Public Management and Performance:

A Theory of Context

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Abstract

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Recent years have seen a substantial growth in the large-N quantitative study of public management and performance. Much of the progress can be attributed to a small number of data sets on local governments in England, Denmark, the Netherlands, and the United States. The range of data sets suggests the validity of the overall hypothesis of management affecting performance, but the precise findings also vary across these and other contexts. These numerous and sometimes conflicting findings suggest that additional gains might be made through developing a theory of context and how context affects the management-performance linkage. This paper seeks to provide such a theory by incorporating such contextual variables as political context (unitary versus shared powers, single- or multiple-level, corporatist versus adversarial, with or without a formal performance appraisal system), environmental context (extent of complexity, turbulence, and also munificence; presence versus absence of social capital; extent of development), and internal context (extent of goal clarity and consistency, organizational centralization versus decentralization, and degree of professionalism). The theory presents context as a set of variables that condition the impact of management in an interactive model. The theory seeks to unify the existing findings and present a series of hypotheses for further empirical testing.
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For the past dozen years or more, a major research effort has been underway to model and estimate the effect of public management on public-organizational and public-program performance. There had been earlier, primarily case-study efforts, but the more recent set of investigations has emphasized relatively clear specifications and, where possible, large-N quantitative research. (Some examples from a much longer set include Lynn, Heinrich, and Hill 2001; Boyne and Walker 2006; Boyne et al. 2006; Walker, Boyne, and Brewer 2010; Akkerman and Torenvlied 2011; O’Toole and Meier 1999). Much progress has been made. Several aspects of management help to explain the range of performance-related results although, of course, management is not the only determinant of results. For instance, resources and task difficulty also need to be taken into account. The functional form by which management relates to performance, furthermore, still needs systematic analysis. And management is often a multi-level phenomenon, particularly in networked settings, so plenty of additional research questions cry out for detailed exploration. The present paper continues to develop the public-management-and-performance research agenda by noting an additional gap and by beginning an effort to address it: the relationship of what we might call context to the management-and-performance relationship. Our objective is to build a parsimonious theory at a relatively abstract level by focusing on some general dimensions of organizational context.

By “context” here we mean a concept more inclusive than “environment,” or “organizational environment,” as the terms are sometimes used in the fields of organization theory and management. Our notion is consistent with that of Johns, who defined context as those “situational opportunities and constraints that affect the occurrence and meaning of
organizational behavior *as well as functional relationships between variables*” (2006:386; emphasis added). As Bamberger explains, “For those seeking to explain the behavior of organizations, such situational factors may include such industry-, sector-, or economy-wide characteristics, as well as other normative and institutional structures and regimes” (Bamberger 2008: 840). The editors of the *Academy of Management Journal* pointed out a few years ago that during a one-year period that was monitored (2006-7), one quarter of the articles published in the *AMJ* were context focused (Bamberger 2008). We seek to bring the systematic study of context into theories of public management research, and especially those theories seeking to explain the relationship between management and performance.

As is common in public management research, and often in social science more generally, theoretical and empirical scholarship has aimed toward general knowledge of causal relationships, but the actual efforts at validation typically avoid or ignore many aspects of contextual variation. Among the results of this limitation is an eschewing by some of the very goal of general theory in favor of qualitative and sometimes interpretive work which is not likely to cumulate (see, for instance, Denhardt and White 1982, wherein the authors argue that an “interpretive purpose would be served by explicating the meaning social actors bring to organizational situations” (p. 168)). A second result among those who maintain the objective of general theory is to fall back on subjective managerial assessments of their organizations’ performance, so as to enable comparisons to be made, even though different programmatic and organizational settings may be situated in quite different contexts. A systematic assessment indicates that this option is not a productive one, and it is likely to lead to misleading and invalid results (Meier and O’Toole 2013a; 2013b).
A third result is that validation efforts are often restricted to contextually similar settings, thus effectively physically controlling for the set of variables encapsulated by context. Much can be learned through this approach, we believe, and so examinations of management and performance across – for instance – English local governments, or Danish or Dutch primary education, or New York City public schools, or U.S. hospitals or nursing homes are welcome. But each set of studies within each type of management system necessarily screens out possible contextual variation on a whole set of dimensions. The result is clusters of interesting findings within each set of empirically similar settings. Still, two issues arise. First, generalizing from, for instance, Danish public education to the world of public management raises real concerns regarding external validity. And second, comparing the sets of empirical findings across very different contexts can show precise findings to differ in contextually different analyses, and can even disclose inconsistencies and puzzles if one tries to aggregate the results.

For these reasons the field could use a theory of context regarding management and performance – a theoretical explanation for how and why various aspects of context might predictably and systematically modify the relationship between management and performance. If this argument is correct, the development of such a theory can permit the accumulation of systematic findings across national, policy-sectoral, and other contextually varying settings and, therefore, get us closer to the goal of a general theory of public management and performance.

