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Decision Making in Public Organizations

Hal G. Rainey, John C. Ronquillo, and Claudia N. Avellaneda

Decisions in government organizations can have broad impacts on the public interest, so the decision-making processes in public organizations merit analysis. Yet, while major scholars have contributed important essays and observations, very few empirical studies have focused on distinctive aspects of decision making in public organizations as contrasted with other organizations such as business firms. Actually, major scholars have asserted that they differ very little from business in organizational processes such as decision making. This chapter will first address this matter of whether the public sector presents a distinctive context for decision making. We will discuss the meaning of a 'public' organization as a decision context, and the claims people make about the characteristics of this context that affects decision making. Then the chapter reviews scholars' observations and evidence from empirical studies about the distinctive nature of decision making in public organizations. We will describe how people in public organizations often engage in 'rational' decision processes in well-structured and routine situations, and these decisions resemble those in similar situations in business firms. Then the chapter addresses the limits of rationality assumptions for public organizations, and the need for contingency perspectives. Such perspectives, exemplified by James Thompson's framework, take into account such factors as the level of goal agreement and technical knowledge. Then we review additional alternatives for contingency perspectives, including prospect theory and poliheuristic theory that analysts have applied to some governmental settings. In addition, we examine research indicating the importance of issue type and salience, and internal and external constraints on decision processes. Then we review major topics in the literature on public sector decision-making. These include the debate over incrementalism and Lindblom's 'Science of Muddling Through', Etzioni's 'mixed

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scanning' proposal, and the relevance of the 'Garbage Can' perspective. We then consider prescriptive frameworks and empirical research on strategic decision making in public organizations because it has taken on such importance due to its wide application in governments at all levels and in multiple nations, and laws that require it in US federal agencies and many state government agencies.

The Distinctive Context of Public Organizations

The generic perspective: There's not much difference

What is the public sector and what do we mean when we refer to a public organization? Leading scholars and experts on organizations have often taken the position that the commonalities between public and private organizations are greater than the differences (e.g. Simon, 1995; 1998; Thompson, 1962). Researchers also point out that such concepts as public, private, and nonprofit sectors do more to confuse than to clarify matters. One cannot draw a clear line between such 'sectors' because they are interwoven and 'blurred' in many ways. Through laws, ordinances, and regulations, government heavily influences decisions in private firms. Through contracting-out of government services, government shares responsibilities with private firms and nonprofit organizations. Government and private organizations often do the same things, involving the same types of people (attorneys, scientists, accountants, teachers, clerical personnel, custodial personnel) and organizations (hospitals, schools, utilities, universities, railroads, financial organizations, retirement pension organizations). Thus, decision makers in government, business, and nonprofit organizations frequently face decisions that are very similar. In fact, some decision procedures widely used in business were largely developed by government. Some of the decision procedures in Operations Research and Management Science were originally developed for military applications. Strategic decision processes as part of strategic planning have become virtually ubiquitous in organizations of all types, as these procedures become more assimilated across sectors. How can one claim that public sector organizations make distinctive types of decisions under unique circumstances?

What's public? Identifying the public sector context

Organizational scholars have justification for warning about the indistinctiveness of public, private, and nonprofit sectors and organizations. At the same time, the political economies of the United States and numerous other nations are founded and designed on the principle that government and business differ. While the blurring of the sectors makes distinctions difficult, that mixing of the sectors often draws sector distinctions into sharper focus. At the time of writing, the US federal government has begun procedures and payments to support major financial institutions that face collapse without government intervention. The President has proposed, and Congress has approved, plans to provide loans to major investment banks and other institutions, and possibly to buy stock or invest in partial ownership of

others. Congress included in some of this legislation sharp limits on the use of these financial resources to support bonuses and financial compensation packages for leaders and employees of these foundering financial institutions. In the media and through other channels, critics berated the massive bonuses and compensation that these institutions had paid, even as the organizations failed. The President and Members of Congress had publicly objected to having the taxpayers' money go to pay high bonuses for the executives of the 'private' firms. While the federal investment in the private companies blurred the distinction between the public category (i.e. the government category) and the private business category, at the same time it brought the public versus private distinction into sharper focus. With public money came more public control, including government intervention into the compensation decisions in the business firms.

Still, we face a challenge in clarifying the meaning of public and private organizations. (We will focus on this distinction and leave the nonprofit category out of the discussion for present purposes.) The 'generic' perspective among many organization theorists fails to recognize the observations of numerous authors in economics and political science who treat government agencies as fundamentally distinct from private firms. As one of many examples, in his very widely cited book, *Inside Bureaucracy*, Anthony Downs (1967: Chapter IV) raised the question of why 'nonmarket' organizations must perform important social functions in modern societies, and why business organizations that sell goods on markets cannot do so. Government organizations such as regulatory agencies must deal with 'externalities' such as air and water pollution, which impose costs and benefits external to an exchange between a business firm and its customers. Government organizations have to provide collective or public goods such as national defense and enforcement of contracts. Such goods provide benefits or costs to everyone in the area in which they are provided. Thus they cannot be sold to individuals at a market price, and government funds them with some of the taxes that citizens pay. Government also must provide protection for consumers in certain instances (for example, by ensuring the safety of foods and drugs), create a framework of law and order, deal with instabilities and deficiencies in the market economy (see the example above about government intervening to support failing private firms), and other essential goods and services.

Prominent authors have analyzed such distinctions between government functions and roles as contrasted with those of private firms. Over half a century ago, Dahl and Lindblom (1953), two of the most prominent political scientists of their era, distinguished between 'enterprises' (private firms) and 'agencies' (government agencies). They pointed out that in modern political economies agencies and enterprises represent two poles or extremes of a complex continuum of organizations that mix characteristics of business firms and government agencies. These 'hybrid' forms include business firms heavily regulated by government (e.g. electric utilities), or enterprises in which government holds some stock. Others include state-owned enterprises such as government-owned banks and transportation organizations (airlines, railroads). While these hybrid forms complicate the distinction between agencies and enterprises, there are still plenty of examples of these two types of organizations, which present no confusion over whether they are government or business organizations.

Wamsley and Zald (1973) offered an additional clarification of the distinction. They pointed out that the public–private distinction actually includes two major component distinctions – ownership and funding. We can think of public organizations as those that government owns and pays for. If there is a nation in which government does not 'own' and operate the equivalent of the US Department of Defense, and does not pay for it from governmental revenues gathered through taxes or other authoritative governmental methods, it is hard to locate that nation. In the US and many other nations, government-owned and funded organizations provide the police and fire fighting functions and major elements of the retirement pension system (The Social Security Administration), collect the taxes, produce the currency, regulate private organizational activities, and perform other major functions. Of course these patterns involve exceptions such as the Defense Department (DoD) relying on private contractors and obtaining a very small proportion of DoD revenues through sales (of surplus equipment, for example). There are private pension, policing, and fire fighting services, as well, but even for these exceptions, we can easily clarify what is 'public' or government funded and operated, and what is not. We can consider private organizations to be those owned by private, nongovernmental owners and/or stockholders, and which receive most of their revenues from sales to customers at a price. We really do not have to puzzle over whether a great many organizations, such as IBM, Microsoft, and Procter and Gamble, are private in this sense. Between these two types of organizations, there are organizations owned by government but funded mainly through private sources such as sales to customers (for example, the U.S. Postal Service). Other organizations, such as defense contractors, are privately owned but get a very large proportion of their financial resources from government contracts. Again, these two types of organizations render inadequate a simple distinction between public and private organizations, but they do not obviate such a distinction. Bozeman (1987) took an additional step by treating government ownership and funding as continua of 'publicness' and pointing out that all organizations have some degree of publicness.

