FROM JURISDICTION TO INSTITUTION:

THE CONTEMPORARY STUDY OF PUBLIC ORGANIZATIONS

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Abstract

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Governmental jurisdiction—the nation-state, the city, the province, the prefecture—was simply assumed in much of the history of the study of public organizations. In both theory and research the "public" in public organization was taken to mean government. With the growing salience of nonprofit organizations, non-governmental organizations, contracting out, and privatization, and globalization, the jurisdictional assumption is gone. In contemporary theory and research our definition of the public in the study of public organizations now includes governmental jurisdictions as well as shadow governments and shadow bureaucracies. To accommodate the conceptual challenges embedded in the growing breadth of what is now meant by public organizations, the field has turned to institutional theory. Unlike jurisdictionally based theories of public organizations, deeply rooted in political science, institutional theory is rooted in sociology and is now highly interdisciplinary. The great advantage of institutional theory for the development of an empirically based understanding of public organizations and their behavior is its inclusive interdisciplinary qualities. Included under the big tent of institutional theory are: (1) those studying formal organizational structures and the association between structure, bureaucratic functioning, and outcomes; (2) those studying organizational design such as centralization, decentralization, and other structural variations, all in the "institutions matter" tradition; (3) those studying issues of

democratic control of regular and shadow bureaucracies including accountability scholarship, principal/agent scholarship, the working, shirking, and moral hazard scholarship, rent seeking scholarship, and political economy scholarship; (4) the work of those studying institutions as "sense making" order and routines with patterns of "appropriateness" and the institutionalization of meaning; (5) the managerialists working on performance, program evaluation, and outcomes; (6) those working on bureaucratic politics; (7) and those working on contracting, privatization and nonprofit organizations. Institutional scholars working from these several perspectives use the full range of social science methodologies as well as assumption-based deductive modeling. Over the past two decades this scholarship has become more iterative, layered and cumulative. Scholars working from one or more of these perspectives are now much better informed regarding the work of others studying institutions both from their own perspective and the perspective of others. Much of the modern study of public organizations would be broadly described as institutional theory.

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Like all complex subjects, public organizations are more easily understood after being unbundled, examined part-by-part, and reassembled for an assessment of their whole condition. There are two essential parts to the modern study of public organizations:

(I) the organization and management of contained and bounded public institutions, now generally comprehended by institutional theory;

(II) interinstitutional, interjurisdictional and third-party couplings and linkages, now generally comprehended by network theory or governance theory;

This paper takes up the first of these parts, and in doing so further unbundles the subject. It is common to include both management and organization in considerations of the study of public organizations (Rainey, 1997; Denhart, 1993; Moore, 1995; Gortner, Mahler and Nicholson, 1997). It is our view, however, that it is useful to consider the study of administrative behavior and the management of public organizations as a subject separable from the study of the structures or forms of public organizations (Frederickson and Smith, forthcoming). So, we have uncoupled theories of management from theories of organization.

Institutional Theory

The golden age of public administration hegemony disintegrated in the 1950s. As we enter the twenty-first century a new public administration hegemony is emerging

based on a broadly accepted institutionalism. Institutionalism is not a theory in the formal sense but is instead the framework, the language, and the set of assumptions that hold and guide empirical research and theory building in much of public administration. It begins with an argument as to the salience of collective organizational action as a basis for understanding political and social institutions. This is a challenge to a political science that sees institutions primarily as the framework for rational individual choice and emphasizes conflicting interests and competition. Institutions are affected by their social, economic, and political context but also powerfully affect that context. "Political democracy depends not only on economic and social contributions but also on the design of political institutions" (March and Olsen 1984, 738). The importance of the design of institutions on their behavior and on their political outcomes has been amply demonstrated (Lijphart 1984; Weaver and Rockman 1993).

The development of post Weberian organization theory traces to the 1960s and the work of James Thompson, Herbert Simon, James March, Anthony Downs, William Buchanan, Gordon Tulloch, Vincent Ostrom and others. Vantages of organization theory from sociology, market theory from economics, theories of democratic control of bureaucracies from political science, and, perhaps above all, theories of bounded rationality, all mixed, clashed and combined in interdisciplinary and crossdisciplinary considerations of complex organizations. By the 1980s , marked particularly by March and Olsen's Rediscovering Institutions (1989), post Weberian interdisciplinary organization theory came to be generally described as institutional theory. Because bureaucracy was never really lost, claims by March and Olsen to have rediscovered institutions may have been a bit bold, but they nevertheless made institutional studies

distinctive; is distinct from organization theory but is importantly informed by it; is distinct from rational choice theory but is importantly informed by it; and distinct from traditional public administration rooted in the reform era, but importantly informed by it. In our time, institutional theory is the critical intersection at which the vantages of the disciplines meet in their attention to complex organizations. Institutions, thus considered, include states and other governmental jurisdictions and sub-jurisdictions, parliaments, bureaucracies, shadow and contract bureaucracies, NGOs, universities, and corporations or private companies with clear and distinct public purposes. The point is, modern institutional theory is not limited to the study of government bureaucracies and has, then, moved well beyond the traditional study of jurisdictionally based public administration.

The perspective and tone of institutionalism in public administration was set in 1989 with the publication of the two foundation documents, Wilson's *Bureaucracy* and March and Olsen's *Rediscovering Institutions*. Both Wilson and March and Olsen point to the limitations of economics and market logic as theory which accounts for institutional behavior, and instead build their theories on consideration of structure, particularly hierarchy, and individual and group behavior in institutional contexts, on the interaction of individuals and organizations and their wider political, social, and economic contexts, and on the influence of professional and cultural norms on institutional behavior patterns and on institutional longevity and productivity. Much of the leading scholarship in public administration in the 1990s fits generally into the categories and concepts set out by Wilson and March and Olsen.

Today we are all institutionalists. It is easy to defend the claim that we are all institutionalists because we subscribe to the "big tent theory of institutions." Under the

institutional theory big tent one finds scholars studying institutions from at least the following conceptual frameworks:

1. The structural theorists including those studying Westminster, presidential and hybrid national forms and the associations between those forms and bureaucratic functioning. (Weaver and Rockman, 1993; Lijphart, 1984; Peters, 2000).

2. The organizational design theorists working on centralization, decentralization, devolution, and other structural variations, all in the "institutions matter" tradition. (Hood and Jackson, 1991)

3. Theorists working on issues of democratic control of bureaucracy including the accountability scholarship; the principal/agent scholarship; and the working, shirking, moral hazard, rent seeking and associated political economy scholarship. (Behn, 2001; Romzek and Dubnick, 1989; Romzek and Ingraham, 2000; Brehm and Gates 1997; Moe, 1980, 1990; March and Olsen, 1995)

4. The large number of scholars working from the bureaucratic or administrative behavior perspective (as distinct from the managerial behavior perspective) (March and Simon, 1993; March and Olsen, 1989; March and Olsen, 1995)

5. The managerialists or new public management scholars, both in the United States and abroad. (Barzaley, 1992; Kernaghan, Marson and Borins, 2000)

6. Those working on performance, outcomes, program evaluation, and results.

7. The politics of bureaucracy scholars. (Fesler and Kettl, 1996; Aberbach and Rockman, 2000; Maier, 1994; Tullock, 1965)

8. Those working on privatization, contracting out and non-profit organizations (Light, 1999; Kettl, 1993; Handler, 1996)

9. And, institutionalists working primarily from the political economies and rational choice perspectives (Eggertsson, 1990; Furubotn and Richter, 1984, 1993; Downs, 1967; Tullock, 1965; Moe, 1980, 1990; Bendor, Moe and Shotts, 2001)

Institutional scholars working from these several perspectives use the full range of social science methodologies as well as assumption-based deductive modeling. Over the past two decades this scholarship has become more iterative, layered, and cumulative. More important, scholars now working from one or more of these perspectives are much better informed than in the past regarding the work of others who study institutions both from their own perspective and from the perspective of others.

