STRATEGIC MANAGEMENT OF PUBLIC ORGANIZATIONS

STUDIES OF PUBLIC POLICY MAKING AND ADMINISTRATION IN OHIO

DISSERTATION

Presented in Partial Fulfillment of the Requirements for
the Degree Doctor of Philosophy in the Graduate
School of The Ohio State University

By

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1985

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To Louise, who not only made it possible, but made it all worthwhile
ACKNOWLEDGEMENTS

I was fortunate to benefit from the wisdom, help and support of many faculty members throughout my years at The Ohio State University. Their contribution to my education is far greater than I could ever properly acknowledge.

Professors Arthur Lynn, Jeffrey Ford, and Paul Nutt were especially helpful as members of the dissertation reading committee. In addition, I enjoyed the support of colleagues at Wright State University and The Florida State University, who provided assistance and advice during the time I was working on this research.

I imagine that only a few doctoral students have had as rewarding an experience as I have had with Professor Robert Backoff, who has been my teacher, mentor, and good friend. I count myself extremely lucky to have had the opportunity to work closely with him.
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### Publications

"Tale of Two Cities: A Case Study of The Market for Jobs."

FIELDS OF STUDY

Major Field: Public Administration


Studies in Public Sector Economics. Professor Frederick Stocker.


Studies in Research and Quantitative Methods. Professor Kent Schwirian.
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Chapter One

Introduction to the Study of Strategic Management

Statement of the Problem

The program of research reported in this dissertation is concerned with strategic choice and action taking in public organizations. It takes as its principal objective the development of a framework for characterizing and explaining the strategic behavior of state government agencies. This exercise in classification and theory construction is based on field studies of four state government agencies in Ohio during the period 1974 to 1984. Additional details regarding the design of the study are provided later in this chapter. At this early point in the dissertation, it is important to develop the context out of which this research was undertaken.

Since Wilson (1887), a recurrent question for students of Public Administration has concerned the proper relationship between politics and administration (Denhardt, 1984; Henry, 1975; Mosher, 1975; Waldo, 1979; and, Yates, 1982). The early literature in the field produced a conceptualization of policy formulation (politics) and policy implementation (administration) as separate and distinct spheres of
activity (Goodnow, 1900; and, Willoughby, 1935). In this view, policy making was taken to be the exclusive domain of politics while the role of administration was strictly limited to the carrying out or implementing of policies established in the political arena. Similarly, public sector leadership was seen as emanating from political rather than administrative processes. In short, public organizations were thought to be mere instruments of policy making without legitimate policy preferences or organizational objectives. The locus of strategic choice and action taking affecting both the purpose and direction of public organizations was in the political sphere. At the public organization or agency level, the appropriate focus of managerial choice and action taking was exclusively operational.

This perspective on the division of responsibilities between political and administrative entities is associated with a rich academic and political tradition. As a result, the politics-administration dichotomy has been called upon to serve a variety of purposes. In keeping with these diverse purposes, it has been developed and presented in a variety of ways, depending on the purpose being served. For writers such as Goodnow and Willoughby, concerned with charting the bounds of Public Administration, the politics-administration dichotomy was an important analytical
convenience, enabling them to define their domain of study (Denhardt, 1984). Other writers, more concerned with describing the actual division of responsibility among various institutions, organizations, and individuals, failed to see the division between politics and administration in the actual practice of public policy making and administration. From their perspective, the orthodox tradition of a politics-administration dichotomy failed to capture the complex reality of political and administrative decision making with its institutional interconnections, overlaps, and joint responsibilities (Appleby, 1949; Dahl, 1947; Long, 1962; and, Waldo, 1955). In Simon's (1947) major reformulation, the distinction between policy making and administration was said to rest on the different criteria appropriate to evaluate correctness. "If it is desired to retain the terms 'policy' and 'administration', they can best be applied to a division of the decisional functions....While not identical with the separation of 'value' from 'fact', such a division would clearly be dependent upon that fundamental distinction."

The "discovery" of policy implementation as a problematic concern worthy of academic research suggests not only a more contemporary presentation of the old politics-administration dichotomy, but also a distinct
analytical perspective (Bardach, 1977; Mazmanian and Sabatier, 1981; Pressman and Wildavsky, 1979; and Van Horn, 1979). This approach may be said to emphasize, at least in part, the legal, economic, political, and organizational factors acting on the administrative side to affect compliance with legitimate policy direction. This newly reconstructed dichotomy has a different purpose from that attributed to Wilson and the founders of the orthodox tradition. "Instead of preventing administration from being contaminated by politics...the purpose of the new dichotomy will be to insulate policy from the stultifying influences of bureaucracy" (Wildavsky, 1979).

Those scholars identified with the "New Public Administration" and related developments have taken what is essentially the opposite tack. They consider the boundary between politics and administration to be relatively new and artificial. For them, the introduction of a politics-administration dichotomy into Public Administration represents too much emphasis on instrumentalism, administrative efficiency, and economy (White, 1971). The "New Public Administration" sought to make explicit what it saw as the dangers of separating administration from politics, and, thereby isolating administration from political control (Page, 1971). Still other contemporary scholars addressing the relationship between politics and
administration have been concerned with the nature of constitutional arrangements and mandates and the rise of the administrative state (Lowi, 1979; Ostrom, 1973; Redford, 1966; and Yates, 1982).

Although present day Public Administration theory is said to have largely abandoned the politics-administration dichotomy (Waldo, 1979), the preceding discussion speaks to its continuing influence. Denhardt (1984) suggests three reasons for this state of affairs. First, Public Administration has been traditionally defined as the study of the administrative branch of government. Relatedly, the notion that generic principles of management can be applied both to public organizations and to business enterprises has had great appeal and has served to blur the special qualities of publicness. Finally, and perhaps most consequentially, the politics-administration dichotomy has come to symbolize the question of the proper role of public organizations in a democratic polity. As a conclusion to the discussion to this point, it can be said that the politics-administration dichotomy has largely defined the terms of dialogue about public organizations and created an orthodox culture of Public Administration, framing our concept of appropriate and effective public management. One might question, in the light of present circumstances, the continued benefits of this orthodoxy.
Organization theory has conventionally identified purposiveness as a distinguishing characteristic of formal organizations (Georgiu, 1973; and Porter, Lawler, and Hackman, 1975). Similarly, the conventional unit of analysis in organizational research is a focal organization that seeks to attain its goals and maintain its existence. A fascinating feature of the culture of Public Administration is that it maintains a distinction between public organizations and all other social organizations both in terms of the unit of analysis and the source of organizational purpose and direction. As suggested by the opening paragraph of this introductory chapter, this research proposes to investigate direction setting or purposing of public organizations from the perspective of conventional organization theory. In other words, this dissertation will focus on public organizations and attempt to develop a framework for describing and explaining their strategic choice and action taking. In a sense, what is being suggested is a novel way of capturing the way in which politics and administration are joined together.

This effort is given significance by the changing conditions and circumstances of public organizations. Over the past several decades, the nature and scope of government action has expanded far beyond the historical core functions of government (Waldo, 1980). Governments at all
levels have assumed new responsibilities, taken on new roles, and entered into new forms and patterns of relationship (Milward, 1982; Mosher, 1980; Salamon, 1980; Walker, 1980; and, Wright, 1978). As a result, those responsible for establishing purpose and direction for public organizations, both political leaders at the jurisdiction level and general managers at the organization level, have come to face fundamentally new sets of strategic problems and responsibilities.

Many of the features of this new, ill-structured problem set have been identified in the literature. They include: 1) increased complexity, uncertainty, and turbulence in the political-social-economic-technological environment (Naisbitt, 1982); 2) increasing uncertainty and dissent regarding the purpose, nature, and value of governmental activity (Kaufman, 1981; and, Savas, 1982); 3) growing fiscal stress and budgetary restraint (Levine, 1978); 4) emergence of more complex inter-governmental and public-private partnerships (Walker, 1978; Wamsley and Zald, 1973; and, Wright, 1978); and, 5) development of a host of new forms of government action (Mosher, 1980; and, Salamon, 1980). A major task of this dissertation is to present evidence about strategic choice and action taking by public organizations caught up in this markedly changed environment.
The remainder of this chapter is concerned with further elaboration of the dissertation research program. Chapters two and three present the conceptual foundations of a strategic management approach to public policy making and administration. Those chapters offer a view of strategic management as the nexus of politics and administration and as the key linkage between jurisdictional level policy making and organization choice and action taking. Chapter four develops a logic of inquiry for the study of strategic management and provides a detailed discussion of the research methods employed in the field studies of public agencies. Subsequent chapters present evidence from empirical studies of four public agencies in Ohio and develop implications for scholarship and practice.

The Study

As mentioned in the opening paragraph, the research reported in this dissertation is based on studies of the strategic choice and action taking of state government agencies in Ohio during the period 1974 to 1984. The choice of state government as the focal point for this research is appropriate for several reasons. For one, state government is a central and essential element of contemporary federalism in the United States. Not only does state government initiate, fund, and operate a diverse
set of its own programs, but it also coordinates or serves as a conduit of funds for a variety of intergovernmental programs. State government civilian employment, for example, now exceeds that of the national government (Wright, 1978). State government expenditures, excluding intergovernmental grants, totalled 147.8 billion dollars in 1979, representing 18% of total government spending (Musgrave and Musgrave, 1984). With fifty state governments operating a dozen or more major agencies, this level of government offers interesting research potential (Hatten, 1982; Perry et al, 1981; Weinberg, 1977; and, Wortman, 1979). Relatedly, the policy and program responsibilities of state government are of sufficient size to encompass a variety of strategic issues and to involve numerous actors and stakeholders inside and outside of government. On the other hand, in comparison to both federal and local levels of government, the study of strategic management in state government agencies is both conceptually and logistically manageable.

The decision to study strategy and strategic management of public agencies in Ohio is similarly appropriate. Ohio has been popularly characterized as an archetypical American state. Despite recent difficulties, Ohio remains one of the most populous and economically diverse states. Moreover, in the past decade, Ohio has had to face some of
the most difficult problems to be found on the agenda of any state government. These problems have included historically high levels of unemployment, cutbacks in basic public services, population decline and changing demographic characteristics, repeated budgetary crises, and other related difficulties. An additional feature of the turbulent environment of the past few years has been the transition from lengthy Republican control of the executive branch of state government to a new Democratic administration. From a research perspective, this event offered an intriguing opportunity to study the strategic management of state agencies across two administrations and to examine the impact of the governor on strategy and strategic management at the agency level.

The four agencies that were investigated in field studies were the Department of Natural Resources (DNR), the Department of Mental Retardation and Developmental Disabilities (DRDD), the Public Utilities Commission of Ohio (PUCO), and the Department of Public Welfare (DPW). These agencies were selected for the study because they represented a variety of policy, program, and service delivery types and accounted for a significant portion of state government activity and budgetary expenditure in Ohio. The products of the research process described in chapter four were in-depth accounts of the strategy and
strategic management of the four agencies. As explained in chapter four, these accounts served as the data base for analysis of the factors influencing agency strategy and strategic management and for identification of the dimensions of choice and action taking that comprise public organization strategy.

Significance of the Research. An argument for the value and significance of this research as a Ph.D. dissertation in Public Administration rests on several grounds. Most importantly, it can be argued that understanding the process of strategic choice and action taking at the public organization or agency level, and identification of the factors influencing strategy and strategic management, is important for both scholars and practitioners. As discussed previously, an enduring concern for Public Administration has been the specification of the relationship between politics and administration. In this dissertation, strategic management is proposed as a potentially viable conceptualization of this key relationship. As a combination of theory building and empirical investigation, it is hoped that the dissertation can make a useful contribution to scholarship in the field. For public officials, a strategic management theory of policy and administration would not only redefine the domain of managerial responsibility, but could also
explicate the levers of managerial choice and action taking and provide additional understanding of the complex public sector environment. Justification for the selection of state government agencies as focal units of analysis and of Ohio as the jurisdiction to be studied has already been provided. It might be useful, however, to reiterate, in the context of this discussion, the centrality of state government in the American system of federalism and the opportunity that a study of state government agencies provides to explore linkages among a variety of programs, units, and levels of government. As discussed previously, one objective of the dissertation research is to develop a framework that takes into account the growing complexity of government action in the United States. Finally, it should be noted that, while strategic choice and action taking has long been a topic of research in private sector organizations, the study of public sector strategic management has been relatively neglected (Hatten, 1982; Perry et al, 1981; and Wortman, 1979).

Research Questions. Chapters two and four provide a comprehensive review of the several bodies of literature informing this research. For now, it can be said that the related literatures of public policy making and administration, organization theory, and strategic management suggest that the nature of strategy in the state government agency
and characteristic patterns of strategic choice and action taking will vary between levels within political jurisdictions, among types of agencies, and from agency to agency within a specific policy type (Bourgeois, 1980; Bryson and Boals, 1983; Clark and Shrode, 1979; Fottler, 1982; Rainey et al, 1976; Ripley and Franklin, 1982; Perry et al, 1981; Stevens and McGowan, 1983; and, Weinberg, 1977).

In order to explore these relationships, this research focused on two central questions regarding the strategic management of public agencies:

1) What are the characteristics (dimensions) of strategy and strategic management in public agencies?

2) What are the factors associated with the pattern of strategy and strategic management found in a public agency?

The first of these questions addresses a fundamental issue in the development of a theory of strategic management in public agencies. In effect, it is concerned with the nature of strategy and with the meaning of a claim that an agency had a strategy or followed some strategic direction. Previous research has not adequately addressed the question of what is a strategy and what are its unique characteristics, if any, in public organizations. The second research question is concerned with the specific factors that influence or condition the pattern of
strategic choice and action taking for an agency. Framing this question acknowledges that public organizations operate in a field of influence that affects their domain of strategic choice and action taking. This field of influence is hypothesized to include internal and external variables of political, economic, legal, and organizational origin. The identification of these factors and their relationships with each other and to the dimensions of strategy referred to in the first research question have potentially important implications for understanding the environment and levers of policy making and administration in public organizations.
Chapter Two

Conceptual Foundations for the Study of Strategic Management

Review of the Literature

The strategic management approach which is developed in this dissertation can be said to derive from several overlapping areas of study and research. In the first part of this chapter, the fundamental literature informing the study of strategic management is reviewed and synthesized. Following that effort, the more specific strategic management literature is taken up. In the next chapter, these foundations support the presentation of a framework for strategic management research in public organizations. Before proceeding, however, it would be useful to introduce and contextuate the concepts of strategy and strategic management.

The concept of strategy has been employed by management and policy researchers for a relatively long time (Ansoff, 1979; Bracker, 1980; and, Hofer and Schendel, 1978). As Bracker has shown, conceptualizations of strategy have changed and evolved through time. However, its common usage captures a variety of images including "adaptation" (Chakravarthy, 1982), "learning" (Argyris and
Schon, 1978; and, Michael, 1973), "evolution" (Narayanan and Fahey, 1982), and "co-alignment" (Thompson, 1967). Strategy requires a variety of managerial activities, including planning, direction setting for the organization as a whole, purposeful choice and action taking, and organizational goal formulation and implementation. This set of ideas suggests that the concept of strategy captures the purposeful adaptation and evolution of the organization in light of societal needs and demands (Summer, 1980). It is organizational strategy that provides the direction and movement necessary to permit organizational adaptation and evolution through a tension field of changing environmental forces and pressures.

Numerous references to and formal definitions of strategy and the related term strategic management can be found in the literature. In a fairly early reference, Selznick speaks of strategy as "...the dynamic adaptation of the total organization to internal strivings and external pressures (Selznick, 1956). Chandler defined strategy as "...the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (Chandler, 1962). Still another, perhaps more contemporary definition described strategic management as "...a process that deals with the
entrepreneurial work of the organization, with organization renewal and growth, and, more particularly with developing and utilizing the strategy which is to guide the organization's operations" (Schendel and Hofer, 1979). Summer made the claim that "[a] strategy, viewed at one static point of time, is a broad, comprehensive, holistic, gestalt network of policies which pictures products or services to the outside world...and a logically related network of internal resources...necessary to produce that product or service. It is a conceptual framework in the strategist’s mind" (Summer, 1980). Table 1 presents a representative sampling of the definitions found in the literature.

Theoretical Antecedents. In surveying the various bodies of knowledge pertinent to this domain of study, it is appropriate to acknowledge that the literature of political science and policy making is relatively unconcerned with the strategic choice and action taking of public organizations. As noted in chapter one, a fundamental question for students of public policy making and administration has involved the relationship between policy making and administration. However, this question has not generally been treated as an issue of organizational strategy. Rather, it has been addressed in terms of how the political system and its institutional arrangements produce
Table 1

Sample of Definitions of Strategy and Strategic Management

Strategy is concerned with long-range objectives and ways of pursuing them that affect the system as a whole (Ackoff, 1974).

Strategy is the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals... (Andrews, 1972).

Strategy is analyzing the present situation and changing it if necessary. Incorporated in this is finding out what one's resources are or what they should be (Drucker, 1954).

Strategy is a mediating force between the organization and its environment: consistent patterns in streams of organizational decisions to deal with the environment (Mintzberg, 1979).

Strategic management is defined as the set of decisions and actions resulting in the formulation of strategies designed to achieve the objectives of the organization (Pearce and Robinson, 1982).

Strategic management is the determination of the basic long-term goals and objectives and the set of rules or pattern of decisions employed by top executives and managers for successful implementation of executive, legislative, and judicial mandates (Perry et al, 1981).

Strategy is defined as the basic goals and objectives of the organization, the major programs of action chosen to reach these goals and objectives, and the major pattern of resource allocation used to relate the organization to its environment (Schendel and Hatten, 1972).

