-enhancing stimuli**

<table>
<thead>
<tr>
<th>Features enhancing/inhibiting the receptiveness of the organization for stimuli to increase performance</th>
<th>Influence on receptiveness or reaction capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) the capabilities and vision of the top management and the governing board, like</td>
<td></td>
</tr>
<tr>
<td>- a clear strategic vision hold by the management and governing board</td>
<td>Rather positive to the extent this strategic vision align with the objectives and strategic vision of the supervisory government (FES; CSV)</td>
</tr>
<tr>
<td>- the capacity with respect to leadership and internal steering that is contingent with the internal structure and culture of the organisation and its</td>
<td>Rather positive (+- FES; CSV; - VOI-B)</td>
</tr>
</tbody>
</table>

---

The three extra case studies provided additional evidence on these three factors.

The VOI-A\textsuperscript{17} was a medium-sized organization, active in the exploitation and the management of traffic infrastructure. The VOI-A did improve its performance to a large to modest extent in the period 1992-1999, although no development of major new products or services was to be noted. At least four reasons are into play. Firstly, the economic evolution and the problems on competing traffic infrastructures counted for this performance record to a considerable extent. Secondly, the extent to which the NPM-like pressures enhanced the performance seems rather modest to small, because of rather low norms in the performance contract and because of a rather low level of competition in the perspective of the contextual factors. Thirdly, the quest for continuing legitimacy in the eyes of its political principals and its customers was also for the VOI-A a (although rather small) motivating factor, as its continued existence was in the past questioned as reintegration in the core-administration or an merger with another VOI emerged as alternatives. Compared to the FES however, the VOI-A did stress more the behavioural strategies of influencing the political principals by e.g. intense personal contacts and forms of political lobbying, rather than performance-enhancing and innovative strategies. Fourthly, as the core activity of the VOI-A was to keep the infrastructure available, there was only limited room to enhance performance and major innovations with respect to such routine-like and stable activities.

The VOI-B was a rather small and young organization, consisting of a core ‘head quarter’ and highly autonomous regional units. Its core-activities were in the field of training and consulting. Although its human and financial resources increased considerable in the period 1992-1999 its performance record was very mixed, with some services improving and others deteriorating, indicating a rather low ability to adjust to changing environmental circumstances. How is this performance record to be explained? Firstly, in the period 1992-1999 some of the NPM-like pressures were absent, as result control by the Flemish government was lacking and the political principals even failed to formulate a clear policy strategy and objectives. The existing financial incentives (creaming of budget surpluses by government) were not stimulating efficient behaviour. Moreover, the extent of factual

\[\text{17 This case and the case of the FAI-B was made anonymous in order to protect these organisations and their management from negative consequences of this research.}\]
management autonomy was too small to change internal structures and personnel regimes fundamentally.

However, the story is not that simple. Competition by other providers as a pressure did increase strongly, evoking a strong urge to restore/retain legitimacy vis-à-vis the customers and the political principals. Moreover, this need was intensified by a lack of political interest or consensus about the role of the VOI-B, and by fierce political lobbying of the competitors. However, the VOI-B did not succeed to work out a consistent performance-enhancing or innovative strategy because of several internal characteristics, inhibiting the receptiveness of the VOI-B for external stimuli and its capabilities to reorient its internal functioning.

The second VOI under examination without a performance contract is the Child Support Agency (CSV, Kind en Gezin), giving young children and mothers pre- and postnatal care, and subsidizing private organizations like ‘crèches’. The CSV is a rather large VOI as to personnel and financial resources. Its performance record was improving in a consistent way, particularly after 1996. An exception was its performance with respect to equity and justice objectives, which was rather low. The CSV introduced innovations with respect to management, products and processes. It was successful in attaining an image of a flexible performance-oriented organization, both with its customers and with its political principals.

However, the control of the CSV by the Flemish government did not change in the direction of more result control and more financial incentives. Only the factual level of the management autonomy was perceived to have increased. Nor did the direct competition by private doctors and by non-subsidized ‘crèches’ augment strongly in the nineties. The CSV was motivated to performance-enhancing behaviour by, again, an urge to restore/retain its legitimacy, as it was questioned widely by society and politicians in the beginnings of the nineties. Private doctors were claiming its activities of pre- and postnatal child care, and proposals were launched to limit the activities of the CVS to the children of target groups. As to the subsidization of ‘crèches’ were ideas emerging to reintegrate these activities into the core-administration. As a response and because there was no political strategy, the CSV and its governing board developed an radical strategic plan to reorient and reform the service delivery. This reform plan was carried out without formal authorization of its political principals, and has led to the development of new ways of service delivery and an improvement of performance. The characteristics of the organizations were favourable to a quick reaction to changing environmental circumstances (see table 6). Together with innovations and performance-enhancing behaviour, the organization enhanced its legitimacy towards its political principals by other behavioural strategies, like communication and image-building and responsive political oriented behaviour.