There are many splendid examples of cumulative institutional scholarship such as the La Porte, et al series on high reliability systems; the Milward and Provan series on the hollow state and contract regimes; the Meier et al. series on policy outcomes in education structures; the series by the Ostroms and others on the commons; empirical testing of the Theibout fragmentation thesis; the series on the diffusion of institutional innovation; and the long series of work on garbage can theory and the recent to-and-fro on that subject. There are many other examples and are all good signs for the development of institutional theory. In this paper we review several of these bodies of work to illustrate the scope and characteristics of contemporary institutional theory.

Post-Weberian bureaucratic study is more scientific and rigorous, more nuanced, and much stronger theoretically than ever before. To be sure, there are institutionalists working from particular perspectives who claim the theoretical high ground and in doing so, suggest that those working from other perspectives have less to contribute to institutional theory or that their perspective *is* institutional theory. And there are fads

and fashions in both perspectives and methodology and academic journals, scholarly presses and members of boards of editors attempting to judge these claims and sort through submitted research manuscripts for the best scholarship. Such is the nature of scholars and scholarship.

In the context of the fragmented and disarticulated state, institutional theory is especially salient. For example, in the so-called hollow state, with its extended contract and sub-contract regimes, the characteristics of loose or tight interinstitutional coupling is as important as the bureaucratic features of each of the coupled institutions (Milward and Provan, 2000). There are probably many more persons doing "public" work by or through contracts than there are persons in formal jurisdiction of bureaucracies. The institutional structures and behavior of these "shadow bureaucracies" are at the center of modern institutional theory and could be described as institutional theory's response to the fragmented and disarticulated state. (Light, 1999)

It is institution theory that captures and comprehends the rather long series of scholarship on co-production, multiple stake-holders, public-private partnerships, privatization and contracting, and the increasingly fuzzy distinctions between things public and things private. Institutional theory has the particularly useful capacity to favorably describe the linkages, networks and couplings of institutions coping with fragmentation, disarticulation, asymmetry between public problems and public jurisdictions, and high interdependence.

The Basic Idea

In simplified form, institutionalism sees organizations as bounded social constructs of rules, roles, norms, and the expectations that constrain individual and group

choice and behavior. March and Olsen describe institutions as "the beliefs, paradigms, codes, cultures, and knowledge that support rules and routines," a description which differs little from classic organization theory (1989, 22). But, institutionalism also includes core ideas of contemporary public administration—results, performance, outcomes and purposefulness—concepts of less interest to organization theorists (Powell and DiMaggio 1991). Institutionalism, then, could be said to account for both how institutions behave and how they perform (Lynn 1996). Institutionalism also combines the structural or organizational elements of institutions and the managerial and leadership elements of institutions (Wilson 1989; Rainey and Steinbauer 1999). Finally, institutionalism is not limited to formal governmental organizations, which was a large blind spot for earlier public administration scholars. Institutionalism includes empirical and theoretical considerations of the full range of so-called "third sector" organization and a full recognition of the fuzzy distinctions between public and private institutions (Kettl 1988, 1993; Salomon 1989; Light 1999).

Institutionalism assumes that policy preferences are neither exogenous nor stable but are molded through collective experience, by institutions, by education, and, particularly, by professions.

Institutionalism assumes the centrality of leadership, management, and professionalism and comprehends theory development all the way from the supervision of street-level bureaucrats to the transformational leadership of whole institutions. (Smith and Lipsky, 1993; Maynard-Moody and Musheno, forthcoming)

Institutionalism recognizes the salience of action or choice and defines choice as expressions of expectations of consequences (March and Olsen 1984). In the modern

world of productivity, performance, and outcomes measurement, institutionalism reminds us that institutions and those associated with them shape meanings, rely on symbols, and seek an interpretive order which obscures the objectivity of outcomes.

Institutionalism is particularly useful in the world of the disarticulated state because its assumptions do not rest primarily on sovereignty and authority, but rest instead on the patterns of politics, order, and shared meaning found in both governmental as well as nongovernmental institutions.

Finally, institutionalism lends itself to forms of modeling based on simplifying assumptions of rational self-interest or competitive markets. Some of the most advanced thinking in contemporary public administration is being done by formal modelers using assumptions of cooperation, order, principals and agents, hierarchy, institutional responses to contextual influences, networks and governance—all essentially institutional assumptions (Hammond 1993, 1996; Hammond and Knott 1996, 1999; O'Toole and Meier 1999; Lynn, Heinrich, and Hill, 1999). It is our guess that this theory building will have a strong and lasting influence on the quality of public management scholarship because it fits fairly with that body of theory based on rational choice logic. The reason is simple—the simplifying assumptions and experiments used by national choice theorists can inform those elements of institutional theory based on the classic empirical and methodological canons of social science.

March and Olsen (1995) assert that most institutionalists work from a few key ideas. First, institutions are understood to be formal bounded framework of rules, roles and identities (North, 1981; Shepsle and Weingast, 1987; Shepsle, 1989, 1990). Second, within the formal frameworks, "preferences are inconsistent, changing and at least partly

endogenous, formed within political institutions" (March and Olsen, 1995, p. 29).

Alternate structural arrangements and institutional processes of socialization and co-optation shape preferences (Wildovsky, 1987). Institutions "shape the definitions of alternatives and influences the perception and the construction of the reality within which action takes place (March and Olsen, 1995, p. 29). Third, institutional theory emphasizes the logic of appropriateness based on institutional structures, roles and identities. The logic of appropriateness is based on the assumption that institutional life is "organized by sets of shared memories and practices that come to be taken as given. (March and Olsen 1995, p. 30) Institutional structures are organized based on socially constructed rules and practices that are formally assumed and supported. Fourth, the logic of appropriateness is based on matched patterns of roles, rules, practices and structures on one hand and a situation on the other (Burns and Flam, 1987). Appropriateness, then, is influenced by laws and constitutions and other authenticated expressions of collective preferences. But appropriateness is also influenced by emotions, uncertainties and cognitive limitations. Appropriateness is not only applicable to routine decision problems, it also comprehends ill-defined and novel situations such as "civil unrest, demands for comprehension redistribution of political power and welfare…" (March and Olsen, 1995, p. 32). Fifth, one group of institutional theorists give importance to the idea of community and the common good. Among these institutionalists, effective public institutions are thought to be unlikely if not impossible if citizens are concerned only with self-interest. Therefore, these institutionalists tend to reject exchange theories which emphasize incentives, cost-benefit assumptions and the assumption that the common good can be understood the aggregation of self-interests. (Mansbridge, 1980). Sixth, another group of institutional

theorists work from the rational choice perspective, tending to use deductive assumption based models and computer simulations. (Moe, 1980, 1990; Shesle, 1989, Shepsle and Weingast, 1987; Bendor, Moe and Shotts, 2001; Furubotn and Richter, 1993) <u>Seventh</u>, some institutionalists tend to focus on order and particularly structures that impose order. Others, however, do not find order in the rational reasoning of relationships between means and ends or in a notion of an efficient history in which exoginous forces shape the policy outcomes of political institutions. (March and Olsen, 1984)

Instead they find institutional order in historical processes that do not have equilibria, take extended periods of time, lead to non-unique equilibria, or result in unique but suboptimal outcomes. Theoretical attention to the inefficiencies of history involves a greater concern for the ways in which institutions learn from their experience and the possibilities that learning will produce adjustments that are slower or faster and a concern for conditions under which the sequential branches of history turn back upon each other and the conditions under which they diverge. Such institutional perspectives involve characterizing the role of standard operating procedures, professions, and expertise in storing and recalling history.