We do not mean to radically simplify. Various aspects of management seem to be important, and context may mediate their relationships to performance in differing ways. Similarly, “performance” is typically a complex notion, and virtually all public organizations are tasked with multiple goals. How context might affect the management-and-performance
relationship might vary with different aspects of performance and also in terms of distributional consequences across various stakeholders. Additional performance criteria are also worth investigating (Boyne 2003).

One effort in this direction (Meier and O’Toole 2011) developed a set of theoretical ideas on how the authors’ own general model of management and performance might vary as between public versus private sectors. Certainly, building this line of theory is well within the developed traditions of the field of public management, since – unlike with generic management scholars – most of those within public management would agree with Wallace Sayre’s well-known aphorism that the public and private sectors are alike “in all unimportant respects” (Sayre 1958). That recent study hypothesized how the managerial influences on performance might vary predictably by sector. That analysis began by making a set of assumptions supported by the literature and then sketched several hypotheses.

In the current paper we identify several other dimensions that we think are worth including in a broader theory of context. For each we sketch some hypotheses and, for certain ones, note findings or theoretical arguments that might tentatively support such ideas. We do no systematic testing here, however. Building and validating a theory of context is likely to be a long-term enterprise, and one in which many researchers and many studies can contribute.

Our approach is as follows. First, we outline our general, abstract notion of how one

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1Indeed, context might affect other relationships as well, including the role of organization structure, incentives, culture, and other variables, and how they relate to each other as well as to performance. To avoid incorporating mind-numbing and likely unproductive complexity regarding this last set of relationships, nonetheless, we focus in this analysis only on how several aspects of context can be expected to influence directly the management-and-performance link.
might think about context affecting the relationship between management and performance. We then proceed to identify several dimensions or aspects of context and consider briefly how each aspect might shape the management-and-performance relationship. Finally we suggest a check list of contextual factors that could be used to characterize studies in the interest of an improved theory of context.

The Logic of Context

The logic of considering context relative to the impact of management on public organizational performance is that context conditions the relationship between management and performance. To begin with a simplified model linking management to organizational outcomes, we have:

\[ O_t = \beta_1 M + \beta_2 C + \beta_3 X + \epsilon \quad [1] \]

where \( O \) is a measure of organizational performance (outputs and/or outcomes) at time \( t \)

\( M \) is a vector of managerial actions,\(^2\)

\( C \) is a vector representing organizational context,

\( X \) is a set of control variables,

\( \beta_1, \beta_2, \beta_3 \) are estimable parameters,

and \( \epsilon \) is an error term.

The logic of context, however, is not that it is merely a linear additive term in management, but rather that it interacts with management and makes certain variables more important in some

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\(^2\) Virtually the entire literature on management, both public and private, indicates that many managerial actions can be consequential. To keep the present logic to its core argument, we omit for the moment any specifics about what comprises the vector of relevant managerial actions. Later in the paper we offer some possibilities.
contexts and less in important in others. In short, the logic of context requires estimating an interactive model as follows:

\[ O_t = \beta_1 M + \beta_2 C + \beta_3 X + \beta_4 MC + \varepsilon \] [2]

The logic of context, however, is not just that the fourth term in the model is statistically significant (\( \beta_4 \neq 0 \)), but that a given context fundamentally changes the relationship between management and performance. If one rearranges the terms in the model and then isolates on the terms indicating the impact of management, we get:

\[ O_t = M(\beta_1 + \beta_4 C) + \beta_2 C + \beta_3 X + \varepsilon \] [3]

The slope estimate for management in this equation, thus, is (\( \beta_1 + \beta_4 C \)) which indicates that the impact of management on performance will vary depending on the value of the context vector.

As an illustration, in an organization that is a traditional hierarchy, one might suspect that networking by managers would be less valuable than the same networking might be within a structure that was organized as a fluid network (O’Toole 1997). The impact of the second term in the slope (\( \beta_4 C \)), for example, could increase the impact of management, could decrease it to zero, or even reverse the sign so that management strategies that are effective in one context might be completely dysfunctional in other contexts.

The model in equation 2 can be implemented only if the organizations being examined vary in context, since it assumes that context is a variable. Most public organization data sets, however, have little variation in context simply because the need for valid, comparable output or outcome data requires that organizations perform similar functions.3 So while English local

3One possible solution to this problem might be to rely on perceptual data. Although using managers’ perceptions of performance is severely limited by the problems of common source bias (see Meier and O’Toole 2013a, 2013b), client evaluations of performance and expert
governments or Texas schools vary somewhat on contextual variables, their variation pales when one compares them to Korean Quasi-governments or Columbian local governments. The solution is to treat context in such cases as a qualitative variable; or what some scholars might term justifying the case study being examined. What are the characteristics of English local governments in terms of structure, political environments, and other contextual factors that might be relevant? By clearly specifying the context of studies along dimensions specified in this article, we think substantial progress – and the first step in building a theory of how context affects the relationship between management and public organizational performance – can be made.