Ultimately, all of these methods of distinguishing between public and private organizations lead to similar conclusions. We can designate public organizations as those organizations that government 'owns' in the sense that they are established and operated under the authority of government, and that they receive most of their financial resources from governmental sources such as legislative allocations from taxes that citizens pay. Private organizations are privately owned and receive most of their financial resources from sales to customers or donations. When we generalize about public and private organizations we are referring to these two types, recognizing the existence of the hybrid and intermediate forms as complications. Whether generalizations about the public and private categories apply to those organizations will depend on the level of public authority and public funding for the particular organization, and becomes an empirical question.

What difference do such differences make? As previously mentioned, in general, public organizations operate under the authority of government and receive authorization and funding for their activities from government officials with ultimate authority over them. Private firms must sell products and services to customers and

hence purportedly become subject to 'consumer sovereignty' (Lindblom, 1977). In general they are constrained to sell products that consumers will buy. They have more autonomy in deciding what they will produce, and to whom they will sell it and where. This means that the two types of organizations are subject to different patterns of external and internal control, direction, and oversight. Public organizations are more subject to control and direction by politically constituted governmental authority, while private organizations are less subject to such authority and more constrained to find ways to use their relative autonomy to sell goods and services to customers.

In turn, these general differences in control and direction relate to a variety of differences in conditions that establish the context for organizational decision making. Various authors have delineated these different conditions, with Nutt and Backoff (1992: 27–34) serving as an excellent example.

Concerning markets for organizational outputs, Nutt and Backoff point out that private organizations' markets consist of buying behaviors by customers, while the 'market' for a public agency consists of oversight bodies and officials. Private organizations usually must compete with other providers in their markets, while public organizations often receive mandates to collaborate with other service providers. Public organizations receive their finances from budget allocations, while private organizations must make money through fees and charges for goods and services. In turn, these differences make market information and signals weaker and less available for public organizations than for private organizations, which have more access to market information such as prices, sales, and profits.

External constraints also differ. Public organizations are more subject to mandates that limit their autonomy, while private organizations' leaders tend to have more flexibility and autonomy in strategic decisions about organizational domains of operation and other major decisions. At the same time, the external oversight and direction of public organizations embeds them in the processes of governmental institutions and political processes, that shape the authoritative decisions that direct public organizations.

Transactions with their environments and stakeholders are distinctive, in that public organizations tend to have a more coercive relationship with citizens since citizens must pay for the public organizations' activities with their taxes and usually have to obey authoritative decisions and have little choice among providers. Consumption by customers and participation by stakeholders tends to be more voluntary for private organizations. Decision makers who have had experience in both sectors often report that decisions in public organizations have a broader scope of impact, in that decision makers have to consider implications for broad populations and constituencies, such as those of a nation or a broad jurisdiction. Concomitantly, public organizations and their leaders often become subject to more public scrutiny, as the media, interest groups, and others feel authorized to review and criticize their activities and decisions. They do so in part because in essence citizens and their official representatives and less official gadflies and critics 'own' the government organizations. For private firms, ownership is vested in private owners and stockholders.

These conditions in turn influence organizations' structures and processes. In the absence of market indicators and influences, and in the presence of political control and oversight, public organizations' goals are often more difficult to specify and measure, more complex and multifaceted, and more conflicting than the goals of private organizations. The authority of leaders in public organizations tends to be more limited, by external political interventions and controls and shifts in the election results, and through structures of constraints such as constitutional limitations, and system-wide personnel and purchasing rules that limit administrative authority. These administrative constraints lead to differences in incentive structures and processes within public organizations. For example, numerous studies have now produced evidence that survey respondents in public organizations, as compared to private respondents, perceive greater constraints on administration of such incentives as pay and disciplinary actions, and a stronger role for incentives to serve the public interest and provide services beneficial to society (e.g. Feeney and Rainey, 2009).

Assertions and evidence about decision making in public organizations

As the observations about differences between public and private organizations suggest, public organizations should have distinct decision-making processes because of factors such as political interventions and constraints and more diverse, diffuse objectives. Evidence supports such assertions. Although it shows that the general decision-making processes of public organizations often resemble those of private organizations, it also indicates that major decisions in public organizations involve more complexity, dynamism, intervention, and interruption than those in their private counterparts. At the same time, however, public employees engage in much routine decision making that can be highly standardized and that may differ little from decisions in private firms. There is nothing unusual or contradictory about this. Many contemporary organizational scholars (e.g. Daft, 2007) analyze decision-making processes according to a contingency perspective. Under some contingencies or conditions, managers can successfully adopt highly rationalized decision-making processes. Others involve too much uncertainty for such structured approaches and require more complex, intuitive decision making. This sort of distinction can help to explain how decision processes can be both similar and different in public organizations, as compared to private organizations.

Rational decision-making models and public organizations. Where decision processes can be more 'rational', they may be very similar in public and private organizations. Rationality has various meanings and dimensions, but we can specify that a strictly rational decision-making process would involve the following components.

Decision makers know all the relevant goals clearly, and they also know their preferences among the goals and can rank order the goals. They examine all alternative means for achieving the goals, and choose the means that maximize attainment of the goals with minimum expenditure of resources.

These strict conditions are seldom met except in simple situations, but we know that such situations require decisions all the time. Public agencies apply such techniques when they have consultants or in-house experts analyze work processes to design more efficient, effective work procedures. Public Service Centers of the Social Security Administration, for example, needed a system for keeping track of the huge number of file folders for clients as the folders move around to various employees who process the clients' claims. Consultants working with the agency developed a system for putting bar codes on the file folders, so that the codes could be read into the computer with a scanner wand at each work location. This recorded the folder's location and created a record of the location of each file within the system.

Similarly, 'management science' techniques have wide applications in government (Downs and Larkey, 1986). These techniques involve mathematical models or other highly structured procedures for decision making about design of work flows and queuing processes. Over the years, discussions of such techniques emphasize the greater difficulty of achieving successful applications in government because of such factors as vague performance criteria and political interventions (Drake, 1972; Morse and Bacon, 1967). For many technical areas of government work, however, these techniques have applications that are just as useful as those in industry. Some have led to prize-winning, highly successful applications (Bell, 2003). These include a Yale University professor's development of the diagnostic related groups (DRGs) that provide product definitions for the output of hospitals. In 1983, Medicare adopted DRGs that by 1990 saved more than $50 billion in Medicare hospital payments. The HASTUS bus crew scheduling system is now used in 200 cities around the world. Other highly successful applications have enhanced needle exchange programs used in drug addiction programs, organizing and scheduling of military aircraft operations such as refuelings, and a system for controlling traffic flows on expressways in Japan.