In seeking an understanding of endogenous order, that order shaped and influenced by roles, rules and incentives, many institutionalists give considerable weight to both normative and symbolic order—the influence of languages, rituals, ceremonies, and symbols (March and Olsen, 1984; Goodsell, 1988; Frederickson, 1997). With this very simplified introduction to institutional theory, we now turn to several forms and applications of it. First, we will consider distinctions between organizations, organizational theory and institutions. We then turn to the simplest form of organizational

structure, the hierarchy and its many variations. This is followed by a consideration of non-hierarchical approaches to institutional theory. Then we turn to several well established parts of institutional theory: comparative institutional forms, fragmented and consolidated systems, garbage cans and rent seeking and the diffusion of institutional innovation.

From Organizations to Institutions

In the classic study of public administration, organization theory is the body of knowledge to which scholars turn to understand structures and the relationships between structures and outcomes. Most of modern organization theory is based on the study of firms and what we know about structures tends to come from that literature. Many of the same variables—centralization-decentralization, costs, productivity, hierarchy—are as applicable to the study of public sector organizations as to private firms. But, there are important differences the public and private sectors and these differences are reflected in the differences between organization theory and institutional theory. Because of the possible confusion and ambiguity associated with the two terms, it is helpful to briefly describe their differences and similarities.

The term institution as used here refers to public organizations which stand in a special relationship to the people they serve. They can invoke the authority of the state and can, thereby enforce their decisions. Public institutions can claim legitimacy because what they presumably contributes to a larger, often indivisible and difficult to measure public interest. Such institutions, particularly at the level of the national state or its subdivisions, often have deep cultural identities associated with language, ethnicity, religion, custom and geography. Such institutions are special kinds of organizations

because they are often infused with values such as citizenship and patriotism and identities such as Mexican or Canadian, values and identities well beyond their technical capacities and missions (Frederickson, 1997).

Institution, particularly in the anthropological sense, also means broadly agreed-upon customs, practices, and allegiances. Marriage is an institution of this sort, as is the law, private ownership, private enterprise, taxation, public education. Cultural institutions thus defined are very often *established*, as in the local school as a public institution embodying the broader institutional culture. Applications of modern institutional theory in public administration tend to combine these two understandings of institutions as in descriptions of institutions as socially constructed bounded collectivities (Weick, 1979, March and Olsen, 1989). Relying on the economist Frank B. Knight, Norman Uphoff describes public institutions as "complexes of norms and behaviors that persist over time by serving collectively valued purposes." (Uphoff, 1994. p. 202)

We come then, to this understanding of organizations and institutions. Organizations, particularly those in the private sector, are bounded structures of recognized and accepted roles, but they are not ordinarily thought of as institutions, with the possible exception of the New York Yankees. Institutions that are also organizations, found primarily in the public sector, include the U. S. Supreme Court, the Internal Revenue Service, the University of Kansas, the City of Boston, the Commonwealth of Massachusetts. Interest groups, such as the National Rifle Association, the United Auto Workers, and the American Association of Retired Persons, are important organizations that certainly reflect the collective values of their members and capably influence public policy, but are not, as the word is used here, institutions. Their purposes are to link to

and influence public institutions. Public institutions codify and legitimize broadly based

cultural institutions, such as marriage, which requires a government license, or collective

bargaining, which is practiced in the context of public law and administration.

Hierarchy

The distinction between organizations and institutions brings us to the subject of

hierarchy. Second only to bureaucracy as a subject of theoretical and managerial

criticism, hierarchy is usually thought to be something that needs to be scrapped and

replaced with better forms of organizing. Based on his observations of large scale

American business firms, consider the words of Elliott Jaques:

> 35 years of research have convinced me that managerial hierarchy is the
> most efficient, the hardiest, and in fact the most natural structure ever
> devised for large organizations. Properly structured, hierarchy can release
> energy and creativity, rationalize productivity, and actually improve
> morale. Moreover, I think most managers know this intuitively and have
> only lacked a workable structure and a decent intellectual justification for
> what they have always known could work and work well (Jaques, 1990, p.
> X).

The explanation for the persistence of hierarchy and why the search for

alternatives to it have proved fruitless is, first, that work is organized by task and tasks

are increasingly complex and tend to separate into discrete categories of increasing

complexity; and, second, the mental work of management increases in complexity and

also separates into discrete categories of mental activity. A well functioning hierarchy

structures people in such a way as to meet these organizational needs: to add value to

work moving through the organization; to identify and fix accountability at each stage; to

place people of necessary competence at each organizational level; and, to build a general

consensus and acceptance of the unequal segmentation of work and the necessity for it

(Jaques, 1990).

The complexity of organization tasks increases as one goes higher in the hierarchy, but the complexity of mental tasks increases even more. Experience, knowledge, mental stamina and judgment are required at the apex of the hierarchy because of the need to see the whole picture clearly, to anticipate changing technology and other changes, and to manage the organizations boundaries.

So the whole picture comes together. Managerial hierarchy or layering is the only effective organizational form for deploying people and tasks at complementary levels, where people can do the tasks assigned to them, where the people in any given layer can add value to the work of those in the layer below them, and, finally, where this stratification of management strikes everyone as necessary and welcome. (Jaques, 1990)

Long out of fashion in the study of public management, it is necessary to turn to business administration for even the most elemental understanding of hierarchy. Doubtless the taproot of contemporary theoretical perspectives on formal organizational structure and design and particularly on hierarchy is found in the work James D. Thompson (1969) and applied by Henry Mintzberg (1979, 1992). However unfashionable the traditional organization chart may be in public administration, Mintzberg's famous elliptical parsing has become both the standard visual images of hierarchy, and the language used to describe those images. More important, these visual images and this language form the basis of testable hypotheses having to do with organizational structure and design, in both the private and public sectors.

Translating the categories of work from those commonly found in industry, such as sales and marketing, to categories commonly found in the public sector, such as legislative liaison and contract management, is relatively simple, as is the adoption of Mintzberg's model to the vary wide range of public sector institutions—police departments, state departments of social services, the US Department of Agriculture. One very important difference associated with public sector applications of this model is the need for a vertical dotted curvilinear line across the upper part of the image, a line illustrating the distinction between those in the institution who are there on the basis of political appointments and those who are a continuing part of the civil service.

Thompson's argument was that, "Uncertainty appears to be the fundamental problem for complex organizations, and coping with uncertainty, is the essence of the administrative process" (p. 159). To protect the organization from contextual buffeting it will tend to seal off its technical and operating core to protect it from contextual buffeting by standardizing work processes (lots of rules), planning, stockpiling, professional gate keeping, training, rationing services, etc. Some organizations, particularly in the public sector, dominate their environments because they are the only legitimate source of service, such as the US Department of Defense.