Strategy is the forging of company missions, setting objectives for the organization in light of external and internal forces, formulating... policies and strategies to achieve objectives, and ensuring their proper implementation so that the basic purposes and objectives of the organization will be achieved (Steiner and Miner, 1977).

and implement policy (Easton, 1979). Figure 1 illustrates this general systems approach.

![Diagram](image)

**Figure 1**
Simplified Political Systems Model

In one manifestation of this framework, the main focus has been on the nature of the relationship between those institutions responsible for establishing policy and those responsible for its implementation. An extensive literature has grown up related to this concern (Bardach, 1977; Berman, 1978; Bunker, 1972; Pressman and Wildavsky, 1979; Ripley and Franklin, 1982; Sabatier and Mazmanian, 1981; and Van Horn, 1979). For the most part, this literature has focused on the issue of compliance, on how legitimate policy directives come to be executed by administrative instrumentalities.
The scholars interested in the study of implementation have made some significant headway in describing the factors and conditions which influence the implementation process. A variety of systems models have been constructed which illustrate the relationship between a set of political, economic, legal, and organizational variables and "successful" implementation (Sabatier and Mazmanian, 1981). While these studies are important and interesting, they neglect public organizations as dynamic actors in the process of policy making and administration. Since they overlook the strategic choice and action taking of public organizations, they cannot adequately describe or explain the actual context in which policy making and administration is carried out.

The neglect of public organizations in this literature is further illustrated by the paucity of research concerned with state government agencies (Hebert, 1984). One important exception is Martha Weinberg’s study of management of state agencies in Massachusetts. This work provides an interesting framework for explaining the relationship between the governor and various executive branch agencies. However, because Weinberg focused on the governor as the principal causal actor, she is relatively insensitive to the strategy making and action taking of public agencies.
This brief discussion suggests that students of strategic management in public organizations must look beyond the specific public policy and administration literature. A more pertinent set of writings may be found in the areas of organizational theory and business policy and strategy (strategic management). The starting point for a review of this literature is largely coincident with the emergence of these areas as distinctive fields of study. An important body of early literature is represented by writers such as Fayol (1930), Gulick (1937), Barnard (1938), Simon (1947), and Selznick (1956).

Fayol set the stage for an interest in strategy and strategic management by making a sharp distinction between administration (operational-level activities) and management (strategic-level activities). According to Fayol, "It is important not to confuse administration with management. To manage an undertaking is to conduct it towards its objectives by trying to make the best possible use of all the resources at its disposal" (Fayol, 1930). Management for Fayol involved setting direction for the organization, charting its course, and steering toward achievement of its objectives. Gulick expanded upon this distinction with the well-known phrase PODSCORB, which detailed the various functions of the executive, including planning and directing. An elaboration of the functions and levels of
organizational action can be found in Parsons (1960) and Thompson (1967). These authors make the point that three distinct elements (functions and levels) can be found in any organization: strategic, managerial, and technical. The strategic element in this formulation provides the "...'meaning,,' legitimation, or higher-level support which makes the implementation of the organization's goals possible" (Thompson, 1967).

Another early treatment of strategy and strategic management can be found in Barnard (1938). Barnard argued that a crucial element in organizational decision making and management involved the search for strategic factors. "The ideal process of decision is to discriminate the strategic factors and to redefine or change purpose on the basis of the estimate of future results of action in the existing situation, in the light of history, experience, knowledge of the past....The everchanging present generates ever new purposes in the continuing organization" (Barnard, 1938). Implicit in this formulation is the idea that the organization operates in a dynamic and changing environment. Purposeful choice and action taking (strategic management), in the context of the environmental forces acting on the organization, connect organizational past, present, and future and permit adaptation to evolving and emerging conditions. At the level of individual effort,
strategic management can be seen as one of the essential functions of the executive. It is the responsibility of the executive to "...formulate and define the purposes, objectives, ends of the organization .... [However] it is more apparent here than with other executive functions that it is an entire executive organization that formulates, redefines, breaks into details, and decides on the innumerable, simultaneous, and progressive actions that are the streams of syntheses constituting purpose or action" (Barnard, 1938). It seems clear that for Barnard strategic management was not only identified with the executive function, but was also closely connected to an overall system of management that gives direction and purpose to the organization as a whole.

Selznick can be said to hold a similar view as to the nature of strategy and strategic management, although he related the concepts to the notion of institutional leadership. "It is in the realm of policy - including the areas where policy formation and organization-building meet - that the distinctive quality of institutional leadership is found....[It] is the function of the leader to define the ends of group existence, to design an enterprise distinctly adapted to these ends, and to see that that design becomes a living reality" (Selznick, 1956). Selznick shares with Fayol and Barnard a sense of the crucial difference or
distinction between routine decisions and strategic choice and action taking. The latter, the set of choices and actions that have a significant impact on the direction of the organization and that will affect the character and values of the organization, determine the domain of institutional leadership. "Leadership sets goals, but in doing so takes account of the conditions that have already determined what the organization can do and to some extent what it must do. Leadership creates and molds an organization embodying - in thought and feeling and habit - the value premises of policy. Leadership reconciles internal strivings and environmental pressures, paying close attention to the way adaptive behavior brings about changes in organizational character" (Selznick, 1956). From this perspective, strategic management can be conceptualized as an aspect of leadership, closely related to the establishment of institutional purpose and mission, and connected to the "shadowy area" where policy making and administration meet. The significance of Selznick's contribution to the foundations of a theory of strategic management rests on several grounds. First, his formulation suggests the essential boundedness of strategic choice and action taking and the large role of institutional arrangements and other environmental factors in determining the paths open to the organization. Relatedly, Selznick points out that
strategic leadership is concerned with adapting the organization to its environment(s) and with bringing together of internal and external factors. Finally, he introduces the concepts of values and organizational character to our thinking about strategy and strategic management. Many of these ideas, especially as taken up by later theorists, will prove to be important aspects of a theory of strategic management in public organizations.

As suggested by previous discussion, a major element in the conceptual foundations for strategic management can be found in the general organization theory literature. The summary of the contributions of writers such as Fayol, Barnard, and Selznick is suggestive of the rich background provided by the early literature in this area. A major contribution is also provided by contemporary scholarship in macro-organization behavior. An important example of this contribution is found in the work of James D. Thompson (1967). In the opinion of many students of organization theory, Thompson produced a major reconceptualization of the field, focusing on the impact of environment on intendedly rational and purposive organizations. In this context, Thompson suggested that the principal strategic imperative for organizations can be defined in terms of co-alignment. "Perpetuation of the complex organization rests on the appropriate co-alignment in time and space not
simply of human individuals but of streams of institution-
aligned action. Survival rests on the co-alignment of
technology and task environment with a viable domain, and
of organization design and structure appropriate to that
domain" (Thompson. 1967). Thompson argues that organiza-
tions, facing challenges to goal attainment and survival,
seek simultaneously to reduce uncertainty and to increase
flexibility, to be open and responsive to the environment
and to be closed off and technically rational. These
seemingly inconsistent organizational design requirements
are a necessary component of the effort to cope with a
dynamic and complex reality. The strategic solution for
the organization can be found in an appropriate organiza-
tional design. However, "[t]he configuration necessary for
survival comes neither from yielding to any and all
pressures nor from manipulating all variables, but from
finding the strategic variables...those which are available
to the organization and can be manipulated in such a way
that interaction with other elements will result in a
viable co-alignment" (Thompson, 1967).

Other organizational theorists have made significant
contributions to the underlying conceptual foundations of
strategic management. Simon (1947), March and Simon
(1958), and Cyert and March (1963) introduced a series of
important concepts related to organizational decision
making that are important to any conceptualization of strategic management. The notion of bounded rationality, for example, suggests that there are limits to planning, strategizing, and decision making that result from the limited cognitive capacity of human beings. In part because of these limits, individual decision makers (and strategists) reduce their aspiration level and accept satisfactory solutions rather than invest the time and resources required if one is to approximate optimum results. Similarly, since individuals can attend to only limited aspects of their environment, choice and action taking is activated in response to problematic situations and solutions are sought from a limited array of options.

Another set of writers, especially Woodward (1965), Lawrence and Lorsch (1967), and Pugh et al (1969), have argued that organizational design and other strategic choices are, for the most part, situationally determined. More recently, organizational action has been treated from an external control perspective. "In this view, action is seen not as the result of conscious, foresightful choice but as the result of external constraints, demands, or forces that the social actor may have little control over .... Behavior may have little to do with the values or preferences of the actor taking action but instead reflects the constraints of external elements. Action results from
the pattern of constraints, contingencies, or demands confronting the social unit” (Pfeffer, 1982).

Early versions of structural determinism (e.g., Woodward, 1965; Lawrence and Lorsch, 1967; and, Pugh et al, 1969) were challenged by Child (1972) because he believed they failed to take account of the role of strategic choice in shaping the organization, its structure, and its relationship with the environment. In an important extension of the work of Chandler (1962), Child took the position that organizations make strategic choices that are informed by and impact on the situational context. Ultimately, organizational structure and performance are related to the strategic choices made by the dominant coalition in an organization.

As Van De Ven and Astley (1981) point out, the strategic choice perspective in organization theory is one of several dominant perspectives in the field. Each of these distinctive viewpoints adopt certain assumptions about the nature of organizational life. The strategic choice perspective argues against the purely deterministic effect of size, technology, and environment. The linkage between organizational design and performance allows "considerable leeway" for managerial choice and action taking. In this view, the proper focus of study is...
...Both environment and structure are enacted and embody meanings of action of people, particularly those in power. Managers are viewed as acting in a proactive role, and their choice behavior can be described as being intendedly purposeful, hedonistic, and rational" (Van De Ven and Astley, 1981).

Although the strategic choice perspective will be shown to underlie the main body of strategic management thought as it has developed in the literature, another perspective identified by Van De Ven and Astley can be usefully reviewed in this section. The population ecology (natural selection) perspective is concerned with populations of organizations and with the external forces that determine organizational survival. "Populations of organizations survive or fail regardless of the actions taken by particular organizations within them. This is because a natural evolutionary process of variation, selection, and retention is viewed to go on in the environment, and both individual organizations and populations of organizations must either fit their environmental niches or they fail" (Van De Ven and Astley, 1981). Aldrich (1979) has suggested three reasons why strategic choice is rarely exercised and has little impact on organizational outcomes: 1) there are significant constraints on the selection of new environmental niches; 2) very few organizations have
sufficient power to shape their environments in any way; and, 3) decision makers in organizations are often unable to recognize, let alone realize strategic opportunities. "The argument is not that strategic choice is impossible, but rather that environmental pressures severely constrain the potential for organizational decision makers to either change their environmental niche or their organizational form" (Van De Ven and Astley, 1981). In light of various findings describing constraints and limits on organizational discretion in the public sector (Rainey et al, 1976; and Warwick, 1975), the natural selection perspective raises important questions about the potential for strategic choice and action taking in public organizations.

**Contemporary Models of Strategic Management.** Having examined the conceptual foundations provided by the organization theory literature, attention can now be directed to the more specific literature of strategic management. In discussing this literature, it might be useful to introduce the distinction that Bourgeois (1980) has made about the writing in the field. He has suggested that any theoretical approach to strategic management may be classified as either a content or a process model. A content approach is taken when the researcher is concerned with the elements comprising an implemented strategy. In contrast, the process approach focuses on the process of strategy making.
According to Bourgeois (1980), "The main appeal of looking exclusively at strategy content is that no attention need be given to management's goals or 'intended' strategies, nor to the political activity inherent in arriving at strategies." However, he goes on to note, "...strategy making is a recurring organizational phenomenon....[W]e should therefore investigate the outcomes of perceptual and political activities in both the intention and manifestation of strategy. In other words, while strategy content is certainly crucial to organizational performance, knowledge about the processes through which managements determine strategies in the first place should be considered equally pressing" (Bourgeois, 1980). In order to accomplish the objectives of this dissertation, it will be necessary to address both the content and process of strategic management in public organizations.

Schendel and Hofer are clearly representative of the mainstream of modern strategic management scholarship. One of their models is illustrative of the contemporary conceptualization of strategic management as a comprehensive and integrated process. In this model, strategic management includes six major tasks: goal formation; environmental analysis; strategy formulation; strategy evaluation; strategy implementation; and, strategic control (Schendel and Hofer, 1979). This model of the steps of strategic
management is shown in Figure 2.

**Figure 2**

Overview of the Strategic Management Process

Thompson and Strickland (1980) see strategy as a blueprint for achieving organizational purpose. Strategic management encompasses a whole set of activities concerned
with direction setting for the organization: defining organizational purpose and mission; setting appropriate objectives in light of organizational purpose; identifying and evaluating alternative strategies; determining a strategic plan for achieving objectives; defending the strategic program from external opposition; and, gaining internal commitment to the chosen strategy. Their graphic representation of this approach is shown in Figure 3.

Figure 3
A Schematic of the Relationship Among Purpose, Objectives, Strategy, and Policy
While these sets of writers have captured the essential elements or activities involved in the process of strategic management, several other models offer more details regarding the process by which organizations engage in strategy making and action taking. Miles (1980) has synthesized, in an important textbook, a large portion of the organization theory literature related to strategic management. In his view, strategic management is a process concerned with organizational adaptation to environmental conditions. This process of adaptation may be proactive or anticipatory of change or it may be reactive or responsive to change. Strategic choice and action taking, guided by analysis of the perceived environmental state, is aimed at changing either the internal structures and processes of the organization or the characteristics of the external environment. From these dimensions, Miles derives a

<table>
<thead>
<tr>
<th>MOTIVE OF CHANGE</th>
<th>TARGET OF CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reactive</td>
<td>Internal Environmen</td>
</tr>
<tr>
<td></td>
<td>Internal change in response to environmental event.</td>
</tr>
<tr>
<td>Proactive</td>
<td>Internal change in anticipation of environmental event potential.</td>
</tr>
</tbody>
</table>

**Figure 4**

Strategic Choice Types
simple, but powerful typology of strategic choice alternatives. This classification is shown in Figure 4.

Miles' most valuable contribution, however, is a model of the process of organizational adaptation. According to Miles, "A host of factors influence the process of effective organizational adaptation to external environment. Among these are: the objective environmental state at a given point in time; perceptions of that environment by organizational members...or the subjective environmental state; the intensity of decision making uncertainty attributable to these perceptions and the number of decisions affected by this uncertainty; strategic choices and the changes they create in the external and internal environments of the organization; resulting organizational effectiveness; and the accumulation of knowledge about this sequence of events in the organizational memory. In addition, various filters and the passage of time must be accounted for..." (Miles, 1980). This process is depicted in Figure 5.

The gains derived from this conceptualization are quite significant. First, Miles has included subjective perception of strategists as a factor conditioning strategic choice and action taking. This provides a direct connection to the individual-level conceptualizations of strategy
(Barnard, 1938; and, Selznick, 1956) as well as to more recent writings (McCaskey, 1982). Second, Miles delineates potential targets of strategic choice and action taking and suggests an extensive list of potential strategies which could be employed. Finally, he provides a dynamic characterization of strategic processes, linking strategy to a temporal dimension.

![Diagram of Organizational Adaptation](image)

**Figure 5**

Process of Organizational Adaptation to the Environment
Lenz (1981) suggests a model that also succeeds in integrating the various elements found in the underlying organization theory. Like Miles, he includes a temporal dimension which provides additional understanding of the dynamics of the strategic process. "In the short run, it appears that managerial discretion with respect to strategic factors (i.e., basic elements influencing the growth and development of an enterprise) is often rather limited....The manner in which a firm is embedded in its environment, access to inputs and outputs, the condition and configuration of its asset base, the quality of human resources, and dependencies upon other organizations often prove intractable....If we lengthen the time horizon there is a substantive change in potential discretion" (Lenz, 1981). This conceptualization may suggest an integrative solution to the conflict between "structural determinism" and "strategic choice" perspectives. In the short run, the organization may be largely constrained - by environment, by technology, by existing structural commitments, or other factors. In order to construct the organization in the long term, strategic choice and action taking seeks to create new contexts, design new structures, reconfigure internal and external relationships, and find more appropriate "fits" for the organization. Lenz sees this process as the critical task of organizational management.
Like Miles and the earlier writers cited previously, he relates strategy to the leadership function in the organization. As Lenz puts it, "...[I]n the long run a driving force underpinning the process of co-alignment...is the cognitive map shared by the dominant coalition in a firm" (Lenz, 1981). Such an approach reinforces the notion that knowledge is used to inform valuation, choice, and action taking in strategic management through a series of conceptualizations by managers. These conceptualizations can be seen as maps of the outer and inner environments of the organization as viewed by the manager (McCaskey, 1982). Figure 6 shows the elements and processes included in Lenz's model of strategic management.

Others in the mainstream of strategic management research include Andrews (1971), Miles and Snow (1978), Miller and Friesen (1978), Lorange (1980), and Freeman (1984). Miles and Snow have attempted to identify and characterize the types of strategies available to an organization. Miller and Friesen found 10 strategic archetypes in their analysis of a large data base of published cases. Andrews and Lorange have developed general systems models of the process of strategic management. Freeman has emphasized the role of stakeholders in the strategic management of organizations in complex and turbulent environments.
Figure 6

Process of Strategic Co-Alignment
One recent study is notable for its attempt to extend strategic management theories to public organizations. In an intensive historical investigation of the U.S. Coast Guard, Bragaw (1980) was concerned with 1) identifying the mechanism or stimulus which promotes innovation in public organizations, 2) the nature of strategies available to public managers, and 3) the potential for transferring private sector strategic management techniques to public organizations. According to Bragaw, strategic decision making in the private sector is concerned with the long term development of the organization. This development is predicated on the nature of the market opportunities available to the organization, the set of distinctive competencies and resources, organizational values and aspirations, and the public and social responsibilities of the organization. "When strategists consider the future of the organization, they should use the distinctive competence - the resources available to the organization - to the greatest possible advantage to meet the changing demands of the external and internal environment" (Bragaw, 1980). In the private sector, the match between market opportunities and the distinctive competence of the organization defines the success of organizational strategies. In public organizations, Bragaw suggests that threats to continued existence serve as an alternative stimulus to
strategic choice and action taking. Strategy in a public organization is driven by the aspirations, values, and ideals of the polity, by the opportunities and threats confronting the agency, by the agency's distinctive competence, by the resources available to it, and by the agency's acknowledged public and social responsibilities. In some ways, public organizations craft strategies in response to the same set of internal and external forces as those facing private sector organizations. Of course, where political values enter, the tasks of strategic management in the two sectors diverge. Bragaw's model of the strategic management process in public organizations is depicted in Figure 7. In effect this representation is an extension of the simple political systems model described earlier in the chapter.