Many of the proposals for improving government operations over the past several decades advocated approaches that involve elements of rational decision making (Downs and Larkey, 1986). Lyndon Johnson issued a presidential directive ordering that the planning and program budgeting system (PPBS) be implemented in the budgeting processes of federal agencies. PPBS involves a systematic process of organizing budget requests according to major programs, with the plans and objectives for those programs specified and justified. The Department of Defense had used the system with some success prior to President Johnson's order. Problems in implementing PPBS more widely led to the order's cancellation a few years later, however.

When Jimmy Carter campaigned for president, he proposed the use of zero-based budgeting (ZBB) techniques as a way of exerting greater control over federal spending. This technique involves looking at the requests for funding of various activities as if their funding levels were zero. The idea is to force a very systematic, rational review of major commitments and possible reallocations rather than simply taking existing programs for granted. The procedure never came into use in any significant way.

Others have proposed that the public sector can use management by objectives (MBO) techniques as well as the private sector does (Rodgers and Hunter, 1992). These techniques involve careful negotiation and specification of primary objectives for individuals and units, with performance evaluations concentrating on whether those objectives have been achieved (Swiss, 1991). The Government Performance and Results Act of 1993 is still in effect, and requires federal agencies to produce strategic plans and performance plans stating their objectives, with reports on their success in accomplishing the objectives. As with the techniques discussed previously, debate goes on over prospects for such a systematic and explicit technique in public organizations (Moynihan, 2008).

Where conditions are conducive to such techniques, highly 'rational' decision processes can clearly succeed in the public sector. Under some circumstances, however, such as broad implementation of budgeting and planning programs, the public sector conditions of diffuse goals, political complications, and highly complex programs often overwhelm such highly rationalized procedures.

Rationality assumptions and the behaviors of public managers and officials. Another role that the concept of rationality has played in analyzing public organizations revolves around its use to interpret the behavior of public managers and other government officials. 'Public choice' economists have developed a body of theory using approaches typical in economics to analyze how citizens and officials make political decisions. They argue, for example, that in political just as in economic contexts, individuals rationally maximize utility. Voters vote in their own self-interest, and political officials in essence try to buy votes by providing the government programs and services voters want. Since no market process ensures that one has to pay directly for the goods and services one receives, groups of voters use the political system to benefit themselves at the expense of others. They demand that their elected officials give them services and subsidies that they need, sometimes shifting much of the burden of paying for them to other voters. When these theorists turn to the public bureaucracy, they suggest similar problems. In some of the most prominent, widely cited academic works on public bureaucracies, they suggest that government organizations strive for ever greater budgets (Niskanen, 1971) and tend toward rigidity (Downs, 1967) and information distortion (Tullock, 1965). Evidence about these assertions has accumulated, and some of it supports them but some also indicates that they are oversimplified and, as depictions of many 'bureaucrats' and public bureaucracies, are simply inaccurate (Blais and Dion, 1991; Bendor and Moe, 1985).

The limits of rationality and public sector decision making. To understand research on decision making in public organizations described below, one needs to be aware of ideas about the limits of rationality advanced by Herbert Simon (1948) and others. In one of the genuinely influential insights in the history of the social sciences, Simon emphasized constraints on managers' ability to follow highly rational procedures, especially in complex decision-making settings (see also Jones, 1999). Simon argued that for large-scale, complex decisions, the deluge of information and uncertainty overloads decision makers' cognitive capacity to process it. Decision makers strive for rationality – they are intendedly rational. Cognitive limits, uncertainties, and time limits, however, cause them to decide under conditions of 'bounded rationality'. They do not maximize in accordance with rationality assumptions; they 'satisfice'. They undertake a limited search among alternatives

and choose the most satisfactory of them after as much consideration as they can manage within the constraints imposed by their situation. Cyert and March (1963) studied business firms and found that they approached major decisions largely as Simon had suggested. Rather than making decisions in highly rational modes, managers in the firms followed satisficing approaches. They engaged in 'problemistic searches' – that is, they started searching for alternatives and solutions in relation to problems that came up rather than in a systematic, explicitly goal-oriented way. They also engaged in 'sequential attention to alternatives', turning from possibility to possibility, looking at one alternative until they saw some problem with it and then turning to another. They tended to use benchmarks and rules of thumb rather than a careful explication of goals and a strategy for maximizing them.

While Cyert and March found support for Simon's conception of bounded rationality in business firms, we will see below that some evidence indicates that such conditions more often pertain in government organizations. The discussion above about the distinctive contexts and characteristics of public organizations provides numerous explanations for why this should be the case.

Contingency perspectives on decision making. In significant part because of Simon's and his colleagues' insights and research, current views of management typically follow this pattern of regarding highly rational approaches to decision making as applicable where the tasks and the operating context afford stable, clear conditions. As conditions become more complex and dynamic, however, high volumes of information and uncertain conditions overwhelm highly explicit statements of goals and painstaking analysis of numerous alternatives. James Thompson (1967; Daft, 2007: 426) suggested a contingency framework to express these variations. Decision-making contexts vary along two major dimensions: the degree to which the decision makers agree on goals, and the degree to which they understand means–ends or cause–effect relationships – that is, the degree to which they have well-developed technical knowledge about how to solve the problems and accomplish the tasks. Where both goal agreement and technical knowledge are high, very rational procedures apply. The Internal Revenue Service deals each year with the problem of receiving a flood of tax returns and extracting and sorting them correctly. State departments of motor vehicles and the US Social Security Administration process many routine applications and claims every day. In decisions about activities such as these, management science techniques and other forms of highly rationalized analysis have valuable applications (as long as they are properly implemented, in a humane and communicative fashion). At the other end of the scale, where decision makers have no clear consensus on goals and little clarity as to the technical means of achieving them, one can hardly follow a simple blueprint. Managers engage in more 'satisficing' behaviors, such as bargaining and political maneuvering and more intuitive, judgmental decision making. As noted above, evidence reviewed below suggests that such conditions occur more often in the public sector as compared to the private sector.

Additional alternatives for contingency theories: Prospect and poliheuristic theories. Some additional theoretical perspectives have been developed and applied largely in analyses of foreign policy decision making. They represent, however, interesting alternatives for analysis of decisions in public organizations more generally. These perspectives include Prospect Theory (PT), Poliheuristic Theory (PH), and considerations of issue type and salience, and of external context and constraints.

As do other contingency theories, Prospect Theory (PT) also assumes that decision makers have cognitive limitations that play an essential role in decision-making process. Kahneman and Tversky (1979) proposed PT as an alternative to expected utility theory for understanding risky decision making. Expected utility theory holds that decision makers maximize expected value; PT rejects this assumption of maximization and contends that decision makers exhibit suboptimal behavior. PT holds that people frame a problem around a reference point rather than in terms of the net gains. Usually, the reference point is the status quo, around which people frame losses and gains. PT also holds that people tend to overemphasize losses in relation to gains (framing effects); when faced with loss, people tend to accept risk to avoid the loss, but when in pursuit of gains, people tend to be risk-averse (Levy, 1992; 1994; 1996; 1997). For example, an attempt at persuasion will tend to have a stronger influence on a decision if it is framed in terms of avoiding a loss than it would if framed as offering the chance of a gain (Farnham, 1994: 3). In both cases, with losses and gains, the decision maker leaves the status quo (or reference point); however, the consequences of doing so vary. This occurs because the disadvantages of leaving the status quo due to a loss outweigh the advantages of leaving the status quo due to a gain (Levy, 1992: 284).

