Executive Succession in English Local Government

George A. Boyne, Oliver James, Peter John and Nicolai Petrovsky*

The authors report the results of the first quantitative study of senior management turnover in English local authorities. Consistent with existing management theory, rates of executive succession were found to be higher in an adverse external environment, and where organizational performance is weak.

Leadership change is a topic of great importance because most people expect new leaders to make a difference to an organization, for better or worse. Yet, little is known about top management turnover in the public sector. In this article, we analyse senior management turnover in English local authorities. First, we provide an overview of the potential sources of leadership change, in particular the organizational environment, organizational politics and organizational performance. Then we introduce our measures of senior management turnover and the external and internal correlates of turnover. Next we present and discuss our findings and draw conclusions for policy and practice.

Research on Leadership Turnover

‘Leadership’ has been an important research topic for a long time (Barnard, 1938; Bass, 1990, 1996; Burns, 1978; Selznick, 1957; Terry, 1995; Vroom and Yetton, 1973). Through a number of consultation and white papers, the first Blair government brought the topic to the forefront of the agenda in English local government (DETR, 1998, 1999; Hartley and Allison, 2000). In some cases, the emphasis on leadership masks confusion about what the term means (Burns, 1978). Indeed, it can refer to ‘the person’, i.e. strategic decision-makers; ‘the position’, i.e. the top levels of the formal hierarchy of authority; or ‘the process’, i.e. the dynamics of interpersonal motivation and influence (Hartley and Allison, 2000, p. 36). In our study we focus on the first understanding of leadership—the strategic decision-makers. There is merit to this approach: existing research on the private sector suggests that turnover of leaders contributes to the success of organizations (Finkelstein and Hambrick, 1996; Miller, 1991). The small quantity of evidence on public organizations is also consistent with the view that executive succession makes a positive difference to performance (Hill, 2005). Leadership turnover occurs whenever a top-level manager vacates his or her post and a new person takes over the position, with a possibly different or recast view of how to get things done.

Yet what are the reasons for leadership turnover? Unfortunately, ‘there is no general theory of top-management turnover’ as Harrison et al. (1988, p. 213) conclude from their extensive review of the literature. Nevertheless, arguments in the academic literature suggest that leadership turnover is influenced by the organizational environment, organizational politics and organizational performance. Thus, in broad terms, the sources of leadership turnover can be traced either to the external context of an organization or its internal characteristics.

Arguments Focusing on the Organizational Environment

Several authors suggest that organizations tend to replace their leadership when their environment changes (Fama and Jensen, 1983; Sharfman and Dean, 1991; Tushman and Romanelli, 1985; Wiersema and Bantel, 1993). According to Dess and Beard (1984), organizational environments vary along three dimensions:

- Munificence (the resources available to an organization, permitting it to grow).
- Complexity (how diverse the environment is).
- Dynamism (uncertainty—how much unpredictable change occurs).

Wiersema and Bantel (1993) suggest that for
each top management team, there exists a point along these three dimensions that allows them to lead the organization optimally. If a top management team is leading an organization but the environmental conditions are far away from what that team is optimal for, the board of directors will often initiate senior management team replacements in an attempt to achieve a better fit between management and the environment and thus higher organizational performance (p. 486).

Wiersema and Ventresca’s (1993) major finding from analysing data on 85 Fortune 500 companies observed in 1980 and 1983 is that different environmental conditions are correlated with different rates of top management team turnover, in the directions indicated by their hypotheses: environmental munificence is related to lower turnover, while environmental complexity and environmental instability are related to higher turnover (p. 498).

Similarly, Ocasio (1994) argues that the tenure of chief executives depends on how well-matched their strategies are to the current environmental conditions that the firm faces. When a chief executive uses strategies that are becoming obsolete in a changing environment, rivals within the firm will try to seize the opportunity to replace the incumbent chief executive. This argument hints at the need to consider organizational politics: while the ultimate cause of senior management turnover may be a change in the organizational environment, this may stimulate a political struggle for the succession.

