

Public Management

Organizations, Governance, and Performance



Laurence J. O'Toole, Jr. • Kenneth J. Meier

CAMBRIDGE

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Preface

How effective are public managers as they seek to influence the efforts of public organizations to deliver policy outputs and outcomes? How, and how much, is management related to public program performance? What aspects of management can be distinguished, and can their separable contributions to performance be estimated? How do managers deal with internal operations, opportunities in the environment, and threats or shocks from outside the organization? Can the networking behavior of managers and the networked structures in which many public organizations sit shape policy results – for good or ill?

In this book we address these salient questions – and more. Whereas in an earlier volume (Meier and O’Toole 2006) we explored the relationship between democratic governance systems and public bureaucracy via the literatures of political science and public administration, and used empirical analyses to sort through the issues, in this new book we put the politics-and-administration theme to one side – mostly – to focus on management and performance. This approach does not mean that we reconstruct some sort of implicit politics/administration dichotomy. Indeed, the role that public managers occupy includes some highly political elements, and some of our work on management and performance demonstrates some explicitly political patterns. It turns out, for instance, that managerial interactions with external stakeholders shape the outcomes of their organizations in ways that reflect the distribution of power in their settings. It is also the case, furthermore, that maintaining personnel stability within the organizations we have been studying provides particularly strong benefits for the least advantaged clientele of the agencies. Public management certainly involves political themes and potentially controversial outcomes. What is distinctive about this volume, instead, is that our focus is directly on managers and how they shape results.

Examining the link between public management and performance might seem to be covering rather well-trodden ground. Until fairly recently,

however, the contributions of management to performance were either contestable or very difficult to estimate. One major theoretical approach, for example, the population ecology view of organizations, has strongly argued that management does not matter, that organizations succeed or fail because they are lucky. By “lucky,” population ecology theorists mean that some organizations have favorable environments with ample resources and are assigned tasks that are tractable. What might appear to be good management, therefore, is an artifact of an organization’s niche. Other analysts, for instance some who employ public choice as a theoretical lens, might even see public managers as impediments (“rent seekers”) – or, at best, inefficient contributors – to the delivery of goods and services to the public.

At what might seem like the other extreme, a major international movement, the new public management (NPM), holds that management is the key to effective public programs and that, if governments were to adopt NPM’s set of favored reforms (mostly borrowed from the private sector), citizens would get better government at a lower cost. The overly strong versions of this argument can be considered “managerialism”: public management as the potential magic cure that converts failure into success. Despite these contesting theoretical approaches, the body of systematic research on whether and how much management really matters has been relatively slim – particularly so if one restricts the search to investigations drawing evidence from large numbers of public organizations and employing archival rather than perceptual measures of performance.

In recent years, however, the number of studies systematically examining the links between management and performance has grown. We incorporate many of these recent findings in this book. In the main, though, this volume integrates much of our own systematic theoretical and empirical work on public management and performance conducted over an extended period. The approach we take allows for the development of relatively clear and evidence-based answers to the questions of how effective various facets of management can be – that is, how much difference they make. This book develops its perspective and findings on such issues in a cumulative and progressively nuanced fashion over the course of several chapters.

We have opted to distill our reading of the theoretical literature into a simple, parsimonious theory about how organizations are managed. Our theory is built around a set of five principles. First, public organizations are autoregressive (or inertial) systems; they seek to counter the natural tendency toward entropy in the environment. As a result, what organizations do today will be very similar to what they have done in the past. Second,

public management can be divided into two broad parts: managing within the organization and managing the organization's relationships with the environment. Both can be expected to have performance implications. Third, external management can be divided, at least theoretically, into efforts to exploit opportunities in the environment and efforts to buffer the organization from threats that the environment might generate.

Fourth, managers use structures, systematic processes, and procedures to regularize organizational actions. Put succinctly, organizations and their managers organize. They set up stabilizing routines that embed knowledge and experience so that cases can be handled quickly and consistently. Finally, the relationships between variables – that is, management, stabilizing elements such as structure, and the environment – are nonlinear. In simple terms, this point means that management is not just another input to program performance but, rather, that it interacts with a variety of other factors and can produce large gains in effectiveness relative to the resources that management consumes.

Our approach is to formalize these principles via a mathematical model and then to test aspects of it systematically through most of the chapters of this volume. In particular, we focus on large panel data sets that permit the inclusion of a wide variety of control variables. In this fashion we can isolate the independent effects of public management as the key variable, instead of mistaking as management effects those that are actually due to some other factor that has been omitted from the analysis.