If uncertainty is the dominant contextual problem for institutions, interdependence is the primary internal problem. Among organization theorists the concept of coupling is most commonly used to explain patterns of interdependence. Tasks and flows of work are coupled sequentially, by pooling or reciprocally, and in all these forms may be loosely or tightly coupled. Perhaps the best illustration of the application of these concepts in the public sector is the extended series of research on high reliability systems by Todd LaPorte and his colleagues (LaPorte and Consolini, 1991). Landau's work on redundant systems (1991); Cohen and March's work on large research universities as loosely coupled systems (1986); March and Olsen's work on garbage cans (1972); the Milward and Provan series on the hollow state and the application of contract regimes (1991), and Chisholm's consideration of problem solving and organizational design (1995).

The vast range and variety of hierarchies lends itself to categories. Simple hierarchical structures are associated with smaller and newer organization that emphasize direct supervision, centralization and the strategic apex. Many nonprofit organizations

with public sector contracts tend in the direction of simple structures of this type.

Machine bureaucracies tend to be older, larger, hierarchies in which the standardization

of work is critical. In such hierarchies the technostructure is especially influential. The

Postal Service is an illustration.   Professional bureaucracies standardize work on the

basis of skills rather than work, tend to be decentralized and loosely coupled, emphasize

training and education and often deal with complex problems. In professional

bureaucracies the operating core is especially influential. Universities are the obvious

example. The divisionalized bureaucracy is commonly found in contexts in which

outputs need standardized but the need for services vary. State divisions of social

services are examples as is the Internal Revenue Service. Middle management tends to

be influential in such hierarchies. An adhocracy is the least formally organized

hierarchy, tends to emphasize mutual adjustment and to engage in team projects, use

matrix forms, and to mix centralization and decentralization. Role clarity, sharp divisions

of labor, chains of command and standardization are weak in adhocracies while the

search for innovation is strong. Such adhocracies are typified by computer software

companies and by the generalized R and D organizational format, and have become the

ideal modern structure emphasizing limited rules, flexible time, entrepreneural

management and customer service. In the public sector the NASA Manned Space Flight

Center is often used as an illustration of adhocracy. Any large scale organization is likely

to exhibit elements of each of these forms and effective managers tend to understand the

linkages between alternative structural choices and likely results. They know that

structure matters, which often explains the tendency of management to push

reorganization. When that happens, Mintzberg, based on his study of private firms,

suggests that the several components of hierarchy will tend to pull in particular directions (1979, 1992). The strategic apex will pull in the direction of centralization and standardization. Middle management will tend to balkanize and protect turf. The technostructure will join the strategic apex in a pull to standardize. The support system will be inclined to collaborate and network. Finally, in the operating core there will be a powerful pull to professionalize. The public sector push to contract out and to privitize would appear to run counter to the argument that the strategic apex will tend to centralization and standardization. While there is almost always resistance to contacting out at the operating core, political pressure to downsize and save money by contracting out would appear to run counter to centralization. But, contracts are always replete with standards, and the contracting process may imply moving elements of control away from middle management to the strategic apex where politically appointed persons are most influential. In contract regimes, the instinct of the support staff to collaborate and network would appear to support contracting based on the assumption that contractors are new partners and that elements of institutional structure and management can be essentially exported and hidden (Light, 1999)

<u>Alternatives to Hierarchy</u>

Although it may be acknowledged that formal structure and hierarchy, defined broadly, are central to any understanding of institutions and are here to stay (March and Olsen, 1989), the theoretical and methodological fashions of the day have tended toward transaction cost analysis, information asymmetry, principal-agent theory, and models of rational choice. Indeed a leading symposium on the new institutionalism in public administration approached the subject primarily from the vantage of rational choice

theory (Ferris and Tang, 1993). In that symposium Ostrom, Schroeder and Wayne

evaluated the successes of polycentric institutional arrangements for sustaining rural

infrastructure in developing countries (1993). Stein, using ICMA data, analyzed

alternative structural arrangements for the provision of city services in the United States

and concluded that the real theoretical issue is not whether alternative services are

provided governmentally or nongovernmentally, but whether governments have

effectively matched their service responsibilities and appropriate methods of service

delivery (1993). Knott grouped public and private organizations according to the

standardization of their work, the level of information asymmetry, the level of contextual

political consensus and stability, and the level of internal cohesion, categories not unlike

Mintzberg's, and concluded that management in both private firms and public institutions

have essentially the same basic problem—trust between principals and agents (1993).

Finally, as an illustration of the broad methodological appeal of the institutional

perspective, Hammond compared the processes and institutional arrangements of national

states, baseball tournaments, bureaucratic hierarchies and the organization of books in

libraries, to build a formal model of hierarchy (1993). Having set out his formal model,

Hammond concludes thus:

> Every institution processes information so as to perceive and define
> problems, and every institution's decisionmakers choose among the
> available options to address these problems. The act of comparison lies at
> the heart of these two activities—problem perception and definition
> involve the comparison of some pieces of information with others, while
> choice involves the comparison of one options with another—and the
> argument in this essay has been that institutional rules creating hierarchies
> have a substantial impact on the nature of these comparisons. (1993, p.
> 143)

Much of the body of institutional theory is based on the study of the most common characteristics of public institutions and the logic and reasoning that flows from that study. Central to this logic and reasoning are concepts of bounded rationality, incremental adaption, mixed-scanning, loose coupling, trial-and-error, resource scarcity, political intervention and micro-management, and illusive measures of performance. These concepts are highly useful in the explication and understanding of ordinary public institutions. There is, however, a category of public institutions of a very different type, the high reliability systems. The best examples of high reliability systems include commercial air travel; the provision of electricity, gas, and cable television services; and the operation of nuclear power plants, aircraft carriers and submarines.

High Reliability Systems

Tucked away in the recesses of public administration research and theory is a little storehouse of very useful information about these high reliability systems. The scholarly work of Martin Landau, Todd La Porte, Paula Consolini, David Sills, Louise Comfort, Joseph Morone and Edward Woodhouse, Charles Perrow, James Reason, and Karl Weick has all contributed to this storehouse of knowledge. To summarize and simplify, here is what we know about high reliability systems and why they work.

First, the physical technologies (radar, nuclear generating plants, and so forth) of these systems are tightly coupled, which is to say that an important breakdown anywhere along the production process may cause the whole system to fail.

Second, this tight coupling is characterized by fixed and relatively rigid standard operating procedures or procedure protocols that do not ordinarily vary, which is to say that administrative discretion is sharply reduced.

Third, humans operating along any point in the production process of high reliability systems require extensive technological training and constant retraining.

Fourth, such systems are ordinarily funded to a level that will guarantee high efficiency, or, put differently, efficiency is much more important than economy in the world of high reliability.

Fifth, such systems are highly redundant, with two, three or even four backup or redundant systems if the primary systems were to fail. One thinks immediately of the redundancy that saved the Apollo 13 space mission.

Sixth, such systems are highly networked, which is to say that many different organizations are in the production chain. Consider, for example, air travel, which involves at least the following in a tightly coupled network: the Federal Aviation Administration; air traffic controllers; local airport mangers; commercial airline companies including the pilots, attendants, and so forth; airline manufacturers, the airline maintenance companies; fuel supplies.

Seventh, these systems are composed of a marvelous mix of governmental, nongovernmental, and commercial organizations, the very definition of high-functioning public-private partnerships.

Eighth, when working properly, error reporting is encouraged and not punished; indeed, initiatives to identify flaws in procedures and protocols and thereby avoid failure are rewarded.

Ninth, ordinarily such systems are rather hierarchical, both within the system and within the organization making up the system. But at times of peak load and emergencies one finds rule switching by which officials move away from hierarchy and procedures to

seek the expertise or experience that might account for or explain an anomaly and provide suggestions for possible non-routine solutions. One thinks again of the Apollo 13 space mission.

