


HAL G. RAINEY



**Understanding
and Managing
Public
Organizations**





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UNDERSTANDING AND MANAGING PUBLIC ORGANIZATIONS
by Hal G. Rainey

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Preface

Public organizations perform crucial functions, and they need effective management. The elaborate body of writing and research on organizations and their management that developed over the last century has valuable applications to the management of public organizations. *Understanding and Managing Public Organizations* reviews major topics in that literature, including organizational environments, strategy, decision making, structure and design, effectiveness, change, communication, conflict, leadership, and motivation. The book includes suggestions from the literature about managing the political environments of public organizations; attaining power and influence; developing managerial strategy and organizational mission; alternative structure and design; motivating employees; effective leadership, including transformational leadership; managing group decisions and conflict; and managing organizational change and development. To consider all these topics in public management settings, the book also draws on a comprehensive review of the evidence, including very recent contributions, on the distinctive characteristics of public managers and organizations.

The material on organizations and management usually takes a generic approach. Its developers have worked to produce insights that apply to all types of organizations, and for very good reasons. We need general knowledge because management and organization involve similar challenges in all settings. About fifteen years ago, however, a number of writers began to argue that this literature pays too little attention to public organizations. Some of these writers reported on their experiences as executives in public and private organizations. Academics pointed out that the generic management field did not take into account what political scientists and economists had written about public organizations as a distinct category. Researchers also have reported more and more evidence on the similarities and differences among public, private, and nonprofit organizations.

Understanding and Managing Public Organizations brings together the generic

management literature with the research on public organizations. Many authors and officials who have called for a better analysis of public management complain that the writing on public bureaucracies from political scientists and economists consists of descriptive anecdotes and untested theories (for example, Perry and Kraemer, 1983). They say that it pays too little attention to organizational and managerial issues which the management literature has developed extensively. Other experts and official reports complain that public management suffers from a number of deficiencies — too many constraints on the managers, too little incentive to manage effectively, too much ineffective management in general. For all these reasons, various authors have called for a closer integration between the management literature and what we know about managing and organizing in the public sector. This book provides such an integration (although debate continues over whether public organizations actually differ from other types, such as private firms, so no book can yet provide a conclusive integration).

Although public management is often cast in a very bad light, this book repeatedly argues that public organizations and managers often perform much more effectively than is generally supposed. It provides many examples of successful management in the public sector and also considers the evidence on whether public and private organizations actually differ. Many management experts contend that assertions about these differences usually amount to crude stereotypes; business organizations, after all, face many of the same problems and shortcomings as do governmental bureaucracies. The evidence shows that it is hard to prove that private organizations show great superiority over public ones — and whether they do or not, public managers and organizations play indispensable roles in all societies. We have no alternative but to seek ways to enhance their effectiveness.

Audience for the Book

Understanding and Managing Public Organizations is addressed to practicing managers, people in policy-making positions (such as legislative staffers or elected officials), and academics and graduate students in the fields of public administration, business administration, and public policy. Some of my colleagues suggest that writing for such a diverse audience invites disaster. However, all these groups contribute to the discussion of public management, and they all must play a part in improving it and in developing the body of knowledge to support such improvements.

Public Managers and Officials

Public managers should find useful the summary review of major topics in contemporary management and organization theory, which includes suggestions about how to manage the various dimensions of organizations. For example, managers should know what the literature says about conditions for successful change in large organizations and the examples it provides

of successful and unsuccessful change efforts in public organizations. They should find interesting the evidence on motivation and work satisfaction among government managers and employees, how it relates to motivation theory and practice, and the leadership and motivational techniques used in many government agencies. Managers should be aware of what we know about the structure of government agencies as compared to that of private organizations. They should know about the controversies over whether governmental organizations resist change and abolishment more than do private firms, and whether public organizations are subject to more red tape than are private firms.

Public managers and elected officials provide some of the most important contributions to this discussion. The book's evidence includes testimonies of former executives and government reports and surveys prepared for and by policy makers and managers. Many public managers and policy makers remain keenly interested in the question of what government can borrow from the private sector (President's Council on Management Improvement, 1987), and they should find useful the comprehensive summary of comparisons of the public and private sectors.

In addition to suggestions about managing public organizations, the book covers much academic research and theory. While there is a widespread belief that active managers find that kind of material too dry and abstract, many governmental policies and administrative actions have a basis in some form of theory—often an inadequate one. Better analysis of the public administration theory and related theories, such as of motivation, could improve such policies and actions.