The most frequently used data set in the book, and perhaps in the field of public management, is the Texas school district data set, which we have built and refined for ten years. It has several significant advantages over other public management data bases, as we explain in this volume. Although Texas schools constitute the primary data set, we recognize that even a state as diverse as Texas cannot contain all the relevant organizational and environmental variables. In this book, therefore, we incorporate additional analyses we have undertaken with data on local police departments, local governments in the United Kingdom, and state unemployment insurance agencies. Further, we explain relevant findings garnered in others' research, as appropriate, at several points in the coverage. We make no claim that we have looked at the universe of organizations and organizational characteristics, but we have assembled research results from several thousand public organizations.

The work represented here stems from a decision made about a dozen years ago to pool our interests in order to develop a long-term research

agenda centered around the management-and-performance theme. One of us, O'Toole, had developed theoretical ideas about management and performance, especially in complex institutional settings including networks, and had worked empirically in a number of fields of public policy. Meier had also undertaken numerous studies in multiple policy fields, including public education, and was especially experienced at tapping the advantages of large-N statistical approaches. This book reflects a merging of these interests and an effort to speak broadly to the field of public management.

We gratefully acknowledge assistance we have received from others. We owe a special debt to school district superintendents in Texas, since they have served multiple times as respondents to our surveys, which are designed to learn about the management of those public organizations. These busy public managers have tolerated our questions thus far through five separate survey efforts (plus one more specialized one) over a ten-year period, with more currently planned. Four reviewers for Cambridge University Press offered thoughtful assessments of this book and helpful suggestions for strengthening it. We also thank George Boyne, Alisa Hicklin, and Richard Walker for permitting our use of some data in this volume that had been gathered for joint research efforts with these colleagues. We are grateful to doctoral students and alumni of doctoral programs in the Department of Public Administration and Policy at the University of Georgia, and the Department of Political Science at Texas A&M University. We have refined our ideas and – we think – improved them on the basis of our teaching and research experiences with these colleagues. The same can be said for many scholars elsewhere, who have engaged with us regarding some of the specifics of this research agenda and its progress. Among this broad group, aside from those already mentioned, we would like to thank in particular Rhys Andrews, Stuart Bretschneider, Gene Brewer, Amy Kneeder Donahue, Sergio Fernández, H. George Frederickson, Carolyn Heinrich, J. Edward Kellough, H. Brinton Milward, David Peterson, David W. Pitts, Hal G. Rainey, Bob Stein, and Søren Winter. Finally, we pay tribute to the immeasurable benefit we have derived from the many forms of support provided by our families: Mary Gilroy O'Toole, Conor Gilroy O'Toole, Katie Easton O'Toole, and Diane Jones Meier. Needless to say, the weaknesses and errors that may remain can be lodged firmly at our own feet.

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Public management and performance: an evidence-based perspective

Governments around the globe cope with critical issues and thorny policy challenges: encouraging economic growth, combating climate change, educating young people, protecting against disease, building and maintaining infrastructure, planning urban communities, providing social security, and a great deal more. Talented policy designers, and the contributions of policy analysts, can render many of these difficult tasks less daunting. Governments can also learn from each other's experiences, so that mistakes do not necessarily have to be repeated in many places before policy learning can occur (Rose 1993). To convert sensible policy ideas into reliable and effective streams of programmatic action, however, much more is needed.

Few policies are self-executing.¹ Typically, public programs require the concerted effort of many people, often coordinated via formal organization, to achieve their intended results. While some policy interventions can avoid the need for substantial coordination – monetary policies and other governmental efforts to shape market conditions, for instance, rely for much of their effectiveness on individuals'² uncoordinated responses to reconfigured incentives – the great bulk of policies are delivered into the hands of intended implementers, whose responsibility it is to make policy come alive in patterns of goal-oriented behavior. Indeed, the promise of democracy in advanced nations is fundamentally tied to the ability of representative institutions to deliver regularly on their policy commitments through such processes of converting public intention into action.

Governments typically face these implementation challenges with regard to numerous policy objectives and programmatic initiatives. In the United States, for example, the national government is committed to thousands of such policy efforts, and several hundred of these are intergovernmental: they encourage or require subnational governments to be a part of the action as well through grant-in-aid programs, intergovernmental mandates, and other such approaches. Subnational governments also develop their own policy initiatives. In addition to the fifty states, the United States is home to

89,476 local governments – municipalities, counties, special districts, townships, and school districts (US Census Bureau 2008). Virtually all these entities engage in efforts to deliver on policy results, and the same pattern is followed in country after country.