**Summing Up.** At this point, it might be useful to summarize the material covered in the previous pages and to integrate other important contributions from this body of research. This will then allow for the development of a framework for strategic management of public organizations.

Each of the models discussed so far in this chapter locate the organization in a dynamic and rapidly changing environment that places heavy demands on it. An organization in this context survives and prospers to the extent
Figure 7

A General Management Model for a Federal Agency
that it can adapt to environmental opportunities and threats. An important strategic function in all of these approaches entails surveying or monitoring environmental conditions. Knowledge of environmental demands and pressures is then translated into strategic choice and action taking via the decisions of the dominant coalition of the organization. These choices regarding the strategic direction of the organization are based on the way in which strategists conceptualize the internal capacity and external environment of the organization. Implementation of strategy and its eventual impact on the organizational environment are conditioned by both internal and external factors, including commitment of organizational members and external stakeholders to the strategy selected, resource adequacy, the stance of competitors, and the rate of change in the environment. The success of any strategy depends on the extent to which: 1) the perceived state of affairs (internal and external) matches the actual state of affairs; and, 2) the actions taken by the organization have the intended impact on the environment.

These ideas reinforce the purposive and intentional qualities of strategy suggested at the beginning of the chapter as characteristic of common and orthodox notions of the phenomenon. Research by Mintzberg and his colleagues has provided support for the proposition that strategy must
be investigated both in terms of intention, emergence, and realization (Mintzberg, 1973, and 1978; Mintzberg et al., 1976; and, Mintzberg and Waters, 1983). The patterns of strategy actually observed in the study of organizations may reflect the intentions of their dominant coalition (strategists). In such a case, the intended strategy and the realized strategy are identical. However, situations occur in which the intended strategy is unrealized and whatever pattern of strategic choice and action taking is observed would be labeled an emergent (unintended) strategy. (Mintzberg cites U.S. policy in Vietnam as an exemplar of an an intended strategy gone wrong and President Nixon's so-called Southern strategy as an example of an emergent strategy, captured in the pattern of choice and action taking without any special regard for intentionality.) These ideas must be taken into account in the identification and classification of patterns of strategy in public organizations. It is not enough to describe strategy in terms of the intentions of strategists. Rather, the researcher must capture both the patterns that can actually be observed and the factors that seem to have brought that observed pattern into being. It should be obvious from such a construction that intentions are a major, if not singular, factor in bringing a strategy into being.
In chapter three, the conceptual foundations developed in this chapter are employed in the presentation of a framework or model for studying strategic management in public organizations. This model is associated with a set of research propositions which guided the empirical phase of the dissertation research.
Chapter Three
Strategic Management in Public Organizations

The literature review of the last chapter suggests that most theories of strategy and strategic management locate the organization within a market system and focus on the competition between firms within and across various industries. From this perspective, market-driven competition is the main source of the firm's strategic conceptualization. Strategic management in the private-sector context involves how best to define the nature of the firm (its basic mission or lines of business), locate appropriate markets or market segments within the industrial structure in which the organization is located (Dyer and Lawrence, 1983; and, Porter, 1980), and develop strategies tailored to existing or emerging opportunities, subject to actions of other firms. The main mechanism for testing the appropriateness or viability of a specific strategy is feedback from the marketplace. Organizations are created in order to engage in an exchange process via the market and they survive so long as the process of exchange meets societal requirements (Summer, 1980). Responsibility for strategic choice and action taking within
the market context is located internally and primarily concentrated at the highest level of the firm. Any direct participation in or influence on strategic management by actors external to the organization, except in periods of high threat, is extremely rare.

In contrast, the literature on public organizations, whether in Political Science or Public Administration, locates public organizations in a governmental authority system rather than in markets (Lindblom, 1979). Under the various constitutional arrangements of the federal, state, and local governments, power and authority are distributed among the representatives and agents of the people. In this very politicized environment, strategic management encompasses policy making, policy adoption, and policy implementation by agencies of government as well as by elected representatives of the people. Rather than maneuvering competitively within markets, public agencies act within complex multi-lateral power, bargaining, influence, voting, and exchange relationships not only to accomplish what has been mandated of them, but also to establish organizational purpose and strategic direction. In brief, this conceptualization shifts the strategic emphasis from simple marketplace dependence to a more complex set of political, legal, economic, and organizational interactions.
In the context of a general purpose government such as the State of Ohio, it is possible to derive two levels of strategy and strategic management. The first level captures strategic choice and action taking in the form of policy for the jurisdiction, including broad statements of intent and varying degrees of detail on the appropriate nature and form of governmental (and non-governmental) activity. The concerns of this general purpose government (GPG) level of strategic management can be seen to coincide with setting the direction and making broad policy for an entire jurisdiction. The locus of strategic management activity at this level is largely, but not exclusively, confined to elected officials in the legislative and executive branches of the jurisdiction. Similarly, the courts, regulatory agencies and certain other governmental actors play important roles in the establishment of jurisdictional strategy.

The second level of strategic management is concerned with the strategic choice and action taking of individual agencies within a general purpose government. The strategic management task at the general purpose government agency (GPGA) level involves the development of organizational purpose and character as well as strategies for the implementation of policy established elsewhere and for the management of the agency’s internal and external
affairs. The available strategies and forms of action are restricted at this level by various factors including constitutional requirements, legislative and judicial mandates, government-wide rules and regulations, jurisdictional boundaries, limited resources, political climate, and constituent and client interests and pressures.

From this discussion, it would appear that strategic choice and action taking at the GPGA level is very seriously constrained and dependent on external influences and environmental pressures. Such a position would be fully consistent with the external control perspective introduced in the previous chapter (Pfeffer and Salancik, 1979). Nonetheless, there is evidence that agencies of general purpose government have considerable discretion to establish direction and purpose. For these agencies, operating in this context of political control, strategic management involves the joining together of external demands, constraints, and mandates with agency specific goals and objectives, to provide direction for the organization as well as to co-align internal and external strategic variables.

As noted at several earlier points, this dissertation is concerned with the strategic management of a set of agencies of general purpose government. Major objectives of the research include the description of patterns of
agency strategy and the elements or dimensions characterizing them; and, identification of the factors influencing the emergence of those strategic patterns. Following the distinction discussed in chapter two (Bourgeois, 1980), the research is concerned with both the content and process of strategic management. Numerous sources of variation in the strategic patterns of general purpose government agencies were suggested in the literature which was reviewed in chapter two and by the results of the first phase of exploratory research described at length in the next chapter. The next section is devoted to the presentation of a framework for conceptualizing the relationship between various factors and strategic choice and action taking in general purpose government agencies. Following that there is a discussion of the hypothesized relationships that served to guide the dissertation research. However, before beginning either of these sections, it is necessary to define the concepts of strategy and strategic management employed in the dissertation.

As shown by Table 1, the literature provides numerous definitions of strategy and strategic management. The definitions employed in this research are substantially drawn from those sources.
Strategy refers to the emergent as well as intended movement of the organization through the tension field of issues and competing interests in its environment and its characteristic pattern of choice and action taking within the context of its mission.

Strategic Management is the process by which the strategy of the organization is brought into being. This process is concerned with organizational purpose and future direction for the organization as a whole. The pattern of choice and action taking which is organizational strategy results from the co-alignment in action of the demands and pressures on the organization with its capabilities and competencies.

Whether it is intended or not, the selection of these definitions represent a commitment to a particular approach to the study of strategy and strategic management. In this instance, the definitions were intentionally chosen to capture a particular sense of strategy and strategic management. As a result, one cannot simply present them, but also must indicate the implications of their selection.

The definition of strategy used in this dissertation suggests our concern with an emergent as well as intended process by which the direction of the organization is set in motion. Strategy is concerned with the realization of the future of the organization as a whole and with the pattern of choice and action taking by which the dominant coalition seeks to attain that future. Strategy is the conceptualization or vision by which the organization joins past, present and some desired future state. The organiza-
tion and its strategic actors navigate within a field of forces, demands, and pressures (internal and external).
Strategy can be construed as the path that the organization follows through this influence field as it seeks to carry out its evolving purpose. These definitions of strategy and strategic management commit us to a perspective on organizational action that is both self-directed (intentional and purposive) and externally controlled. Our definitions direct attention both to the boundaries of organizational discretion and to the limits of environmental constraint, to the levers of choice and action taking as well as to the external fields of influence, and, to organizational values and choices in action as well as to the facts of organizational life.

**Framework for Strategic Choice and Action Taking.** The framework or model employed in these investigations is largely derived from the general systems models discussed in chapter three. The exploratory model, presented in in this section of the chapter, hypothesizes that: 1) strategic choice and action taking is related to a set of internal (organizational) and external (political, economic, and legal) factors; 2) these interactive factors influence an agency's deployments on a set of dimensions of strategic choice and action taking; and, 3) these deployments result in observed patterns of strategy making and
action taking in public organizations. Figure 8 provides an illustration of these hypothesized relationships.

Figure 8

Framework for Strategic Choice and Action Taking
Research Propositions. The propositions which give detail to and explicate the framework presented above are grouped around six dimensions of strategic choice and action taking: 1) Nature and strength of the external influence field; 2) Locus of strategic control; 3) Orientation toward change; 4) Scope of strategic management; 5) Strategic management activity level; and, 6) Direction of strategic movement.

1- Nature and Strength of the External Influence Field

The external influence field for a general purpose government agency consists of the set of actors outside the agency who attempt to influence the agency's strategic management. The influence field for any particular GPGA may include legislators, clients, organized constituents, the public-at-large, and/or other units of government. The demands and pressures of the external influence field is hypothesized to be a major factor in the pattern of strategic choice and action taking in GPG agencies. Listed below are the sets of hypotheses relating to the external influence field.

1.1 Attempts by external actors to influence agency strategic choice and action taking are related to the visibility of the agency’s policy and/or program area.
1.2 Attempts by external actors to influence agency strategic choice and action taking are related to the importance actors attach to the outcomes of agency policy and/or program.

1.3 Attempts by external actors to influence agency strategic choice and action taking are related to the size of the agency and its budget.

1.4 Attempts by external actors to influence agency strategic choice and action taking are related to the political agenda of the actors involved.

1.5 Attempts by external actors to influence agency strategic choice and action taking are related to the risks and payoffs to the actors associated with agency performance.

1.6 Attempts by external actors to influence agency strategic choice and action taking are related to fiscal and budgetary conditions of the jurisdiction.

This set of propositions suggests relationships between potential outcomes to external actors and their efforts to influence the strategy and strategic management of an agency. Among the factors thought to motivate attempts at influence, other research has found political interests to dominate (Weinberg, 1977). In addition, it seems likely that the visibility of an agency and its program, the size of an agency and its budget, the potential for agency activities to result in politically significant outcomes, and the conditions of fiscal and budgetary stress in the jurisdiction would increase the incentive for an actor to become involved in the strategic
management of an agency (Levine, 1978; Perry et al., 1981; and, Rainey et al., 1976).

1.7 The ability of external actors to influence the strategic management of an agency is related to the ability of those actors to control salient resources.

1.8 The ability of external actors to influence the strategic management of an agency is related to the extent to which they can offer inducements or apply sanctions.

1.9 The ability of external actors to influence the strategic management of an agency is related to the balance of power among the various actors seeking to influence the agency.

1.10 The ability of external actors to influence the strategic management of an agency is related to the relationship of the actors to the agency and their formal authority over it.

These propositions hypothesize that the ability of external actors to influence the strategic management of general purpose government agencies is related to their relative economic, political, and organizational power (Galbraith, 1971; Lindblom, 1979; Pfeffer and Salancik, 1978; and, Weber, 1947). Actors who have power over things which matter to an agency and its top management, such as budget, will be in a position to exert influence on the strategic direction of that agency. However, the power of any one actor to exert influence in this regard may be balanced by the presence of powerful, potentially counter-vailing forces. To the extent that an agency operates in
an environment of weak or competing interests, there is the potential for relatively greater discretion.

1.11 An agency’s response to external influence attempts is related to the amount of discretion allowed by legal and organizational arrangements.

1.12 An agency’s response to external influence attempts is related to the balance of power among the various external actors attempting to influence its strategic management.

1.13 An agency’s response to external influence attempts is related to the position taken by important stakeholders.

1.14 An agency’s response to external influence attempts is related to the inducements and/or sanctions associated with the various decisions or choices of action under consideration.

1.15 An agency’s response to external influence attempts is related to the extent to which the agency is dependent on the actors for funding or other support.

1.16 An agency’s response to external influence attempts is related to the relationship of the actors to the agency and their formal authority over it.

1.17 An agency’s response to external influence attempts is related to the strength of the internal consensus regarding means and ends.

1.18 An agency’s response to external influence attempts is related to the level of public support for the agency policy or program.
1.19 An agency's response to external influence attempts is related to the agency's ability to mobilize countervailing influence, resources, or support.

1.20 An agency's response to external influence attempts is related to the extent to which a response, whether compliance or resistance, is consistent with the strategic direction of the agency.

These propositions focus on the relational qualities of influence, suggesting that an agency's response to attempts to influence its strategic choice and action taking is associated with factors in its immediate environment (Emerson, 1962; Jacobs, 1974; Kotter, 1979; and, Thompson, 1967). Just as one would expect the nature and strength of attempts at external influence to vary with the capacity of the actors attempting to influence the agency, so would one expect the nature and strength of the agency response, whether it is compliance or resistance, to vary with this capacity. Propositions 1.17, through 1.20 introduce the notion that the agency does not passively accept the force of external influence, but rather seeks to utilize its internal and external resources to develop a response that is consistent with its own preferred course of action.

2- Locus of Control

Locus of strategic control reflects the capacity of the agency to initiate strategic choice and action taking and to set out its own strategic direction. Locus of control may
rest exclusively with an agency, may be completely under
the control of external actors and forces, or may reflect
some combination of the two. The propositions presented
below describe the hypothesized relationships.

2.1 An agency's ability to initiate strategic
action is related to the type of policy for
which the agency is responsible.

2.2 An agency's ability to initiate strategic
action is related to the level of public
support for agency policy or program.

2.3 An agency's ability to initiate strategic
action is related to the nature and degree of
agency resource dependence.

2.4 An agency's ability to initiate strategic
action is related to the strength and nature of
agency.

2.5 An agency's ability to initiate strategic
action is related to the strength of the
internal consensus regarding means and ends.

2.6 An agency's ability to initiate strategic
action is related to organizational capability
and competence.

2.7 An agency's ability to initiate strategic
action is related to the strength and direction
of the external influence field.

2.8 An agency's ability to initiate strategic
action is related to the strategic management
activity level of the agency.

This group of propositions suggests that an agency's
ability to initiate strategic action and to self-consciously
determine its strategic direction can be related to character-
istics of the agency and its environment. Proposition
2.1 draws on the policy formulation and implementation
literature which suggests systematic variation among policy types (Lowi, 1964; and, Ripley and Franklin, 1982). Propositions 2.2 and 2.3 hypothesize that an agency's capacity for strategic initiative is affected by both the tangible and intangible resources available to it (Lawrence and Dyer, 1983). The internal organizational factors that condition the capacity of an agency to initiate strategic action are suggested by propositions 2.4, 2.5, and 2.6 (Summer, 1980). Finally, propositions 2.7 and 2.8 link the locus of control over strategic action to a set of factors that determine the external influence field in which the agency operates and the level of its strategic management effort.

3- Orientation Toward Change

Orientation toward change refers to the agency's strategic intentions toward the needs environment served by the agency. Agency strategies may be designed, for example, to produce fundamental change or to maintain the status quo. The orientation of an agency is manifested by the strategic direction it takes in carrying out its evolving mission. The factors affecting an agency’s orientation toward change are discussed in the following hypotheses.
3.1 An agency’s preference for strategic choice and action taking that produces fundamental change is related to the policy preferences of important stakeholders.

3.2 An agency’s preference for strategic choice and action taking that produces fundamental change is related to the level of public support for the current policy or program.

3.3 An agency’s preference for strategic choice and action taking that produces fundamental change is related to the strength of the internal consensus regarding means and ends.

3.4 An agency’s preference for strategic choice and action taking that produces fundamental change is related to the strength and nature of the leadership provided by the director of the agency.

3.5 An agency’s preference for strategic choice and action taking that produces fundamental change is related to the strength and direction of legal mandates.

3.6 An agency’s preference for strategic choice and action taking that produces fundamental change is related to the availability of new service delivery technologies.

3.7 An agency’s preference for strategic choice and action taking that produces fundamental change is related to organizational capability and competence.

3.8 An agency’s preference for strategic choice and action taking that produces fundamental change is related to the strength and direction of the external influence field.