Arguments Focusing on Organizational Politics
Politics within the organization figures prominently as a cause of management turnover (Boeker, 1992; Frederickson et al., 1988; Ocasio, 1994; Pfeffer, 1992; Selznick, 1957; Whitaker and DeHoog, 1991).

From Frederickson et al.’s (1988) review of existing studies, the relationship between a chief executive and the board of directors is crucial in terms of the likelihood of the chief executive being fired. Of course, there is no board of directors in local authorities. Yet the elected council may be considered a close analogue, as the chief executive and the other senior managers are responsible to it. Ruling parties’ prospects of re-election are partly dependent on the judgements of external stakeholders on the standards of public service provision. Thus politicians have a direct incentive to apply rewards and sanctions to senior managers, depending on how the local authority currently delivers public services compared to the ideal envisioned by the ruling party group. One such set of rewards and sanctions is to retain or replace the senior managers who run the organization. The elected council can therefore be seen as the rough analogue of the board of directors. A change in board composition (and, by implication, preferences) is one potential source of top management turnover, as the findings of Boeker and Goodstein’s (1993) and Zajac and Westphal’s (1996) studies of US corporations imply. Based on the analogy between the board of directors and the elected council, we would expect the same pattern to hold in local government. Indeed, Gains (2004) argues that the split of the council into executive and overview and scrutiny functions has in some authorities undermined the time-worn principle that officers serve the whole council, and instead made them more responsive to the majority group.

Arguments Focusing on Organizational Performance
Low performance is often considered to be a cause of senior management turnover, whether or not the low performance can be attributed to the senior managers’ actions or inaction. Boeker (1992) points out that when an organization performs below expectations, owners and stakeholders will demand that action be taken. A typical action that will satisfy this demand is dismissal of leadership figures. In their synthesis of existing work on leadership succession in the private sector, Harrison et al. (1988) also come to this conclusion. Reviewing nine studies of the link between firm performance and senior management turnover, Furtado and Karan (1990) conclude that poor performance is generally related to higher turnover (p. 62). On the other hand, in their literature review Frederickson et al. (1988) conclude that chief executive dismissals are not well explained by low organizational performance (p. 255). In his analysis of data on mostly small and medium-sized firms from Québec, Miller (1991) finds no relationship between performance and senior

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management tenure (p. 47). Similarly, in Ocasio’s (1994) findings, firm performance is statistically unrelated to the risk that a chief executive succession will occur (pp. 300–301).

These disparate findings and arguments can be reconciled by:

• Looking at chief executives and senior management teams separately.
• Looking more closely at how performance is understood.
• Considering the quality of performance monitoring.

First, chief executives may be able to shift blame to other senior managers. For private corporations, Boeker (1992) suggested just this: ‘powerful chief executives buffer themselves from performance responsibility but “compensate” by replacing top managers’ (p. 418). Second, rather than performance overall, only unexpectedly low performance may predict CEO turnover (Puffer and Weintrop, 1991). Finally, the quality of performance monitoring is also important in determining whether or not a clear relationship between performance and turnover will be observed.

Due to the high amount of information provided by the accountability regime in place for local authorities in England—performance indicators and inspections carried out by the Audit Commission—we would expect there to be a relationship between organizational performance and turnover. The ambiguous arguments and findings about the performance-turnover nexus may further be reconciled by looking at the extremes of organizational performance rather than only at average relationships. Frederickson et al. (1988) argue that corporations that previously performed near the highest and lowest ends of the spectrum are more likely to sack their chief executives. The former are easily disappointed, while the latter are resolved to act immediately to avert complete failure.

Having provided an overview of environmental, political and performance factors that have been argued to influence management turnover and found to be correlated with it, we now proceed to explore whether these factors also predict senior management turnover in English local government.