The second step in building an empirical literature on context and public management is to apply existing theories of public management in as many different contexts as possible. A modest level of education, for example, can be translated into competitive advantages in performance in a developing country such as Columbia (see Avelleñada 2009), but does not appear to matter in Danish schools (Andersen and Winter 2011). The accumulation of these studies in widely varying contexts and with specific delineation of the context will provide the building blocks that scholars can then use to understand how context conditions the impact of management on performance. No one study can be definitive, but each study can add some information that is relevant to the theory of management and context. As empirical studies accumulate, additional theorizing will be necessary to refine the theory to retain its ability to generalize.

**Toward a Theory of Context**

evaluations of performance might be promising areas to examine context.
In this main section of the paper we outline several dimensions of context and sketch a set of expectations in three areas – political context, the organizational environment, and factors internal to the organization. The political context focuses on the concentration of political power and considers the separation of powers, federalism, corporatist versus adversarial processes, and performance appraisal. The organizational environment discussion adds social capital and development to the traditional trio of complexity, turbulence, and munificence. The internal dimension includes goals, hierarchy, and professionalization.

**Political Context: The Concentration of Power**

The starting point for a theory of context and public management is the political context, simply because public organizations are expected to be responsive to demands of political sovereigns. The variation in political contexts across the world is extensive, and no delineation of this aspect of context, let alone how this context might affect public management, can be complete. Rather, the political context must be treated in broad-brush strokes to focus on a few key variables that are logically linked to public organizations. We think the most promising aspect of political context to focus on is power, and whether political power in a country is concentrated or dispersed. This view is greatly influenced by the seminal work of Norton Long (1949, 1952) who declared that “power is the lifeblood of administration.” It also links into the contemporary political science concern in comparative politics with veto points (Tsebelis 2002); in simplified terms a veto point is “an individual or collective actor whose agreement is necessary for a change of the status quo” (Tsebelis 1999, 593) and is generally applied to political institutions with formal authority. Some political systems concentrate political power, while others disperse it with multiple veto players and the resulting checks and balances.
Political power can be fragmented either in formal structures or via rule-governed processes. Formal structures of fragmentation include the separation of powers and federalism. A separation of powers system disperses power among political institutions, thereby allowing each to act as a veto point in some or all circumstances (e.g., the United States), while a unitary political system concentrates power in a single political institution (e.g., the United Kingdom\(^4\)). Power can be further dispersed via a federal system whereby autonomous or semiautonomous regional or local governments have independent authority. Separation of powers and federalism are formal structures, and political power can also be concentrated or dispersed by rules that establish governing processes. A clear distinction can be made between corporatist political systems (Esping-Andersen 1990) and more adversarial political systems (often termed liberal political systems). The former rely on consensus and establish processes that focus on inclusion of all relevant interests and a consensual decision process that binds all participants, the latter do not consciously seek to be inclusive and create a variety of political fora with no decision considered final – as in binding on all participants.

This brief discussion does not do justice to the bewildering array of political systems, but rather it serves in general to note that some political systems are consensual and concentrate political power, while others are adversarial and fragment political power. In the former political systems, public managers face a political consensus about the bureaucracy and its programs, whereas in the latter, public managers need to become political actors and seek to forge a coalition that supports agency actions (Long 1949).

\(^4\)One might also consider the difference between majoritarian and coalitional political systems in terms of concentrating power.
Variations in the political context or in the concentration of political power can have two influences on the impact of management on organizational performance. First, it can change the mix of managerial activities that are likely to pay off – that is, it enhances some management skills and devalues others. Second, it can increase or decrease how much management itself matters in affecting performance.

Fragmented and adversarial political systems, as Long so eloquently noted, require that public managers take on the political task of building consensus for the agencies’ programs and policies. In a system with concentrated political support, decisions by the political sovereigns resolve issues of policy direction and the allocation of resources, thus allowing public managers to focus on managing the internal operations of the bureaucracy. This means that public managers in the dispersed context must devote more attention to managing in the environment than do managers in consensual systems. This set of considerations leads to the first hypothesis:

H1. Managing outward (in the environment) will be more in evidence and have more impact on performance in political contexts that disperse power.5