The strategic choice and action taking of a general purpose government agency may be intended to produce fundamental change in terms of the needs environment served
by the agency or, at the other extreme, it may be intended to protect or maintain the current organizational and programmatic arrangement. The propositions listed above suggest that the agency's orientation toward change is related to such factors as the preferences of its important stakeholders, the general level of public support it enjoys, the leadership provided by the head of the organization, the capability and competence of the staff and of the organization as a whole, the external influence field in which it operates, the presence of legal mandates requiring or restricting change, and the availability of new means to provide services and to impact on the needs environment of the agency (Lawrence and Dyer, 1983; Lewin, 1951; Thompson, 1967; Summer, 1980; and, Weber, 1947). An agency seems more likely to produce fundamental change in its service delivery when it has a sufficient level of human, physical, and financial resources, when key stakeholders support change, and when technical means exist to facilitate the change.

4- Scope of Strategic Management

Scope of strategic management refers to the domain of strategic action open to the agency and to the breadth of concerns addressed by its strategy. The following propositions present the factors thought to affect the scope of
strategic management for an agency.

4.1 An agency's scope of strategic management is related to the level of public support for agency policy or program.

4.2 An agency's scope of strategic management is related to the nature and degree of agency resource dependence.

4.3 An agency's scope of strategic management is related to the type of policy or program for which the agency is responsible.

4.4 An agency's scope of strategic management is related to the internal consensus regarding ends and means.

4.5 An agency's scope of strategic management is related to the nature and direction of leadership provided by the director of the agency.

4.6 An agency's scope of strategic management is related to organizational capability and competence.

4.7 An agency's scope of strategic management is related to the strength and direction of the external influence field.

4.8 An agency's scope of strategic management is related to its orientation toward change.

4.9 An agency's scope of strategic management is related to its locus of strategic management control.

4.10 An agency's scope of strategic management is related to its strategic management activity level.

As with the previous sets of propositions, these hypothesized relationships suggest that an agency's scope of strategic management, the breadth of its domain of
strategic choice and action taking, can be associated with a variety of internal and external variables (Thompson, 1967). These variables are generally of a political, economic, legal or organizational nature, related in some way to the nature and adequacy of resources available to the agency. The greater the agency's human, physical, and financial resources, the more likely it is to act over a broad scope. Similarly, external conditions may serve to constrain or liberate the scope of strategic choice and action taking (Pfeffer and Salancik, 1978). Public support and encouragement facilitates a relatively broad scope of strategic management while a lack of public support and the existence of constraining external forces can serve to restrict freedom of action and limit the domain of strategic management open to the agency. Status-quo-oriented and passive, inactive agencies are hypothesized to operate within a narrow range of strategic activities.

5- **Strategic Management Activity Level**

Strategic management activity level for a GPG agency can be described in terms of its level of effort related to the achievement of strategic objectives. Agencies with high levels of strategic management activity vigorously pursue a strategic agenda. The factors related to an agency's level of strategic management activity are
described in the set of propositions below.

5.1 An agency's level of strategic management activity is related to the policy preferences of important stakeholders.

5.2 An agency's level of strategic management activity is related to the strength of the internal consensus regarding means and ends.

5.3 An agency's level of strategic management activity is related to the risks and payoffs associated with agency performance.

5.4 An agency's level of strategic management activity is related to the importance attached to the outcomes of agency policy or program.

5.5 An agency's level of strategic management activity is related to the level of public support for agency policy or program.

5.6 An agency's level of strategic management activity is related to the level of resources available to it.

5.7 An agency's level of strategic management activity is related to the nature and direction of the leadership provided by the director of the agency.

5.8 An agency's level of strategic management activity is related to organizational capability and competence.

5.9 An agency's level of strategic management activity is related to the strength and direction of the external influence field.

5.10 An agency's level of strategic management activity is related to the agency's orientation toward change.

5.11 An agency's level of strategic management activity is related to the agency's locus of strategic management control.
5.12 An agency's level of strategic management activity is related to the scope of the agency's scope of strategic management.

Exploratory research in each of the four Ohio agencies indicated that they engaged in significantly different levels of strategic management activity. Some agencies appeared to be relatively passive and inactive while other agencies were more engaged in strategy making and strategic management. The propositions suggest possible linkages between the level of strategic management activity and a number of internal agency characteristics and environmental factors. These propositions suggest that the preferences of stakeholders and external influencers for minimal activity are major factors in the behavior of relatively passive or inactive agencies. Similarly, where risks associated with agency performance carry high stakes, there would seem to be a tendency toward conservatism and less vigorous action (Rainey et al, 1976; Warwick, 1975; and, Weinberg, 1977). These tendencies are enhanced by such factors as limited or inadequate resources, a preference for the status quo, weak leadership, and lack of public support for agency programs. Of course, where opposite conditions are found to exist, one would expect that the agency would be actively engaged in efforts to build on its strengths and to take advantage of new opportunities.
6- **Direction of Strategic Movement**

Direction of strategic movement refers to the locus and focus of an agency’s strategic choice and action taking. An agency’s strategy may be focused internally on control or capacity building; it may be directed externally as a means of responding to or transforming the environment; or, strategy may have both an internal and external direction. The following propositions describe the hypothesized relationships.

6.1 An agency’s direction of strategic movement is related to the type of policy or program for which the agency is responsible.

6.2 An agency’s direction of strategic movement is related to the strength of the internal consensuses regarding means and ends.

6.3 An agency’s direction of strategic movement is related to the nature and degree of agency resource dependence.

6.4 An agency’s direction of strategic movement is related to organizational capability and competence.

6.5 An agency’s direction of strategic movement is related to the level of public support for agency policy or program.

6.6 An agency’s direction of strategic movement is related to the policy preferences of important stakeholders.

6.7 An agency’s direction of strategic movement is related to the nature and direction of leadership provided by the director of the agency.
6.8 An agency’s direction of strategic movement is related to the strength and direction of the external influence field.

6.9 An agency’s direction of strategic movement is related to the locus of strategic management control.

6.10 An agency’s direction of strategic movement is related to the scope of strategic management.

As with the previous set of propositions, preliminary investigations suggested that certain agencies directed their movement toward internal elements such as, for example, staff training and capacity building. In contrast, other agencies seemed to have directed their strategic management toward external elements such as, for example, stakeholder relationships. Unlike the previous dimension, here the concern is with the locus of strategic management attention. Agencies may not only vary in the scope of strategic management and the level of strategic management activity, but also in terms of where they direct their efforts. Agencies with strict mandates, for example, may adopt an internal direction. Similarly, agencies concerned with the level of organizational capability and competence would take an internal focus. Under both sets of circumstances, agencies could be said to engage in capacity building. On the other hand, some agencies face external conditions which permit or, for that matter, seem
to require an externally directed strategy. If public support is problematic or externally controlled resources are inadequate, then the agency will likely seek to act on the environment rather than on itself. All of these circumstances would seem to be moderated both by the nature and direction of agency leadership and by the strength and direction of the external influence field.

**Summing Up.** This chapter has attempted to connect the literature review of chapter two to the specific research problem addressed in this dissertation. Building on the conceptual foundations for the study of strategic management, an exploratory model has been constructed showing the dimensions of the strategy making and action taking approach in government agencies and hypotheses have been proposed regarding the relationship between strategy and the internal and external context of an agency. In the next chapter, the logic of inquiry and research methods employed in the dissertation are discussed. That presentation will complete the necessary preliminaries, leading up to a discussion of the research results.
Chapter Four

Logic of Inquiry for Strategic Management

This chapter addresses the important question of methodology for the study of strategic management. In the first part of the chapter, the approach to the nature of knowledge and ways of knowing found appropriate to the domain of study of this dissertation is discussed. This discussion provides the basis for describing, in the second part of the chapter, the research methodology which was employed in the empirical studies of state government agencies in Ohio.

This concern for developing for the reader both an appreciation for the logic of inquiry for strategic management and an understanding of the research methods employed in the dissertation can be related to the nature of the phenomena under study. As the previous chapters attempted to demonstrate, if we are to understand the nature of strategy and the patterns of strategic choice and action taking in public organizations, it is necessary to collect evidence in the form of trails of specific actions, but also to surface the intentions and motives of individual agency strategists and to determine to the extent possible
what forces they perceived acting on them, on other actors, and on the agency as a whole (Mintzberg and Waters, 1983). The study of strategic management is concerned not only with choice and action taking, but also with the meanings given to choice and actions by both actors and observers. As a consequence, the content objectives served by the research methods utilized in the dissertation emphasize interpretation of strategic choice and action taking as well as records of action-in-process. These objectives imply an approach to ways of knowing about social phenomena and methods of research that will be detailed as this chapter unfolds.

Alternative Research Orientations. According to Burrell and Morgan, "All social scientists approach their subject via explicit or implicit assumptions about the nature of the world and the way it can be investigated" (Burrell and Morgan, 1979). The assumptions adopted by researchers lead to distinctive approaches to the study of social phenomena. This part of the chapter seeks to locate the approach to social science research adopted in this dissertation within the on-going scholarly debate regarding epistemology and research methods (Bogdan and Taylor, 1975; Bruyn, 1966; Burrell and Morgan, 1979; Fischer, 1980; Galtung, 1967; and, Harmon, 1981).
Bruyn has made the case that there are two "polar orientations" in research, one essentially quantitative and the other qualitative. "...Traditional empiricism and participant observation generate two basically different kinds of social reality, which are expressed in what we have termed the inner and outer perspectives. These two perspectives characterize...the kinds of procedures used in research orientation. Each orientation is based upon different philosophical foundations and different modes of interpretation, conceptualization, description, and explanation" (Bruyn, 1966). The distinguishing qualities of the two approaches are summarized in table 2.

Table 2

<table>
<thead>
<tr>
<th>Philosophical background</th>
<th>Inner Perspective (Participant Observer)</th>
<th>Outer Perspective (Traditional Empiricist)</th>
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<td>Interpretation</td>
<td>Idealism</td>
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<td>Conceptualization</td>
<td>Concrete procedures</td>
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<td>Description</td>
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<td>Models</td>
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<td>Determinism</td>
</tr>
<tr>
<td>Aims</td>
<td>Sensitive and accurate interpretation and explanation of man's social and cultural life</td>
<td>Accurate measurement and prediction of man's behavior</td>
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Much of contemporary social science, including policy and administrative science, is based on the traditional empiricist, objectivist, or positivist view of the social world. This perspective asserts that social reality is composed of concrete objects, structures, and relationships. Knowledge, or what might count for knowledge, in the social sciences are those things which are known by the senses through direct observation, but whose existence stands outside observation (Giddens, 1976). As Michael Harmon puts it, "The objectivist or positivist orientation holds that reality, physical or social, exists independent of the (scientific) observer and that laws are discoverable that govern the behavior of objects and people....The correctness of a perception for the objectivist is determined by appeal to an external or objective standard of truth typically embodied in the scientific method" (Harmon, 1981). From these assumptions grow a commitment to a logic of inquiry and to research objectives and methods drawn from the natural sciences. For many social scientists, the natural science approach and its related deductive-nomological method is not only the preferred way of studying social phenomena, but the only really valid way (Behling, 1980; and, Mackenzie and House, 1977).

For scholars working in the empiricist tradition, the appropriate product of social science inquiry consists of
descriptions of social structures and relationships and
discovery and confirmation of the laws governing social
phenomena. The primary methodological task in this
framework is the design of systems of inquiry that permit
valid causal inference (Blalock, 1964; Cook and Campbell,
1979; and, Stanley and Campbell, 1963). The most concrete
manifestation of this methodological concern can be found
in the paradigm of experimental social psychology, although
other fields, including the field of policy and administra-
tive science, share some aspects of this approach. In the
concern for valid causal inference, one can identify a
driving force for many of the dominant research methods and
techniques in the social sciences.

In contrast to the positivist or empiricist orien-
tation to social science research stands an alternative
approach which its adherents generally describe as
qualitative or interpretive (Blumer, 1956; Bogdan and
Taylor, 1975; Bruyn, 1966; Burgess, 1982; and, Lofland,
1982). The qualitative approach is concerned largely with
the subjective experiences of people in their world and
with interpretation of those experiences. "The inter-
pretive paradigm is informed by a concern to understand the
world as it is, to understand the fundamental nature of the
social world at the level of subjective experience. It
seeks explanation within the realm of individual
consciousness and subjectivity, within the frame of reference of the participant as opposed to the observer of the action....It sees the social world as an emergent social process which is created by the individuals concerned" (Burrell and Morgan, 1979). Unlike the world of natural objects, the social world does not exist outside of human thought and action. Knowledge of this socially constructed reality depends on the researcher’s direct experience and observation of the social phenomena under study (Berger and Luckmann, 1966). Qualitative understanding of the phenomena of social life requires intimate familiarity with the social situations under investigation and with the actors who inhabit those situations (Glaser and Strauss, 1967; and, Lofland and Lofland, 1984). The qualitative social scientist focuses on basic situation(s) in which individuals are engaged and on the actions they take in those situations. Finally, by accumulating evidence of various kinds, the qualitative researcher assembles and analyzes data into "disciplined abstractions" about the situation and individuals under study. The resulting research product "...emphasizes the analysis of the subjective accounts which one generates by 'getting inside' situations..." (Burrell and Morgan, 1979).

In the qualitative approach, again in contrast to traditional empiricism, theories are not developed only by
deduction, but rather by both deduction and induction.

"There is constant interplay between the observation of realities and the formation of concepts, between perception and explanation" (Lachenmeyer, 1971). According to Bulmer (1979), this research process may be labeled retroduction.

In a retroductive explanation, one starts from the observation of a phenomenon, P. P would be explicable as a matter of course if a certain general statement, H, were true. So let us suppose that H obtains. The reasoning is from data to hypothesis, not vice versa. But neither is it inductive generalization, since it involves conjecture....Theories provide patterns within which data appear intelligible. They constitute a conceptual Gestalt. A theory is not pieced together from observed phenomena; it is rather what makes it possible to observe phenomena as being of a certain sort, and related to other phenomena. Theories put phenomena into systems. They are built up in reverse - retroductively. A theory is a cluster of conclusions in search of a premise. From the observed properties of phenomena, the (scientist) seeks not a set of possible objects, but a set of possible explanations.

The qualitative research tradition is very extensive, although it has been generally associated with ethnographic and sociological field studies. As with the empiricist orientation, the qualitative approach is also associated with certain varieties of research methods. Since researchers working from the qualitative perspective seek to know the subjects of their research in natural settings, participant observation, intensive interviewing, systematic
document collecting, and other non-quantitative methods are frequently employed (Bogdan and Taylor, 1975; Burgess, 1982; Denzin, 1970; Jacobs and Turowetz, 1980; Lofland, 1976; Lofland and Lofland, 1984; and, Schatzman and Strauss, 1973).

One can identify several distinctive positions regarding the proper relationship between these two "polar orientations" (Bruyn, 1966). Many contemporary social scientists would argue that traditional empiricism is to be preferred over qualitative methods in all situations. They contend that qualitative methods are always inferior, always less systematic and less rigorous than quantitative methods. If used at all, the qualitative approach can only be exploratory in nature (Barton and Lazarsfeld, 1969). Strong adherents of qualitative methods make the opposite claim: qualitative methods are the only methods available for studying and understanding the social world (Glaser and Strauss, 1967). From this perspective, it is only when qualitative methods are employed that social scientists achieve the level of familiarity with the phenomena under study that permits genuine understanding. A third position suggests that the two orientations are essentially co-equal in status. Any preference for one approach to research over the other can be legitimately derived only from the purposes of the researcher. There
are domains of inquiry in which the quantitative or
traditional empiricist orientation will be more useful and
powerful, as for example when the inquirer seeks to make
causal inferences about controlled or controllable
phenomena. In other circumstances, qualitative methods
will prove more appropriate. This third perspective can be
distinguished from the two others in that it accords the
qualitative-interpretive perspective equal standing with
the quantitative-positivist perspective and recognizes the
legitimacy of both methods in the conduct of social science
inquiry.

Methodological Requirements. The literature review
provided in chapter two suggests that a variety of methodo-
logical options are available to the student of strategic
management. The choice of methodology is contingent
primarily on the objectives of the research and on the
researcher’s beliefs about the appropriate ways to conduct
an investigation of the subject. In the case of this
dissertation, a major objective of the study was to get
inside the process of strategic management in public
organizations. The realization of this objective was made
especially problematic because preliminary research
subjects appeared to have had difficulty in responding to
closed-ended, survey-type questions. This was additionally
problematic since a depth of response not usually available from survey research was desired. As a result of this assessment of the methodological requirements for research, an essentially qualitative-interpretive approach to the study of strategic management was adopted. An appreciation of the implications of this choice requires explicit statements about the accepted standards of good practice in qualitative studies. These methodological standards or requirements, as they will be discussed in this section, were drawn from a diverse literature, including ethnomethodology, sociology, and the policy and administrative sciences, and served as a significant benchmark in the selection of methods of data collection and analysis for this research.

Lofland (1976) speaks to four requirements that must be met in order to achieve qualitative understanding of social life. The first of these is the gaining of intimate familiarity with the actors and settings or situations to be investigated. In a sense, this requirement is simply an affirmation of the principle that understanding comes from close observation and shared experience. The next two requirements are closely linked to the first. They instruct the researcher to focus his or her attention on the basic situation being studied and on the strategies and tactics by which people deal with that situation. Finally,
Lofland argues that qualitative understanding emerges only with the assembly and analysis of an "abundance of qualitative episodes into disciplined abstractions" about the situation and about the actors' ways of dealing with it. In the domain of study in this dissertation, these principles of good practice direct us to learn as much as possible about the four state agencies being investigated (including their program responsibilities), to investigate the context of strategic choice and action taking in each agency, and to search for factors which could explain the differences in strategic patterns among agencies.

In addition, qualitatively-based social science research must meet essentially the same standards applied to other empirical research. That is, the investigator must speak directly to twin questions of validity and reliability (Denzin, 1970). Denzin argues that threats to valid inference have an identical basis in all social research. These threats emerge from the character of the observer, nature of the observed subject, qualities of the situation, and effects of the passage of time. Usually, these issues are seen as especially problematic for qualitative research, perhaps intractably so. However, every research design faces these threats and, necessarily, employs strategies for addressing them. In the case of the classic experimental design, the researcher attempts to
rigorously control the subject, the setting, and the observation. In studying phenomena not especially suited to an experimental design, the researcher often employs multivariate statistics as a mechanism of control. These two methods of control, experimental and statistical, permit the researcher to make inferences with some measure of confidence.