These failure-free systems reveal how remarkably effective modern public and private organizations can be if they have adequate resources and are well-managed. To be sure, failure-free systems are the subject of intense public scrutiny because of the visibility of failures, however rare.

There will be failure and there will be accidents; simple probability demonstrates that it is so (Perrow, 1999). But on a day-to-day basis we all enjoy the modern miracles of high reliability systems. And, interestingly, when they fail it is usually because of human fallibility.

It is difficult to imagine modern life without high reliability systems. When they work perfectly, it appears that nothing happens. In fact, everything happens properly.

Comparing Institutional Forms

The associations between the structures or institutional designs of institutions and the policy and administrative outcomes of those institutions is a longstanding subject of importance in political science. Some of the scholarly work on this subject is based on the study of the national state as a political jurisdiction, work which is generally well known (Lijphart, 1984; Weaver and Rockman, 1993). Less well known but in many ways more empirically and theoretically significant has been the study of the relationship between institutional structures and designs and the policy outcomes in American cities. At the level of the nation-state institutional and constitutional designs differ in how unified or divided they make government. Governments can be divided in a number of

ways including the formal separation of powers such as we see in the United States as well as in each of the fifty states, split partisan control of the executive and the legislative branches, and split partisan control between the legislative chambers. Partisan gridlock is the contemporary description of divided government.   As a general descriptor, presidential form government is divided government with checks and balances. Parliamentary form national government is described as unified.

In the 1950s political scientists were generally of the view that parliamentary structures were more unified than presidential structures and, therefore, improved the prospects for both political party effectiveness and generalized public policy efficiency (American Political Science Association, 1950; Ranney, 1954). In more recent times scholars have considered the cases of divided government (Jacobson, 1990; Fiorina, 1996) and the implications of divided government (Mayhew, 1991). Based on this research the general conclusion is that divided government and particularly split partisan control is bad for public policy because it structurally allows for veto, empowers interest groups, frustrates effective policy development, and diminishes the prospects for effective policy implementation (Brady, 1993, Brady and Volden, 1998, Frederickson, 1997, Rainey, 2000). David McKay, based on studying the American national government writes:

> DG (divided government) is almost universally perceived as a bad thing, among other sins, it allegedly undermines coherent and cohesive policy making by removing the vital institutional connective tissue provided by common party control. DG has been invoked, therefore, as the cause of a number of problems, including the budget deficit, difficulties associated with the presidential appointment and treaty-making powers, and a general inability to produce effective domestic policy. (p. 525)

David Mayhew (1991) and Morris Fiorina (1996) argue that divided governments are as likely at unified governments to produce important legislation, claiming that the credibility of legislation is increased when enacted under divided rather than unified governments. The problems, of course, is the implementation of policy under the conditions of divided government and here the arguments run the other way. Divided government makes it considerably more difficult to effectively carry out public policy (Heclo, 1977)

But, both interpretations agree that structure matters. They only disagree as to how it matters. But, national states are very hard to compare. American cities are much easier to compare and they exhibit many of the same institutional design characteristics as national states.

In the progressive era, the municipal reform movement was a remarkably successful incremental process of institutional redesign for the purpose of changing the allocation of power and the policy outcomes of American cities. In the late 1800s the structure of almost all American cities was based on the separation-of-powers and checks-and-balances model used at the state and national level. Political parties were as important in cities as they were at the state and national level. Mayors were strong and in some cases fairly described as bosses. City employment was based largely on patronage and there was very widespread corruption associated primarily with either skimming contracts or taking kickbacks from city contractors and vendors.

Reallocating power and changing institutional behavior was accomplished by changing the institutional rules and altering institutional roles. Nonpartisan elections replaced partisan elections. Civil service systems replaced patronage. Strong bid and

purchase controls were put in place. The election of city council members was changed from districts to at-large. And an entirely new form of city government was invented, a form not based on the separation of powers but based instead on the corporate model. In this model the "board" or city council was small, elected at-large, and was comprised of volunteers who stood for election as part of their civic duty rather an for purposes of building a political career. This new form of city council passed ordinances, set policy, established a city budged, and then passed the day-to-day work of the city on to a professional—the city manager. Thus was born a new profession and a cadre of educated and trained professionals dedicated to efficient and clean city government. (Adrian, 1955)

Fast forward one hundred years and the results of redesigning the structure of city government is, by any measure, impressive. More than half of American cities use the council-manager form of government, a form of government rather similar to parliamentary form national government. Virtually all cities are operated on a day-to-day basis by merit appointed civil servants. Serious corruption in the form of fraud and kick backs are rare and tend to associated with old line "unreformed" mayor-council form cities. Political parties are relatively unimportant at the city level in American politics. Mayors are, as a generalization, much less powerful and visible than they once were. Professional city management is not only powerful in council-manager form government but many mayor-council form governments on separation-of-powers statutory platforms, now have "chief administrative officers" who serve as the functional equivalent of city managers. There is little doubt that redesigning city rules and altering the roles of city officials importantly changed the behavior of cities and their policy outcomes (Frederickson, Johnson and Wood, forthcoming).

System Fragmentation

Institutional theory is also informed by the long-standing empirical, conceptual and normative debate over the Tiebout Thesis, an argument that multiple small jurisdictions in a metropolitan area facilitate market-like individual choice, competition, and public service efficiency in both separate jurisdictions and entire metropolitan areas (Tiebout 1956; V. Ostrom, Tiebout, and Warren, 1961; Ostrom and Ostrom, 1971; Parks and Oakerson, 1989). Although often framed as a rational-choice versus a non-rational-choice debate, for institutional theory purposes this is a systems fragmentation versus a consolidated systems argument with attendant hypotheses and empirical tests.

At the outset, the theoretical question has to do with the unit of analysis. Fragmentation theory uses the individual or the family as the appropriate unit of analysis and the aggregation of individual and family choices as measures of rational preferences and institutional effectiveness. And, fragmentation theorists tend to use the logic of individual bureaucratic preferences to explain institutional choices (Niskanan, 1971; Downs, 1967; V. Ostrom, 1974). Consolidated systems theorists also use individual, family and bureaucratic preference as units of analysis but they also use overall measures of whole system effectiveness (Lowery and Lyons, 1989; Lyons, Lowery and DeHoog, 1992; Rusk, 1995; Stevens and Wikstrom, 2000)

David Lowery, a leading critic of the Teibout Thesis, neatly summarizes the consolidated systems theorists critique of fragmentation theory by the straight-forward testing of these three hypotheses:

1. Racial and income segregation will be greater in fragmented settings than in consolidated settings (Lowery, 2000, p. 63)

2. Fragmentation results in a spatial mismatch in which the poor and minorities are isolated in jurisdictions with limited fiscal capacity and significant demand for expenditures, while wealthy whites escape to enclaves with limited needs and a generous fiscal capacity (p. 65)

3. Consolidated (limited or complete) systems are more likely to have policies which minimize sorting by race and income and maximize redistribution and generalized economic growth (p. 68).

Based on his own work and the work of others, Lowery marshals considerable empirical verification for these hypotheses (2000). Fragmentation theorists, for their part, marshal evidence and logic to reject the hypotheses (V. Ostrom, 1997) But, theorists from both vantages agree that relative levels of system fragmentation or consolidation matter importantly in institutional functioning, in the just and equitable distribution of public service and life opportunities, and in citizen preferences and involvement, although they sharply disagree as to how.