Public managers sometimes complain that too many people enter administrative positions in government on the basis of their knowledge of a profession or policy area or because of political connections. Their preparation for managerial roles and their awareness of the body of knowledge on organizations and management are often weak. Similarly, experts and managers (Warwick, 1975; Lynn, 1981; Mintzberg, 1989) frequently complain that elected and appointed officials, and even news reporters and citizen groups, impose outmoded conceptions of management on public organizations. Some of these people operate as if effective management consisted of a strict hierarchy of authority and tight administrative rules and controls. This orientation not only involves an outmoded view of management, it aggravates tendencies toward unnecessary bureaucracy. In sum, those who have recently entered managerial positions within public organizations, or who oversee them from official elective positions or from the media, need to consider the issues and evidence in this book.

Business and Nonprofit Managers

Relations between business and government have become so elaborate that many business executives spend more time handling governmental relations and issues than anything else. They and managers in nonprofit organiza-

tions often serve as integral components of governmental policies and service delivery. Their roles can become analogous to those of public managers in that they must pursue social or public service goals under governmental regulatory oversight or funding. The book's discussion of the nature of public organizations can aid business and nonprofit managers' thinking about characteristics of their own roles, and it can aid their understanding of the governmental agencies and managers with whom they deal.

Academic Audiences

Understanding and Managing Public Organizations can serve as a companion to an organization theory book in courses on public management or organization theory in public administration. It can also serve as a primary text in such courses, with supplements on classical and contemporary contributions to the organization and management theory literature.

Theorists and researchers should find plenty of grist for their mills in the book as well. The debate over the distinctive nature of public organizations involves questions as profound and significant as any in the social sciences. The distinction between societal control through markets on the one hand and through government on the other represents one of the major theoretical and practical policy issues facing nations of the world. This book in large part concerns the implications of that distinction for organizations and management. The review of ongoing controversies and evidence from recent studies underscores many issues for continuing research and theoretical development. At many points, the book offers evidence that is relatively strong, by the standards of the social sciences, of distinctive aspects of public organizations and managers. At other points, it overturns oversimplifications about such distinctions. Generally, the analysis of the distinctive features of public organizations and management has received insufficient attention from researchers. Its further development raises challenges and exciting prospects for management, organization theory, and public administration.

Overview of the Contents

The Introduction describes the importance of the topic of analyzing and understanding public organizations, offers examples of its significance for theory and practice, and elaborates the theme of and the points made in this preface. The chapters in Part One consider the operating context of public organizations. Executives and researchers regularly cite the governmental environments of public organizations as the most important reason to consider such organizations distinctive; the absence of economic markets and the presence of intensive oversight from other governmental authorities exert major influences on their operations and characteristics. Chapter One discusses how public organizations are defined and the problems involved in analyzing whether they have distinctive characteristics. It also introduces

many of the assertions, which will be further examined in later chapters, about how they supposedly differ from other organizations.

Chapter One details many of the assertions about the influence of political and nonmarket environments on public organizations. Organizational researchers have been attributing increasing significance to the environments in which organizations operate. Chapter Two summarizes this generic literature and its implications for understanding public organizations. The chapter points out that the generic conceptions of environment attend only vaguely to the elements of the political environment that political scientists and economists emphasize in their discussions of the public bureaucracy. Chapter Two begins the discussion of those elements by setting them forth and describing the complex of values that the governmental environment imposes on public organizations in the United States. Chapter Three elaborates on these influence processes by showing how other authorities and political actors impose values and directives on public organizations. The chapter discusses power within the political system and the power and authority relations among the elements of the governmental environment, public managers, and organizations.

Part Two reviews the evidence on the influences of environmental factors on public sector organizing and managing. Each chapter reviews the literature on one or more major dimensions of organization and management and that dimension's implications for public organizations. Each chapter also examines evidence concerning distinctive aspects of public organizations that the general management literature does not adequately cover. Chapter Four reviews managerial strategy, decision processes, and power relations inside organizations. These purposeful orientations both determine and are influenced by organizational structures and designs. Chapter Five discusses structure and design, including the controversy about whether public organizations have particularly bureaucratic structures. Chapters Six through Eight concern organizational behavior, which organizational purposes and structures heavily influence. Chapter Six reviews research and theory on motivation and related concepts, such as work satisfaction, and reports the available evidence on comparative motivation and satisfaction in government and business organizations. Chapter Seven covers leadership and organizational culture, and Chapter Eight discusses groups, communication, and conflict in organizations.