These two approaches are joined by a third method of control which is appropriate to qualitative methods. Denzin (1970) speaks to this method in the following terms:

The last model of inference the [researcher] may utilize is analytic induction. Experimental control is again absent, but now the investigator follows the events he is studying through time.... Analytic induction generates propositions that cover every case analyzed; it leads to universal-interactive propositions. The last important feature of analytic induction is its emphasis on negative cases that refute the investigator's propositions. In his search for universal propositions, the user of this method seeks cases that most severely test his theory, and until his propositions cover every case examined, his theory remains incomplete.

Analytic induction does not limit the researcher to a single method of data collection. Importantly, it provides support for triangulation which is a related criterion for validity. This principle calls for the use of multiple methods of data collection, including the various forms of participant observation, interviewing, and analysis of documents. The analytic inductive approach leads to a
strategy of data collection derived from the basic notions of grounded-theory (Glaser and Strauss, 1967). According to Denzin, "Sampling doesn’t end until a completely ‘grounded’ theory is constructed. A logic of on-going inclusion...that dictates progressive sampling from relevant events must be employed ....The basic logic of on-going inclusion suggests that triangulated sampling procedures should be utilized. Rather than restricting observations to one data source, the analyst must attempt to locate as many data sources as possible, thus increasing the probability that his theory will be fully tested” (Denzin, 1970).

The twin requirements of validity and reliability are closely related. The first interconnection or linkage can be found in the nature of subjective accounts and the ever present danger of informant related error. Not only may informants deliberately mislead the researcher (Douglas, 1976), but they may also be inconsistent in how they see a phenomenon over time or, their reconstruction of the past may not coincide with what "really" occurred. Similarly, since qualitative research involves an interpretive act by the observer/interviewer, there arises, in addition to the problems caused by bias or error, the problem that another observer/interviewer might record and interpret the same situation very differently. Bogdan and Taylor (1975) deal
extensively with this problem in describing their research in a mental institution. It is their conclusion that the qualitative researcher overcomes these difficulties as a result of achieving intimate familiarity with the settings and its participants, by recognizing that "truth is an evasive concept", and by seeking the variety of perspectives from which common understanding might be extracted. Other scholars, whose studies are described more fully later in this chapter, adopt a similar methodological stance (Dalton, 1959; Gouldner, 1954; Mintzberg et al, 1976; and, Selznick, 1949).

Ultimately, qualitative understanding of social events is derived from the process of data analysis. Through data analysis, the researcher comes to develop themes and construct hypotheses which are "suggested" by the data and which provide a basis for understanding the situation and the actions of the individuals in the situation (Bogdan and Taylor, 1975). Although they are relatively straightforward, the steps in data analysis suggested by Bogdan and Taylor merit some discussion. First, one is advised to study the data that have been collected and, if possible, to subject it to review by other knowledgeable persons. Important topics and themes arising from the data are then identified and coded. This permits the researcher to construct various typologies and classifications related to
the area of inquiry. Following this immersion in the data, it is suggested that one turn to the relevant scholarly literature and attempt to develop hypotheses that relate the data to some theoretical framework. Generally, one follows these four initial steps by a more intensive process of data evaluation. According to Bogdan and Taylor, an important question in this phase of the inquiry concerns the extent to which the great body of data continues to support the hypotheses as initially stated. In addition, the researcher needs to consider whether certain data might disconfirm an hypothesis and, if so, what form it might take and how and where it might be found. This consideration of potentially disconfirming data frequently suggests the requirement of additional field work and data collection. Prior to that, the researcher is asked to address several other issues. Chief among these are the questions of observer influence on the setting, of the quality of the researcher's observation of the data, and, finally, the believability of informants supplying the data. While achievement of a complete and final resolution of these issues is often impossible, the qualitative researcher has a clear obligation to take them into careful consideration as a component of his or her data analysis.
Antecedent Studies. As noted previously, the requirements implied by the objectives of this research include a methodology that permits the explication of the process by which organizational strategy comes into being. In order to make sense of the complex patterns of strategic choice and action taking observed in public organizations, the investigator must come to understand the individual and institutional context of strategy and strategic management for that public organization, to discern the human motives and intentions of key actors in the agency and its environment, and to appreciate the internal and external factors operating on the agency.

Because of shared substantive objectives, it would appear that the methodological task for this domain of study is similar to that encountered by scholars such as Selznick (1949), Gouldner (1954), Dalton (1959), Cyert and March (1963), Mintzberg (1973), Mintzberg et al (1976), Miller and Friessen (1978), Huff (1981), Kotter (1982), and Nutt (1984). The experiences of these authors and the approaches they took in their research were influential in developing the methods used in this dissertation. For the purposes of this chapter, their works are discussed only in the context of their methodological contributions.

The studies by Selznick (1949) and Gouldner (1954) are early exemplars of the qualitative approach to research in
an organizational context. In his case study of the Tennessee Valley Authority (TVA), Selznick attempted to draw out a theory of organization from the social situation that he encountered in his research. In discussing the guiding principles of the TVA study, Selznick (1949) offers the following assessment:

It is believed that the interpretation set forth in the preceding chapters provides a substantially correct picture of a significant aspect of the TVA grass-roots policy at work. Far from remote, or divorced from what is considered pertinent by informed participants, the analysis reflects what is obvious to those who 'know the score' in TVA....This is not to suggest that there are no errors of detail, perhaps even of important detail. The nature of this kind of research precludes any full assurance on that. While much of the material is derived from documentary... sources, much is also based upon interviews with members of the organization and with those nonmembers who were in a position to be informed. Care was taken to rely upon only those who had an intimate, as opposed to hearsay, acquaintance with the events and personalities involved.

Theory construction in this instance is based on the everyday understandings of organizational members and other informed sources. The contribution of scholarship results from the systematic collection of data, the synthesis and interpretation of individual perspectives, and the creation of a framework for understanding the events, actions, and decisions described by participants.

Writing about the potential for error in qualitative research, Selznick makes several points which are pertinent
to the methodological considerations of this chapter. As he puts it, "If the use of personal interviews, gossip channels, working papers, and participation opens the way for error, it remains, however, the only way in which this type of sociological research can be carried on. A careful investigator can minimize error by such means as checking verbal statements against the documentary record, appraising the consistency of information supplied to him, and avoiding reliance on any single source. On the other hand, he will not restrict his data to that which is publicly acknowledged" (Selznick, 1949).

Gouldner's study of the "bureaucratization of a gypsum factory" also provides useful methodological insights. The objective of the study was to "...identify some of the variables relating to the bureaucratization, hypothetically accounting for its growth or contraction" (Gouldner, 1954). Gouldner describes the research as "primarily exploratory" in nature, designed to yield new concepts and hypotheses. The qualitative methods that were employed in the study followed from these specific objectives. In this study also, the unstructured interview was the primary tool of data collection. Gouldner explains in the methodological appendix to the study that it was important for the research team to see the organization and its social system from the perspective of the participants. In addition, the
investigators had some "theoretically derived hunches" and ideas drawn from other studies that they wanted to investigate. Theory construction proceeded from these foundations, guided by the outcomes of data collection and analysis. As the research unfolded, many of the early notions were fleshed out, while still others were seemingly discarded. This process of "grounded theorizing" is generally characteristic of the qualitative research approach. Although this process departs from the canons of the more traditional scientific method, Gouldner fully demonstrates its value for developing theoretical understanding of social events, structures and relationships.

Dalton (1959), Cyert and March (1963), Mintzberg (1973), and Kotter (1982) have used qualitative methods to investigate various aspects of managerial work and decision making. Dalton’s study of managers relied on a variety of techniques including interviews, analysis of work diaries, and participant observation. Cyert and March studied decision making in three firms, using analysis of documents, interviews, and direct observation. Mintzberg developed powerful generalizations about the nature of managerial work after periods of intensive observations of managers in the course of their work. Kotter’s research was concerned with the performance of general managers and was also derived from largely qualitative sources of data.
and interpretive procedures.

These four studies, as well as others, seemed to have served as conceptual antecedents for a stream of research explicitly concerned with strategy and strategic management. Mintzberg et al (1975) investigated the set of processes involved in the making of strategic decisions in twenty five organizations. Research teams conducted interviews with those members of the organization involved in each strategic decision episode. Each of these episodes was written up and used by the authors to uncover, via a process of inductive analysis, characteristic patterns of strategic decision making. A concern addressed by Mintzberg and his colleagues related to the question of the validity and reliability of data collected from an interview process. They make the following claim:

The strategic decision process may be researched by observation, by the study of organizational records, and by interview or questionnaire. Investigation of records is often impossible because strategic decision processes seldom leave reliable traces in the files of the organization....Observation is certainly a powerful and reliable method, but extremely demanding of research resources....Often forced to study the process after completion, therefore, the researcher is obliged to rely heavily on interviewing. The best trace of the completed process remains in the minds of those people who carried it out.

Miller and Friesen (1978) constructed a large data base of published case studies of business organizations.
These case studies were analyzed by expert judges using a protocol created by the authors. These rankings, which had a high degree of inter-subjective agreement, were then used as data for a Q-type factor analysis. This led them to identify 10 archetypes of strategy formulation.

In her study of a school superintendent, Huff (1981) makes two important methodological points. First, she suggests that traditional case study approaches to the study of strategy and strategic management rely too heavily on intensive interviews with members of the organization. "While the method can generate many details, it can still be difficult to capture the complexity of strategic decisions—especially in the past" (Huff, 1981). The effects of limited recall, bias, simplifying filters, and mortality of potential informants on the accuracy of case study data are, according to Huff, fairly significant. Her second point is that documentary evidence from organizational sources can be used to fill in gaps and to overcome the effects of bias and other sources of error. "...[D]ocumentary analysis reflects past interpretation of decisions. It is unbiased by current strategic concepts. Memos, reports, notes of meetings, and so on reflect data that was most salient at the time of decision" (Huff, 1981). Both of these points argue for the use of multiple sources and methods of data collection, a stance which is
reflected in the design of this dissertation research. Nutt (1984), in an investigation of 78 organizational decisions, employed "process reconstruction" to identify the nature of decision making processes. "Multiple case studies of projects were profiled using interviews that identify critical events, determine the sequence of events, and fit the events and their sequence to a generic representation of activities thought to be essential in decision making" (Nutt, 1984). The accounts generated by these interviews were then content analyzed in order to discover patterns of decision making in organizations.

Table 3 summarizes the qualitative research literature reviewed in this section. This literature generally guided and informed the design of the field studies in Ohio agencies carried out in this research.

**Design of the Study**

Having reviewed in previous sections the background which guided the selection of the methods employed in this research, this section of the chapter details the specific procedures that were employed in data collection and in the analysis of that data.

**Methods of Data Collection.** As described earlier, the empirical investigations focus on four agencies of state government in Ohio. These agencies were selected for
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<td>Huff (1981)</td>
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the study in a non-random fashion in order to reflect several dimensions of interest in the research. Three of the four agencies studied were relatively large and complex public organizations responsible for the delivery of diverse types of public services. The fourth agency, the Public Utilities Commission of Ohio, was selected because it was a major regulatory agency of state government. While it has already been pointed out that the set of agencies studied accounted for a significant portion of state government activity in Ohio, it is equally relevant that they were generally representative of the population of state government agencies.

Although the principal focus of the research was on strategic choice and action taking at the agency level, the main sources of data, the actual subjects of the research process, were most frequently individuals involved in the strategic management of the agency or in a position to observe and comment on agency strategy. In order to minimize the occurrence of the problems identified in the previous discussion of qualitative methodology, multiple sources of data and methods of data collection were used. Unstructured, intensive interviews were conducted with key informants who were actually involved in the formulation and implementation of strategy in the agencies. In addition, major stakeholders of the agency (in govern-
ment, various constituency groups, clients, etc.) were interviewed about their perceptions of agency strategy and strategic management. These interviews were conducted with individuals involved in and/or knowledgeable about the agencies in one or both of the administrations studied. The interviews took place in four waves over a period of eighteen months and involved several groups of interviewers. Finally, documents from the agencies, the State of Ohio archives, and from other sources were collected and systematically analyzed.

As demonstrated by the set of qualitative studies discussed in the previous sections, the unstructured interview has been employed in a variety of settings where the objective was to gain access to the meaning that individuals give to various social situations (Schwartz and Jacobs, 1979). The interview technique allows the researcher to generate detailed accounts of events and actions as seen from the perspective of the interview subjects. For this dissertation, the intensive interviewing process was used to construct in-depth accounts of the agencies, their intended, emergent, and realized strategic direction, their patterns of strategic choice and action taking, and the nature and sources of the various factors affecting strategic management in the agencies. Although the interview process was intentionally
unstructured, interview guides were used to ensure consistent and systematic data collection. The guides used with the two major groups of informants are reproduced in Appendix A.

The subjects of the interview process represented a wide array of informants inside the agency, in other units of the executive branch, and outside government. Informants inside the agency were asked to report on their own experience regarding strategic choice and action taking within the agency, to reflect on the strategic patterns they observed, and to describe the forces which they perceived acting on them and on the agency. Individuals outside the agency, either in government or in other stakeholder organizations, were also asked to address the questions about patterns of strategic management, factors influencing strategic movement and direction, and agency strategic performance.

Documents describing the agencies and their plans, policies, programs, legal mandates, and budgets were the second major source of data for this dissertation. Many documents were collected and used in the analytical interpretations of agency strategic management. These materials, whether from the agencies themselves or from other sources, provide potentially useful data about strategy and strategic management. Annual reports, for
example, can provide data about an agency's self-perception of critical events, key policy and program changes, and/or new priorities for service delivery. Although subject to the dangers inherent in any reconstruction, data available from documentary sources such as annual reports can be checked against data supplied by other sources. Formal planning documents, constituting an agency's explicit public statement of its intended strategy, can also be useful. Equally valuable are documents such as budgets and organizational charts. Such documents provide concrete manifestations of agency choice and action taking.

Methods of Analysis. Previous discussions in this chapter have already suggested some elements of the process employed in analyzing the data which were collected by interviews and from documents. For the most part, this analytic process was guided by a logic of reproduction in which observation and conceptualization were closely interconnected (Bulmer, 1979). A close description of this process should prove helpful to an understanding of the overall logic of inquiry and methodology of the research.

Initially, the research was guided by theoretical concepts drawn from the literature reviewed in this and previous chapters. This theoretical foundation suggested potential areas of focus, general hypotheses to be investigated, and fruitful topics to be brought up during
interviews with organizational members and stakeholders. This stage of conceptualization was largely coincident with exploratory fieldwork in each of the four agencies. These preliminary investigations led to empirical, theoretical, and methodological advances which informed later efforts. From this early fieldwork, brief accounts of agency strategy and strategic management were constructed. This also permitted the development of fairly specific hypotheses regarding the factors influencing the patterns of strategy which were observed and the derivation of the dimensions which might be said to characterize strategy and strategic management in any state government agency. (The results of these efforts were reported in Wechsler et al., 1983).

After this initial period of conceptualization-data collection-reconceptualization, the field was re-entered for a second round of data collection. Also undertaken during this period was a significant refinement of the theoretical framework employed in the dissertation. A third round of data collection in the summer of 1984 was devoted to interviews with key stakeholders, additional informants in both administrations, and follow-ups with persons interviewed previously. In these last rounds of field investigation, interviews were sought which provided specific opportunities for generating data that could
disconfirm still viable hypotheses. Throughout the entire time period, agency materials and various other documents were collected and analyzed. From these various sets of data, the accounts of agency strategy and strategic management presented in chapters five through eight were developed. Figure 9 provides a model of this unfolding research process.

Figure 9
Model of Research Process in Ohio Agencies
The accounts of the agencies are, of course, highly suggestive of the varied patterns of strategic choice and action taking found in the six agencies during the years 1974-1984. In addition, one can identify in these accounts both the factors influencing strategic choice and action taking and the general dimensions of agency strategy and strategic management. The identification of these factors and dimensions constitutes an act of qualitative interpretation which is crucial to the objectives of this research. The credibility of this interpretation rests on application of the canons of good practice discussed earlier in the chapter. These standards require that the process of data collection produce intimate familiarity with the actual setting, that conceptualization and theory building be derived from empirical data, and that the process of data analysis be linked to data collection in such a way that hypotheses are subjected to tests of disconfirmation. This retroductive logic, when applied with systematic rigor, permits substantial confidence in the resulting judgments and interpretations. The grounding for the empirical results of chapters five through eight and for the theory construction of chapter nine is in the systematic and rigorous application of these standards of good practice in qualitative research as outlined in this chapter.
Summing Up. This last section of the chapter has attempted to show how data were collected and analyzed in this research. It is important to note once again that the research design employed multiple methods of data collection. Data were generated from numerous interviews with a diverse population of informants and from documents. Similarly, the logic and practice of data collection and analysis subjected the findings to the strongest possible tests. To the extent that this explanation of the methods used in the research and of the standards of good practice to be applied has sensitized readers to both the strengths and weaknesses of this approach, permitting them to better evaluate the outcomes of this research effort, then the objectives of this chapter have been achieved.
Chapter Five

Strategic Management in the Department of Natural Resources

This chapter is the first of four which present the empirical results of research on the strategic management of state government agencies in Ohio. The first section of the chapter provides historical background and context for the Department of Natural Resources. The next two sections describe in some detail the patterns of strategy and strategic management found in this department during the administrations of James Rhodes (1974-1982) and Richard Celeste (1982-present). The final section of the chapter is devoted to an analysis of these strategic patterns and identification of the influencing factors. The format of this chapter will be employed in each of the subsequent empirical chapters.