Garbage Cans and Rent Seeking

Among the best known elements of institutional theory is the logic of the garbage can. In the garbage can one finds order, but this order is neither sequential nor consequential, which turns much of the rational logic of decision theory on its head. Order may not be sequential because the relationship between means and ends is often temporal, which is to say, public problems, public institutions and opportunities for choices mingle in non-linear ways as independent, exogenous streams flowing through a system. (Cohen, March, and Olsen, 1972; March and Olsen, 1989; Weick, 1976) Public problems in the garbage can seek solutions while at the same time public institutions may

be attracted to particular problems. Problems, solutions and decision-makers are temporal phenomena simultaneously available and can form a temporal order. "A computer is not just a solution to a problem in payroll management, discovered when needed. It is an answer actively looking for a question. Despite the dictum that you cannot find the answer until you have formulated the question well, you often do not know what the public policy question is until you know the answer." (March and Olsen, 1989, p. 13) In the absence of structural constraints, it is simultaneity rather than means-ends sequences which determine the linkages between problems and solutions and between institutional answers and questions

Perhaps the best know public sector empirical application of the garbage can is found in the work of John W. Kingdon. In Agendas, Alternatives, and Public Policies (1995) in which he describes shifting alliances, poorly understood technologies, changing perceptions, and an unclear mix of means and ends that could only be explained as the temporal sorting or simultaneity. The evident disorderliness of institutional simultaneity suggests the inadequacy of theoretical explanations ordinarily used to attempt to understand institutions.

In much of the history of public administration we have also assumed orderly relationships between public problems and their solutions and we have assumed that these were means-ends consequential relationships. From the garbage can perspective, there are elements of consequential arguments and rhetoric in institutional decision processes, but there are also observable patterns of problem-solution simultaneity. Rather than *the* answer to a particular public policy question, in the garbage can an *appropriate* answer is most likely (March and Olsen, 1995).

Using this logic it has been determined that patterns of institutional reform and reorganization are ad hoc, guided by a kind of pragmatic simultaneity. (Seidman, 1980; Szanton, 1981; Salaman, 1989; Meier, 1980). In a similar way patterns of public policy making are patchwork (Skowronek, 1982), opportunistic pragmatism (Johnson, 1976), and "putting square pegs into round holes." (Radin, 2000). Much of the language of public policy and administration is consequential, a rhetoric of performance, results, program evaluation, and outcomes. Institutional practices however tend in the direction of seeking understanding of preferred outcomes with limited available data, and searching for institutional arrangements that link institutional capacities and problems needing attention.

In an entirely different language and from a starkly different conceptual vantage one finds the garbage can's sibling and her name is rent seeking. Borrowed from economics and applied to public policy studies, rents are a description of a market with multiple firms (institutions) and the differences between their total costs and their total incomes (rents are not to be confused with profits—economists are fussy about this). These rents can be thought of a surplus and in a completely efficient (Pareto optimal efficiency understood as the allocation of public goods so that at least one person is made better off without everyone else being made worse off.) public sector. The set of prices and quantities (goods or services) that produces the greatest social surplus is thought to be the most efficient (Weimer and Vining, 1989). The problem, of course, is that from the narrow perspective of efficiency, both markets and non-markets (public institutions) "fail" because of a long list of problems such as monopolies, information asymmetry, and adverse selection. For public sector institutions there are other problems primarily

having to do with institutional structural factors that may be *inefficient* such as unequal opportunities, the voting paradox (what does a mandate mean?), preference intensity, the disproportionate influence of organized interests, district based geographic constituencies, limited decision-maker time horizons, problems measuring and valuing public outputs, professional preferences in the bureaucracy and civil service protection, and highly fragmented authority. In this non-market context we find several forms of rent seeking. Of the hundreds of examples, here are a few: agriculture crop subsidies and price supports, tariffs protecting domestic firms, professions restricting entry, monopoly regulation of utilities, price caps, and tax loopholes (Buchanan, Tollison and Tullock, 1980). Of course the longest standing and best known example of both the garbage can and rent seeking is the pork barrel allocation of funds through the United States Army Corps of Engineers for domestic harbor and river dredging and management (Mazmanian and Neinaber, 1979). In the logic of rent seeking, the annual Congressional pork barrel allocations to the Army Corps of Engineers (not to mention dozens of other forms of pork barrel including all leading American research universities) would be described at falling far short of efficient, and the methodological tools used in public policy analysis assist in the measurement of such rent seeking inefficiency. But, from the vantage of the garbage can, there is both a recognition of the inherent inefficiency in such arrangements and a conceptual description of March and Olsen's rule of appropriateness.

"Action is taken on the basis of a logic of appropriateness associated with roles, routines, right, obligations, standard operating procedures, and practices (Burns and Flam 1987). Appropriateness refers to a match of behavior to a situation. The match may be

based on experience, expert knowledge, or intuition, in which case it is often called "recognition" to emphasize the cognitive process of pairing problem-solving action correctly to a problem situation (March and Simon, 1993, pp. 10-13). The match may be based on role expectations, normative definitions of a role without significant attribution of moral virtue or problem-solving correctness to the resulting behavior (Sarbin and Allen, 1968, p. 550). The match may also carry with it a connotation of essence, so that appropriate attitudes, behaviors, feelings, or preferences for a citizen, official, or farmer are those that are essential to being a citizen, official, or farmer—essential not in the instrumental sense of being necessary to perform a task or socially expected, nor in the sense of being an arbitrary definitional convention, but in the sense that without which one cannot claim to be a proper citizen, official, or farmer." (March and Olsen, 1995, pp. 30-31)

The observant reader will have noted that we include both garbage can theory and elements of rational (means-ends) choice theory under the big institutional theory tent. More dedicated adherants to rational choice theory would likely disagree. The primary difference between garbage can theory and rational choice theory have to do with methodology and the matter of conceptual parsimony. The original application of garbage can theory in political science, by March and Olsen (1984) was based on an extensive assumption based cognitive simulation model which logically verified a garbage can relationships between means and ends, problems and solutions, questions and answers. Their model was recently reconsidered and simulation redone, with results the authors claim discredit both the simulation and the theory upon which it is based (Bendor, Moe and Shotts, 2001).

"This is ironic. The informal theory of the garbage can is famous for depicting a world that is much more complex than that described by classical theories of organizational choice. The latter's tidy image of goal specification, alternative generation, evaluation, and choice is replaced by a complex swirl of problems looking for solutions, solutions looking for problems, participants wandering around looking for work, and all three searching for choice opportunities. Yet, the simulation depicts almost none of this and in fact creates a world of remarkable order." p. 182

Rational choice theorists much prefer carefully specified assumptions, particularly assumptions of bounded rationality, and the parsimonious us of a limited number of variables in computer simulations. Most of the research scholarship on principal-agent theory, the prisoner's dilemma and the tragedy of the commons is based on these methodological and conceptual preferences. Johan Olsen, in response to the claims that the March and Olsen presentation of garbage can theory goes to this point:

"The comments by Bendor, Moe, and Shotts are unlikely to improve our understanding of political organizations and institutions. They misrepresent the garbage can and the new institutionalism, and their unsuccessful example of how these ideas can be 'rescued' is hardly promising. By building on a narrow concept of what is valuable political science, and by assuming away interesting challenges, they cut themselves off from some of the key issues that have occupied political scientists. Their own program is without substantive political content. They do not tell us which political phenomena they want to understand, and their separation of politics from its institutional and historical context makes it difficult to discuss which basic assumptions are most likely to be helpful—those they suggest or those of the garbage can or institutional perspectives. In

sum, they indicate an unpromising route and point research in the wrong direction." (2001, pp. 196-197)

Lost in this methodological and conceptual argument is the bigger point that both approaches attempt scientific understands of public institutions. Under the institutional big tent, the rational choice theorists tend to regard themselves as in the center ring. Garbage can theorists tend to be less preoccupied with a place in the center ring but strongly assert the methodological, and scientific validity of their theory and how they have tested it.