**Senior Management Turnover in English Local Authorities**

Our study looks at English local government—more precisely, the 148 English upper-tier and unitary local authorities that have elected councils (we exclude the Corporation of London, which does not fulfil the last criterion). There is a major advantage of testing management theory with data on English local government: we get a reasonable number of observations that by law and historical development are similar on many dimensions, thus reducing the number of plausible confounding variables. For example, the legal powers and roles of senior managers are constant across these authorities and thus cannot be an alternative explanation for variations in turnover. In English local government, the appointed senior management team is generally made up of a chief executive and between two and up to 17 senior managers (the mean and median number are six senior managers). The size of the team depends on how flat the organizational structure is—some councils have only a few directors each of whom oversees a large number of services, while others have a quite large contingent of chief officers heading specific services.

We now explain how we measure senior management turnover, the organizational environment, organizational politics and organizational performance.

**Data and Measures**

We have constructed a new seven-year panel data set of 148 English upper-tier local authorities, which have comparable functions and an identical performance regime. This data set for the first time provides comprehensive information on senior management team turnover for the past seven financial years (1999/2000 to 2005/2006).

We consider two aspects of leadership turnover:

• The replacement rate of senior managers (new names as a proportion of the total in post) in a given year.
• The presence or absence of chief executive turnover.

We follow Wiersema and Bantel (1993), who argue that students of organizational performance and turnover should look at the whole senior management team rather than only the CEO because of ‘the collective responsibility members share to determine organizational outcomes’ (p. 486). On the other hand, it is also worth looking at chief executive successions in their own right as English local government chief executives at least in theory
have a special leadership role (Asquith, 1997).

To obtain estimates of the rate of senior management turnover for the time period 1998/99 to 2005/06, we went through a number of steps. First, we used several sources to identify the posts in the senior management team in every year and the names of the post holders in every year. The sources included the web pages of these local authorities, all editions of the Guardian Local Authority Directory, archival data from 2004 provided by Oscar Research Ltd and various editions of the Municipal Yearbook. Then we created four different indicators of the turnover rate for each year. For all of these, the denominator is the number of positions on the senior management team in that year. The turnover rate indicators are, from most conservative to least conservative (see figure 1).

For this article, we report the mean turnover rate over the seven years for each local authority, giving us 148 observations. As table 1 shows, the average of the over-time senior management turnover rate across local authorities lies between 0.20, when the most conservative definition (‘turnover rate 1’) is used, and 0.24, when the least conservative definition (‘turnover rate 4’) is used.

In our seven years of data, the median number of chief executive successions is one. There are 29 local authorities that did not see any change of chief executive; 72 that had one chief executive succession; 32 that had two chief executive successions; and 13 with three chief executive successions. Doncaster and North Tyneside even had four chief executive successions.

We use the index of multiple deprivation as an indicator of the lack of environmental munificence—the more deprived a local area is, the more difficulties management faces in achieving good performance (Andrews, 2004). More specifically, we use the authority-level

<table>
<thead>
<tr>
<th>Turnover rate 1</th>
<th>Number of genuinely new names on senior management team</th>
<th>Number of positions mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover rate 2</td>
<td>Number of genuinely new names on senior management team + number of new vacancies on senior management team</td>
<td>Number of positions mentioned</td>
</tr>
<tr>
<td>Turnover rate 3</td>
<td>Number of new names in a senior management position (includes those who have been on team last year but in a different position)</td>
<td>Number of positions mentioned</td>
</tr>
<tr>
<td>Turnover rate 4</td>
<td>Number of new names in a senior management position (includes those who have been on team last year but in a different position) + number of new vacancies on senior management team</td>
<td>Number of positions mentioned</td>
</tr>
</tbody>
</table>

Figure 1. Turnover rate indicators.

Table 1. Summary statistics.