Agency Background

Under Ohio law, the Department of Natural Resources (DNR) has primary responsibility for the management and development of Ohio’s natural resources. In addition, the Department provides opportunities for residents and visitors to the state to enjoy recreational experiences in Ohio. DNR is also responsible for protecting the environ-
ment and assisting citizens to realize economic benefits from Ohio's natural resources. This broad mission is defined by various statutes and carried out through the diverse programs and activities of the Department (Teater, 1984). Among the main functions performed by DNR are facility management, long-range use planning, environmental regulation, licensing and enforcement, and information and education.

The Ohio General Assembly created the Department of Natural Resources in 1949. Senate Bill 13 (1949) provided for the establishment of seven divisions in the Department: 1) Beach Erosion; 2) Forestry; 3) Geological Survey; 4) Lands and Soils; 5) Parks; 6) Water; and 7) Wildlife. These divisions of DNR were to "...formulate and put into execution a long term comprehensive plan and program for the wise use of the natural resources of the state..." (State of Ohio, 1949). In the ensuing 35 years, DNR would undergo numerous reorganizations, consolidations, and additions to its responsibilities. However, the broad mission of the Department of Natural Resources as spelled out in Senate Bill 13 remained essentially unchanged.

In the 1950s, the Information and Education Section was established to serve as a clearinghouse for information and educational materials. During this same period, DNR undertook several important technical projects, including a
comprehensive survey of pollution of Lake Erie, mapping of sources of ground water, development of a program of water management, establishment of a topographic mapping program, and initiation of a "field by field, farm by farm" soil survey and inventory. New parks and public beaches were opened and existing facilities were upgraded. In 1957, a new Real Estate Section was established with the responsibility for purchasing land for all divisions of DNR, for managing land leased by the Department to Ohio citizens, and for disposal of lands not needed for present or future public use.

The first major organizational change within DNR occurred in 1960 with the establishment of a new Division of Watercraft and the transfer of the Division of Reclamation from the Department of Agriculture. During this same period, the Division of Shore Erosion was abolished and its functions transferred to the newly created Office of Chief Engineer and to the Divisions of Geological Survey and Watercraft. The Division of Forestry and Reclamation was created as a result of the merger of the two formerly separate units. A Program and Planning Section was formed to coordinate DNR's capital improvements and act as a liaison with federal programs and funding sources. Department regulatory activities were extended to the oil and gas industries with the establishment of a new
Division of Oil and Gas. In 1969, the Division of Soil and Water Districts was brought into the Department.

In addition to the organizational changes of the 1960s, the Department was actively engaged in a number of major new programs. After a comprehensive survey of the need for land acquisition and development to meet the future requirements for water management and outdoor recreation in Ohio, DNR proposed the acquisition of 500,000 acres of additional public lands for new reservoirs, parks, forests, and wildlife areas. In 1964, and again in 1966, Ohio voters approved bond issues providing for funds for capital and conservation improvements. This funding permitted the acquisition of thousands of acres of land for public use, increases in cooperative hunting and waterfowl refuge acreage, and major purchases of natural and unique areas within the state. "Fiscal year 1968 found the Department embarked midway upon an ambitious action program to provide public outdoor recreation improvements. Since 1963 various improvement projects [were] conducted on over ninety percent of Ohio's 57 State Parks, 22 State Forest Areas, and 85 Wildlife Areas" (Department of Natural Resources, 1968). As a result of these development efforts, the Department was able to put in place a wide range of recreational facilities for the use of the people. These included thousands of camp sites, new vacation and dining
lodge units, additional vacation cabins, and new swimming beaches, boat docks and marinas. A comprehensive water development program for Ohio was implemented in 1968 with the completion of the Northwest Ohio Water Plan.

In 1970, after eight years of Republican control of the Statehouse, Democrat John Gilligan was elected Governor. His term of office (1970-1974) saw several new initiatives taken by the Department. Environmental and conservation concerns received a greater emphasis, as did programs for residents of urban areas. Action in these areas included passage of the Ohio Natural Areas Bill which authorized DNR to purchase and administer State nature preserves. In 1972, a Wilderness Area was designated in Shawnee State Forest. The Ohio Civilian Conservation Corps was established in 1973 to employ youths on projects such as flood control, reforestation, construction of park trails, mapping parkland, timber cutting, and park improvement. The Division of Parks began a new program called "People to the Parks", which provided inner city youths and elderly from Ohio's major metropolitan regions with the opportunity to enjoy state park outings.

The structure of the Department was also changed during the Gilligan administration. An Intergovernmental Unit was created to provide for coordination among state and local agencies, federal departments, and Congress on
matters relating to natural resources planning, funding, and legislation. A Division of Planning was established in the Department with the responsibility for carrying out all planning functions, including land expansion and new facility planning. Department officials from the Gilligan administration and knowledgeable observers outside DNR have described the organizational structure of this period as highly centralized and hierarchical (Anderson, 1983; Napier, 1984; and, Teater, 1984).

For DNR, the "main event" of the Gilligan administration involved the Governor's declaration of a financial emergency that required, among other steps, the virtual elimination of funding for the Division of Parks and Recreation. This resulted in the closing of state parks and related facilities, and the layoff of nearly 1000 employees. After an extended period of contention and strongly negative public reaction, park facilities were reopened. Political fallout from the episode has been cited, however, as a major factor in Governor Gilligan's defeat in the election of 1974. From a Department perspective, the reaction to the park closings and related political outcomes were seen as important indicators of the popularity of DNR programs and reflective of the political clout of its constituents.
One result of the election of 1974 was the appointment of Robert Teater as Director of the Department of Natural Resources. Teater had served as Assistant Director of the Department during the first Rhodes administration and was to be Director of DNR for the next eight years. Drawing on his previous experience in the Department and his observation of departmental operations during the Gilligan administration, Director Teater made several changes in the organization of DNR (Anderson, 1983; Schein, 1983; and, Teater, 1983 and 1984). The Division of Planning was abolished and the responsibility for this activity was returned to the operating divisions. Teater appointed three deputy directors who were given no program management authority or responsibility. These deputies formed a top level advisory and policy making group, serving the Director and the Department as a whole. As a result, the divisions achieved a greater degree of autonomy than had been possible in previous administrations. Figure 10 shows the table of organization that was in place during the Teater period.

Several new programs were instituted during this period, including the Natural Heritage Program, Mined Land Reclamation Program, and a Statewide Litter Control and Recycling Program. New units were established, including the Office of Outdoor Recreation Services and the Office of
Figure 10

DNR Table of Organization (1974-82)
Litter Control. Under Director Teater, the Department continued the emphasis on programs serving the needs of the urban areas of Ohio. Development of the Lake Erie waterfront, urban forestry and fishing programs, and park development were all initiated during this period. Another area receiving continued attention was youth programs, including the Youth Conservation Corps and various educational programs. Financing of departmental operations became less dependent on General Revenue Funds and more reliant on licensing fees and user charges. By 1982, 70% of DNR funding was derived from charges for services rendered to various clienteles (Schein, 1983; and, Teater, 1984). Severe fiscal stress during the last years of the Rhodes administration (1979-1982) had significant effects on Department operations, and the capacity of some divisions to be self-financing did not seem to lessen the overall effect (Teater, 1984).

The election of 1982 brought changes in the leadership of the Department and in some of its program emphases. One of the first acts of the new Celeste administration was the appointment of Lt. Governor Myrl Shoemaker as Director of DNR. William Napier, who had served in the Department during the Gilligan administration, was named Assistant Director. In the first two years of the Celeste administration, the Department had been reorganized along more
hierarchical lines and many of the second-level managers (division and office chiefs) had been replaced. Several new program emphases were identified in this early period, including increased attention to environmental and regulatory issues, Lake Erie and Ohio River development, and water resources. Although the list of Department priorities continued to emphasize the development of park and recreation facilities in urban areas, there was also a strong emphasis on the maintenance of existing facilities. Continuing budgetary constraints affected the service delivery capability of the Department, especially during the peak summer recreation season. Reduced resources made it increasingly difficult for DNR to adequately maintain large numbers of facilities or to provide the level of programs and services desired by constituent groups (Wickham, 1984).

**Summing Up.** The next sections of the chapter will more closely examine those patterns of strategic management which have been highlighted in this brief historical description. In summing up, however, it might be useful to offer a general characterization of the context in which the strategic activities of the Department of Natural Resources were carried out.

As noted at the beginning of this section, the mission of DNR as defined by Ohio statute is quite broad. The
Department is required to provide a wide variety of programs and to serve a diverse set of constituents. Some programs involve resource protection, preservation, and conservation, while others are concerned with the development and use of natural resources. Many of the programs and interests are directly competitive with other programs and interests represented in the Department. As a consequence of its mix of responsibilities and the potential for conflicting demands to be made on it, the Department operates in an extremely complex environment. The structural arrangements of DNR, the way in which sub-units have been organized, and the patterns of differentiation and intergration reflect efforts to take these environmental factors into consideration. These elements are discussed in greater detail in the next two sections of this chapter and the relationship to patterns of strategic choice and action taking in the Department are explored more fully.

The Rhodes Administration

From the background material of the previous section, it should be apparent that the years 1974 to 1982 were relatively eventful for the Department of Natural Resources. During this period the Department added program lines, expanded its property holdings, took on new
responsibilities, developed new means of funding, and made significant investments in its personnel and physical resources. At the same time, there were efforts to build support among stakeholders and to increase management capacity within DNR. Senior management seemed to share a common vision of the Department and were generally able to "sell" their program internally and externally (Anderson, 1983; Bash, 1984; Lowry, 1984; Schein, 1983; and, Teater, 1983 and 1984).

Several factors can be identified as contributing to the direction pursued by DNR in this period. As might be expected, statutory requirements and legislative mandates for the provision of services and carrying out of regulatory and enforcement activities were a major factor in determining DNR policies, programs, and priorities (Teater, 1984). Direction from Governor Rhodes generally took the form of establishing constraints on departmental policy rather than demanding a positive program. The Governor allowed a large measure of autonomy and discretion, permitting DNR to largely set its own course (Teater, 1984).

An important source of direction was provided by the many and often competing constituencies who were affected by DNR activities. The composition of constituent groups was remarkably diverse, including sportsmen, mine
operators, forestry interests, farmers, environmentalists and conservationists, and campers and boaters. These interests and the competing nature of their demands on the Department are recognized by the structure of advisory groups in the Department (Figure 10). Each of the major divisions (with the exception of Reclamation, Water, and Geological Survey) has an advisory group that provides input to the division and serves as a forum for the expression of constituent concerns. The Recreation and Resources Commission brings together the chairs of each of the divisional advisory councils and serves as an advisory body to the Department as a whole.

From the Department's perspective, the demands of diverse constituencies presented two main challenges (Anderson, 1983; Kizer, 1984; Orozco, 1984, and Teater, 1983 and 1984). The first of these involved attending to each of the interest groups and balancing their competing demands. The second challenge was to generate among the constituent groups a larger interest in and commitment to natural resources extending beyond their own special interests. The manner in which these two challenges were handled provides some insight into the strategic management approach of the Department and the leadership style of Director Teater.
As noted earlier, Robert Teater had served as Assistant Director of DNR in the 1960s. For the four years of the Gilligan administration (1970-1974), he was Director of the School of Natural Resources at the Ohio State University. When Director Teater returned to the Department, he was able to draw upon substantial background and experience in the field. Having been in a position to observe the Department from a relatively close distance, Teater believed that the previous administration had allowed the operating divisions insufficient autonomy (Teater, 1984). The organizational structure that Teater found in place was highly centralized, permitting senior management to exercise considerable control over day-to-day operations, but not allowing constituencies any special sphere of influence. In Teater’s view, this situation led to a high level of competition and conflict among both constituent groups and the divisions. No one in the resulting environment had an incentive to consider or attend to the needs of the Department as a whole.

The operating philosophy of the Department, as well as its new structure, were designed not only to deal with the shortcomings of the previous administration, but also to provide a means of resolving the strategic challenges mentioned previously. These changes in philosophy and structure placed the main responsibility for program
management at the division level. In addition to greater autonomy in day-to-day operations, division chiefs were also given responsibility for planning and for managing relationships with their external constituencies. Because the chiefs had regular access to the Director, they were able to serve as a linkage between senior management and the constituencies (Anderson, 1983; Good, 1984; Lowry, 1984; Schein, 1983; and, Teater, 1984). While this design strategy increased the power and influence of the divisions and, consequently, served the interests of the constituent groups, it also had the potential to reinforce conflict and fragmentation. The need to balance competing interests, and the related need for representation of a broader departmental interest, were handled by structural arrangements at the senior management level. Under this structure, the three deputy directors had no direct program management responsibilities, functioning instead as an advisory and policy making group. The Director, his three deputies, and the chiefs of two staff-level offices made up a top level management group that was principally concerned with the direction of the Department as a whole. The broad focus of this strategic management group was possible only because the structure did not require that the deputy directors identify with particular program lines and divisional interests. In effect, this structure created a
market for policies, programs and priorities at the senior management level and competing interests were allowed to work themselves out within the structure (Anderson, 1983; Schein, 1983; and, Teater, 1983 and 1984).

Beyond providing structural mechanisms for balancing pressures and resolving differences, Director Teater established an on-going effort to generate support among the specific constituency groups for the Department as a whole. Constituent groups were encouraged to pursue their individual interests and concerns, but also to support the broader Department interest whenever they could and on as many issues as possible. According to one witness to the process, the Director "[f]lat laid it out to them: Divided we're weak; Working together we're strong .... Constituents began to believe that" (Anderson, 1983).

The general strategy of balancing was not without its critics among the constituency groups. Some environmental groups have made the claim that the Department was neither open to their input nor sufficiently attentive to their policy concerns (Good, 1984; and, Sedam, 1984). Moreover, DKR was perceived by these groups as not being balanced in its approach, but rather as regularly favoring development of natural resources over conservation and protection activities. As the leader of one environmental group put it, "When it came time to make a decision between the
environmental community’s stand on an issue and the regulated community’s stand on an issue, I think it is a fair judgment to say that middle ground was not found” (Sedam, 1984). To a significant extent, this belief was reinforced by the public position of Governor Rhodes, who argued that strict environmental regulation was unnecessary and harmful to the economic well-being of Ohio. Other critics, not necessarily concerned about environmental issues, believed that the organizational structure not only promoted autonomy at the division level, but also had the effect of isolating them from senior policy makers (Lowry, 1984).

A second aspect of DNR’s strategic program during this period was directed toward internal capacity building. This effort focused on enhancing the quality of personnel, increasing financial resources, and improving program management. An important element undergirding the personnel strategy was the Department’s commitment to professionalism. One of the most important manifestations of this commitment can be found in the relatively unusual practice of non-partisan hiring for policy making and management positions in the Department. In other words, individuals were often selected for senior staff positions or were continued in them on the basis of merit rather than political affiliation (Anderson, 1983; and, Schein, 1983). This practice helped to create a climate in which high
performance was the norm. Other approaches used to develop a professional attitude and a commitment to the Department included training, performance recognition awards, and various programs and activities to inform employees about Department policies, programs, and priorities (Teater, 1983 and 1984). These practices also contributed to a climate that was favorable to the more holistic emphasis referred to previously.

The financial development strategy involved shifting the basis of support from the General Revenue Fund to licensing fees and user charges. Since 1974, the portion of DNR revenues coming from the Ohio General Revenue Fund has dropped from 70% to 30% (Anderson, 1983; and, Schein, 1984). This changing basis of funding has been attributed to two major influences. The first of these was the economic and budget crisis in Ohio which imposed severe constraints on government finances. By developing an independent funding base, DNR would be made less dependent on an uncertain and politicized appropriations process. The second factor influencing the movement toward self-financing was the philosophy that users should pay their own way and that regulated industries should bear the cost of regulation (Schein, 1983). It is interesting that both past and current officials of the Department now discount the viability of this strategy as a means to
enhance DNR's financial standing. In fact, instead of producing greater revenue, it may have had the opposite effect. This occurred because the General Assembly, knowing that DNR had other sources of revenue, found it easier to cut the Department budget (Napier, 1984; and, Teater, 1984).

An attempt to enhance program management and service delivery was the third element in the capacity building effort in the Department. In 1977, for example, DNR established a list of policy and program priorities which served to guide Department activities. "The programs cut across divisional and office lines, giving direction to ODNR as a whole" (Department of Natural Resources, 1977). A partial review of this list of priorities is suggestive of the Department's policy direction:

- Urban River and Waterfront Development: Revitalize valuable downtown water resources for recreation, beauty, and utility

- Coastal Zone Management: Improve and protect Lake Erie and encourage proper development of adjacent land resources

- Soil Inventory: Accelerate Ohio's soil survey to provide basic information for land use decisions

- Reforest Ohio Lands: Prevent wind erosion in northwest Ohio and protect marginal agricultural and strip mined areas

- Land Reborn: Transform old scars and pollution sources in previously mined areas in Ohio

- Non-game and Endangered Species: Provide professional
management for all wildlife species, to improve wildlife diversity and human enjoyment of wildlife resources.

- Park Development: Expand state park facilities - 4 new lodges, 200 cabins, 1600 campsites, 4 golf courses, 6 new beaches, and 7 nature centers; purchase 16,000 acres of land.

- Fish Ohio: Double fishing opportunities in Ohio in 5 years through cleaner waters, more stocking, and more fisherman access to Ohio’s waters.

- Clean Up Ohio: Improve health and aesthetic values in Ohio by removing litter, recycling resources, and beautifying communities.

- Ohio Youth Opportunities: Expand the Youth Conservation Corps program to include year-round activities which will provide youth education and job opportunities in productive work.