Part Three concentrates more directly on effective management and improvement of public organizations. Chapter Nine discusses organizational effectiveness. Chapter Ten turns to the challenge of bringing about organizational change and improvement, and it emphasizes what we know about changing and improving public organizations, including pressures against change and examples of organizations that have very successfully instituted changes and improvements. Chapter Eleven reviews studies of excellent business firms and public organizations and offers concluding suggestions and exhortations for improving public management.

The book assumes on the part of the reader no great knowledge of organization and management theory. The Appendix, however, offers a historical overview of major developments, themes, and contributions in the study of organizations and management over the course of the past century. Readers who have not done any extensive reading or course work on those developments— who do not, for example, know who Frederick Taylor and Max Weber were or what the Hawthorne Experiments did— should find that discussion useful.

Athens, Georgia
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Hal G. Rainey



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The many references cited throughout this book in part reflect my gratitude to numerous scholars, journalists, and practitioners for their re-

search and experienced accounts. I have a list of useful references not included in this book, left out more because of the limits of page length, time, and my own cognitive capacity than because they do not deserve mention. Later editions, if any, and later books and articles will make up for these omissions.

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Finally, in keeping with a theme of the book, I wish to express my gratitude to those people in public service, in and out of government, who have the courage to care and who serve with effectiveness and integrity.

HGR



The Author

Hal G. Rainey is professor of political science at the University of Georgia. He has published numerous articles on the comparison of public, private, and hybrid organizations and managers; on incentive systems and work-related attitudes in public organizations; on the nature of public organizations and management; and on citizens' perceptions of government. He received his B.A. degree (1968) from the University of North Carolina at Chapel Hill in English and psychology and his M.A. degree (1972) in psychology and Ph.D. degree (1978) in public administration from the Ohio State University. He has served as chair of the Public Sector Division of the Academy of Management and has held various offices with divisions of the American Society for Public Administration and the Public Administration Section of the American Political Science Association. He has served on the editorial boards of the *Academy of Management Review*, *Administration and Society*, and seven other journals in the management and public administration fields. He served as an officer in the U.S. Navy and as a VISTA volunteer.



Contents

Preface	xi
Acknowledgments	xvii
The Author	xix
Introduction: The Challenge of Excellence in Public Management: Using Theory and Research to Improve Practice	1
Part One: The Dynamic Context of Public Organizations	13
1. What Makes Public Organizations Distinctive: Reexamining Common Views	15
2. The Environment of Public Organizations	37
3. The Impact of Political Power and Public Policy	51
Part Two: Key Dimensions of Organizing and Managing	71
4. Formulating and Achieving Purpose: Power, Strategy, and Decision Making	73
5. Organizational Structure, Design, and Technology	98
6. The Individual in the Organization: Values, Motivation, and Work Attitudes	119
7. Leadership, Managerial Roles, and Organizational Culture	157

8. Teamwork: Understanding Communication and Conflict in Groups	185
Part Three: Strategies for Managing and Improving Public Organizations	205
9. Understanding and Measuring Organizational Effectiveness	207
10. Organizational Change and Development	223
11. Managing for Excellence in the Public Sector	250
Appendix: The Study of Organizations: A Historical Overview	266
References	293
Name Index	325
Subject Index	333

Introduction



The Challenge of Excellence in Public Management: Using Theory and Research to Improve Practice

All nations struggle with decisions about the roles of government and private institutions in their societies. An antigovernmental trend around the world during the last decade spawned a movement in many countries to curtail governmental authority and to foster more private activity. Although the United States joined in this trend, it did so with ambivalence. Even as efforts to curtail government went forward during the 1980s, we continued to bestow massive funding and authority on government officials.

While the skepticism about government implies sharp differences between government and privately managed organizations, numerous writers argue that we have too little sound analysis of such differences. They contend that we have an elaborate body of knowledge on management and organizations but that it pays too little attention to the public sector. At the same time, a large body of scholarship in political science and economics about governmental bureaucracy has too little to say about management of that bureaucracy. This critique has elicited a growing interest in public management and public organization theory, an interest also fueled by recurrent complaints about ineffective public management. Ironically, however, prominent initiatives to improve management of public agencies have often failed, frequently because they violated principles espoused by contemporary management experts. These attempts underscore the need for more careful analysis of organizational and managerial issues in government.

