Rational Planning, Organizational Structure and Performance: Perceptual Agreement between Politicians and Senior Managers

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Abstract

Rational approaches to the management of public organizations have been championed as a route to higher levels of organizational performance on many occasions. In this article we extend knowledge on this relationship by examining the effects of perceptual agreement between senior managers’ and politicians’ on rational planning and model its impact on performance. Empirical results and interview data based on a sample of English local governments suggest that higher levels of agreement result in higher performance. We also show that two facets of organizational structure positively moderate this relationship: centralization and role flexibility. The results provide further evidence on the efficacy of arguments on the benefits of rational planning, explaining how agreement between key organizational actors and organizational structures strengthens this relationship.
A central and critical feature of the shift towards modernization in the public sector has been to promote rationalism. A raft of reforms from the 1960s onwards have sought to introduce rational processes associated with detailed planning and option appraisal into the decision making processes of governments at all levels. Well-known examples of these practices include the Planning Program and Budgeting Systems in the US Department of Defense, Zero Based Budgeting, Management by Objectives and various forms of programme analysis and evaluation. In the last two decades the New Public Management is credited with diffusing the ingredients of a more rational public management across the world (Pollitt and Bouckaert 2004).

Rational planning is also one of the key models of strategy in the generic management literature (Elbanna 2006). Strategic management has been of increasing interest to scholars and practitioners because of the emphasis placed on aims, processes and outcomes in public organizations in recent decades (Andrews, Boyne, Law and Walker 2012; Bryson, Berry and Yang 2010). Although the evidence on the impact of rational planning is mixed, the balance of the evidence suggests that it makes a positive difference to organizational performance (Boyne 2001). This study seeks to go beyond prior work by examining not only the impact of planning but also whether shared perceptions of planning by politicians and managers make a difference to performance. We argue that when these two important groups of actors agree on perceptions of key organizational processes, such as rational planning, then higher levels of organizational performance will be achieved. The focus is upon senior managers because they are the focal point of contact between politicians charged with identifying goals and strategies and the bureaucracy that is responsible for achieving them (Askim 2006; Jacobsen 2006; Liguori, Sicilia and Steccolini 2012). In addition, we examine whether the effect of agreement between politicians and senior managers is strengthened by organizational structures that support rational
planning, and in particular the extent of formalization, centralization and role flexibility. These contributions are developed through an analysis of a longitudinal dataset that employs an external measure of organizational performance, a multiple informant survey, semi-structured interviews, and a range of internal and external controls.

The paper is structured as follows: First, the literature on rational planning and agreement between politicians and bureaucrats is outlined. Arguments are then presented on how the impact of agreement between politicians and managers is moderated by formalization, centralization and role flexibility. Methods, describing the units of analysis, data, measurement and controls are then discussed before the statistical findings are presented. Findings suggest that agreement on strategic planning between politicians and senior managers does indeed heighten performance, and that this relationship is strengthened by elements of a ‘mechanistic’ structure (centralization and role flexibility corporate integration). In conclusion, the implications of these findings for the role of rational planning in public organizations are discussed.

**Agreement between politicians and senior managers and strategic planning**

The politician-bureaucrat relationship is a critical issue in the study of public organizations and their management. Questions concerning the division of power and responsibility between them, the effects of their different motives on policies and budgets, and political control of the bureaucracy have been widely debated (Blais and Dion 1991; Jacobsen 2006). Less attention has been focused on questions of the consequences of (dis)agreement between these two groups of leaders. What if politicians and bureaucrats are at odds about the way in which strategies should be formulated? What if they have different perceptions of the role of planning and establishing options? Research on leadership and strategic management suggests that agreement is an essential precondition of coordination and cooperation in the process of management, and is
particularly important when examining the impact of leaders at different levels in the organization (Andrews et al. 2012; González-Benito et al. 2012; Yukl 2008).

Models of agreement—variously referred to as alignment and consensus (Hofer and Schendel 1978; Kellermanns et al. 2005)—posit that benefits arise when there is agreement on the methods or formulation processes and objectives or goals of an organization (Bourgeois 1980; West and Schwenk 1996; public sector). These arguments are largely developed for business firms that operate in competitive markets and not for public organizations (Porter 1981). This literature debates the casual sequence that results in agreement bringing positive benefits. González-Benito et al. (2012) summarize three approaches: (1) agreement is first on goals and then methods (Bourgeois 1980), (2) goals and methods are agreed simultaneously drawing on emergent strategy arguments (Dess and Origer 1987); and (3) methods are agreed and then goals are defined (Porter 1996).