5Here we introduce a distinct aspect of the thus-far-undifferentiated notion of management: management outward. While scholars do not fully agree on the various aspects of management that carry performance-related implications, one frequently distinguished aspect is this externally oriented portion of management. For instance, Moore (1995) distinguishes among managing upward, downward, and outward. Lynn, Heinrich, and Hill (2001) do not explicitly identify a management effort outward but, instead, treat management as a production and interior-focused influence; however, they do incorporate a set of political and environmental variables into their reduced form model of governance. They therefore may be seen to imply that management sometimes deals with such influences. O’Toole and Meier (1999) distinguish externally oriented (M2) from internally focused (M1) managerial efforts. They further distinguish external managerial efforts to exploit or tap external forces (M3) from external managerial efforts to protect or buffer the organization from external forces or perturbations (M4). We believe it is useful to distinguish in some fashion the external from the internal management functions, but using this distinction does not necessarily bind one to any particular formulation.
Relatively little evidence on these points is available as of yet. However, it might be noted that managerial networking outward is frequently related to substantively important performance improvements in dispersed political contexts like public education (Meier and O’Toole 2003) and law enforcement (Nicholson-Crotty and O’Toole 2004) in the United States, whereas networking seems less important in English local authorities, with a unitary system but a moderate amount of political dispersion (Andrews et al. 2010), and seems to be relatively unimportant in more concentrated and corporatist political contexts like Denmark (O’Toole and Pedersen 2011).

The requirement that managers focus more on the environment and actually perform what is a political function of building support (or, bluntly, making policy) means not only that managers in politically dispersed contexts face both a more daunting task but also that their role in program performance is likely to be greater. By this we do not mean that managers in politically dispersed contexts are more likely to succeed and have successful programs, only that their activities will account for more variance in terms of program success or failure. Given the nature of the tasks, in fact, we should expect that managers in politically dispersed contexts would overall oversee less successful programs.

H2. Management will have a greater impact on program performance in political contexts that disperse power.

H3. The dispersal of political power will reduce the likelihood of program success and the marginal impact of any managerial action is likely to be lower.⁶

⁶We distinguish the importance of management and the marginal impact of a given unit of management. The importance of management means that it accounts for more of the variance in outcomes. The marginal impact is how much an individual unit can contribute (e.g., a
Political power can also be concentrated via formal enhancements that affect the relationship between political sovereigns and public bureaucracies. The New Public Management created a system of performance accountability whereby political sovereigns set goals for bureaucracy and permit bureaucratic discretion in attaining those goals with a process for evaluation of results (Pollitt and Bouckaert 2000; Moynihan 2008). Some countries operate with elaborate systems of macro performance appraisal such as the U.S. Government Performance and Results Act and the subsequent Program Assessment Rating Tool. In theory, these assessment systems strengthen the ability of political sovereigns to oversee the bureaucracy and concentrate power so that bureaucrats can improve performance, thus:

H4. Performance appraisal systems that concentrate political power should positively affect the marginal contribution of management to performance and increase its impact.

This hypothesis needs to be qualified, however. It assumes that political sovereigns are interested in improving the performance of government programs and that they will provide clear goals for bureaucrats to implement. The U.S. experience suggests that politicians are often more interested in downsizing government than being concerned with overall performance. The hypothesis is also contingent on political sovereigns acting as principals in a principal-agent relationship and not engaging in cheating by refusing to provide clear, unambiguous goals or not honoring the implied contract to reward better performance.

Environmental Context: Complexity, Turbulence, and Munificence

If one leaves aside the explicitly political context of public organizations, it remains

professional degree). Context can affect both the importance of management and its marginal impact.
important to recognize that such organizations are open systems. Environmental forces can
influence the performance of such agencies, and managers have as part of their responsibilities to
monitor that environment and sometimes seek to tap aspects of it for organizational purposes or
buffer organizational production processes from it. Monitoring takes time and attention, while
tapping/buffering takes managerial effort.

How might the organization’s task environment condition the relationship between
management and performance? The “task environment of a given organization consists of all
those organizations with which it must interact to grow and survive” (Osborn and Hunt 1974:
33). Whether the environment consists of a few or a multitude of such other relevant
organizations, we expect its characteristics to condition the effect of management on
performance.

Such organizational environments can be characterized along numerous dimensions (see,
for instance, Rainey 2009: 95, 101). We consider here three frequently mentioned aspects of
organizational environments: their complexity, turbulence, and munificence (Dess and Beard
1984; see also Aldrich 1979 for a further differentiation of aspects of organizational
environments).

By complexity we refer to the degree of homogeneity/heterogeneity and
concentration/dispersion of the environment. The more different kinds of organizations occupy a
public agency’s environment, the more complex it is; and the more dispersed, rather than
concentrated, these other organizations are – the more separate organizations that are clearly
relevant to the core organization’s task – the more complex is the core organization’s
environment. Evidence indicates, not surprisingly, that greater environmental complexity is
associated with lower organizational performance (Andrews 2009). But that research does not address the question about how complexity might affect the relationship between management and performance. What might be expected? The more complex an organization’s environment, the more managerial effort we would expect devoted to managing outward. Note in particular the treatment of politically dispersed contexts, in the preceding section. The logic about political dispersion also applies to dispersion more generally in the task environment. In a sense, environmental complexity is also related to the subject, previously covered, of consensual versus fragmented and adversarial political systems. This is so because in corporatist arrangements, typically interests aggregate into peak associations that deal in bargaining processes with public organizations and, indeed, governments. So the earlier-educed logic can be applied to environmental complexity, with modifications. Specifically:

H5. Managing outward will be more in evidence in settings that are more dispersed and less homogeneous, so managing outward will be more in evidence and have more performance-related impact in environmentally complex settings.

