

# 1 Public management and performance: an evidence-based perspective

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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.<sup>1</sup> 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'<sup>2</sup> 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"<sup>3</sup> 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,<sup>4</sup> 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.

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## **A perspective on public management and performance**

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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.<sup>5</sup>

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 management<sup>6</sup> (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.

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## **Themes from the research literature**

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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).

It is clear that, although a number of important issues remain to be sorted out – such as the kinds of samples and data sets that might be most appropriate for studying management and performance – the systematic exploration of the performance theme is well under way. (We examine the subject of performance data later in this chapter.)

Research designs and findings have proliferated, and there is by no means a consensus about how to understand what makes for effective management (an important criterion of performance) in contemporary systems of government. Still, the broad study of public management has provided a set of building blocks that we can use to begin a systematic analysis of the relationships between management and performance. Some of the key themes and findings are deserving of brief review, since they provide a grounding for any serious and sustained research program focused on public management and performance.

Several of the most notable compilations on and reviews of public management offer general agreement on certain broad points (for example, see Moore 1995, Ferlie, Lynn, and Pollitt 2005, and Lynn 2006; by far the best coverage of the empirical and theoretical literature is that by Rainey 2009). The core literature of the field assumes or, more often, argues for some distinctiveness to the management of public programs and public organizations.<sup>7</sup> While the generic management literature often assumes otherwise, and while some proponents of the new public management advocate designing public sector settings to more closely approximate market-like ones, in the main the scholars of public management see sufficient distinctiveness that it should be investigated in its own right. In this book we do not make systematic public–private comparisons (but see Meier and O'Toole forthcoming (b)), although we do treat public organizations and public management as sufficiently different – even unique – that they should be explored on their own, and largely on the basis of insights from the literature on that subject in particular.<sup>8</sup>

Second, the literature is in agreement that public management matters – and, in particular, that it makes a difference in public program performance. A fair amount of this literature consists of case studies. Indeed, numerous richly textured case studies and comparative case studies of public management all make persuasive arguments that management matters. Many focus on management in and of individual agencies (for instance, Doig and Hargrove 1987, Behn 1991, Ban 1995, Riccucci 1995, 2005, and Holzer and Callahan 1998),<sup>9</sup> while others emphasize management in more multiorganizational, networked settings (Gage and Mandell 1990; Provan and



Milward 1995; Klijn 1996). More recently, several studies have sought to cover numerous public organizations and/or governments in making and seeking to validate this claim (examples include Donahue *et al.* 2004, Boyne and Walker 2006, Brewer 2006, and Walker and Boyne 2006; see also some of the literature referenced earlier in this chapter); and some of these assert, but do not really test, the effects of management on results (for instance, the products of the Government Performance Project (GPP): see Ingraham, Joyce, and Donahue 2003, and Ingraham 2007). Given the broad agreement that public management matters (a conclusion that this book also validates), the important question guiding the analyses here is this: *how effective* is public management at generating performance?

Third, the case study literature, as well as the literature based upon larger-N studies of many organizations, is mostly in agreement that public management is not a simple function but, rather, encompasses multiple aspects. Different scholars offer different lists of functions. Ingraham, Joyce, and Donahue (2003) treat financial management, human resources management (HRM), information technology management, and capital management as the central elements of the managerial function,<sup>10</sup> while, in their early work together, Boyne and Walker (2006; Walker and Boyne 2006) concentrate on both managerial strategy process and strategy content. A number of case study authors and others focus in particular on “leadership” by managers (for example, Doig and Hargrove 1987, Behn 1991, and Terry 2002). Studies emphasizing the external/network-related aspects of public management highlight in particular the brokering, framing, exchange-related functions – above all, collaboration. For instance, Agranoff and McGuire (2003) identify a number of vertical and horizontal aspects of collaborative activity in which local government managers engage, including information seeking, adjustment seeking, policy making and strategy making, resource exchange, and project-based work. Rainey (2009) draws numerous structural and procedural dimensions into public managers’ purview, while also noting the assumed importance of variables such as organizational environment, technology and tasks, goals, and culture. So, although there is no clear consensus on the preeminent or essential functions of public management – no agreed-upon “POSDCORB”<sup>11</sup> for the twenty-first century – a widespread consensus holds that public management is not a simple, unidimensional activity. An implication is that, given that management is multifunctional and involves varied behaviors, determining systematically just what differences all these functions make in the performance of public programs is an exceedingly difficult task. In this book we identify a number of distinct aspects and



estimate their independent impacts, as well as a more complete, combined assessment. Even here, though, we have certainly been forced to omit some aspects of what public managers do that probably carry implications for the outputs and outcomes of policy initiatives.