An important departure between public and private organizations is the ways in which goals are set (Rainey 2009). In the public sector aims are largely exogenous, as they are typically determined by legislation and the political priorities of the government of the day. This is particularly so in lower levels of government, such as the local governments that are the unit of analyses in this study.¹ Given these characteristics, for benefits to flow from agreement in public organizations akin to Bourgeois’ (1980) arguments, an approach is also in keeping with strategic planning models developed in the literature (Armstrong 1982; Bryson 2011). González-Benito et al. (2012, 1692) note that agreement on means can established a “shared mental framework or dominant logic” which results in cooperation between key organizational actors. Janis’ (1972) notion of “groupthink” offers a word of caution on agreement. If agreement is complete between

¹ When local governments implement nationally determined programmes they have scope to interpret these policies. However, the main direction and policy tools used to implement the legislation are typically fully determined.
politicians and senior officers they may not have the ability to solve problems and generate new ideas, thus too little and too much agreement can be harmful to performance.

Ideas on agreement have been elaborated in the public management literature. For example, borrowing from institutional political economy, Dull (2009) refers to this as credible commitment: if senior leaders do not offer support to strategic organizational processes, such as rational planning, managers lower down the organization will be left feeling key strategic issues are unimportant, making coordination and co-operation challenging to achieve. This likely outcome of weak shared values on a critical organizational process such as strategic planning will be harmful to performance—a view shared by authors working on the role of leaders on questions of strategy (Lane and Wallis 2009; Moore 1995). The formulation of organizational strategies is more than simple command and control, shared values on key organizational processes are necessary to avoid descent and disharmony (Moynihan, Pandey and Wright 2012; Rodríguez, Galera and Hernández 2006).

Rational planning is characterized by analytical, formal and logical processes through which organizations scan the internal and external environment, and develop policy options which differ from the status quo. The options that are generated by this process are evaluated prior to the setting of organizational targets, which are then regularly reviewed and monitored (Dror 1973; Mintzberg 1994). Planning thus operates within a framework of bounded rationality because of the cognitive limits of decision-makers and the iterative way in which they move between the various planning phases (Elbanna 2006). Rational planning cuts across the divide between objective and actions, or the roles of politicians in setting objectives and senior managers in taking action on these objectives. As such, it is important that politicians and senior managers agree on the processes being used to formulate strategy.
Evidence on the consequences of rational planning for organizational performance is typically drawn from an intra-organizational perspective that examines a single organizational echelon (Boyne 2001; Elbanna 2006). The balance of the international research results from the public, private and nonprofit sectors leans towards a positive relationship between planning and performance (Boyne and Gould-Williams 2003; Crittenden et al. 1988; Odom and Boxx 1988; Siciliano 1997; Walker et al. 2010). While this evidence is drawn from intra-organizational studies, it suggests that rational planning can be a force for good (Boyne 2001). When difficulties are identified in rational planning problems are usually attributed to technical and political problems. Evidence on planning amongst local authorities in Wales suggests that technical problems are more difficult to overcome than political factors (Boyne et al. 2004). We extend these presumptions intra-organizational level analysis to the views of politicians and senior managers, particularly in relation to the extent to which they share perceptions on the importance of rational planning.

The impact of agreement between politicians and senior managers can be strengthened by appropriate organizational structures. The structures examined here are formalization, centralization and role flexibility that provide the structures and frameworks to enhance coordination between politicians and senior managers. Formalization is concerned with the extent to which rules, policies, and procedures are written down (Bozeman 2000). Formalization will place boundaries around the ways in which policies and procedures operate and thereby provide a framework by which staff across an organization can act (March, Schulz and Zhou 2000). Ambiguity, as a contrary position to formalization, is likely to create confusion and uncertainty between different positions in the hierarchy and between different echelons resulting in varying approaches to planning and a greater degree of informality. Ambiguity arises because
of variation and differences in the perception of key organizational processes, actions and decisions (March and Olsen 1976; Moynihan 2006). Therefore, formalization will provide the members of the organization with confidence that they are working within the boundaries of the agreement between politicians and senior managers, and will strengthen the link between shared perceptions of planning and organizational performance.

Centralization refers to the centrality of decision-making authority; it is seen to counteract the dispersion of power and allow for rapid decision-making (Subramanian and Nilakanta 1994). The contrary structure is that of decentralization, where decisions are taken close to the front-line which is assumed to lead to decisions that are more responsive to citizens and users. Centralization is anticipated to be a structural characteristic that will enhance the relationship between agreement on perceptions of rational planning and performance. Theory has argued and empirical evidence demonstrated that the effect of centralization is contingent on strategy processes (Andrews et al. 2009b; Pettigrew 1973; Pfeffer 1981). Centralization gives politicians and senior managers the power to implement their shared views of the role of rational planning and to resolve problems when they arise. It facilitates fast decision-making, provides firm direction and goals, but critically it “establishes clear lines or hierarchical authority thereby circumventing the potential for damaging internal conflict” (Andrews et al. 2009b, 60).