In addition to plenty of people and considerable resources, accomplishing public purposes also requires public management. At multiple levels in large organizations, managers coordinate people and resources toward the accomplishment of collective purpose; they also tap the interdependent organizational environment in support of such purpose and to protect the organization's efforts from potential disturbances. This is what is meant by *public management*. Some individuals, in other words, have to orchestrate the myriad individuals, routines, resources, and possibilities into a policy-responsive mosaic – to make, in Paul Appleby's (1949) memorable phrase, a "mesh of things." The concerted efforts of perhaps thousands of people to move toward complex public objectives does not spontaneously emerge; it must be organized and induced, and the task is necessarily ongoing. This book is devoted to a close examination of what public managers do as they take on such responsibilities, and we do so from a particular perspective: we are interested in the link between management, on the one hand, and public program performance, on the other.

Performance is a highly salient notion in recent years among those around the world who care about public management. It has acquired even more importance as government agencies and other organizations have struggled to deliver results under conditions of austerity. The economic winds that have buffeted programs in many countries have often resulted in budget cuts just as public service needs and demands have escalated. The term "performance" is often used imprecisely, thus sometimes generating confusion. We mean by the concept of "performance" the achievements of public programs and organizations in terms of the outputs and outcomes that they produce. Performance can be considered to have numerous dimensions, such as efficiency (the cost per unit of output or of service delivery), effectiveness (the extent to which policy objectives are being achieved), equity (how fairly outputs and outcomes are distributed among key targets or stakeholders), and public satisfaction (Boyne 2003). Accordingly, performance covers a broad territory – especially when one considers that improvements on a given criterion (efficiency, for instance) might result in declines on another (equity, say). In this book, we pay particular attention to performance in terms of effectiveness, while also taking into account the resources available, and in certain analyses we address the theme of equity as well.

The management task is even more challenging than would seem apparent at first glance. Public organizations – agencies, departments, bureaus, authorities, and the like – are at the core of the apparatus for policy implementation. Indeed, the US federal government’s “bureaucracy”³ is impressively large – hundreds of organizations, approximately 2.7 million civilian employees. Even though the national civil service has actually declined in size during the past half-century,⁴ its scope and reach have not, because many policy initiatives involve contributions to policy action from entities outside the national bureaucracy. Indeed, Paul Light (1999) estimates that in 1996 a “shadow” federal workforce of approximately 12.7 million people beyond those in the civil service were involved in carrying out national policy – including government contractors and state and local employees.

Policy implementation is complicated by the fact that many important public policies and public programs call for the joint efforts of actors in two or more – sometimes many more – organizations, frequently in more than one government, and often in the for-profit and nonprofit sectors. The expression *governance* is now often used to denote these broadened patterns of collective action. “Governance,” as the saying goes, often means more than just governments (Rhodes 1997; Peters and Savoie 2000; Kooiman 2003). The need for such multiorganizational action in networked patterns means that the task of public management requires attention to such interunit coordination along with a focus on internal organizational responsibilities.

The fate of public policies in today’s world lies in the hands of public organizations, which in turn are often intertwined with others in latticed patterns of governance, which collectively are expected to generate performance: policy outputs and outcomes. Public management, therefore, means dealing with organizations, governance, and performance. This book examines the intersection of these three themes and how managers address them.

Even though our focus includes the performance of public programs, this volume is not another study of performance measurement or performance management (for instance, Radin 2006 or Moynihan 2008). That is to say, we do not explore in detail the issues and controversies involved in measuring performance, nor do we systematically investigate how managers use performance information to help influence what the people in their organizations do. Instead, in our empirical analyses we rely mostly on performance information that is regularly collected and typically treated as relevant and important by managers and others. Where appropriate, we also report

on performance-related findings by other researchers who have been exploring the relationship between public management and performance. In other words, this volume explores what public managers do, whether and how their efforts translate into policy results that are treated as relevant by those interested in the policy field in question, and the extent to which the impacts of management on results are modest or sizable.

A perspective on public management and performance

In the chapters that follow, we conclude with confidence that public management makes a difference to performance, and the impact is far from trivial. At the same time, it is important to avoid the leap to what some have called “managerialism”: the “seldom-tested assumption that better management will prove an effective solvent for a wide range of economic and social ills” (Pollitt 1990: 1). We steer an evidence-based middle course here (Meier and O’Toole 2009b). Much like the similar movements in medicine (Guyatt, Cairns, Churchill, *et al.* 1992) and in public policy (Heinrich 2007), our research, grounded in evidence-based public management, has as its objective to assess the conventional wisdoms – what earlier scholars might have called proverbs (Simon 1946) – so as to separate the wheat from the chaff and determine what actually works in practice. Specifically, we consider the theory and literature of public management, look for ways of tapping the relevant aspects of what managers do, and estimate the effects of public management on public program performance, while controlling for other relevant factors – in particular the difficulty of the policy-relevant tasks and the resources available for their successful achievement.