Similarly,

H6. Operating in a more heterogeneous and dispersed task environment will reduce the likelihood of program success, and the marginal impact of any externally directed managerial action is likely to be lower.

H7. Operating in a more complex environment will reduce the path dependence of a public organization’s operations, so the autoregressive parameter of performance will decline as externally directed managerial efforts increase.

H7, on the relationship with the external management and the autoregressive parameter
(and, more fundamentally, between environmental complexity and the autoregressive parameter), can be expected to hold if the organization does not rely heavily on structural and other buffering devices, which might also substitute for the buffering portion of external managerial effort.

Complex environments pose challenges for public managers and of necessity draw their attention. Although they can be expected to lower chances for program success and reduce performance, management capacity offers a way by which the lower marginal impact of external management might be mitigated. With substantial capacity – for instance, a larger, more expert management cadre, perhaps with significant policy-analytic expertise, more complex environments may be more manageable. (For a detailed discussion of management capacity and some analysis of its performance effects in one set of empirical settings, see Meier and O’Toole 2010; see also Andrews and Boyne 2010.) In other words, management capacity can enable public organizations to mitigate the decline in managerial impacts on performance that might otherwise be expected in complex contests.

H8. Management capacity mitigates the lower marginal impact of externally directed managerial action that would otherwise be expected in a more heterogeneous and dispersed task environment.

Turbulence refers to “externally induced changes . . . that are obscure to administrators and difficult to plan for” (Aldrich 1979: 69). Dess and Beard (1984) consider turbulence as an aspect of dynamism. Uncertainties in the environment, rapid changes, and unpredictability are
all likely to reduce organizational performance (Andrews 2009). Similarly, more turbulence is likely to draw more managerial effort outward. But as with the earlier discussion, we can expect turbulence to attenuate the marginal effect of such management on supporting or improving program performance.

H9. Managing outward will be more in evidence in settings that are turbulent, and managing outward will have more performance-related impact in environmentally turbulent settings.

H10. More turbulent organizational environments will reduce the likelihood of program success and the marginal impact of any managerial action is likely to be lower.

H11. Operating in a more turbulent environment will reduce the path dependence of a public organization’s operations, so the autoregressive parameter of performance will decline as externally directed managerial efforts increase.

Once again, management capacity offers the prospect of retaining the relationship between external management and performance in turbulent environments – by the same logic as that sketched above for environmental complexity.

H12. Management capacity mitigates the lower marginal impact of externally directed managerial action that would otherwise be expected in a more turbulent task environment.

*Munificence* references the availability of needed resources (Rainey 2009: 95). The

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7Andrews examines the relationships between these environmental characteristics – in both subjective and objective (or archival) senses – and performance. In the current study, we omit consideration of how managerially-perceived environments might modify the relationship between management and performance.
needed resources may be of several kinds, although often the focus is on financial resources. How might one expect varying levels of munificence to affect the relationship between management and performance? Here we find it useful to distinguish two aspects of externally directed management: exploiting environmental opportunities and buffering the organization’s production processes from environmental challenges.

When a public organization’s environment is high in munificence, there are more opportunities – in the form of valued resources – available. Indeed, earlier research indicates that greater munificence is associated with higher performance (Andrews 2009). Managers may recognize that external efforts can pay big dividends. Tapping munificent environments may also mean more prospecting managerial strategies: managers will be more likely to try to enhance performance on additional metrics and/or expand performance to heretofore ignored or under-emphasized service populations. On the other hand, when task environments are low in munificence, managers are likely to try to protect or buffer the core organization from the resource-poor surroundings, which may include other organizations interested in tapping the core organization’s resources or jurisdiction. This circumstance too can generate more managerial efforts outward, although of a different sort. If this logic holds, therefore, we are likely to see the least external managerial efforts in moderately munificent environments.

H13. More munificent organizational environments will offer opportunities for enhancing organizational interests and performance, so managers will increase their efforts to tap environmental opportunities over such efforts when external resources are moderate (neither plentiful nor overly constrained).

H14. In more munificent organizational environments managers will direct relatively
more of their effort to tap environmental resources to enhance performance. A stronger relationship between such external management and performance is expected. Higher performance may take the form of more outputs/outcomes on the most salient metric, more outputs/outputs in additional performance metrics, and/or more outputs/outcomes for a larger service population.