<table>
<thead>
<tr>
<th></th>
<th>Local authorities</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover rate 1</td>
<td>148</td>
<td>0.20</td>
<td>0.08</td>
<td>0.06</td>
<td>0.62</td>
</tr>
<tr>
<td>Turnover rate 2</td>
<td>148</td>
<td>0.21</td>
<td>0.09</td>
<td>0.06</td>
<td>0.62</td>
</tr>
<tr>
<td>Turnover rate 3</td>
<td>148</td>
<td>0.22</td>
<td>0.09</td>
<td>0.06</td>
<td>0.68</td>
</tr>
<tr>
<td>Turnover rate 4</td>
<td>148</td>
<td>0.24</td>
<td>0.10</td>
<td>0.06</td>
<td>0.68</td>
</tr>
<tr>
<td>Number of chief</td>
<td>148</td>
<td>1.2</td>
<td>0.91</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>executive successions</td>
<td></td>
<td></td>
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</tbody>
</table>
version of the Index of Multiple Deprivation 2004 (ODPM, 2004). Central government generally uses this index as the standard population-weighted measure of deprivation. It is derived from thirty-seven indicators covering income, employment, health and disability, education, housing and geographical dispersion (ODPM, 2004). Higher values of the index indicate greater deprivation.

We use a number of indicators of diversity to capture the theoretical idea of environmental complexity. All of them are inverted Herfindahl-Hirschman indexes. These indexes are developed by squaring the percentage of each subgroup within a local authority and then subtracting the sum of the squares of these percentages from 10,000. This way, higher numbers of the index indicate higher diversity. Our measure of the ethnic diversity of the population is based on the ‘full definition’ ethnic diversity indicator from the 2001 census. It uses sixteen ethnic groups. Also we make use of the ‘full definition’ occupational diversity and social class diversity indicators from the 2001 census (Office for National Statistics, 2003).

Environmental turbulence is the degree to which unpredictable change occurs in the environment (Aldrich, 1979). In creating our indicator of environmental turbulence we partially draw on Andrews and Boyne (2008), who in turn draw on Dess and Beard (1984). As Andrews and Boyne (2008), we take the percentage of lone parent households for each local authority from the 2001 census and regress it on the same variable from the 1991 census. Then we use the absolute value of the residuals from this regression as our indicator of environmental turbulence.

A change in political control occurs when a party loses its majority on the council, a coalition loses its majority, or a council where no party has a majority and no coalition exists reverts to being ruled by either a majority party or a coalition. We examine whether the number of changes in political control of each council over the period of our study predicts its senior management team replacement rate and the number of chief executive successes.

Our indicators of organizational performance all are drawn from the Comprehensive Performance Assessment (CPA). The Audit Commission grades every local authority’s achievements by assigning between zero and four stars (the more stars, the better). Instead of stars, before 2005 the grades were ‘poor’, ‘weak’, ‘fair’, ‘good’ or ‘excellent’. The categories and stars provide an indicator of levels of relative performance on a common scale across the set of local authorities and, although changes to the system have been made over time, they provide an indicator of change in performance.

**Correlates of Turnover**

How closely correlated are environmental variables with senior management turnover and chief executive successions across English local authorities? Our results are summarized in Table 2.

There is a statistical relationship between our indicator of the lack of environmental munificence, the multiple deprivation index, and the senior management team replacement rate. Higher levels of deprivation are consistently related to higher levels of senior management turnover. We thus replicate Wiersema and Bantel’s (1993) finding in a different context. The relationship is rather small: a one standard deviation higher level of deprivation is related to about one percentage point higher level of senior management turnover.

There is also a statistically discernible, but small, relationship between our indicators of environmental complexity and managerial turnover. Ethnic diversity is associated with a slightly higher senior management turnover rate. There is also a small negative relationship between the occupational mix (full definition only, not the common definition) and the senior management turnover rate. More occupationally diverse local authorities tend to have slightly lower senior management replacement rates. Social class diversity is statistically unrelated to the senior management turnover rate. None of our indicators of environmental complexity is statistically related to the number of chief executive successions, which gives a preliminary indication that incumbent chief executives are less susceptible to environmental pressures than service directors.

Does environmental turbulence have anything to do with senior management team turnover rates? With the exception of one of our four measures of the senior management turnover rate, we do not find a statistical relationship between our indicator of environmental turbulence and the senior management turnover rate or the number of chief executive successions. This exception is turnover rate 2, which shows a weak but statistically discernible positive relationship with our indicator of environmental turbulence. Yet unlike our other findings, this relationship disappears when we use standard errors that
are robust to the violation of the regression assumption of errors with equal variance. Also, unlike our other findings, this relationship disappears when six local authorities that have an undue influence on the regression line are excluded. Therefore we do not have much confidence in this finding that may simply be due to the lack of turbulence data that are more closely matched to the period over which we measure turnover.