The Diffusion of Innovation

The study of the diffusion of institutional innovation (change) is a core body of research in institutional theory. The Progressive Movement in the first fifty years of the twentieth century spread many important organizational and policy innovations, including council-manager form city government, the short ballot, the secret ballot, merit systems in government, workers' compensation laws, aid to the blind and deaf, and minimum wage laws. Edgar McCoy (1940) measured state policy innovations between 1869 and 1931, including old age pensions, women's suffrage and workers compensation, and ranked them according to whether they were early or late adopters. Using maps, he found the centers of these innovations to be in New York, California, Wisconsin and Michigan and traced the paths of diffusion in concentric circles from those centers. Paths of diffusion were influenced by state variations in transportation and communication capacities, wealth and urbanization. From this grew the McCoy Innovation Index that even now explains regional patterns of innovation diffusion.

Long before the federal government took on widespread regulatory and social responsibility roles, the states were busy with the diffusion of innovation to include railroad regulation, health regulation, and the regulation of labor. Back in 1883, Albert Shaw, writing about the Illinois legislature, said that laws are emulated verbatim from one state to another, and argued that statutes are the same throughout a group of neighboring states. New York, Michigan, Ohio, Minnesota, Wisconsin and Illinois are identified by the historian William Brock as the taproots of the expansion of state social responsibility.

Herbert Jacob's *Silent Revolution* (1988) explains the rapid diffusion of no-fault divorce laws. New York and California adopted this concept in 1966 and 1970, respectively; by 1974 forty-five states had followed suit; and in 1985 the lone holdout (South Dakota) joined in. Jacob found no evidence that the idea was propagated by the usual sources -- social movements or interest groups, policy networks, bureaucrats, the governor or legislators. Because no-fault divorce was non-controversial, cost free, and had been successfully implemented by other states, it spread rather easily. Moving beyond his case study, Jacob argues that many other laws spread in a similar fashion.

Evidence suggests a contagion process. Peter Eisinger (1988), in the most extensive study to date, reports that the number of business location incentive programs (mostly tax abatements) increased from 840 in 1966 to 1,213 in 1985. The average number of programs per state doubled in the 20-year time period. Surely this rapid spread of location incentives did not happen because state governments independently reached the same conclusion about their desirability.

Peterson and Rom in *Welfare Magnets* (1990) illuminated the debate over whether states will "rush to the bottom" in support to pressure on welfare, to avoid becoming welfare magnets, by a careful statistical analysis of welfare benefit levels, poverty rates and state-level explanatory variables. They found that low-income persons move in response to benefit levels (and to employment opportunities). They also found that state policymakers are sensitive to the size of the low-income population and to the possibility of welfare migration, and they reduce benefits accordingly. States with high benefit levels such as Wisconsin cut benefits by the period's end. This action produces a convergence effect that pushes benefit levels downward.

Richard Nathan (1993) observed that states have often undertaken liberal initiatives when the national government is captured by conservatives; later, when liberals capture Washington, they bring along policies that already have been tested at the state level. Noting that state initiatives in the 1920s were the models for federal New Deal programs in the 1930s, Nathan finds it unsurprising that the same thing happened in the 1980s: conservatives controlled Washington while liberals turned to the states. This is part of an equilibrating tendency in our federal system wherein interests not satisfied at one level turn to another. As such, it counters the centralizing trend most observers see in American federalism and lends credence to Madison's claim that "opposite and rival" interests could be accommodated in a federal system.

It is a safe estimate that at least half of American cities with populations between 25,000 and 200,000 have exactly the same dog leash law. This is not because Ann Arbor and Beverly Hills have the same dog problems, it is because dog leash laws and most other laws were taken from model laws—in the case of cities, model laws put together

and distributed by the National League of Cities and the National Civic League. Indeed, there is a possibility that Beverly Hills and Frankfort, Germany, have the same dog leash laws due to the handiwork of the International Union of Local Officials and their model laws publications.

Doubtless, the ultimate study is Everett M. Rogers *Diffusion of Innovations* (1995). Rogers, in a synthesis of thousands of studies of change, found that innovations or reforms spread in diffusions, which exhibit a common pattern—the S-curve. At first the adoption of change or reform is slow, with experimentation, trial and error, and the challenges of being the guinea pig. Once a few others adopt reform successfully there tends to be a steep climb in adoption, followed by a leveling off. When institutional change reaches the leveling-off stage (it may include most other similar institutions but innovations are seldom judged to have been successfully spread if they involve fewer than half of the cases), further investments in seeking additional adopters are usually wasted.

"Diffusion refers to the spread of something within a social system." (Strang and Soule, 1998, p. 266) This spread is from a source to one or more adopters and can include the spread of types of behavior, technology, beliefs, and most important for our purposes, structure. Diffusions in social systems happen in surprisingly predictable ways and the spread of structural changes among American cities are a very good example of that.

Although Rogers and others who have studied the processes of diffusion tend to focus their interests on what they describe as innovation, the patterns of change and reform in the structures of American cities exhibit virtually all of the features of the

theory of the S-curve theory of the diffusion of innovation. The municipal reform

movement began slowly late in the nineteenth and early in the twentieth century. By the

1920's municipal reform was a well-know set of ideas and a widely shared ideology,

particularly among opinion leaders and spread steadily from the 1920's through the

1940's, resulting in the almost universal adoption of municipal civil service personnel

systems, bid and contract controls, the short ballot, the secret ballot, and the systematic

elimination of political party designations for those standing for city office. And, of

course, the council-manager form of government grew steadily during this period,

particularly in the Midwest, the South and the West. The new cities in the great

American suburban Diaspora almost all adopted the council-manager form. By the mid-

1960s the municipal reform movement was running out-of-gas and a new set of ideas was

steadily emerging, the so-called reform-of-the-reform or the post-reform movement. This

movement too can be seen as an S-curve and it appears to be in the midst of a steep

climb, a climb that will no doubt level off in the years to come.

Patterns of diffusion (some are more comfortable simply calling diffusion

"change," those who favor a particular diffusion tend to call it a reform or an innovation)

are explained by a series of attendant hypotheses.

First, is the association between the presence of a perceived crisis and the

propensity to adopt a change (Rogers, 1995; Strang and Soule, 1998). At the time the

problems associated with graft and corruption in American cities were described or

characterized as crises or disasters, during the height of the municipal reform era (Flentje,

1993). The fat boss mayor characterized in the political cartoons of the day had a

surprising capacity to further the interests of reformers. The greater the real or perceived institutional crisis or problem, the greater the prospects for institutional change.

Second, diffusion theory describes the importance of the compatibility between the purposes of a change or reform and the dominant values of a social system. This easily explains the almost universal adoption of the council-manager form of government in homogenous American suburbs. The employment of a professional manager adoption, a merit based civil service, a part time city council made up of members all elected at-large, fit comfortably with the dominant values of middle class families able to commute by car to their jobs and to escape the problems of the inner-city. Starting in the 1960s the demographics of many American cities changed and with those changing demographics came different values and concerns on the part of those now living in those cities. Most council-manager cities now have identifiable political leadership in the form of a directly elected mayor, with some form of direct political accountability. In addition the majority of council members in council-manager cities are now elected by district, enhancing the specific neighborhood responsiveness of city councils (Frederickson and Johnson, 2001).