Although PT has been applied to questions about deterrence, crisis stability, bargaining behavior, military action, and diplomatic disputes, it has potential explanatory power for analysis of public managers' decisions about possible losses of budget, reputation, credibility, a program, and/or human resources. The idea is that leaders/managers behave differently when they are bargaining over gains than when they are bargaining over losses. PT's theoretical underpinnings – framing effects and risk acceptance to avoid loss – have been assessed in case studies and experimental analyses.

Despite its wide applicability, critics contend that PT suffers from conceptual and methodological problems. According to Levy (1992: 292–295), PT exhibits problems such as the following: (1) Research on PT often relies on experimental analysis, and this leads to research designs that present decision makers with highly structured choice conditions instead of the highly unstructured conditions of real world decisions. (2) Experimental analyses assign a concrete value and probability to each alternative. In real world decisions, however, values and probabilities are uncertain, making difficult the comparison of alternatives. (3) While in experimental analysis conditions are usually static, in real life conditions continuously change along multiple dimensions. Finally, in order to test how framing influences behavior, PT needs to rule out that the forces determining reference points also influence risky behavior (Levy, 1992: 292–295). Despite these methodological and analytical problems, PT offers an alternative for understanding the process of risky decisions in the public sector.

Like prospect theory, poliheuristic theory (PH) also explains decision making by assuming that it employs both screening processes and more rational processes. In the work of Mintz (1993), subsequently extended by Mintz *et al.* (1997), Mintz and Geva (1997), Reed (2003), and Brule (2005) among others, PH focuses on development of alternatives and choice. The term *poliheuristic* combines the prefix *poly*, which connotes both 'many' and the 'political' nature of decision making, and the word *heurisitic*, which denotes 'shortcuts' (Mintz and Geva, 1997: 82, 84). The PH assumes that the decision-making process consists of two stages. In the first one, the decision maker cognitively screens the alternatives to discard some of them, thus simplifying the decision matrix. Left with fewer choices, the decision maker compares the alternatives' expected utility to make a more rational decision (Mintz, 1993; Mintz and Geva, 1997; Reed, 2003).

In doing so, the decision maker performs five sequential processes (Mintz, 1993; 2004; Mintz and Geva, 1997; Reed, 2003; Stern, 2004). (1) Initially, decision makers employ a 'nonholistic search' by using a 'heuristic decision rule' rather than a full comparison of alternatives. (2) Because decision makers favor certain dimensions over others, they conduct 'dimension-based processing' to discard those alternatives that fail to meet their minimum requirements on key dimension(s). (3) Decision makers follow a 'noncompensatory decision rule', that is, an alternative's high ranking on an irrelevant dimension(s) does not compensate for its failure to fulfill the requirements on key dimension(s). Usually, the noncompensatory principle is to avoid political loss, that is, the political dimension. (4) The decision maker adopts a 'satisfying behavior', stopping the search when an alternative satisfies them. Finally, (5) the above process is characterized by an 'order-sensitive search' because decisions are sensitive to the order and the manner in which the alternatives are presented (Mintz, 1993; 2005; Mintz and Geva, 1997; Reed, 2003; Stern, 2004).

In addition to its extensive application in foreign policy decision making, PH has been applied to state and local decisions (Christensen and Marlowe, 2004), national security decisions, foreign economic decisions, as well as domestic decisions (Astorino-Courtois and Trusty, 2000; DeRouen, 2003; Sathasivam, 2003). PH research has employed a variety of methodologies ranging from case studies (Mintz, 1993), large-N comparative studies (DeRouen and Sprecher, 2004), and experimental analysis (Mintz and Geva, 1997).

PH also receives criticism. Stern (2004), for example, highlights its failure to explain how problems are detected, when problems are framed in term of gains and losses. He also points out that PH neglects consideration of the impact of contextual and institutional variables on the elimination of alternatives. Stern (2004) further objects to its overemphasis on the constraining role of domestic political factors, such as political support. Hence, for Stern (2004) domestic factors act as moderators rather than inhibitors. Finally, the PH neglects the role of transformational leaders, as they can change constraints into opportunities (Stern, 2004; 110–111).

The criticisms of PH should not discourage public sector scholars from testing its propositions when analyzing policymaking process. The idea of a two-stage process and the claims of a noncompensatory dimension are among many factors that merit more research in explaining decision making.

Other Factors Influencing Public Decision-Making

Issue type/salience

The debate on whether issue type influences decision making has received attention in foreign policy decision making. As Mansbach and Vasquez (1981) state: 'behavior [or decisions] in world politics may vary significantly according to the issues under contention' (p. 874). Gochman and Leng (1983) articulate issue type to explain decision making in managing conflict behavior. They divide issues into two categories – vital and not vital. The idea is that when facing vital interests (such as preservation of, and control over, one's own territory in the face of a serious threat), decision makers are more likely to choose militarized actions than when facing interests that are not vital (such as minor economic issues). This contention is equally supported by Hensel and Diehl (1994) and Bennett (1996) who explain nonmilitarized and long-lasting disputes as a function, among other factors, of issue salience.

The centrality of issue type, however, extends beyond being vital or not vital. For example, Rosenau (1966) developed an alternative issue typology, classifying it into tangible and intangible. The rationale is that unlike intangible issues, tangible issues facilitate cooperation because they are divisible (Rosenau, 1966; Vasquez, 1983). This issue type discussion suggests that decision making can be influenced by the salience and/or nature of the issue. Yet, the decision-making literature for the most part ignores the role of issue type in explaining choice. Public managers, for example, might choose differently when facing budget allocations (highly salient and tangible/divisible) than when facing allocation of responsibilities (low salience and intangible/indivisible).

Context: Environmental/external constraints

Like issue type, external contexts can influence decision making. The influence of the environment in which an organization operates on managers' decisions has been analyzed by scholarship on organizational performance in the public (Boyne, 1996) and private sectors (Bourgeois, 1984; Capon *et al.*, 1990; Hansen and Wernerfelt, 1989; Hrebiniak and Joyce, 1985; Lenz, 1981; Pettigrew, 1987). These works study the effects of external constraints on leaders' decision making. According to Boyne and his colleagues (2001), 'theories that emphasize the importance of external constrains imply that "force of circumstances" leaves managers with limited room for manoeuvre' (Boyne, 2001: 859–860; see also Andrews *et al.*, 2005). Consequently, given the external constraints, leaders are left with limited choices because organizations are swept along by events that are beyond their control. Some analysts do not accept this limiting role of constraints, however. Hambrinck and Finkelstein (1987) for example, propose a voluntaristic view that suggests that organizational leaders can make qualified decision making in their response to external events, as they continue having substantial discretion.