Role flexibility enables the corporate integration through the cross-fertilization of ideas when different organizational members share knowledge as they move to different committees, departments or units within an organization (Burns and Stalker 1961; Morand 1995). This is achieved because personnel with specialized skills across a range of functional areas can provide the organizational-wide knowledge necessary to ensure that the mechanisms associated with strategic planning function (Yukl 2008). Role flexibility provides an organization with the ability
to deploy staff around the organization that have a broad knowledge base about key organizational processes, and thereby ensuring consistency across a range of key organizational processes. Such movements of staff will help overcome the different assumptions, knowledge and priorities that staff in different units may have (staff in English local government come from backgrounds as diverse as social work and garbage collection to legal and financial services). Role flexibility works to bolster the positive benefits that arise from agreement between senior managers and politicians on strategic planning by integrating knowledge on the planning of strategy and the analysis of options and developing shared mental models of the ways in which planning takes place.

Methods

Units of analysis

The units of analysis for this study are English local governments. These are democratically elected bodies running a first past the post parliamentary electoral system with the majority elected political group forming a cabinet and electing a council leader, and others with specific service responsibilities. All local governments employ professional career staff; there is no practice of political appointments. They have a statutory responsibility to appoint a chief executive officer, and typically structure the senior management team to reflect or mirror the political leadership function. English local government is, by international standards, quite centralized. Legislation and guidance are developed in central government in England and approximately two-thirds of their income is derived from the same source. This system of local government

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2 At the time of this study 10 local governments (2.6% of all local governments) had implemented legislation passed in the 2000 Local Government Modernization Act and voted to have a directly elected mayor. Chronologically these authorities are: 2001, Watford, Doncaster, Hartlepool, Lewisham, Middlesbrough; 2002 Newham, Bedford, Hackney, Mansfield, Stoke-on-Trent. Doncaster, Hackney, Middlesbrough, Newham and Stoke-on-Trent are included in this study.

government is similar to that operating in many jurisdictions around the world, and has much in common with the council-manager model in the USA.

English local governments operate in specific geographical areas and are multi-purpose organizations delivering services in the areas of education, land-use planning, leisure and culture, public housing, social care, waste management, and welfare benefits. In England there were 386 local governments of five types at the time of the study: 32 London boroughs, 36 metropolitan boroughs, and 46 unitary authorities that are primarily found in urban areas and deliver all of the services listed above. In predominately rural areas, a two-tier system prevails with 34 county councils administering education and social services, and 238 district councils providing welfare and regulatory services. County councils are by far the larger of these organizations (according to the most recent UK national census serving, on average, 675,574 people, while districts serve on average 96,501) and account for around two-thirds of local service expenditure in the two-tier system. In this study, we do not include district councils because our dependent variable (organizational performance) is not available at this level.

Data
A mixed method approach to data collection was adopted in this study. The dependent performance variable is drawn from a dataset established by the Audit Commission in 2001 to measure the achievements of English local government. The measure represents the views of the primary external stakeholder on the service performance of English local governments: UK central government. The major external assessment of English local government performance carried out by central government inspectors is the Comprehensive Performance Assessment (CPA) conducted by the Audit Commission between 2002 and 2008. These three quantitative datasets are complemented with interview data collected from local authorities between 2002 and
Data on perceptions of rational planning, and the moderator variables, were derived from an electronic survey of managers and a postal survey of politicians in English local governments carried out each summer from 2001 to 2003. Alternative survey administration approaches were adopted following a pilot that showed the highest response rates from officers were from electronic means of delivery, while politicians were more likely to respond to a mailed paper based survey (Enticott 2003). The survey design and administration included strategies to reduce errors in sampling, coverage, nonresponse, measurement and processing (Lee, Benoit-Bryan and Johnson 2012).

For the electronic survey email addresses were collected from participating organizations, and questionnaires were delivered as an Excel file attached to an email. Participants in the research had eight weeks to answer the questionnaire, save it, and return by email. Informants were assured of the confidentiality of their responses, their right to respond and of the arrangements made to safeguard data during and after the study. Postal addresses and the names of leading politicians were gained from organizations in the study for the paper and pen survey. Politicians were given three weeks to complete the survey, and were followed up on two occasions.

The survey contained 59 questions that were identical for politicians and senior managers, though the officer’s survey was more extensive and also examined a program of management reform called Best Value (Boyne, Martin and Walker 2004). A number of psychological and temporal remedies were used in the design of the questionnaire to overcome potential respondent biases associated with self-reports (Podsakoff and Organ 1986). For example, items measuring

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4 The dataset is available from the Economic and Social Research Council Data Archive held at the University of Essex: http://www.esds.ac.uk/findingData/snDescription.asp?sn=6779&key=how+public+management+matters.
organizational structure were placed in a number of different sections of the questionnaire. In addition, the survey piloting process noted above improved many survey questions, thus reducing the likelihood of item ambiguity and evaluation apprehension (Tourangeau, Rips and Rasinski 2000).