Fourth, public management in and of networks has emerged as a central theme among many researchers in the field. Some caution that attention to managerial actions in and on the network should not lead scholars to ignore the important role that internal management plays in shaping performance (Hill and Lynn 2005; O'Toole and Meier 2009). Impressively large numbers of public management scholars, however, focus on the externally oriented, often collaborative, efforts of managers to coproduce multiorganizational action (a small sampling includes Provan and Milward 1995, Bardach 1998, McGuire 2006, Agranoff 2007, Bingham and O'Leary 2008, and Rethemeyer and Hatmaker 2008). This emerging literature, furthermore, suggests a more significant and extensive set of cross-organizational links than those implied in the earlier open systems perspective in organization theory. Clearly, any serious effort to incorporate a range of managerial influences on public program performance needs to address this growing line of work and, possibly, growing empirical reality.<sup>12</sup>

Fifth, a review of the extant research literature reveals a somewhat cloudy but nonetheless potentially important insight: particularly in case studies of what public managers do and how that seems to shape outputs and outcomes, there is often an argument or observation that managers catalyze action. To be a little more concrete, it is often claimed that such managers do not simply contribute directly to what happens; they also extract more positive effort from available resources, including human resources (HR), and they have the potential to reduce the impacts of disruptive forces. In other words, the relationship between management and performance is nonlinear with respect to certain other influences and should be considered in terms of *interactions*. If this idea is correct, any effort to model the influence of management on results must take into account potential interactive effects.

There are a number of points of convergence in the research literature on public management, therefore. Nonetheless, it is important to note that there is no consensus among researchers regarding precisely how to theorize about the links between management and performance. There are at least three reasons, and noting these can help to explain why we take the approach evident in this volume. One reason for the lack of theoretical consensus is that, as indicated earlier, management is a complicated, multifaceted subject;

and what managers do undoubtedly has multiple influences on results. The implication for this book is that we should explore the management–performance connection by tapping different aspects of management and estimating their impacts. Second, even for relatively discrete and carefully researched aspects of management, there is no shortage of different and competing theoretical formulations. As Hal Rainey (2009) points out, researchers cannot agree about how to assess organizational effectiveness, how decisions get made inside organizations, how structure influences various aspects of organizational behavior, how motivation is shaped in organizations and why that matters, and what leadership in organizations actually consists of and how it generates results. There is a plethora of theoretical ideas on these points; indeed, there is a huge surplus of them. As a consequence, our approach – as is evident in the next chapter – is to distill from and build upon the public management literature certain notions that have some support there, even if that literature is often somewhat ambiguous and even though there is no consensus on precise theoretical formulations.

A third reason for the lack of consensus in the literature is related to the difficulties with assessing organizational or public program performance – the issue explored next.

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## **Tapping performance**

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It is not sufficient to say, as US Supreme Court Justice Potter Stewart did about pornography, that we know performance when we see it. For reasons explained more carefully in the next chapter, we think the best route for making progress in exploring the management–performance link is through large-N, systematic quantitative studies of many public organizations. An initial challenge already alluded to is that the concept of performance entails multiple aspects. We have indicated where our conceptual focus lies. In addition, and importantly, tapping any aspect of performance requires valid and reliable measures of performance. Unfortunately, another reason why it has been difficult to build validated theory, and therefore consensus, is related to this issue – a matter of method, and, in particular, a point about measurement. To test for relationships between any aspects of management, on the one hand, and performance, on the other, requires at least one acceptable measure of performance.<sup>13</sup> Preferably, several performance measures would be used, since most public programs and virtually all public