Over the remaining five years of the Rhodes administration, the specific items on the list of Department priorities would change or receive different emphasis. What remained essentially constant was a commitment to enhance the enjoyment and use of the natural resources of Ohio through a program of balanced development. This external orientation was not only consistent with the internal emphasis on capacity building, but also dependent on how that effort was perceived by constituents.

It should be noted that external relationships were somewhat problematic for the Department. The requirement that it balance competing uses of natural resources and the perception that the Governor was not committed to environmental regulation made for difficulties with some
groups. The organizational arrangements which successfully managed relationships with other groups were viewed by some environmentalists as a means of limiting their access to policy makers (Good, 1984; and, Sedam, 1984). Some other constituents also saw the Department as closed to input and influence (Lowry, 1984). Even when the Department was not able to meet all the demands of constituents, the core of support for DNR as a whole appeared solid. This support was largely derived from the very qualities which were of such concern to critics of the Department. DNR gained important leverage in its relationships with major constituency groups and with the General Assembly from its reputation for professionalism. Confidence in the capacity and integrity of DNR staff led most stakeholders to support programs and policies that they might have otherwise questioned or challenged (Bash, 1984; Kizer, 1984; and, Lowry, 1984).

The Celeste Administration

The new administration of Governor Richard Celeste faced several major challenges upon taking office in January of 1983. The most pressing of these was undoubtedly the state budgetary crisis which resulted from the severe recession of 1981-1982. During the first six months of 1983, officials in DNR were largely preoccupied
with finding substantial budget savings to make up for revenue shortfalls (Napier, 1984; and, Van Meter, 1984). Later in the year, a great deal of Department effort and energy was devoted to assisting the Governor in the campaign to defeat a tax repeal initiative.

As a consequence of these diversions, the Department was relatively slow in getting its major policy and program initiatives under way (Van Meter, 1984). Compounding the situation were several internal factors which constrained the development of an effective policy making and management team. One of the most significant of these factors was the unusual arrangement by which Lt. Governor Myrl Shoemaker served as Director of the Department of Natural Resources. In order to carry out the responsibilities of two offices, Lt. Governor Shoemaker selected William Napier as Assistant Director. Under this arrangement, Assistant Director Napier assumed responsibility for many areas of department policy making and management. The ambiguity and confusion which resulted from this appointment seems to have been a critical factor in the pattern of strategic choice and action taking which emerged in DNR. Lt. Governor Shoemaker, who had just concluded a lengthy career in the General Assembly, was essentially "a political animal". His personal history, as well as other factors, served to produce a more politicized climate than had
existed in the previous administration (Anderson, 1983; Orosz, 1984; and, Schein, 1983). One consequence of this more political orientation was a high level of turnover in policy making and management positions throughout the Department. Many of those replaced were individuals with professional management rather than political credentials. Even after the initial round of replacements occasioned by the onset of the new administration, there were continuing changes among the deputy directors and division chiefs (Columbus Dispatch, 1984; Dayton Daily News, 1984; Napier, 1984; and, Van Meter, 1984).

By the end of 1983, DNR's senior management had developed a list of "goals and objectives for 1984" (Napier, 1984; Orosz, 1984; and, Wickham, 1984). While not markedly different from the policy direction of the previous administration, this list was suggestive of several new strategic emphases in the Department. One of the most important of these was a very much stronger commitment to conservation, environmental protection, and regulation than existed under the previous administration. This commitment included new emphasis on oil and gas regulation, reclamation programs, soil and water conservation, and scenic river and natural areas expansion. Most of these initiatives resulted from the policy positions of senior management in the Department and from
the preferences of the Governor (Napier, 1984; Orosz, 1984; and, Wickham, 1984). It also reflected, however, the changing balance of power among the external constituencies of the Department. In the Celeste administration, the views and concerns of environmental groups seemed to count for more than they had previously (Good, 1984; and, Sedam, 1984).

A second area of emphasis was concerned with programs affecting the urban areas, especially in northeastern Ohio. The priorities reflective of an urban emphasis include increased development of the urban state parks, improved Lake Erie boating and fishing access, completion of a feasibility study for a north central Ohio state park, and establishment of Civilian Conservation Corps camps in Cincinnati, Dayton, Youngstown, and Canton. Although the development of urban facilities and services had been a concern of the previous administration, they have been emphasized much more in the past two years. Again, this resulted from attending to the issues and concerns of politically relevant constituencies. In this instance, DNR policy emphasis was clearly consistent with the political objectives and strategy of an administration with a major urban constituency.

The third area of policy emphasis suggested by the list of priority programs concerned relationships with external
constituents. In the previous administration, relationships with individual constituencies had been managed at the division level rather than by central administration. Such an approach facilitated the strategy of balance and unity adopted by the Department. A major change in the approach toward constituent relations was put in place after the Department had difficulties in achieving its objectives in the 1984-85 budget process. According to most accounts, DNR was not successful in mobilizing constituent groups to support its budget proposals, and, as a consequence, was not able to gain its proposed level of funding. In response to these setbacks, external relationships became a major strategic concern for the Department as a whole (Orosz, 1984). As suggested by the previous discussion, the concerns and issues of politically important and/or supportive constituencies were taken more into account, and, more generally, constituency groups were granted better access to senior management, including the Director and Assistant Director (Good, 1984; Lowry, 1984; and, Sedam, 1984). On specific issues, the Department generally chose to respond only where the public was vocally concerned. This approach is illustrated by a comment made about the brine disposal issue. According to one senior staff member, "If the people weren’t upset about this, we wouldn’t have done anything....As Mr. Shoemaker
says, 'if it's not broke, don't fix it'" (Wickham, 1984).

Two additional areas of emphasis were not included in the published list of priority programs, but nonetheless reflected important elements in the strategic direction of the Department. The first of these involved a new emphasis on maintenance of Department facilities and service levels in place of the pattern of growth and expansion which had been pursued previously (Napier, 1984; Peck, 1984; and, Wickham, 1984). For the most part, this concern followed from the much more limited resources available to the Department as a result of Ohio's continuing budgetary crisis. In an earlier time, when resources were plentiful, the Department had concentrated on satisfying public demands for new and improved facilities, new programs, and increased services. Under much tighter fiscal constraints, with the park and recreation system largely complete, the Department was seen as entering a new phase in which the maintenance and upkeep of existing facilities and services would be more important priorities (Peck, 1984; and, Wickham, 1984). Related to the emphasis on maintenance and upkeep was a strong commitment to increased enforcement, especially in the parks and natural areas. This new emphasis was the result of increased incidents of vandalism and other lawlessness in facilities operated by DNR (Lowry, 1984; and, Wickham, 1984).
Another very important element of the strategy adopted by the DNR was reflected by the organizational restructuring referred to at the beginning of this chapter. Early in the new administration, senior management concluded that the existing organizational arrangements were not consistent with their objectives or operating approach (Anderson, 1983; Napier, 1983 and 1984; and, Schein, 1983). As a result, they moved to change both the organizational structure and the operating style of the Department. The new structure (Figure 11) grouped the operating divisions around the basic departmental functions of enforcement, mineral extraction and outdoor recreation. Unlike the previous arrangements, the deputy directors served primarily as program managers under this new structure. As a result of these changes, there was a higher level of formal control, increased centralization, closer supervision, and much less program autonomy than had existed previously (Anderson, 1983; Kizer, 1984; Napier, 1983 and 1984; Orosz, 1984; and, Schein, 1983).

These structural changes seem to reflect an alternative way of conceptualizing the strategic problem in DNR. Rather than conceiving of the Department as a collection of largely autonomous subunits representing competing interests to be brought together at the Department level, the new management seemed to conceive of
the Department as having a more centralized identity. From this perspective a fundamental strategic consideration for DNR was the creation of new mechanisms to provide centralized direction, coordination, accountability and control (Napier, 1983 and 1984). The revised organizational structure was explicitly designed to provide a mechanism for controlling and coordinating the competing demands and interests found in the Department (Napier, 1983 and 1984).

These new structural arrangements were consistent with other elements of DNR's strategic program. Specifically, limits on the autonomy and authority of the divisions reduced the capacity of certain constituencies to influence policy and allowed the Department to pursue policies more consistent with the interests of other, more favored constituencies. This approach to managing relations with its constituencies was most discernible in the area of environmental and regulatory policy. As well as supporting the policy objectives of the Department, the new structure and operating style seemed to diminish the authority of professionals in the Department and, relatedly, to increase the importance of political considerations (Anderson, 1983; Orosz, 1984; and, Schein, 1983).

In large measure, the preceding discussion provides a basis for interpreting the strategy of DNR during the first
two years of the Celeste administration. The pattern of choice and action taking which emerged from interviews and documentary analysis was directed largely by external factors. Policy choice was largely driven by political rather than professional considerations. Structural arrangements in the Department were similarly reflective of an external and political orientation. In other words, the structure was designed to enhance centralized control of the operating divisions and to de-emphasize divisional autonomy and professional authority. By virtue of these structural arrangements, central administration was better able to shape policy consistent with the preferences of the Governor and favored political constituencies.

Analysis of Strategic Management in DNR

This section of the chapter provides analysis of the patterns of strategy and strategic management found in the Department of Natural Resources during the period of study. As suggested by the model of strategic management introduced in chapter three, the distinctive pattern of strategy and strategic management in public organizations results from an agency's deployment along six dimensions: 1) Nature and Strength of the External Influence Field; 2) Locus of Strategic Control; 3) Orientation Toward Change; 4) Scope of Strategic Management; 5) Strategic Management Activity
6) Direction of Strategic Movement. Deployment on these dimensions of strategy and strategic management can be related to a set of internal and external factors which are relevant to a specific agency. The analysis of strategy and strategic management in DNR is organized around these six dimensions.

**Strength and Nature of the External Influence Field.**

As noted in the discussion in chapter three, this dimension captures four aspects of the external influence process. For any public organization, these aspects involve the extent to which external actors attempt to influence the strategic management of the organization, the force these actors are able to bring to bear, the movement or policy response they seek from the organization, and the response of the organization to these efforts to influence its behavior.

For the strategic management of DNR, the nature of the external influence field and its effect on the Department varied over the two administrations. During the Rhodes administration, attempts at external influence were diffuse. Each constituency was closely linked to an operating division and that division was the main object of influence attempts. Within this context, some external influencers were more active than others. For instance,
regulated industries, such as mining and oil and gas drilling, saw DNR activities as having important outcomes for their operations. As a result, they were active in attempting to influence policy (Kizer, 1984). On similar grounds, farm and environmental organizations attempted to move DNR in directions more sympathetic to their interests and views (Bash, 1984; Good, 1984; and, Sedam, 1984).

Other groups, such as users of state parks and recreational boaters, were both less organized and less active in efforts aimed at influencing the Department. Although the main targets of external influencers changed in the new administration, the basic pattern of influence persisted. As was the case in the previous administration, those external stakeholders who saw themselves as significantly affected by DNR actions were most active in seeking to influence policy direction. To some extent, the changes in the structural arrangements and operating style of the Department, as well as the policy and political agenda of the administration served to activate the efforts of those constituencies, especially among the environmental and recreation communities, that had previously seen themselves as removed from channels of influence (Lowry, 1984).

The ability of external stakeholders to influence DNR was relatively low during the Rhodes administration. In
part, this resulted from the emphasis placed on internal professional judgment as the principal source of policy direction. Additionally, the efforts of the central office to balance the demands of various constituencies left no group with extensive influence. Although the Governor had formal authority over the Department, his management style and personal relationship with Director Teater allowed for considerable autonomy in policy making and management. Another factor limiting the ability of external actors to influence the strategic management of DNR during this period was the availability of diverse sources of funding. Because no single source of funding was dominant, the Department operated under limited resource control.

As implied by the section describing strategy and strategic management in the Celeste administration, the capacity of external actors to influence the Department increased significantly with the change in administrations. For the most part, this resulted from the politicization of the Department under Director Shoemaker and the related changes in the balance of power among DNR constituencies. By virtue of its revised policy direction, the Department came to favor the input of certain constituencies and limit the influence of others. This process had the inevitable effect of increasing the power (capacity) of those favored constituencies to influence DNR. Gubernatorial interest in
DNR and its programs contributed to the urban and environmental emphases of the Department. As a consequence of its politicization and the active role of the Governor, the Department was far more attentive to the requirements of the administration's political agenda.

As suggested by the previous discussion, DNR in both administrations was selectively responsive to the efforts of external influencers. The approach taken during the Teater period was to provide the various interest groups with an opportunity for interaction and influence at the division level. Competing interests were represented via the input of the divisions to Department policy makers. By keeping external stakeholders two-steps removed from the policy making process, senior management was able to limit the influence of outside forces. This approach was made possible not only by the balancing process, but also by the mix of stakeholder preferences, by the absence of resource or political control, and by the relatively high level of internal consensus and external support for the strategic program. In the Celeste administration, selective responsiveness meant that Department officials were open to the input of favored interests and, relatively inattentive to the concerns of those groups that were not politically supportive. In addition to the unbalancing of interest groups due to politicization, principal factors accounting
for DNR's response to external influence were increasing resource control, the larger role of the Governor in setting policy direction, and the preferences of relevant stakeholders.

Locus of Strategic Control. An agency's deployment on this dimension is, as pointed out in chapter three, closely connected to the strength and nature of external influence. In the case of DNR, one finds significant variation in the locus of strategic control over the ten year period. In the Rhodes administration, the locus of strategic control was clearly internal. That is, strategy and direction were largely initiated and controlled in the Department rather than emanating from external sources. As described in previous sections, senior management of DNR not only had a clear sense of purpose and direction, but also strong support inside the agency and from a diverse external constituency. Strong leadership from Director Tester and the professional expertise of DNR personnel provided essential resources in charting the direction of the Department and in achieving program objectives. A related source of leverage for DNR resulted from the public support generated by its emphasis on popular recreational programs. Surprisingly, the limited external resource control resulting from user charges and licensing fees did not
provide the flexibility and freedom of action that might have been expected.

Under the Celeste administration, the strategy and direction of the Department were much more externally controlled. As noted earlier, the Department was far more responsive to politically potent stakeholders. Moreover, many of the resources which had permitted DNR to resist such influences in the previous administration were no longer present. Politicization of the hiring process had serious effects on the capacity and competence of the Department as a whole. Similarly, the ambiguous nature of senior management arrangements left DNR without consistent leadership. The increasing emphasis on enforcement and the decreasing level of services in the recreational programs would seem to have diminished the level of public support for DNR as a whole. As a result of these conditions, DNR appeared to lose much of its capacity for initiating strategic direction and became more subject to external strategic control.

Orientation Toward Change. Orientation toward change reflects the intended and realized impact of an agency's strategic choice and action taking on its needs environment. The strategy and strategic management of an agency may be designed to produce fundamental change in policy
direction, in program emphasis, or in the nature of service delivery. On the other hand, the basic purpose or intent of agency strategy may be at the other end of this continuum and, as a result, designed to maintain current policies, programs, and structures.

DNR under Director Teater seemed largely committed to maintaining a consistent and balanced strategic direction. While committed to improving organizational capacity and service delivery, this strategic program was not designed to produce fundamental change. Several factors contributed to an incrementalist orientation. The press of external forces was diffuse rather than concentrated on a few main issues or concerns. Stakeholder preferences and the high level of public support for DNR’s ongoing program produced minimal incentives for change. Within the Department, a strong consensus about appropriate ends and means similarly limited any pressure for fundamental change.

In contrast, the Celeste administration sought to effect fundamental change in the strategic direction of the DNR. The principal manifestations of change, such as the politicization of the Department, an increased emphasis on environmental regulation and enforcement, and more selective attention to constituent groups, have been discussed previously. A set of organizational and environmental forces, including senior management consensus
about the appropriate means to achieve shared ends, the nature of leadership provided by the Director and by the Governor, the preferences of relevant stakeholders, and the nature and strength of the external influence field, combined to produce a climate supportive of fundamental change. Senior management agreed on the need to reduce the autonomy and professional authority of divisional personnel through increased centralization. By gaining increased control over departmental operations, they would be better able to achieve both political and policy oriented objectives. As noted earlier, the role of Director Shoemaker was somewhat problematic for the Department. However, in terms of this dimension, his essentially political orientation was an important factor in setting the character of DNR. Finally, by moving away from the balancing approach previously used to manage constituent relationships, the Department became more susceptible to the influence of politically relevant constituencies. Consequently, these groups were in a better position to significantly influence the strategic direction of DNR.

Scope of Strategic Management. During the Rhodes administration, the Department of Natural Resources pursued a consistent direction without attempting to produce fundamental change in its domain. Nonetheless, the scope of its
strategic management was quite broad. DNR's strategic agenda over this period included expansion of facilities, development of new programs, improvement in the quality of service delivery, and, perhaps most significantly, a commitment to management improvement and organization development. The capacity of the Department to undertake such a program of activities was conditioned by many of the same factors identified as operating for other dimensions of strategy. Most important of these was the leadership provided by Director Teater. By virtue of his knowledge, experience, reputation for integrity, and personal style, the Director was able to secure the support of principal constituents and of the general public. This support as well as the strong consensus which existed within the Department provided considerable discretion in the formulation and implementation of the strategic program. With improvement in management systems and in the capability and competence of DNR personnel, the climate of support became even more favorable, allowing additional strategic discretion.

Many of the resources which supported the broad scope of strategic management found in the Rhodes administration were not available in the new administration. Because of the dual status of Director Shoemaker and his preferred operating style, leadership in the Department was based on
political rather than professional grounds. Politicization, centralization of control, reduced autonomy at the division level, and high rates of attrition diminished organizational capacity and restricted the ability of the organization to carry out its strategic program. Responding to a limited constituency, the Department was constrained to act on a more limited set of issues. The program emphases adopted by the Department, especially for regulation and enforcement, diminished the popularity of its programs and the level of its public support. Lastly, resource constraints limited DNR’s ability to engage in certain varieties of strategic action, e.g., to expand facilities, to develop new programs or to improve the quality of service delivery.