Contrary to our expectations, changes in political control do not explain variations in senior management turnover across English local authorities. When comparing between authorities, we find no support for the hypothesis that more political change is related to increased managerial turnover. There is never a bivariate statistical relationship between the number of changes in political control and the senior management replacement rate or chief executive successions. However, we cannot conclude from this that there is no politically induced managerial change. It may be present in a number of authorities but it is probably conditional on other factors. After all, there are statutory protections against arbitrary dismissal, which should preclude an old-style patronage-based changing of the guard when a new majority takes control of a council.

By contrast, we have a number of striking findings on the relationship between organizational performance and senior management turnover.

To get an overview of whether senior management replacement rates and the frequency of chief executive successions differ between relatively high performers and relatively low performers on the CPA, we first find the highest and lowest score on the CPA for each local authority. Then we divide the authorities into an exhaustive typology of three mutually exclusive groups:

- ‘Always high performance’ (CPA remained unchanged at three stars, as it did for 21 authorities, or four stars, as it did for 13 authorities, or varied only between three and four stars, as it did for 37 authorities).
- ‘Mediocre performance’ (CPA remained unchanged at two stars, as it did for 12 authorities or CPA went up from zero stars to one star, as it did for five authorities, or went up from one to two stars, as it did for 13 authorities, or fell from two stars to one star, as it did for Cumbria, or went up from two to three stars, as it did for 23 authorities).
- ‘Large improvements made’ (CPA went up two stars, as it did for 21 authorities, or three stars, as it did for two authorities).

We create dummy variables for each of these groups. Then we run linear regressions predicting the over-time average senior management replacement rate. We use ‘mediocre performance’ as the base group. Two statistically and substantively significant findings emerge. First, authorities from the ‘always high performance’ group tend to have

Table 2. Correlates of senior management turnover.

<table>
<thead>
<tr>
<th>Explanatory variables:</th>
<th>Turnover rate 1</th>
<th>Turnover rate 2</th>
<th>Turnover rate 3</th>
<th>Turnover rate 4</th>
<th>Number of chief executive successions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational environment—bivariate specifications (one for each explanatory variable):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Munificence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple deprivation (2004)</td>
<td>0.002 (2.66)</td>
<td>0.002 (2.70)</td>
<td>0.002 (2.39)</td>
<td>0.002 (2.45)</td>
<td>0.01 (1.29)</td>
</tr>
<tr>
<td>(ii) Complexity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethnic diversity</td>
<td>0.000006 (2.08)</td>
<td>0.000008 (2.33)</td>
<td>0.000006 (1.86)</td>
<td>0.000007 (2.10)</td>
<td>-0.000009 (-0.74)</td>
</tr>
<tr>
<td>Occupational mix</td>
<td>-0.0001 (-2.59)</td>
<td>-0.0001 (-2.53)</td>
<td>-0.0001 (-2.50)</td>
<td>-0.0001 (-2.45)</td>
<td>-0.0006 (-1.46)</td>
</tr>
<tr>
<td>Class diversity</td>
<td>0.00005 (0.47)</td>
<td>0.00008 (0.71)</td>
<td>0.00004 (0.37)</td>
<td>0.00007 (0.59)</td>
<td>-0.00005 (-0.46)</td>
</tr>
<tr>
<td>(iii) Turbulence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turbulence indicator</td>
<td>0.006 (1.74)</td>
<td>0.008 (2.20)</td>
<td>0.005 (1.27)</td>
<td>0.007 (1.71)</td>
<td>0.05 (1.45)</td>
</tr>
<tr>
<td>Organizational politics—bivariate specifications:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of changes in political control</td>
<td>0.007 (1.02)</td>
<td>0.009 (1.17)</td>
<td>0.007 (0.90)</td>
<td>0.009 (1.04)</td>
<td>-0.07 (-0.87)</td>
</tr>
<tr>
<td>Organizational performance (mediocre CPA performance is the base group)—one specification with these categories:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always high performance on the CPA</td>
<td>-0.05 (-2.06)</td>
<td>-0.04 (-2.57)</td>
<td>-0.04 (-2.58)</td>
<td>-0.05 (-3.01)</td>
<td>-0.33 (-1.97)</td>
</tr>
<tr>
<td>Large improvements made on the CPA</td>
<td>0.06 (3.35)</td>
<td>0.06 (2.93)</td>
<td>0.06 (2.83)</td>
<td>0.06 (2.48)</td>
<td>0.16 (0.80)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.20 (19.20)</td>
<td>0.22 (19.46)</td>
<td>0.23 (20.37)</td>
<td>0.25 (20.54)</td>
<td>0.32 (2.71)</td>
</tr>
</tbody>
</table>