We used a multiple informant survey design to capture the perceptions of politicians, senior and middle managers (Wagner, Rau and Lindemann 2009). In each participating organization, questionnaires were sent to senior officers (the chief executive officer and at least two other managers who were members of the senior management team [SMT]) together with service officers (the chief service officer and 3 other managers in each of the seven services mentioned above). In each local government four senior politicians, including the leader and elected members with major policy responsibilities, were also included in the sample. To reduce coverage errors, in 2001 all 148 local governments were surveyed. Responses were received from 121 organizations (82 per cent organizational response rate), with a 56 percent (1,259) officer informant response rate, and 481 (44%) responses from the 1,070 politicians surveyed. In 2002 and 2003, a representative sample of 77 organizations were survey and all responded. Officer informant response rates were 65 per cent (922) and 56 per cent (790) respectively. In 2002 and 2003 the number of politician respondents and response rates were 355 (33 per cent) and 430 (40 per cent) respectively. The cases in our analysis are representative of the diverse operating environments faced by English local governments, including urban, rural and socio-economically deprived areas (results available from authors). Respondents were asked not to complete the questionnaire if they had occupied their role for less than one year at the time of the survey.

One internal and five external controls are included in the multivariate models. The
internal measure is taken from the survey described above, an autoregressive measure of prior performance from the Audit Commission data set is used, and the remaining measures use data from the UK Census.

Interviews were undertaken in 4 case study authorities over a four-year period between 2002 and 2005. The cases were selected to achieve a mixed sample across local authority type, political control, population density and region of England. Each authority was visited annually allowing a total of 52 semi-structured interviews to be conducted with a purposive sample of managers involved in the development and implementation of a programme of organizational change that embraced rational planning (Entwistle 2011). Against the backdrop of publicly available documents – including strategy statements and inspection reports – the semi-structured interviews tracked the emergence and development of change programmes which included an emphasis on planning, analysis and option appraisal over time through the testimony of key actors.

The transcribed interviews provided us with a 250,000 word document containing approximately 500 references to the role of politicians in the development and implementation of change programmes. A word search facility was used to identify each reference to politicians (councilors, elected members and portfolio holders) in the combined transcripts. Having excluded incidental and inconsequential uses, we studied the way in which our respondents described the role of politicians in the change programmes we tracked. We then coded the references to politicians as supporting or contradicting our rational planning hypotheses. As we go on to explain later, there were relatively few examples of politicians frustrating or undermining rational planning. When this did happen, it seemed to be in the context of informal decision making or a failure to engage politicians in the development of strategy. With very few
reported instances of politicians undermining the development of strategy, we then focused on the extent to which the specific organizational contingencies – of formalization, centralization and role flexibility – were associated with the performance effects of agreement on rational planning.

**Dependent Variable**

Measures of the performance of public agencies are typically derived from either administrative datasets or surveys (Andrews, Boyne and Walker 2010). Administrative measures are derived from data collected and published by government organizations themselves (and often mandated by a higher level of government) and scores issued by regulators. Surveys of the perceptions of citizens, service users and public managers are frequently collected by academics and polling organizations, and can be requested by political superiors (see Andrews, Boyne and Walker [2006] for a further discussion).

Performance is a multidimensional construct that covers many concerns such as quality, efficiency, effectiveness, responsiveness and equity. Different performance measures from different sources may satisfy some stakeholders’ interests in the performance of public agencies but not others. For example, the relative level of satisfaction of council housing tenants with the service they receive is (rightly or wrongly) unlikely to trouble private homeowners. Along with these conceptual complexities, administrative and survey measures have varying benefits. Survey data are able to tap complex perceptions of stakeholders’ assessments of public agencies, yet are criticized for common source bias, notably in relation to managers’ assessments of how their own organizations are performing (see Andrews, Boyne and Walker 2006; Walker and Boyne 2006). Administrative data are often judged as the ‘gold standard’, given that they are taken from secondary datasets; however, there is evidence of cheating on these measures in public and
private organizations (Andrews, Boyne and Walker 2011).

The analysis presented here focuses on a performance metric that combines the strengths of administrative and survey data and captures a number of dimensions of performance. The measure represents the views of the primary external stakeholder on the service performance of English local governments: UK central government. The major external assessment of English local government performance carried out by central government inspectors is the Comprehensive Performance Assessment (CPA) conducted by the Audit Commission between 2002 and 2008. For the three years during the period covered by this analysis (2002-2004), this effort classified the “core service performance” (CSP) of local governments by making judgments about their achievements in six key service areas (education, social care, environment, housing, libraries and leisure, and benefits) together with their broader “management of resources” (Audit Commission 2002, 2003). For each of the seven service areas, the CSP score is based largely on administrative performance indicators, supplemented by the results of inspection and assessment of statutory plans (Andrews et al. 2005).