H15. In more munificent organizational environments the marginal return from external management will be greater.

When organizational environments are low in munificence, there may be more reason to buffer or protect organizational production from the limitations and constraints stemming from the environment. In other words, one can expect two different aspects of external management to be more prominent – to be more often employed – at high and low levels of environmental munificence than when munificence is at moderate levels. Under circumstances of high munificence, we expect more external management to try to tap resources for the organization; under low munificence we expect more external management to try to insulate organizational production processes from the environment. Furthermore, we expect the marginal value of these two aspects of external management to be higher, respectively, at high and low levels of munificence than at moderate levels. Accordingly:

H16. Less munificent organizational environments will offer reasons to protect organizational interests and performance, so managers will increase their efforts to protect against less promising environments when compared with situations in which external resources are moderate (neither plentiful nor overly constrained).

H17. In less munificent organizational environments managers will direct more of their
effort toward protective external efforts to insulate internal operations from environmental constraints and thus stabilize performance. “Higher” performance may take the form of more stabilized outputs/outcomes on the most salient metric, or strategic redirection of organizational effort toward core performance metrics and/or core service populations.

H18. In low-munificence organizational environments the marginal return from external management will be greater than in moderately munificent environments.

**Munificence and Social Capital**

One element of munificence that merits separate discussion is the social capital of the community. Social capital has multiple definitions, but for our purposes can be defined as the interpersonal networks and organizational memberships that citizens possess; such ties enhance a sense of efficacy, facilitate collective action, and generate interpersonal trust. Managers who operate in environments with ample social capital generally will have less difficulty in implementing effective programs because social capital allows greater coproduction of services, eases the communication of information, and generates more acceptance of programs that provide public goods (Andrews 2010).

H19. The level of social capital in a community interacts with management to enhance the impact of management on performance.

Hypothesis 19, however, should be qualified to note that this expectation holds for situations in which program goals are consistent with the norms and values of the individuals generating the social capital. It is quite possible for social capital to be a source of resistance to government programs, particularly those that benefit another group (Hero 2007).
**Developmental Context**

Public managerial contexts differ greatly in the level or extent of development, especially economic development. This is especially true, of course, when considering how public management operates in countries that differ vastly in terms of educational levels, social stability, and economic advancement. Management should operate best when provided with relatively stable settings, competent and depoliticized civil service systems, and well-developed infrastructure for generating performance.

H20. The contribution of management – internal and external – to performance will be greater in more developed contexts.

In one sense, of course, one could consider the level of development as a broad way of interpreting the concept of environmental munificence. However, since “munificence” is usually employed to characterize the settings of organizations in advanced market economies (and therefore the range of the munificence variable is usually relatively modest), we can treat developmental context as a broader and more wide-ranging set of considerations.

In addition, it is helpful to consider not only the general level of development of a context, but also the competitive advantage of certain aspects of management in such settings. So, as explained earlier in this paper, a developmentally related variable like educational attainment may provide a sizable advantage to local managers in a country like Colombia (Avelleñada 2009), but even earned doctorates among local education managers in the U.S. make little difference in the relationship between management and performance.

Obviously, we have much more to learn about how the level of development in a context is likely to affect the relationship between management and performance, and we await
systematic management studies in a wide variety of developmental circumstances. This topic too, therefore, could benefit from more thorough theoretical and also empirical scholarship.

Although the level of management capacity and the total impact of management is likely to be greater in more developed contexts, we should expect management to be subject to diminishing marginal returns. As an illustration, clearly education contributes to a manager’s ability either by exposing the individual to management theory or contributing to the ability to analyze problems. As such talents become widely available, however, the relative contribution to one organization is unlikely to stand out. This suggests that the same level of education or the same level of managerial effort in a developing context might actually have a larger marginal impact.

H21. The marginal impact of a given level of managerial effort or quality will have a greater relative impact for an organization in a developing context than it will in a developed context.

**Internal Organizational Context**

The internal context of an organization is likely to affect management’s relationship to performance in two ways. First, the context provides the starting point that includes the goals of the organization and the constraints and resources that the manager faces. Managerial decision making can be considered, simply put, the effort to maximize outcomes (that is, goals) relative to resources subject to the constraints of the organization. Second, the context should also affect what managerial actions are needed and what actions are likely to be effective. In the logic of context that was noted above, internal organizational context interacts with management. Three elements of context will be discussed and linked to specific hypotheses – goals, hierarchy (and...
its related concept, centralization), and professionalization.