Nevertheless, there exists considerable support for the constraints–choice relationship (Hrebiniak and Joyce, 1985; Pettigrew, 1987). Some studies of English local governments indicate that constraints have an impact on inter-localities' variations in expenditure decisions (Danziger, 1978; Sharpe and Newton, 1984; Barnett *et al.*, 1992; Boyne et al., 2001) and on inter-localities' variations in public policy, too (Boyne 1996). The work of Andrews *et al.* (2005) also supports the constraint-organizational behavior relationship by suggesting that organizational performance is not only attributable to decisions made by local policymakers but also to the external constraints. They test their proposition across several English local governments demonstrating that external constraints – such as social diversity, size, and economic propensity of the population – affect localities' decisions and, in turn, their performance. Specifically, localities with diverse service needs find it more difficult to perform well, while large size and economic prosperity are conducive to high performance (Andrews e*t al.*, 2005: 653). Others, such as Hannan and Freeman (1984), argue that environmental pressure alter the organizational 'periphery' while leaving the 'core' intact. That is, external constraints affect organization's structure and processes but not its values nor strategies. Besides issue type and context, decision making also varies depending on the process employed by public managers. The next section describes some of these processes.

Decision-Making Processes in Public Organizations

Incremental decision-making processes in public management and public policy

Probably because of the higher frequency of bounded rationality conditions in government, political scientists have debated whether government decision-making processes follow an incremental pattern. This perspective on public sector decisions has features similar to those of the bounded rationality perspective and has similar intellectual origins. Incrementalism in decision making means concentrating on increments to existing circumstances, or relatively limited changes from existing conditions. Those who contend that the policymaking process has this characteristic argue that major changes to federal budget categories seldom receive much consideration. Instead, the officials formulating the budget concentrate on the limited increments, up and down, proposed in any given year. Policymakers restrict the size of the changes that they propose. The bigger the change, the more opposition it stirs up and the more complex the task of analyzing the change. Political scientists have debated whether incrementalism accurately characterizes the policymaking and budgeting processes. In addition, they debate its desirability. Some argue that incremental processes stimulate useful bargaining among active political groups and officials and guard against ill-considered radical changes. Others complain that they make the policymaking and budgeting processes too conservative and shortsighted and too supportive of existing coalitions and policies.

The debate became mired in difficulties about what is meant by an increment – how large a change has to be to be large. It has led to the conclusion, however, that policy and budgetary changes tend to be incremental but are not always. Fairly drastic cuts in some portions of the federal budget during the Reagan administration, along with fairly sharp increases in military spending, illustrate that however one identifies an increment, cuts or increases can greatly affect public managers and their agencies (Rubin, 1985). More generally, however, the decision-making processes of public organizations play out within these larger incremental policy-making processes. Policy changes that agencies initiate or that influence them involve a complex interplay of political actors tugging and hauling over any significant change.

In fact, these aspects of the governmental context led to prescriptions for using incremental approaches as the most feasible alternative. In a classic contribution to the literature on public administration and policy, Charles Lindblom's article 'The Science of Muddling Through' (1959; 1979) expressed this perspective. He contended that the requirement for political compromise results in vague goals for public policies and programs. Public administrators carrying out such policies must maintain political support through public participation and consensus building. They have to remain accountable to elected officials, who usually have less experience than they do. As a result, stated goals and ends for policies provide little clarity, and means become inseparable from ends. Administrators find it difficult or politically unacceptable to state a precise societal impact for which a program aims. They must identify a package of means and ends that can achieve political consensus and support. Far-reaching, original procedures and goals evoke strong opposition and usually must be modified if support is to be maintained. In addition, the need for political support often outweighs such criteria as efficiency and substantive impact. Thus, in formulating their packages of means and ends, administrators must strive for satisfactory decisions – that is, they must satisfice – after examining a relatively limited set of alternatives. Often they rely heavily on past practice. A good deal of intelligence may enter the decision-making process through the involvement of many groups, experts, and officials. Generally, however, the approach involves avoiding major departures and concentrating on relatively limited, politically feasible steps. Some critics worry about the implications of such an approach (Rosenbloom, Kravchuck, and Rosenbloom, 2001). It can lead to unduly conservative decisions and it can favor politically influential groups over disadvantaged and less organized groups.

An incremental model of decision-making processes within organizations. Political scientists usually apply the concept of incrementalism to the process of creating public policy. Mintzberg, Raisinghani, and Theoret (1976), on the other hand, studied 25 major decisions in organizations and formulated an incremental model of decision-making processes within organizations. Their study provides a framework for a comparison of business managers' decisions to those of public and nonprofit managers, described in the next paragraph below. The model depicts decisions as involving numerous small, incremental steps, moving through certain general phases. 'Decision interrupts' can occur at any of the stages, causing the process to cycle back to an earlier point. The identification phase involves recognizing and diagnosing the problem. Then, in the development phase, a search process identifies alternatives, followed by the design of a particular solution. Finally, in the selection phase, the solution is evaluated, and the organization makes a formal commitment to the decision. This process seldom flows smoothly. Decision interrupts make the decision-making process choppy and cyclical. An internal interruption may block diagnosis of a problem. Even when a solution has been designed, a new option may pop up and throw the process back. For example, a new executive may come in and refuse to authorize a decision that is otherwise ready for implementation. An external interruption such as a government mandate may cause higher executives to push a proposal back for further development.

This incremental decision-making model has been used in research comparing private managers with managers from public and nonprofit organizations. Schwenk (1990) used it to analyze the managers' perceptions about decision processes in their organizations. He found that compared to the private business managers, public and nonprofit managers reported more interruptions, recycling to earlier phases, and conflicts in the decision processes in their organizations. This finding is consistent with other studies of decision making (e.g. Hickson *et al.*, 1986) that have found that executive-level decisions in government organizations are more 'public'. More different authorities (chief executives, legislators) and interests (e.g. advocacy groups) can influence the decision process. Legal and institutional constraints influence the process. For example, laws sometimes mandate the participation of interest and advocacy groups in the decision process. The political appointment process provides chief executives with authority to appoint top executives in many government agencies. These executives tend to have shorter tenure in office than business executives. This calls to mind Mintzberg *et al.*'s (1976) example of a new top executive taking charge, as a source of decision interrupts.

Mixed scanning

The value of rational decision processes in some conditions, but their inapplicability in others, creates an obvious tension. So does the trade-off between incrementalism, and more approaches that are more rational in the sense of setting and pursuing long-term, broadly strategic goals. Etzioni (1967; 1986) proposed an approach aimed at reaching a balance between incremenatalism and long-term, large-scale goal setting. He argued that administrators and other officials make both decisions that have large-scale, long-term implications and decisions of more limited scope. The latter often follow major directions already selected by the former. Etzioni suggested that decision makers strive, through 'mixed scanning', to recognize the points at which they concentrate on broader, longer range alternatives and those at which they focus on more specific, incremental decisions that are a part of larger directions. Decision makers need to mix both perspectives, taking the time to conduct broad considerations of many major issues and alternatives to prevent the shortsightedness of incrementalism. Yet such broad scans cannot involve all the comprehensive analysis required by highly rational models; thus more intensive analysis must follow on decisions within areas of pressing need.

The garbage can model

The tendency to regard major organizational decisions as complex and dynamic rather than smoothly rational now dominates the management literature, as reflected by the garbage can model, among other ways. The garbage can metaphor comes from the observation that decisions in organizations have a diverse array of material cast into them in a disorderly fashion. As noted above, James March participated in research validating Simon's observations about bounded rationality (Cyert and March, 1963). March and his colleagues also observed that organizational decisions involve more internal political activity than generally supposed, with extensive bargaining and conflict among coalitions (March, 1962).