The administrative performance indicators cover six aspects of organizational performance: quantity of outputs (e.g. number of home helps for the elderly), quality of outputs (e.g. the time it takes to carry out public housing repairs), efficiency (e.g. cost per benefit claimed), formal effectiveness (e.g. average school passes at 16), equity (e.g. equal access to public housing) and consumer satisfaction (e.g. satisfaction with waste collection). The last-mentioned satisfaction rating is a survey measure that is subsequently audited. These indicators were referred to as the Best Value Performance Indicators (BVPI) and were drawn up in collaboration with professional associations and local government officials as key measures of the achievements of English local governments (see Department of the Environment, Transport
and the Regions 1999). Inspection of services draws upon internal improvement plans, field visits and other documentation. Inspection teams include Audit Commission officials, service users, citizens and local government specialists. Statutory plans are assessed against the criteria of the service’s relevant central government department. While local government employees can be involved in the production of different forms of the performance data contained in the core service performance index, all assessments are conducted by evaluators external to the local authority.

The CSP score is constructed by the Audit Commission by giving each service area a rating from 1 (lowest) to 4 (highest). The service scores are then weighted by the Audit Commission to reflect the relative importance and budget of the service area (children and young people and adult social care = 4; environment and housing = 2; libraries and leisure, benefits, and management of resources = 1). Finally, these weighted scores are summed to provide an overall service performance judgment, ranging from 15 (12 for county councils which do not provide housing or benefits) to 60 (48 for county councils). Because these scores are not directly comparable across all types of authority, each government’s score is taken as a percentage of the maximum possible score for the relevant group. Table 1 presents the descriptive data on the dependent, independent, moderator and control variables.

[Insert Table 1 about here]

Measuring and calculating agreement on rational planning

The rational planning variable is based on measures used in a number of studies of this topic in English local government (Boyne et al. 2004; Andrews et al. 2009a; Walker et al. 2010). The two questions asked produced an acceptable Cronbach alpha of .73. The questions were: “When the service/authority formulates strategy it is planned in detail”, and “When the service/authority formulates strategy, options are identified and evaluated before the best option is selected”.

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These two survey items capture the core of the concept: that strategy is *planned* (rather than incremental or emergent), and that *analysis* precedes strategy selection.

The measurement of agreement in multiple informant surveys is complex and has been debated. Three approaches have been suggested to examine the views of different organizational echelons in multiple informant surveys: the absolute difference, correlations and consensus (Kellermanns et al. 2005; Wagner Rau and Lindemann 2009). Each approach has strengths and weaknesses. The absolute difference links to our definition of alignment: agreement across organizational levels (Hofer and Schendel 1976; Andrews et al. 2012). Correlations have been used to tap the related concept of consensus in the strategic management literature, and used within echelons not between them (Kellermanns et al. 2005; Rodríguez, Galera and López Harnández 2006). Wagner, Rau and Lindemann’s (2009) notion of consensus is conceptually ideally suited to studies of alignment and consensus as it seeks agreement between organizational actors. Each approach, however, presents measurement problems. Wagner, Rau and Lindemann’s (2009) consensus approach is impractical in large-N surveys (Enticott, Boyne and Walker 2009). Consensus approaches require repeat surveys or face-to-face meetings between the actors from different echelons, which has the potential to introduce bias (for example, statements by officers during interviews may be swayed by subservience to their political masters).

Using the absolute value on a Likert scale (where 1 is low and 7 is high) results in a “1, 1” combination being the same as a “7, 7” combination—yet the first is clear agreement that rational planning in the organization is poor, and the second shows shared positive perceptions of rational planning. To overcome this weakness we take the absolute value of the distance between the mean scores for the rational planning alignment variable in the politician and managerial
echelons and add to this the sum of the average scores from both sets of actors. By adding the total absolute score to the difference, we attach a higher weight to shared views that rational planning is strong than to agreement that it is weak. Thus our measure of alignment takes account of the closeness of politicians’ and senior managers’ perceptions, and whether their views of the organization’s rational planning is favorable or unfavorable.

Moderating variables
The moderator variables were drawn from Subramanian and Nilakanta’s (1996) study of innovation. This study examined private firms, thus the questions on formalization, centralization, and role flexibility were adapted to the public sector. These measures have been used in a range of studies examining red tape and innovation (Brewer and Walker 2010; Walker 2008). The question posed on formalization was: “Written policies and procedures are important in guiding the action of employees in the authority/service”. The measure of centralization, taken from Subramanian and Nilakanta (1996), draws on the organizational sociology literature that views structure as the locus of decision-making in organizations (Aiken and Hage 1968). If decisions taken at the apex of the organization this suggests a centralized power structure, where as decisions near the frontline imply decentralization. In this study the SMT members and senior politicians were asked: “When our results deviate from our plans, the decisions to take appropriate corrective action usually comes from top management or politicians”. Lastly role flexibility was measured by whether staff operate in departmental silos or work in different roles across the organization: “We frequently transfer or second staff to different departments/service”.