Third, spatial proximity is important in diffusion theory. The spatial proximity of Midwestern and Western cities, for example, explains why these cities were early adopters of many of the features of municipal reform. In the Northeast, by comparison, there were fewer examples of "reformed cities" and there has been somewhat less diffusion of municipal reform there.

Fourth, "the mass media play a crucial role in amplifying and editing the diffusion of collective action." (Strang and Soule, 1998, p. 270). The media tends to focus on problems and things going wrong, and such a relentless focus influences public opinion,

lending itself to a general view that something needs to be done or that things need to be fixed. Crime and drugs are associated with getting tough on crime, which results in sentencing guidelines, three strikes and your out, and the currently popular "broken windows" concept. When there is a snowstorm and the city is slow to plow the streets, the media reports and amplifies the matter and elected officials are held responsible. Logically these officials will look for ways to "solve the problems" and often the solutions are structural, these days in the direction of changing the city structure to give the mayor more power. The contemporary media tends to be as enthused about strengthening the role of the mayor as it was about weakening the role of the mayor 75 years ago. The most widely read publication in American local government is *Governing Magazine*. *Governing* has run several major stories about "The Lure of the Strong Mayor" and on the importance of mayoral leadership in modern American cities. In both the reforms of seventy-five years ago and in contemporary reforms, the media has played a central role.

Fifth, change agents are often the carriers of change, the agents of diffusion. "The professions and occupational communities form an allied source of new practice." (Strang and Soule, 1998, p. 271). These communities of experts provide the venues for discussions, conferences, e-mail correspondence, newsletters, and magazines. Many mayors are active in the National Municipal League (NML) and are influenced by opinion leaders active in NML, and by the literature and other services of NML. City managers are active in the International City/County Management Association (ICMA) and are likewise influenced by ICMA opinion leaders and read the ICMA publications. Many top consulting firms, such as The Innovations Group, are change agents influential

in suggesting changes. It would be unusual in the extreme for a consulting firm to review

a city and to conclude that everything is fine and that nothing needs changed.

Sixth, closely associated with the media and with diffusion change agents is the

matter of fashion-setting. "Today, the management fashion industry is very big business.

While the theorization and hyping of organization action has always been fundamental in

managing, a strong trend toward the externalization or organizational analysis is

apparent. The consultant, the guru, the management scholar populations are on the rise,

as are the output of the business press and the sales of business books." (Strang and

Soule, 1998, p. 278) In a thorough review of the movement of social policy, Hood and

Jackson (1991) found that it was not analysis or rational reasoning that moved policy.

Instead, just as Aristotle argued, individuals and the institutions they inhabit are moved

by rhetoric, by the power of narratives, stories, examples, and by arguments that win in

the context of circumstances that people understand (Hood and Jackson,   p. XXXX).

Like fashion, preferred "doctrines" change over time and tend to move in S-curve

patterns. Doctrines can and do move across institutions by contagion, mimicking, and the

bandwagon effect, often with little connection to data, analysis or informed historical

understanding. (Strang and Soule, 1998).

The seventh factor influencing patterns of the diffusion of change is perhaps the

most interesting and unique. It turns out that both individuals and institutions tend to

change so as to acquire prestige, status and social standing. "Models of management

diffuse from central firms to the larger business community as they prove their utility in

responding to new politico-economic conditions. Haverman shows that deregulation led

thrifts to follow large, financially profitable thrifts into new markets." (Strang and Soule,

1998, p. 275). This led to disastrous investments in Mexico. Mid-sized firms use the accounting firms used by large well-known companies, seeking the legitimacy that those firms might carry. Universities mimic Ivy League and other prestige schools, justifying changes on the basis of similar changes at prestige universities. In the era of prizes, report cards and rankings, the pressure to mimic prestige institutions is increased. Cities prepare for years to apply to receive an All-American City designation given by the National Civic League. Cities likewise conform to a set of pre-established criteria to receive a favorable report card grade in the *Governing Magazine* evaluations of city effectiveness. Cities compete for the Harvard Innovation Awards, each claiming that the change they made was especially significant, productive, or equitable. Both corporations and public agencies compete for the government sponsored Balderidge Awards, awards which include highly questionable criteria such as benchmarking (benchmarking is actually copying the innovations of others rather than being innovative yourself).

One aspect of diffusion theory is particularly interesting. DiMaggio and Powell (1991), in their research of the diffusion of innovation in American businesses found what Max Weber long ago called "the iron cage".   In his brilliant early descriptions of bureaucracy, Weber argued that in the modern world the organizational and managerial characteristics of bureaucracy are so universal and compelling that these bureaucracies can become iron cages that are hard to change. DiMaggio and Powell found "iron cages of isomorphism" in corporate America, cages in which firms were influenced by crisis, proximity, prestige, and the other forces of diffusion and, over time come increasingly to resemble one another. Institutions, they found, will borrow from, copy or mimic the technology, management style and structural qualities of other institutions perceived to

have either greater success or greater prestige. Therefore, in the iron cage of isomorphism, institutions begin to increasingly resemble each other or to homogenize.

DiMaggio and Powell (1991) also found little association between the propensity of firms to change or adapt, on the one hand, and their productivity on the other hand. Although our research is on the patterns of structural change in American cities and not on the results of those changes, all we know from our research on cities and on the research of others, runs counter to the DiMaggio and Powell claim that there is little or no association between the propensity to change and outcomes or results. The history of structural changes associated with the American municipal reform movement and the results of that reform, indicate that a diffusion of municipal reform driven charges to American cities did result in significantly altered behavior in cities (Frederickson, Johnson and Wood, forthcoming).

Some Conclusions

Easily the biggest and easiest criticism of institutional theory is essentially the same as the critique of organization theory. Both lack parsimony and both include dozens of variables, dozens of hypotheses, and a singular lack of a simplifying core premise, such as the rational pursuit of self-interest. These criticisms also carry with them methodological preferences and biases, particularly having to do with competing views of social science. There is little doubt that those parts of modern institutional theory that trace to the evolution of public sector applications of organization theory are more than a little vulnerable to these criticisms. Concepts such as senses-making and appropriateness are fuzzy and subject to wide ranging interpretations. Field based empirical testing of these concepts has tended to be observational, interpretative, case

based and qualitative—falling short of the methodological rigor to which many in the social sciences aspire. At the core of the dust-up between Bendor, Moe and Shotts and their rational choice critique of garbage can theory and March and Olsen and their defense of it are the issues of theory parsimony and methodology. Both views go even deeper to issues of the philosophy of science and competing views of how to do social science.

It is our view that modern institutional theory is past this debate and, in the big tent conception of institutional theory, covers both perspectives. Rational choice scholars applying principal-agent logic to information asymmetry and transaction costs in matters of public policy are doing institutional theory. So too are scholars doing interpretive thick description of the same public policy matters. Both are studying public institutions and developing institutional theory.

Because of the vastness of institutional theory it is fairly subject to the criticism of the lack of a center of gravity, a simplifying assumption. This is a valid criticism but should not cause us to loose sight of its very real accomplishments and possibilities. The possibilities and limitations of institutional theory are in some ways a microcosm of the development of public management theory itself. There is a growing theoretical structure, a commonly accepted set of definitions and agreed-upon premises, an elaborate if somewhat opaque vocabulary, and an increasingly iterative and cumulative body of knowledge. Above all, institutional theory highlights the unique properties and characteristics of public institutions and their problems and promises.

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