These observations evolved into the garbage can model. It holds that in organizational decision making, participation, preferences, and technology (know-how, techniques, equipment) are ambiguous, uncertain, and rapidly changing. These conditions occur especially in 'loosely coupled' organizations such as universitites and government agencies (Weick, 1979; March and Olsen, 1986). The members and units have loose connections with one another. It is often unclear who has the authority over decisions. People may loosely engage even with very important issues, because other matters preoccupy them. People come and go in decision-making settings such as committees. Problems and potential solutions come and go as well, as conditions change. Choice opportunities also come up – a committee may look for decisions to make, or a manager may look for work to do. A solution may go looking for a problem: a promising alternative may become available that virtually begs for some type of application, or a person or group may have a pet technique that they want to find a way to use. Problems, participants, solutions, and choice opportunities flow along in time relatively independently of one another.

Decision making occurs when the right problem arises, when the right decision-making participants are receptive to an available solution, all coming together in a choice opportunity. The linkages between these elements are more temporal than consequential; that is, they result as much from coincidence as from rational calculation (March and Olsen, 1986).

March and Olsen (1986) stress that they intend the model not as a replacement for other perspectives on decision making but as a supplement to them. They do not rule out rational approaches in certain instances. They point out that the model does not imply that all decisions involve unavoidable chaos. Leaders with a firm sense of mission and other factors can guide decisions in systematic ways.

The proponents of the model do not state clearly where and when it applies. Early in their theoretical work, they suggested (without explaining) that the model applies mainly to public and educational organizations (March and Olsen, 1976; Cohen, March, and Olsen, 1972). Most of the applications have concentrated on educational and military organizations and courts. Yet at times they also suggest that it applies to business firms and to all organizations (March and Olsen, 1986: 12). Critics have attacked the model for remaining too metaphorical, imprecise, and internally contradictory (Bendor, Moe, and Shotts, 2001), although the developers of the perspective disagree (Olsen, 2001). Still, the model has important implications for public management. As discussed below, Hickson and his colleagues (1986) found that this type of decision-making process occurs more frequently in public organizations than in private firms.

Strategic management

In some ways representing a trend countervailing the emphasis on incremental or chaotic processes in other perspectives, the topic of strategic decision making in the public sector has advanced prominently in recent decades, and government agencies at all levels engage in it (Berry and Wechsler, 1995; Bryson, 2004). In the US, the Government Performance and Results Act requires all federal agencies to publish strategic plans that specify goals and performance measures that reflect upon progress towards those goals. Many state governments have similar mandates for state government agencies. Many states governments also undertake kindred processes of specifying performance measures that involve goal-setting, or performance budgeting initiatives (see Moynihan, 2008; Melkers and Willoughby, 2005). Debates and controversies swirl around issues of how meaningful these activities are, as opposed to amounting to ceremonial exercises (Moynihan, 2008). The strategic decision-making processes do require decision making about long term goals or strategic issues, and about means for pursuing them. Hence they become important as decision processes within government agencies. The growth in interest and practice has spawned two streams of activity, one that involves the development of prescriptive frameworks to guide strategic decision making, and another that involves research on the nature and effects of strategic decision processes.

Prescriptive frameworks for strategic management. Management consultants and experts propose a variety of approaches for developing strategy (Bryson and Roering, 1996). Bryson (2004) concludes that managers can apply them in the public sector (although with several provisos, discussed below). Some of the models, such as that of the Boston Consulting Group, focus on high-level corporate decisions about the relative priority of the corporation's business activities. The Boston Consulting Group's 'portfolio model' exhorts executives to treat the mix of business units in a large corporation as if they represented stocks in an individual's portfolio of assets. Executives assess the business units in the corporation on two dimensions – market growth and size of market share. The units high on both of these dimensions are 'stars'; they should receive priority attention and reinvestment of profits. Units with small shares in slow-growing markets – low on both key dimensions – are 'dogs' and candidates for divestiture. Mixed situations provide opportunities for strategic shifting of resources. A unit with a high market share in a slowly growing market brings in a lot of money but does not have strong growth prospects. These activities should be treated as 'cash cows' and used to provide resources for units that provide growth opportunities. Units that are in a rapidly growing market but are not yet in command of a large share of it should be considered for infusions of resources from other units, especially the cash cows.

Ring (1988) applied a modified portfolio model to public sector strategy making. He used 'tractability of the problem' and 'public support' as the key dimensions. Where problems are manageable and public support is high, public managers can seek to gain resources that they can then use to deal with more difficult policy problems in settings where public support is high but the problem is very difficult to solve. Where public support and tractability are both low, public managers simply seek to shift the priority away from those problems. Similarly, Rubin (1988) suggests that strategic patterns will differ according to whether the time horizon for the policy issue is long or short and whether the policy plays out within a disruptive or an anticipated environment.

Other approaches emphasize different levels and issues (Bryson, 2004). Stakeholder management approaches, for example, analyze how key stakeholders evaluate an organization and form strategies to deal with each stakeholder. (Stakeholders include individuals or groups who have a major interest in an organization, such as unions, customers, suppliers, and regulators.) Competitive analysis approaches analyze major forces acting on an industry, such as the power of buyers and suppliers, to gain competitive advantage through such strategies as differentiating oneself from competitors (Porter, 1998). Strategic issues management focuses on identifying major issues that appear crucial to an organization's ability to achieve its objectives and deciding how a working group in the organization will respond to these issues and resolve them. (For more detail, see Bryson, 2004, and Bryson and Roering, 1996.)

Applications of strategic management in the public sector. Numerous frameworks for strategic management in the public sector are now available (Bryson, 2004; Nutt and Backoff, 1992). They tend to focus on such procedures as strategic issue management, stakeholder analysis, environmental scanning, and SWOT analysis (described below). The procedures typically begin with a planning and organizing phase. A 'strategic management group' (SMG) typically manages the process and must agree on who will be involved, how the strategic analysis will proceed, and what they expect to achieve. Usually the procedure requires a structured group process and a facilitator – a consultant skilled in helping groups make decisions. The SMG usually begins with a preliminary assessment of the history and current status of the organization to produce a general statement of the organization's mission. Bryson (2004) suggests that for public organizations, this step requires a careful review of the organization's mandates – the requirements imposed by external authorities through legislation and regulations. This review can clarify what external authorities dictate and can also provide insights about new approaches. For example, representatives of a public hospital who interpret their mandate as forbidding competition with private health services may find upon review that they have the authority to do so.

Working toward the mission statement, the SMG reviews trends in the operating environment. It may also conduct a stakeholder analysis and develop visions of how it wants the organization to be in the future. Ultimately the mission statement expresses the general purpose of the organization and its major values and commitments. Next, the SMG members conduct a SWOT analysis, in which they assess the strengths and weaknesses of the organization and look outward to the environment to identify opportunities and threats facing the organization. The SMG can choose from an array of techniques for this analysis (Nutt and Backoff, 1992). From the SWOT analysis, the SMG develops a list of strategic issues – conflicts among opposing forces or values that can affect the organization's ability to achieve a desired future (Nutt and Backoff, 1992). Then the group develops plans for managing these issues (Nutt and Backoff, 1992). A wide variety of public sector organizations have used this approach to strategic planning (Bryson, 2004; Boschken, 1988).