To calculate an organizational mean for these two moderating variables, we first calculated a mean of the chief officer responses and a mean of service officer responses, giving
equal weight to each tier; the organizational score is then an average derived from these two means (Aiken and Hage 1968). Chief officer lead service areas (i.e. Directors of Education, Social Services, Benefits and Revenues etc.) and service managers are front-line supervisory officers.

Control Variables
To ensure that alignment is not simply a proxy for rational planning per se, a measure of rational planning at the organizational level is included in the models, labelled “Organizational Rational Planning” (ORP). The organizational level control uses the same measures as for “rational planning” and offers an alpha of .77. The ORP control includes responses from only service officers—chief officer (i.e. Directors of Education, Social Services, Benefits and Revenues etc.) and other mangers or front-line supervisory officers—to ensure that it only taps wider organizational views on RP and is not contaminated by the RP alignment measure that is based on the views of politicians and senior managers.

The context within which a public agency operates plays an influential role on outputs and outcomes (Pettigrew, Ferlie and McKee 1992; Thompson 1967). To this end, we have isolated five external constraints that have been shown to have an impact on the performance of English local government (Andrews et al. 2005). The first three of these measures examine the level of need and its heterogeneity. The overall level of need is captured in a single proxy measure (labelled deprivation) calculated from the UK census and called the Average Ward Score of the Index of Multiple Deprivation (Department of the Environment, Transport and Regions 2000). This provides an overview of the different domains of deprivation (e.g. income, employment, health) of local residents within a local authority area and is a standard population-weighted measure widely used by UK central government. This measures the level of service need, and as
service need increases so performance is anticipated to fall. Two dimensions of diversity of service need are measured: *age diversity* and *ethnic diversity*. The proportions of the various sub-groups within each of the different categories identified by the 2001 national census within a local government area (e.g. ages 0-4, Black African) was squared and the sum of these squares subtracted from 10,000. The measures give a proxy for ‘fractionalization’ within an area, with a high score on the index reflecting a high level of diversity (see Trawick and Howsen 2006). High levels of diversity of need are expected to harm performance because it is harder for public agencies to meet multiple needs.

It is suggested that local governments serving big populations can accrue economies of scale by distributing fixed costs over more units of output (Boyne 2003). The relative size of local governments was measured using population figures for each local area from the 2001 census—labelled *population*. Public organizations in densely populated areas may reap scope economies by offering multiple services from the same site (Grosskopf and Yaisawang 1990). To control for such effects we include a measure of *population density*.

Last, we build into our statistical modeling techniques that offer some insights on the causal direction of the link between alignment and performance. Argument has been mounted and evidence provided suggesting organizations are relatively inert and autoregressive systems that alter only incrementally through time (Meier and O’Ttoole 1999; Staw and Epstein 2000). This raises the possibility that alignment in one period is a product of high performance in a previous period. In this case, the coefficient for alignment may be inflated because it contains causality that runs in both directions. Therefore, we control for prior performance by a measure of prior performance. By using this technique it is possible to obtain a clearer estimate of the net impact of alignment on subsequent changes in performance when the “baseline” position of the
organization is taken into account. In other words, even if high performance has contributed to the current level of alignment, what does alignment then add to (or subtract from) movements in performance?

**Results**

Table 1 shows the descriptive statistics and zero-order correlations for organizational performance, rational planning (RP) agreement, the three organizational structure variables, and the controls included in the analysis.\(^5\) The average VIF scores for the first three models are less than 3.0, which suggests that multicollinearity is not likely to distort seriously the statistical results (Bowerman and O’Connell 1990). Although models 4, 5, and 6 have high VIF scores due to the addition of the interaction terms, this does not invalidate the results (Jaccard and Turrisi 2003).

[Insert Table 1 about here]

A pooled cross-sectional time-series FGLS (feasible generalized least squares) regression method was used for testing our hypotheses. In the analyses, we controlled for heteroscedasticity across the panels by using the option ‘panels (hetero)’ in STATA. When the variables from the survey were combined with the performance data, panel attrition and missing values from each dataset led to a decrease in sample size. Accordingly, an unbalanced panel—32 organizations in 2002, 52 in 2003, and 55 in 2004—was used for the statistical analyses. Furthermore, in order to address the causality of RP agreement-performance relationship, we also included organizational performance lagged by one year in the models, 3, 4, 5, and 6.

Table 2 presents the results of the 6 FGLS regression analyses of organizational performance. Model 1 considers solely controls, and models 2 and 3 add the measure of RP

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\(^5\) The controls population, population density and ethnic diversity were skewed and show evidence of kurtosis and were logged.
agreement between politicians and SMT to estimate its influence on organizational performance and the three organizational structure measures; the only difference between these two models is the inclusion of lagged performance in Model 3. Then models 4, 5, and 6 add to Model 3 an interaction term between RP agreement and formalization, centralization, and role flexibility, respectively.