Evidence-based public management can proceed in a variety of ways, including the careful analysis of key case studies. We have opted, however, to employ the approaches and quantitative techniques of the social sciences. These include formal and precise theories that generate testable hypotheses and the statistical analysis of organizations over a period of time.

In this fashion, our theoretical and empirical perspectives avoid two approaches that are sometimes adopted. As mentioned in the preface, at one extreme are the population ecologists. This approach, best represented in the research literature on public management by Herbert Kaufman (1991), holds that public organizations survive and flourish because they are lucky, not because they or their managers make sound decisions. Organizations, in this view, are simply at the mercy of their environments.⁵

Some political scientists offer a modified version of this notion by suggesting that, particularly in the United States, the broader political system imposes so many constraints on public managers that they are hamstrung in their efforts and thus mostly consigned to a rather weak role (Wilson 1989).

At the other extreme are the managerialists, those who appear to attribute virtually all performance to the purportedly heroic efforts of public managers. Some themes of the so-called new public management⁶ (NPM) seem to imply a similar notion, since the oft-mentioned refrain is to “let the managers manage.” In a more tempered fashion, a literature on public sector leadership suggests that key managers can have dramatic impacts on performance (Doig and Hargrove 1987). Contrary to such assertions, a great deal of evidence in fields such as management clearly points to limitations on what can be accomplished by management, especially in the short run, although there are also good reasons to expect the actions of managers to be consequential for performance. For this reason, we are careful in this book to specify some additional likely influences on policy outputs and outcomes, including features of the environment in which organizations must try to accomplish their tasks.

Our analysis indicates that managerial influences on public program performance are multiple, substantively as well as statistically significant, and yet accompanied by other influences that need to be taken into consideration in any adequate accounting for results. Demonstrating such patterns and explaining how managers “do their thing” with such effects on results is the primary task of this book.

To begin exploring the difference that management makes, we start by reviewing some of the core themes in the research literature on public management. This earlier work provides valuable signals about how to approach the subject of management and public program performance.

Themes from the research literature

In one way or another, researchers have explored the subject of public management for more than a century. Methods and insights have gradually evolved and become more sophisticated over time, although certainly there remain plenty of unverified – and doubtlessly invalid – assertions and assumptions. In a general sense, we can observe that remarkable progress has been made in researchers’ efforts to build solid empirical findings about the world of public management – in the United States, in Europe, and in

many other parts of the world. If anything, the array of issues addressed in serious studies of public organizations and their management has expanded in recent years, with notable investigations of such topics as public service motivation; red tape, its causes and consequences; government contracting and privatization; the use of discretion by supervisors and front-line workers; the differences between public and private management; the challenges of involving stakeholders in public decision making; the adoption of new public management and other managerial reforms; the development of interorganizational collaboration and networks for the delivery of public programs; innovations in public organizations; institutional isomorphism (the consequence of mimesis, or organizations' copying or deriving their institutional forms from other such organizations) in the public sector; emergency or crisis management; and diversity management. This list, furthermore, is merely a partial one.

On the specific theme of public sector performance, moreover, considerable important work has been accomplished by researchers. Even leaving aside the frequently studied issue of whether so-called "pay for performance" systems produce useful results (many studies raise serious questions about the notion), public organizational performance has been approached from a number of angles. Some, for instance, have explored the meaning and determinants of the US national government's recent efforts to assess program performance by means of so-called "PART" (Program Assessment Rating Tool) scores (see, for example, Dull 2006, Gilmour and Lewis 2006, Moynihan 2006, 2008; more about PART scores shortly). Researchers have sought to understand whether setting performance targets helps to improve performance (Boyne and Chen 2007). Others have sought to estimate the influence of such diverse factors as organizational goal ambiguity, institutional design and reputation, and individual characteristics on performance (respectively, Chun and Rainey 2005, Krause and Douglas 2005, and Kim 2005). Researchers have tried to determine how features of network structure can shape performance (Provan and Milward 1995; Schalk, Torenvlied, and Allen 2010).

Some broad meta-analyses of hundreds of studies related to governance and performance have attempted to develop some generalizations and themes from the work of many others (Forbes and Lynn 2005; Hill and Lynn 2005). In addition, there have been efforts to compile the results of a number of different studies of performance from different empirical contexts (for example, see the full set of papers in the October 2005 issue of the *Journal of Public Administration Research and Theory*, as well as Boyne *et al.* 2006).