Analytical research on managerial strategies in the public sector. In addition to recommending procedures, researchers have studied the strategies that public organizations pursue and how their strategic decisions actually develop. Some of these studies show the effects of 'public' status on strategy. In their study of strategic decisions in 30 British organizations, Hickson and his colleagues (1986) found that strategic decision-making processes in publicly owned service and manufacturing organizations differed from those in private service and manufacturing firms. The public organizations follow a 'vortex-sporadic' decision-making process. This involves more turbulence, more shifting participation by a greater diversity of internal and external interests, more delays and interruptions, and more formal and informal interaction among participants. The type of decision made a great difference, but so did the distinction between service and manufacturing organizations. The results indicate that the public sector context does impose on strategic decision making the sorts of interventions and constraints described earlier in this chapter. The findings are consistent with other analyses of the distinctive context of strategic planning in the public sector, which observe that strategic planners in the public sector must consider a broader scope of impact and a more diverse and attentive set of stakeholders (Nutt and Backoff, 1995). Considerations of market volatility and competition that apply in the private sector need to be replaced by considerations of need for governmental action and responsiveness (Nutt and Backoff, 1995). Nutt (1999) has also identified distinctive patterns of assessing alternatives in the public sector.

Berry and Wechsler (1995) conducted a national survey of state agencies and found that even by the early 1990s the majority of agencies, about 60 %, employed strategic planning. The leaders of the agencies had initiated the process at their level rather than due to directives from a higher level such as a governor, primarily to set program and policy direction. Berry and Wechsler concluded that the evidence indicated that strategic planning was a successful public sector management innovation.

Mascarenhas (1989) studied 187 public and private offshore drilling firms in 34 countries to analyze their strategic domains (markets served, product type, customer orientation, and technology applied). The government-owned firms operated mainly in domestic markets, with narrow product lines and stable customer bases. Publicly traded private firms (those whose stock is traded on exchanges) were larger, operated in many geographical markets, and offered a wider range of products. Privately held firms were more like the state-owned firms but had less stable customer bases. The results indicate that public organizations have greater constraints on their strategic domains.

Other studies have analyzed important variations in strategy within the public sector. Wechsler and Backoff (1986) studied four state agencies in Ohio and found that they pursued four types of strategies. The Department of Natural Resources followed a developmental strategy of enhancing the capabilities, resources, and general performance of the organization. In the transformational strategy of the Department of Mental Retardation, professional experts and legal rights groups advocated deinstitutionalization of the mentally retarded – getting them out of large hospitals and into normal living conditions. The agency transformed itself from a manager of hospitals to a regulator of client services delivered through community-based programs. The Department of Public Welfare received intense criticism in the media and from legislators, so its managers followed a protective strategy. They strengthened internal controls, lowered the agency's public profile, mended relations with legislators, and worked to protect funding levels. The Public Utilities Commission, which regulates utility pricing decisions, adopted a political strategy to make agency decisions more acceptable to consumers.

The Miles and Snow typology. The Miles and Snow strategy typology is one of the widely cited and utilized classifications of business-level strategies. It is based on the idea that managers seek to formulate strategies that are congruent with the external environment that their organization confronts (Miles and Snow, 1978; Zahra and Pearce, 1990; Daft, 2007).

Described in more detail, the four orientations of the Miles and Snow typology include:

- *Prospectors*: organizations that 'continually search for market opportunities, and ... regularly experiment with potential responses to emerging environmental trends' (Miles and Snow, 1978: 29). Prospectors often stress product development, have a keen learning orientation and are strong in research, and tend to adopt flexible organizational structures (Zahra and Pearce, 1990; Boyne and Walker, 2004; Daft, 2007).
- *Defenders*: organizations that emphasize controlling secure and premium niches in their respective industries and 'seldom need to make major adjustments in their technology, structure or methods of operation ... [and] devote primary attention to improving the efficiency' of their operations (Miles and Snow, 1978: 29). They engage in little or no product development, work under centralized authority, and have little employee empowerment (Zahra and Pearce, 1990; Boyne and Walker, 2004; Daft, 2007).
- *Analyzers*: organizations that typically exhibit characteristics of both Prospectors and Defenders. They 'operate in two types of product market domains, one relatively stable, the other changing' (Miles and Snow, 1978: 29). Analyzers balance efficiency and learning, use tight cost control with flexibility and adaptability, and often have efficient production for stable product lines while yet maintaining an emphasis on research, creativity, and innovative risk-taking (Zahra and Pearce, 1990; Daft, 2007).
- *Reactors*: organizations 'in which top managers frequently perceive change and uncertainty occurring in their organizational environments, but are unable to respond effectively' (Miles and Snow, 1978: 29). Reactors have a general lack of consistent strategy and have no clearly defined organizational approach. They are generally viewed as dysfunctional (Zahra and Pearce, 1990; Daft, 2007).

Boschken (1988) found this framework useful in analyzing the strategic behaviors of port authority organizations for various cities on the West Coast. More recent

research applies the typology to public sector organizations (Boyne and Walker, 2004; Andrews, Boyne *et al.*, 2005; Meier, O'Toole *et al.*, 2007). Boyne and Walker (2004) emphasize the importance of a clearer understanding of the strategies of public service organizations and point out that expectations for more strategic focus are evident in examples such as the National Performance Review in the United States (Thompson, 2000) and the 'Modernisation Agenda' in the United Kingdom (Boyne, Kitchener, and Kirkpatrick, 2001). The purpose of their research was to develop a framework to classify strategies pursued by public organizations. They define strategy content as patterns of service provision that are selected and implemented by organizations. They posit that strategy does not need to be viewed as a 'weapon' that is used to defeat rivals in competitive struggles (Greer and Hoggett, 1999: Boyne and Walker, 2004). Boyne and Walker (2004) asserted that a framework that has applicability to public organizations will make it possible to identify and measure their strategy content. As a dependent variable, their classification scheme could be used to understand why particular strategies are adopted, and as an independent variable it can be used in models of organizational performance. They then asserted that the Miles and Snow (1978) typology corresponded closely with their concept of strategic 'stance', although Boyne and Walker's typology of strategic stance includes only Prospectors, Defenders, and Reactors (Boyne and Walker, 2004). Boyne and Walker did not attempt to place public organizations exclusively into one of those categories, but rather their expectation was that public organizations would pursue a mixture of those strategies and that the mix would change over time as agencies confront new opportunities and challenges. They believe that their criteria are not mutually exclusive, but that they are exhaustive (Boyne and Walker, 2004).

Boyne and Walker joined with other colleagues in additional research wherein they applied the Miles and Snow (1978) typology in other research situations (Andrews, Boyne *et al.*, 2005; Andrews, Boyne and Walker, 2006; Walker and Boyne, 2006; Meier, O'Toole *et al.*, 2007, Andrews, Boyne *et al.*, 2008a, 2008b; Enticott and Walker, 2008). The first of these studies focused on the issue of representative bureaucracy and workforce diversity. Representative bureaucracy is likely to benefit the Prospector types and further enhance their performance (Andrews, Boyne *et al.*, 2005). Because strategies of employee involvement are central to the Prospector's achievement of higher levels of organizational performance, Prospectors are then expected to be able to take advantage of an ethnically diverse workforce that brings alternative perspectives on agency goals and strategies. The results did show that Prospector strategic stances related more positively to service performance measures than did Defender or Reactor strategies (Andrews, Boyne *et al.*, 2005).