[Insert Table 2 about here]

The results for model 2 show that RP has a positive effect on performance, which is consistent with the balance of prior evidence. Furthermore, even controlling for the level of RP in the organization, performance tends to be higher when politicians and managers have shared positive perceptions of the planning process. This effect of RP agreement remains positive and significant when a control for prior performance is introduced in model 3.

These empirical observations were supported by commentary from the case studies which provide a near unanimously positive account of the engagement of politicians in strategy development. The findings from these interviews, consistent with our RP hypotheses, are that formal planning processes aid the development of a strategic consensus between managers and politicians. Our interviewees describe formal and rational processes of consultation, learning and policy development as helping them to engage with politicians to “sell the idea and get the message across” as one manager put it.

Rational planning processes provided, according to a number of managers: “some time and a focus”; “opportunity”; “detail”; “transparency”; “broadened awareness”; “open and a proper decision-making”. One manager described an option appraisal as providing the opportunity to “review all aspects of the service provision and, within the process, to challenge it and identify the best practice and go out and feed it to the members … so the process gave us the
opportunity to accelerate its implementation.” The formal review processes and option appraisal of rational planning were described as bringing the two-sides together: they provided “the opportunity” as one manager explained “to put the argument before the members in stages, bring the members with us and get the end result.” Another officer continues:

The review process actually gave a formal structure and enabled those sort of challenging questions to be asked, and the opportunity to explore and engage members in a way that we’d never engaged members before. Actually, them [the politicians] thinking that they knew what we did, when probably they really didn’t, and officers quite happily getting on with doing things that may be members should be involved in.

As well as increasing the strategic consensus between managers and politicians, managers told us that rational planning processes unlocked a number of performance enhancing resources. Members brought, as one manager explained: a huge amount of knowledge and experience, this was something that they were quite passionate about . . . For a department it is really very helpful, because like on school exclusions they’ve got a group of maybe six members who know in depth, in real depth, an area and effectively although they are starting off from a critical angle, they end up being advocates, because they understand the complexity of the task that is actually being undertaken and they can speak very knowledgeably on the topic.

Alongside information and advocacy, elected member involvement brought political capital to the plans and targets to emerge from rational planning which increased the legitimacy of organizational commitments: “straight away” as one manager put it “you’d got some corporate impetus to doing something”. In such a way, politicians and managers working together with agreed process and priorities increases the scale of achievable projects as another
manager puts it: “I just think a local outcome with members is a much more powerful outcome than an officer outcome no matter how good the officer outcome is.” Another manager gave the example of the political commitment to markedly increased recycling targets, explaining that, ‘the lead Councilor was brave, very brave personally, and he has been pilloried in the press for it since. But he said: “no, look . . . it’s the right way to go, I know it’s the right way to go . . . I want us to deliver this one.”’

By contrast, negative references to the role of politicians in strategic decision-making, although few in number, were associated with incremental or emergent forms of strategy making. One manager, for example, talked about how progress on housing reform had been frustrated by “the antagonism between the then chair of housing and the chair of social services who hated each other’s guts”. Another described a commitment to centralize IT as reversed by an informal meeting “involving the members and chief officers”.

Then the next models 4, 5, and 6 present the test results for the moderating effects of the three organizational structure variables—formalization, centralization, and role flexibility, respectively. The data show the positive moderating effects of centralization and role flexibility. In contrast, formalization does not have a statistically significant effect on the relationship between RP agreement and organizational performance. That is, although providing clear written procedures can contribute directly to the increase in performance, as shown in Model 3, it does not help to bolster the effect of the RP agreement on organizational performance.

In Model 5, it is supported that centralization is conducive to the relationship between RP agreement and performance. Thus, in a highly centralized structure, the effect of RP agreement on performance becomes stronger. All the local governments represented in our data have undergone marked processes of centralization as a product of a series of reforms imposed by
central government at the beginning of the twenty first century. Foremost amongst those reforms was the replacement of the old fragmented system of decision-making in specialist service committees with cabinets or executives tasked with making corporate (or centralized) decisions. As one manager explains: “in the old days we had an environment committee or a highways and transportation committee which met five times a year which had twenty plus items on its agenda and you had twenty seven members, a third of the Council, who actually sat through that day”.

Although this committee system engaged politicians in the detail of particular services, it had the disadvantage to quote one manager, that the politicians “were not paying enough attention to the corporate priorities of the council . . . It looked as though it was a scatter gun approach”. The new arrangements put in place to manage the political process, by contrast, now mean that all of the “key decisions” are “being made by an executive of ten people”. The advantage, according to one manager, is that the new “executive members are now better informed and more active than committee chairs”. The downside, however, is that their improved engagement has been delivered at the cost of much greater disengagement by the vast majority of the rest. While some suggest that the centralization reforms made it more difficult to engage politicians in detailed matters of service design because as one manager explains “you actually end up with a relatively small number of your members who are familiar with your particular subject area”, there seems little doubt that these centralizing reforms brought the engagement of politicians closer to the formal rational model of decision making.