Goals

Organizations are goal-oriented collectivities; they exist to achieve some expressed purpose. In the real world, however, organizations often have ambiguous goals (Rainey 2009). Goal ambiguity can arise from two sources–goal conflict and the inherent ambiguity of some goals. Public organizations have multiple masters, and these masters – particularly when political power is not concentrated – can have conflicting goals for the organization. Although, in theory, an effective political process can resolve goal conflicts and provide clear and consistent goals for public organizations, in practice public organizations are often tasked with conflicting goals or goals that are ambiguous (Chun and Rainey 2005). Goal conflict, in turn, is manifested as goal ambiguity because managers face program demands that are not compatible with each other. Goal ambiguity can also arise because some goals are inherently ambiguous. The goal of educating children does not deal with the specifics of whether the education is to be for vocational purposes or for future education. Nor does it clarify how much emphasis should be placed on standardized tests versus creative thinking, or numerous other ends of education.

Scholars know little about what managers do when faced with goal conflict – that is, do they seek to clarify goals, thus either risking goal displacement\(^8\) or institutionalizing conflict when the clarification demonstrates that goals do conflict? A logical strategy for an organization is to deal with conflicting goals sequentially (Cyert and March 1963) or assign them to different

\(^8\)Goal displacement is possible because in the effort to clarify goals, the manager might only include a portion of the mission of the agency. Performance appraisal systems that focus on measurable outcomes are often criticized for oversimplification and, in the process, contributing to goal displacement.
parts of the organization in hopes that they can be buffered from each other or reconciled at some future point. However a manager deals with goal conflict and goal ambiguity, the presence of either or both makes the task of management more difficult and is likely to affect performance.

H22. The presence of goal conflict and goal ambiguity increases the impact of both internal and external management and means that management will account for a greater proportion of the variance in program outcomes.

H23. As goal ambiguity (and conflict) increase(s), the marginal contribution of a given level of management declines.

Hierarchy/Centralization

Public organizations come in a wide variety of forms, many that are quite different from the traditional Weberian bureaucracy with a strong hierarchy, clear lines of authority, and written rules to cover most if not all situations. As the risk of gross oversimplification, we can array these organizational forms along a dimension that is strongly hierarchical and centralized at one pole of the continuum and collegial and decentralized at the other pole. While one can have a hierarchical organization that is decentralized (think individual units of an army in wartime), in general hierarchy and centralization covary. The degree of hierarchy and centralization affect both where in the organization management will matter and also the form that management will take. Management will clearly matter most at the point where management vests discretion. The literature on representative bureaucracy demonstrates that representation matters at the street level in organizations that vest discretion in front-line bureaucrats (e.g., schools, police forces; Meier and Morton 2012), but at the mid-management level in those organizations where key decisions are made the supervisor level (e.g., child support; see Wilkins and Keiser 2004).
In regard to the form that management will take, as discretion is vested in lower levels, the activities of top management shifts somewhat toward the human resources functions, especially the selection of individuals who will carry out the goals of the organization. Top management also will focus on goals and strategy but leave operations and tactics to those closer to the point of implementation. The hypotheses generated as a result focus on which sets of managers to study rather than the relative impact of the managers in general.

H24. The strongest relationships between management and organizational performance will be at the organizational levels where the organization vests the most discretion.

H25. As organizations become decentralized and vest discretion in lower levels, top management of the organization shifts from hierarchical direction to goal setting and selection of organizational personnel.

As an aside, the impact of any managerial action – say, external networking – should not necessarily change with decentralization, but which managers are performing the function is likely to change. That means that measuring networking at the correct level of the organization is important, simply because at some levels it is unlikely to be prominent and unlikely to have any impact.

Professionalism

Public service is both professionalized and has itself become a profession (Mosher 1982). The recruitment of professionals into public organizations – doctors, scientists, engineers, etc. – has been a consequence of the technical demands of public policy. This influx of professions is important, because professions bring their own values about policy, and how to accomplish policy objectives, to the organization. Professionals also tend to make decisions based on
expertise, rather than to rely on hierarchy. The influence of professionalization on the relationship between management and performance can thus be linked to the discussion of decentralization, as sketched earlier. Public service has also become a profession in its own right, with its own process for certifying who is a public servant, codes of ethics, career patterns, and so forth. The esteem of the public service as profession varies greatly even among developed countries; one needs only to compare the level of bureaucrat bashing in the United States with that in Western Europe. Similarly, individual professions can vary greatly in esteem – witness the high regard for teachers in Finland versus the U.S.

The level of professionalization and the esteem accorded to these professions alters how managers are likely to manage and perhaps affects the level of skills needed to have an impact on performance. The consensus of the literature is that professionalization requires collegial management styles and the decentralization of decision making to the lowest level possible. Professionalization at the same time should not affect the need for and the impact of external networking, although it is likely to change the composition of networks significantly to more closely reflect the norms of the profession. These are not necessarily unique hypotheses and could be treated simply as a special case of the decentralization/hierarchy hypotheses above.