The influence of strategic management on public organizational performance. Andrews, Boyne and Walker (2006) reported the first empirical test of the proposition that strategy content is a key determinant of organizational performance in the public sector. In the UK, every local authority reports regularly on a battery of performance measures for public service delivery, and the reports are compiled at the national level. This gave the researchers access to performance indicators. The authors posited that strategy content is comprised of strategic stance, or the extent to which organizations act consistently with categories of the Miles and Snow (1978) typology (e.g., Prospector, Defender, Reactor) and strategic action, which is related to changes in markets, services, revenues, external relations, and internal characteristics. Using a survey of English local authorities and the performance indicators, they found evidence that strategy content matters and that organizational performance is positively associated with a Prospector stance and negatively associated with a Reactor stance. This also indicates that public managers can make significant differences through decisions about the strategies they follow (Andrews, Boyne, and Walker, 2006). Additionally, Walker and Boyne (2006) used the data from this same survey to assess empirically the Labour government's public management reform program in the United Kingdom. As in the previous study, the authors find that public managers' decisions about strategies and actions can influence performance (Walker and Boyne, 2006; see also Enticott and Walker, 2008).

Meier, O'Toole *et al.* (2007) analyzed relations between the Miles and Snow strategic orientation categories and performance indicators, using a large sample of administrators of several hundred Texas school districts over a six-year period. The performance indicators included how the students in the districts scored on statewide standardized tests, dropout rates, and other measures. Unlike previous research, they found that the Defender strategy is the most effective for achieving high stakes objectives such as pass rates on the state standardized tests, which are heavily emphasized by governmental officials in the state. The Prospector and Reactor strategies work best in regard to goals of more politically powerful elements of the organization's environment (e.g. higher SAT scores for college bound students). The researchers interpreted this pattern as more variegated than previous findings showing that Prospectors outperform Defenders, and Defenders outperform Reactors. Instead, the different strategic orientations can have different advantages and disadvantages in different contexts (Meier, O'Toole *et al.*, 2007: 373).

Andrews, Boyne *et al.* (2008a, 2008b) continued this stream of research on strategy and public service performance. They examined centralization as a measure of the hierarchy and authority and the degree of participation in decision making. Again utilizing the Miles and Snow (1978) typology, they found centralization has no independent effect on service performance, even when controlling for prior performance, service expenditure, and external constraints. The strategic orientation of organizations, however, affects the impact of centralization (Andrews, Boyne *et al.*, 2008a). They also examined the separate and combined effects of specific external and internal variables that have strong effects on success in public sector organizations (Andrews, Boyne *et al.*, 2008b). The authors found that the prospecting strategy is most strongly associated with performance in service provision and that organizations that emphasize innovation and change in service provision are more likely to achieve better results. This is consistent with prior findings in both the public and private sectors.

These studies show that decisions about strategic orientation vary among public organizations, and demonstrate that such decisions about strategy play important roles in the decision making and performance in public organizations. Public managers, like private managers, engage in a variety of purposeful efforts to respond to their environment and achieve their objectives.

Conclusion

Decision making in public organizations is often quite similar to decision making in other types of organizations such as business firms, but can involve important differences. The 'generic' argument that public, private, and nonprofit organizations display fundamental commonalities has merit, but one also needs to consider various approaches to distinguishing public and private organizations, such as designating public organizations as those owned and funded by government. These public organizations have distinctive contexts and characteristics that are relevant to decision making. These include such conditions as absence of economic markets for organizational outputs, and distinctive external political and legal influences.

These differences do not make a difference for all decisions. We have described and provided examples of people in public organizations applying highly 'rational' decision procedures, especially in routine or highly structured task settings. In addition, we have described efforts to apply rational decision processes in applications like strategic budgeting initiatives such as PPBS and ZBB. Challenges encountered by those who tried this, as well as challenges to some economists who have claimed that government 'bureaucrats' rationally maximize utility in ways that lead to inefficiency, led to a discussion of the limits of rationality in government. These limits in turn point to the need for contingency theories that take into account different decision contexts. Thompson's theory, we pointed out, posits the feasibility of rational procedures when technical knowledge and goal agreement are high, but where they are not, there is a need and tendency for more satisficing, bargaining, politics, and intuitive decision making. We then reviewed research and thought on two additional theoretical perspectives that can be considered contingency perspectives, prospect theory and poliheuristic theory. In addition, research on contingencies that can influence decisions indicates that issue type and salience, and environmental and internal constraints, can exert important influences.

We then described several major perspectives on decision making in the public sector. A major debate in political science and public administration has contested the degree to which governmental decisions about budgets and policies are 'incremental'. Charles Lindblom applied incrementalist ideas in an essay on the 'science of muddling through' that came to be regarded as a classic. He said that public administrators must maintain political support for their decisions, and avoid opposition from among the many groups and authorities in the political process, by avoiding major departures and far-reaching goals. They must decide on limited means and ends that can maintain political consensus. Mintzberg and co-authors developed a very different application of the concept of incremental decisions, in a depiction of organizational decisions in all types of organizations as involving incremental phases and steps, subject to interrupts and cycling back to previous phases. Lindblom's perspective emphasizes the political forces that move the decision process towards incrementalism. That makes it interesting that a study by Schwenk found that the more generic Mintzberg *et al.* incremental model applied more to public organizations than to private firms. In the study, the government managers described decisions in their organizations as subject to more interventions and interrupts than did the business firms. We then described additional perspectives, such as mixed scanning and the garbage can model. Developers of the garbage can model posited its greater applicability to public organizations than private ones, and a study in the UK supported this observation. The study found that top decisions in public organizations, as compared to private organizational decisions, involved more open participation and influence by multiple stakeholders, leading to a process more akin to a garbage can process than in private firms.

Strategic planning has amounted to a movement in the public sector in the US, mandated by federal and state legislation and widely practiced. This has led some experts to develop guidance and procedures for conducting strategic planning, and others to conduct empirical research on it. We described procedures that are fairly typical in governmental strategic planning, and reviewed research that indicates that strategic orientation relates positively to organizational performance in public service delivery in studies in the UK.

Overall, this chapter shows that the generic perspective that sees no important differences between public, private, and nonprofit organizations, and those who believe there are significant differences, can both be right, in a sense. People in public and private organizations often make the same types of decisions in similar ways. Concepts and procedures for decision making in business firms usually apply usefully in government agencies. On the other hand, the limited supply of empirical research cited in this chapter, and the expert and scholarly observations reviewed here, indicate distinctive aspects of decision making in public organizations. Especially for higher level decisions, the conditions that come with government ownership and funding have important influences. These conditions include strong external legal and institutional constraints, more complex and hard-to-specify goals, and multiple authorities and influential groups in the political system. In this context, high level decisions tend to become more open to pluralistic participation. Decision makers must maintain political consensus, while navigating among constitutional and statutory requirements. Decision making tends toward incremental processes, subject to interventions, veto points, and interruptions. Garbage can processes are more likely to characterize the decision processes. This does not necessarily make decision making in public organizations dysfunctional and inferior to those in business. It means that they involve the challenges and virtues of being more 'public'.

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