The results for Model 6 demonstrate the benefit of role flexibility for the relationship between RP agreement and performance. Specifically, when an organization has a flexible structure where it deploys flexibly staff with broad knowledge about critical organizational processes, RP agreement between politicians and SMT is more likely to have a stronger effect on
organizational performance.

An emphasis on role flexibility and the development of corporate integration was noted during the case studies. Historically, English local governments were, as one manager explains, “organized along service department lines with few, or no, corporate cross cutting bits of organization. It branched out from the chief officers and there are walls between everything below that.” A number of reforms embracing—the appointment of corporate directors and other new corporate roles (HR, procurement, performance management, communications); the development of corporate strategies, secondments, transfers and cross-service working groups—emphasize the development of corporate understanding of the organization and its priorities. Again a manager explains the reforms well:

I think you have got to build a culture really of corporate working. People try to do it through cross directorate corporate groups and we’ve got many of them now. We’ve got one on risk management, business continuity procurement, there is a lot going on. E-government is totally cross directorate. Anything to do with communications and consultation, it is building the culture of working together in a corporate way which I think hasn’t been there in as large a way as we’d like. It always has been a problem in this organization going back twenty years I suppose, there was still the same criticism “well why don’t we work more corporately together?”

Alongside the emphasis on the corporate organization in place of its separate departments, these strategies share a predisposition to generic rather than service specific management in which staff spend their whole careers operating in narrowly defined jurisdictions.

Again, these corporate initiatives serve to privilege rational planning. Generic managers are perhaps more likely to question taken for granted assumptions of career service managers, in
such a way, reviewing and questioning established assumptions and practices. Evidence from the interviews suggests that these reforms do indeed foster rationality in the organizations that adopt them. One of our interviewees explained:

You need that increased capacity at the centre because one of the things that a Chief Executive’s department does is anticipate the future . . . if you can look to the future you can anticipate and plan and organize yourself for the future.

Although strongly associated with rational planning in their own right, in the context of more centralized political leadership, these reforms have the additional effect of drawing politicians and managers into the same corporate strategy processes, and as our empirical results indicate, when the agree on these key processes there are positive performance benefits.

**Conclusions**

This study sought to examine the impact of agreement on rational planning between politicians and senior managers and its relationship with organizational performance. Organizational structure was argued to moderate the relationship between shared perceptions of planning and performance. The study was located in local governments responsible for service delivery. The main findings are that agreement on perceptions of rational planning by politicians and senior managers assists in pushing forward organizations to higher levels of achievement. This relationship was positively moderated for the structures of centralization and role flexibility but not formalization. The inclusion of a measure of prior performance in our models reduces potential for bias in the coefficients and offers some comfort when interpreting causality—that is, that agreement on rational planning influences performance, not vice versa.

These findings suggest that the modernist agenda that focuses on rational processes in organizations has merit. The benefits of rational planning have been questioned, and some prior
attempts at its introduction have not succeeded (Boyne 2001). However, when strategy formulation that focuses on rational processes, planning and option appraisal are agreed upon as important by politicians and senior managers then a route to successes would appear to be plotted. These findings reflect recent evidence on the use of performance information across the politician-bureaucratic divide which show that these two groups of actors search for common performance data (Liguori, Sicilia and Steccolini 2012).

Limitations of this study include the location—the findings could be influenced by the nuances of English local government; additional studies in different settings are required to check the generalizability of these findings. While our data are a panel, the time period is relatively short and alternative relationships may be uncovered over longer time periods. Our main independent variable was an index, but the moderators were single items, and the development of more robust indexes may tease out other relationships. A number of internal and external controls were included in the statistical model but other factors are worthy of examination to see if the findings are upheld in alternative circumstances. Finally, alternative performance indicators could be used, for example do the same findings appear when measure of citizen or user satisfaction are the dependent variable?

Despite these limitations, our findings suggest that alignment between politicians and senior managers makes a difference to organizational performance. Beyond the impact of rational planning itself, shared perceptions of the planning process lead to better organizational results. Furthermore, this effect is strengthened when organizational structures support rational planning, thereby allowing the shared views of politicians and managers to be fully reflected in the processes and performance of the organization.
References


Table 1. Descriptive statistics and correlation coefficients of all variables

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Note: Correlation coefficients whose absolute value is greater than 0.17 are statistically significant at the 0.05 level.
Table 2. Rational planning agreement, organizational structure, and performance

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Notes: Number of observations = 139; *** p < .001; ** p < .01; * p < .05