The results for the turnover rates are the estimated slopes from simple linear regressions, with t-/z-statistics in parentheses. The results for the number of chief executive successions are the estimated coefficients from count models. Positive slopes(coefficients indicate that the explanatory variable is related to higher turnover while negative slopes(coefficients indicate that the explanatory variable is related to lower turnover.
a three to five percentage points lower senior management team replacement rate than authorities from the ‘mediocre performance’ group. This is in accordance with Furtado and Karan’s (1990) conclusion for the senior management team as a whole. Second, authorities from the ‘large improvements made’ group tend to have a six percentage points higher senior management team replacement rate than authorities from the ‘mediocre performance’ group. Also, authorities in the ‘always high performance’ tend to have lower numbers of chief executive successions than authorities in the ‘mediocre performance’ group, as negative binomial regression models (models for dependent variables that are counts) show. On the other hand, there is no statistical difference in the number of chief executive successions between authorities in the ‘mediocre performance’ group and authorities in the ‘large improvements made’ group. Also, one can only just discern that there is a lower number of chief executive successions in the ‘always high performance’ group of authorities compared to the ‘mediocre performance’ group. This may be a preliminary indication that chief executives are more sheltered from negative performance than service directors, as in Boeker’s (1992) scapegoating argument discussed above. Further research is necessary to probe this possibility of scapegoating by chief executives in more detail.

These results show that top management turnover is lower in local authorities that are judged as ‘high-performing’ by powerful external stakeholders. This may be because top managers’ tenure is thereby secure, so they are under less pressure to resign or retire, and are expected to continue to lead the organization to success. By contrast, the opposite forces are at work in poorly performing councils, so the turnover rate is higher as authorities seek to appoint replacements who may be able to reverse their fortunes (Jas and Skelcher, 2005). Indeed the even higher turnover rate in authorities that have made large improvements in the CPA is consistent with this view, or at least the view that authorities that have changed their senior management team are more likely to be judged by the Audit Commission as performing better.

Conclusions
Comparing variation in senior management turnover across authorities, we found that high environmental munificence and consistently high performance over time are quite strongly associated with relatively low senior management turnover. Authorities that performed well in all the years covered by our study also had lower numbers of chief executive successions than other authorities. These findings are consistent with the view that external circumstances and organizational achievements influence executive succession in local government. By contrast, we found no link between changes in party political control and top management turnover. This suggests that new ruling political elites in local councils do not routinely remove the top managers who served their predecessors, and that the composition of senior management teams is largely insulated from changes in political control.

While these findings are preliminary, they hint that some local authorities are likely to need to make special efforts to recruit and retain good managers. These are the authorities which face adverse environments (such as deprived communities with diverse and complex needs) and which are perceived by external stakeholders as performing poorly. At the opposite end of the scale, there is a danger that top team turnover may be too low in organizations that face more tractable circumstances and have been judged as performing well. Further research on these issues is clearly required to establish the patterns of turnover that are most appropriate for organizations in different circumstances.

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References