This chapter elaborates on these points, developing the theme of the book: We face the dilemma that we couple legitimate skepticism about public organizations with recognition that they play indispensable roles. We have

no choice but to seek ways to maintain and improve their effectiveness. We can profit from bringing together major topics from general management and organization theory with the rapidly increasing evidence of their application in the public sector. That evidence indicates that the governmental context strongly influences organization and management, often sharply constraining performance. Just as often, however, government organizations and managers perform much better than is commonly acknowledged. Examples of effective public management abound. They usually reflect a combination of managerial skill and effective knowledge of the public-sector context. Experts continue to research and debate the nature of this combination, however, as more evidence appears rapidly and in diverse places. This book seeks to base its analysis of public management and organizations on the most careful and current review of this evidence to date.

Recent Hostility and Ambivalence Toward Government

During the 1980s, European, African, and Asian nations pursued privatization policies, seeking to sell their state-owned enterprises to private operators. The spreading conviction that excessive governmental controls had wrought economic disaster added momentum to dramatic changes in the Soviet Union and Eastern European countries. These countries began to allow more private enterprise, sometimes trying to sell state-owned enterprises to private operators.

A wave of antigovernmental sentiment also swept the United States during the 1970s and 1980s. Opinion surveys found seething resentment of taxes and the widespread conviction that governmental activities operate in wasteful and ineffective ways. Tax reduction referenda appeared on the ballots in many states, with California adopting a particularly drastic one. Angry criticisms focused on the governmental bureaucracy with such intensity that the term *bureaucrat bashing* came into use. Jimmy Carter and Ronald Reagan attacked the federal government and its bureaucracy in their election campaigns. President Carter pressed for deregulation of industry, reduction of federal red tape, and major civil service reforms to combat alleged sloth and inefficiency among federal employees. President Reagan more aggressively impugned government and sought reductions in funding and authority for federal programs and agencies (Raines, 1981).

Various writers and officials touted an American version of the privatization movement. Some proposed that all levels of government employ more contracts with the private sector for provision of services, employ more user fees, and adopt voucher systems whereby clients could choose among providers. Others called for privatizing the U.S. Postal Service and the Social Security system. Privatization of state and local government functions increased dramatically (Ehrenhalt, 1990; National Academy of Public Administration, 1989; Wise, 1990).

Such developments around the world reflect two central premises: first,

that governmental activities differ from those controlled by private actors and organizations; and, second, that governmental activities are performed less effectively and efficiently. In the United States, these beliefs serve as fundamental principles of the political economy. Many political ideologues and economic theorists treat them as truisms. Surveys find that the majority of citizens accept them (Lipset and Schneider, 1987; Katz, Gutek, Kahn, and Barton, 1975).

Americans regard government with more ambivalence than hostility, however. Government in the United States, at all levels, stands as one of the great achievements of the nation and one of the most significant institutions in human history. No major nation operates without a large, influential public sector. Government in the United States accounts for a smaller proportion of the gross national product than do governments in most of the other major nations of the world, including economically successful ones.

Americans show implicit recognition of these facts. The same surveys that find waning faith in government also find fundamental support for a strong governmental role. Lipset and Schneider (1987) found declining confidence in both governmental and other institutions, such as private business corporations. Their respondents saw government as wasteful and inefficient but strongly supported an active role for government as a countervailing power against business and labor unions. Katz, Gutek, Kahn, and Barton (1975) found that many of their respondents expressed unfavorable attitudes about federal agencies and employees in general. When asked about the treatment that they had received in actual encounters with government workers, however, the respondents gave much more favorable evaluations. Even during the antigovernment trend of the 1980s, typical surveys found that most respondents opposed cuts in public services. Many wanted government to do more in a variety of areas. Almost daily, some commission, group, or expert called for a stronger governmental effort to pursue some policy or combat some problem.

Sentiments for and against governmental activity wax and wane cyclically in the United States and other countries (Hirschman, 1982). By the beginning of the 1980s, the antigovernment sentiments of the preceding decade had softened. Californians, for example, voted to increase taxes for use in maintaining transportation facilities, and some surveys showed declining opposition to taxes. President Bush moderated the antigovernment rhetoric of preceding administrations and by 1990 reversed a campaign pledge by agreeing to tax increases to reduce the federal budget deficit. Commentators increasingly belittled the overblown claims for privatization and governmental cutbacks of the 1980s (Donahue, 1990). Public policy issues such as environmental protection received more and more attention. Americans continued to play out a time-honored paradox by conferring massive funding and responsibility on government officials even as they castigated and ridiculed them (Whorton and Worthley, 1981; Sharkansky, 1989).

To the basic beliefs mentioned above, this ambivalence adds another.