The clear impact that professionalization should have, however, is to escalate the level of management skills that are necessary. Managers will be expected to have skill and education levels on a par with the professions that they manage; in many cases the managers will be drawn from the ranks of the dominant professions in the organization. This might well be the reason that a college education is a reasonable indicator of management quality in a developing context but matters little in a developed one. This point – diminishing margin returns to management
capital – plus the idea that direct hierarchical control is unlikely to work and therefore managers in professionalized public organizations need a higher level set of management skills generates the following hypothesis:

H26. As public organizations become more professionalized, the impact of management on performance will increase (that is, explain more variation), but the marginal influence of a “unit” change in management will decline.

Conclusion and a Proposal

This manuscript has argued that scholars of public management need to consider the context that surrounds public organizations and their management. The paper has proposed the idea that context affects management by interacting with management and thus changes the relationship between management and performance. This simple idea expressed in a simple equation, however, will not be easy to implement in a research program, or even in several of them. Ideally what would be needed are samples of organizations that have widely varying contexts, and for which there are accepted performance metrics, and for which one has information about management or could collect such information. Unfortunately, the demand for a comparable performance metric essentially means the examination of organizations that are performing the same or similar functions. But that approach converts many context variables into constants, or near-constants, across the units. That means we can say little or nothing about the (near-)invariant aspects of context and their impact on how management matters for performance. It might be possible to build such a data set, but it would be a Herculean task that would absorb far more resources than the field of public management currently has available.

Accordingly, a more modest strategy can be proposed. This essay has identified what
one pair of scholars believes to be a set of key context variables; and while there probably is no universal agreement on what context fully entails, there would seem to be a general consensus on the elements discussed here. A significant step forward could be made if scholars were to add to their studies a table – such as table 1 here – that provides information regarding the specific context of their empirical investigation(s). As an illustration, using the example of research on the management of Texas schools in 2012, the analyst might note that the political structure is unitary (no separation of powers), single level (although with federal influences), with adversarial political processes, a developed performance appraisal system, and moderate levels of social capital. The environment would be characterized as complex (demands to educate different races, income levels, etc.), turbulent (owing to immigration and other factors), modest to poor on the munificence scale (owing to several budget reductions), and a developed context. The internal context of the organization could be characterized as ambiguous goals (and multiple goals), decentralized and nonhierarchical structure, and professionalized.

[Table 1 about here]

Public management scholars are producing a respectable volume of studies linking management in its various aspects to organizational performance. It is now past the time to ask, simply, whether management matters. Rather, the important questions are when does management matter? and what factors affect how much it matters? Answering these questions requires careful attention to the context in which management operates. This paper suggests that much needs to be done in terms of linking context to management and performance and has specified 26 hypotheses. Clearly, no single study can address 26 hypotheses. The short-term strategy of using the context matrix in table 1 to clearly designate the context of any given study,
however, can provide building blocks that scholars might use to build a strong theory of context. The context matrix can also be used to find contextual situations that differ dramatically from those available in the existing sets of studies (English local governments, Texas schools, Dutch education, etc.). Only by subjecting our theories to testing across disparate contexts can we validate general managerial relationships and also understand the importance of contextual conditions in shaping the management-and-performance relationship. The context matrix is itself is theory neutral, in the sense that it can be used in conjunction with numerous management theories. It offers a route toward understanding the general and also the contingent aspects of public management.
<table>
<thead>
<tr>
<th><strong>Political Context – Concentration of Power</strong></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Separation of Powers</td>
<td>Unitary</td>
<td>Shared</td>
</tr>
<tr>
<td>Federalism</td>
<td>One level of Government</td>
<td>Multiple Levels</td>
</tr>
<tr>
<td>Process</td>
<td>Corporatist</td>
<td>Adversarial</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>Established</td>
<td>No formal system</td>
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</table>

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<th><strong>Environmental Context</strong></th>
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<tr>
<td>Complexity</td>
<td>Complex</td>
<td>Simple</td>
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<tr>
<td>Turbulence</td>
<td>Turbulence</td>
<td>Placid</td>
</tr>
<tr>
<td>Munificence</td>
<td>Rich</td>
<td>Poor</td>
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<tr>
<td>Social Capital</td>
<td>Present</td>
<td>Absent</td>
</tr>
<tr>
<td>Development</td>
<td>Developed</td>
<td>Developing</td>
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<th><strong>Internal Context</strong></th>
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<tr>
<td>Goals</td>
<td>Clear and Consistent</td>
<td>Multiple and Conflicting</td>
</tr>
<tr>
<td>Centralization</td>
<td>Centralized, Hierarchical</td>
<td>Decentralized</td>
</tr>
<tr>
<td>Professionalization</td>
<td>Professional</td>
<td>Not Professional</td>
</tr>
</tbody>
</table>
References


*Administrative Science Quarterly* 19, 2: 231-46.