**Strategic Management Activity Level.** This dimension captures the relative priority that an agency gives to strategic choice and action taking. As suggested earlier, one would expect levels of strategic management activity to vary with organizational and environmental conditions as well as with other dimensions of organizational strategy. The relatively high level of strategic management activity in the Rhodes administration can be traced to several specific factors, including leadership, internal consensus, organizational capability and competence, and public
support. The leadership provided by Director Teater and his management team served to activate the Department’s strategic agenda. Also, because senior management and DNR’s various constituencies shared a common view regarding the direction of the Department, it was relatively easy to mobilize support for key initiatives. Organizational resources (capability and competence) not only supported a high level of strategic activity, but also created an environment in which management could confidently pursue its strategic objectives.

DNR’s deployment on other dimensions of strategy that were hypothesized to influence activity level were similarly supportive of an activist approach. By virtue of a diffuse, but generally supportive external influence field and an internal locus of strategic management control, DNR was able to act on its preferences regardless of constraints which might have been imposed externally. Attention to a broad scope of strategic issues also produced an extensive agenda of action for the Department to act on. Finally, the pursuit of incremental rather than fundamental change did not seem to diminish the strategic activity of DNR nor lead to a passive acceptance of the situation as given.

In the first years of the Celeste administration, DNR remained relatively active in its strategic management.
However, the underlying factors contributing to this posture were somewhat different than had been the case previously. Although the Director did not provide strategic leadership, the press of external influence, at the jurisdiction level and from key constituencies, produced strategic management activity. At the next level of senior management, the policy preferences and commitments of a number of officials similarly provided an impetus for a high level of activity.

**Direction of Strategic Movement.** Strategic movement in the Department of Natural Resources was largely, but not exclusively internal during the Rhodes administration. This conclusion reflects DNR's strategic emphasis on capacity building and management improvement. However, the Department also sought to have strategic impact on its external environment, as evidenced by its efforts to develop new programs, to build additional facilities, and to serve new clienteles. A mixed pattern of strategic movement continued into the Celeste administration, although, as subsequent discussion will demonstrate, the factors underlying these postures were somewhat different.

The direction of strategic movement achieved during the Rhodes administration was an intended outcome of Department strategy. Internal consensus and stakeholder
preferences supported a strategic orientation aimed at developing organizational capability and competence. Development of organizational capacity, in turn, built confidence in and provided additional support for a strategic emphasis on internal capability and competence. Similarly, confidence in the leadership of Director Teater and his strong commitment to a developmental strategy was a singular asset. Movement toward external development of the DNR system was associated with such factors as policy type, stakeholder preferences, and public support. Program development was possible even under conditions of resource constraint because the types of programs being offered were highly popular with a large, powerful constituency. Selective attention to the external influence field reduced pressures to develop less popular regulatory and enforcement programs.

Strategic movement in the first two years of the Celeste administration was also directed both internally and externally. The main internal thrust was aimed at achieving political and organizational control over the Department. External movement was directed at satisfying the claims of stakeholders for new program emphases. Many of the same factors identified as contributing to the strategic thrust in the Rhodes administration were also at work in this administration.
Although the leadership provided by Director Shoemaker was of a quite different character from that provided by Director Teater, it was no less decisive in determining the strategic direction of DNR. The thrust of his leadership was to move the Department away from a professional orientation toward a more politicized approach to management of both internal operations and external relations. A politicized orientation was supported, or at least not strongly opposed, by members of the dominant coalition in the Department. Similarly, politicization fit well with the preferences of external stakeholders both in the administration and in the favored constituency groups.

**Summing Up.** The preceding discussion has sought to identify the principal factors associated with the strategic management of the Department of Natural Resources. These findings are summarized in Tables 4 and 5. In addition, DNR's deployment along the six analytical dimensions is shown in Figure 12.

More generally, strategic management in DNR can be described in terms of the fundamental orientations of the two administrations. Under the leadership of Director Teater, DNR sought to enhance organizational and individual competence and capacity, while simultaneously seeking to expand facilities and improve programs and services. This
strategy, made possible largely by internal conditions, can be labeled a Developmental strategy. In contrast, the strategy of DNR under Director Shoemaker was more externally controlled. The aims of strategic management in the Celeste administration were to satisfy and reward its principal conconstituent groups and political supporters and, at the same time, gain control over internal operations of the Department. These two strategic objectives are closely related, permitting the new administration to use DNR as an instrument of politics. This strategy, reflecting the orientation of jurisdiction-level policy and responsiveness to external pressures, can be termed a Political strategy.
TABLE 4

Strategic Influences in DHR (Rhodes Administration)

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<tr>
<th>Factors</th>
<th>Dimensions</th>
<th>(1) External Influence</th>
<th>(2) Locus of Strategic Control</th>
<th>(3) Orientation Toward Change</th>
<th>(4) Scope of Strategic Management</th>
<th>(5) SM Activity Level</th>
<th>(6) Direction of Strategic Movement</th>
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Loading on Dimensions:
- Weak: Internal, Incremental, Broad, High, Mixed

* = Presence of factor influenced deployment on the dimension
- = Absence of factor influenced deployment on the dimension
### Table 5

**Strategic Factors in DHR (Coleman Administration)**

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<th>(2) Locus of Strategic Control</th>
<th>(3) Orientation Toward Change</th>
<th>(4) Scope of Strategic Management</th>
<th>(5) SM Activity Level</th>
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**Note:**
- + = Presence of factor influenced deployment on the dimension
- - = Absence of factor influenced deployment on the dimension
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<td>Make Incremental Change</td>
<td>Produce Fundamental Change</td>
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<td>Direction of Strategic Movement</td>
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Figure 12

Deployment of Dimensions of Strategy in DNA
Chapter Six

Strategic Management of the Department of Mental Retardation and Developmental Disabilities

Agency Background

The Department of Mental Retardation and Developmental Disabilities (DMRDD) has primary responsibility to ensure that "...Ohio's mentally retarded and developmentally disabled will live and participate in the least restrictive and most normalized environment..." (Department of Mental Retardation and Developmental Disabilities, 1982). In addition, the Department seeks to ensure that the retarded and developmentally disabled receive comprehensive statewide services and enjoy the highest level of human rights and quality of life possible (Bohlmann, 1984). In order to carry out its statutory mission, DMRDD provides direct services to the residents of state operated developmental centers throughout Ohio. Also, the Department plans, coordinates, funds, and monitors services provided by other organizations, both public and private, at the local level, and serves as an advocate for the needs of the mentally handicapped with other agencies of government. The Ohio Department of Mental Retardation and Developmental Disabilities...
Disabilities was established in 1980 when the existing Department of Mental Health and Mental Retardation was divided into two separate agencies.

Although DMRDD was only recently established as an independent cabinet-level department, the State of Ohio's responsibility for the mentally disabled dates back to the 19th century (Department of Mental Hygiene and Corrections, 1969). In 1815, the legislature appropriated funds for the establishment of a "Commercial Hospital and Lunatic Asylum for the State of Ohio" at Cincinnati. State provision of services was seen as an important reform of the prevailing county-operated system of confinement in prisons and almshouses. The Ohio Constitution of 1851 recognized the responsibility of state government to provide facilities for the care of the mentally retarded. The principal means of carrying out this responsibility, to nearly the present time, were state institutions devoted to the care and habilitation of the mentally retarded. For the most part, state-operated developmental centers, as they are currently called, were located in rural settings far away from the general population. Residents of these facilities lived largely isolated lives in large and often impersonal institutions. Until the 1950s, the few community-based services in existence were the result of the efforts of parent and advocacy groups who sought to serve the needs of those
retarded individuals, often their own children, who were not being served by any public programs. The Ohio General Assembly passed legislation in 1951 which for the first time authorized the Ohio Department of Mental Hygiene and Corrections to provide state funding for retarded individuals enrolled in community programs. In 1959, a committee was established by then Governor Michael DiSalle to review state programs for the mentally retarded. In addition to recommending state responsibility for planning, development, and supervision of service delivery, this study proposed the creation of a Bureau of Mental Retardation within the Division of Mental Hygiene of the Department of Mental Hygiene and Corrections (Department of Mental Hygiene and Corrections, 1960). Implementation of this proposal resulted in the creation of the first unit of state government having explicit responsibility for serving the MR/DD population.

Increased public awareness of and attention to the problem of mental retardation and related developmental disabilities led to several important developments during the decade of the 1960s. A number of federal initiatives provided strong mandates as well as additional resources for delivery of higher quality services. Federal involvement proved to be a major impetus for the establishment of an alternative service delivery system in Ohio. As will be
shown later in this chapter, the availability of the financial resources of the federal government was a major element in the strategic effort to improve the quality of life of mentally disabled individuals and was crucial to the transformation of the MR/DD service delivery system in Ohio.

A critical development during the late 1960s and into the 1970s was recognition by the various MR/DD professions, parent, advocacy groups and others that large state-operated institutions were not always the most appropriate settings for the care and habilitation of the mentally disabled (Bohlmann, 1984; Johnson, 1984; and, Deinstitutionalization Task Force, 1982). On various grounds, care and training in the community came to be preferred over the institutional setting. The pressures to provide services in a community-based environment took many forms. In Ohio, the Community Mental Hygiene and Mental Retardation Act of 1967 created county boards responsible for the provision of comprehensive services at the local level (Department of Mental Hygiene and Corrections, 1970). At about the same time, federal legislation required that the State establish a Developmental Disabilities Council that would be responsible for planning and monitoring the community-based services. The dramatic changes in the pattern of service delivery to Ohio’s mentally retarded and
developmentally disabled individuals is illustrated by figure 13. In 1957, the bulk of individuals receiving services were found in Developmental Center programs. Although this population grew during the early 1960s, peaking at 10,223 in 1964, by the end of the decade the county programs were providing service to a larger proportion of the MR/DD population. Over time, the relative numbers have continued to shift in favor of the community-based programs.

As suggested earlier, these changes can be attributed to a number of factors. Among the most significant of these were fundamental changes in professional opinion regarding appropriate and effective care and training for the mentally retarded, the development of new technologies for training retarded individuals for normalized living environments, and a national legal rights movement which established basic principles of humane treatment for the retarded (Bohlmann, 1984; Boley, 1984; Kindred, 1984; and, Deinstitutionalization Task Force, 1982). The data in figure 13 show the extent to which Ohio has been a part of the national deinstitutionalization movement. The number of people living in institutions has declined from 10,223 in 1964 to fewer than 3000 in 1984 (Begala, 1984). However, even as the number of people served in developmental centers was declining, the number of state operated
residential facilities increased from seven to thirteen. As recently as 1982, the state operated five institutions with more than 300 residents (Deinstitutionalization Task Force, 1982).

The transformation of the service delivery system in Ohio was accelerated by efforts of legal rights advocates who pressed for the right of individuals to live in the least restrictive, most normalized setting possible. Legal actions on behalf of residents of Ohio's developmental centers led to several consent decrees in the mid-1970s. In settling these actions, the State agreed to improve quality of life for individual residents and affirmed “...the rights of all mentally retarded persons to habilitation in the least restrictive setting, which includes the right of community placement, rather than being provided residential habilitation only in large institutions” (Department of Mental Retardation and Developmental Disabilities, 1982). Ohio Senate Bill 336, adopted in 1975, ensures that mentally retarded individuals in the State of Ohio have all the rights afforded other citizens. SB 336 was designed to "prevent and remediate inappropriate institutionalization" and "assures appropriate treatment and a humanized environment for those citizens institutionalized" (Department of Mental Retardation and Developmental Disabilities, 1982). The passage of House
Bill 1215 required that the Department and all facilities operating under its supervision meet the national staffing and program standards for mental retardation facilities. The "Education for All Handicapped Children Act of 1975" (PL 94-142) provided that a "...free, appropriate public education will be available to all handicapped children ..." (Department of Mental Retardation and Developmental Disabilities, 1982). Ohio law established a similar requirement for the provision of educational services to retarded children and young adults. This responsibility has been carried out by the County Boards of Mental Retardation (169 Boards) which have established a separate educational system for the mentally retarded and developmentally disabled in Ohio.

Various court cases and legislative mandates resulted in "...a rapid growth of community-based services" (Deinstitutionalization Task Force, 1982). Enrollment in 169 Board programs increased from 9,675 in 1967 to 23,098 in 1982. The number of beds in the community licensed by DMHDD increased from 700 in 1967 to over 6,600 in 1982. As of December 1982, there were a total of 814 licensed community residential facilities in Ohio (Deinstitutionalization Task Force, 1982). These data suggest the changing role of the Department in ensuring service delivery to retarded and developmentally disabled
individuals in Ohio. The speed of deinstitutionalization in the 1970s and the growth of community services has diminished the direct service role of DMRDD. Increasingly, both residential and habilitation services are delivered at the local level by a mixed set of provider organizations (Begala, 1984; Bohlmann, 1984; and Gibson, 1984).

In the most recent period (1982-84), the Department has closed the Orient Developmental Center and announced plans to close at least one other developmental center. Since 1982, the movement of individuals from institutionalized care to community-based care has continued. The continued transition to a new kind of service delivery system has been accompanied by a reduction of the MRDD staff from 10,000 to about 6,000 (Johnson, 1984). Also, and quite importantly, the relative balance of expenditures has shifted from the developmental centers to community-based programs.

This section of the chapter has provided essential background information about the Department of Mental Retardation and Developmental Disabilities. In the two following sections, events of the period 1974 to 1984 are examined from the strategic management perspective developed in earlier chapters. The final section compares strategy and strategic management between the administrations and suggests the factors accounting for differences
in the observed patterns.

The Rhodes Administration

The historical background presented in the previous section suggests that the fundamental concern of strategic choice and action taking in the period 1974-1984 was the development of a community-based system of service delivery and the movement of individuals out of state operated developmental centers into the newly established community system. "Deinstitutionalization" became the key phrase in describing policy for the population of mentally retarded and developmentally disabled in Ohio. Thus, if one is to understand and to explain the strategy and strategic management of DMRRD during this period, the movement for deinstitutionalization and the forces which brought it into being must be examined with great care.

One interesting feature of the realized strategy of the Department during the 1970s and 1980s was its essential continuity under three governors (Mohley, 1984). Policy direction established under the Gilligan administration was largely continued in the eight Rhodes years, although with somewhat less enthusiasm (Kindred, 1984). When it took office, the Celeste administration, with some important modifications, also followed this basic strategy. In the early 1970s, Ohio, like other jurisdictions, came under
considerable external pressure to bring its MR/DD system into compliance with emerging constitutional norms, particularly as they related to "right to treatment" and "due process": Department of Mental Health and Mental Retardation (DMHMR) officials recognized that Ohio would be vulnerable to legal action if the quality of life in the state institutions did not improve and if its statutes were not changed (Boløy, 1984; Kindred, 1984). In addition, some officials believed that the General Assembly's statement of higher standards for treatment would carry with it the implicit commitment to provide the necessary resources for better treatment (Kindred, 1984). When Governor Rhodes returned to office after the election of 1974, the movement toward humanization and deinstitutionalization and the "commitment" to higher quality of treatment were largely in place. An observer outside DMHMR described the change resulting from the change of administration in the following terms:

My impression is that what Gaver [Director of the Department of Mental Health and Mental Retardation under Willigan] got started...kept going, but was something that Moritz [Director under Rhodes from 1974 to 1980] didn't really encourage, rather rode with it. His role was much more a reactive, defensive role than Gaver's. The tone of the Department changed dramatically (Kindred, 1984).
The pressure for reform and change, for an improved quality of life in the developmental centers and for the development of a community-based service delivery system continued to be felt in the Rhodes administration. Although this pressure was no longer directed by the top level of the department, it continued to come from forces which had been set in motion under Gilligan and which continued during the Rhodes administration. Although Director Moritz was thought to be less responsive, less proactive, less supportive of reform efforts, and more concerned with keeping the system "under control," the basic strategy remained, nonetheless, intact (Kindred, 1984).

One major source of pressure throughout the Rhodes years was the threat of legal action. Not only was there a group of private attorneys prepared to bring individual and class action suits against the state, but the Ohio Legal Rights Service also was established as an arm of state government with the explicit responsibility to take the state to court over conditions in state facilities (Boley, 1984; and, Kindred, 1984). Advocacy groups played another important role in exerting pressure on the Administration and on the Legislature. To some degree, even before the creation of an independent Department of Mental Retardation and Developmental Disabilities, officials in the MR
Division were able to mobilize advocacy groups to provide important leverage (Boley, 1984; Graham, 1984; and Wirick, 1983). One element in the demands of the advocacy groups was the creation of a separate department concerned exclusively with services for the mentally retarded and developmentally disabled.

The creation of a separate Department of Mental Retardation and Developmental Disabilities in 1980 enhanced the significance of external linkages. The independent department was seen by stakeholders as key to the solution of various concerns (Wirick, 1983). As major participants in the creation of the Department and with a major stake in its programs, advocacy groups such as the Ohio Association for Retarded Citizens felt a tremendous sense of ownership of DMRDD. This feeling was encouraged under Director Magnone (1980-1983), who not only maintained an open door policy, but also solicited stakeholder involvement in all aspects of departmental operation (Graham, 1984; Johnson, 1984; and, Mohley, 1984).

To a considerable degree, this approach provided DMRDD with an important strategic resource. The advocacy groups were for the most part supportive of the general direction in which the Department was moving. Improved quality of life in the developmental centers, deinstitutionalization and the extension of community-based services, and increased
funding for MRDD programs were all shared goals. For the Department, the advocacy groups were especially useful in making the case for increased departmental budgets and, since these groups could be mobilized to lobby and to exert political pressure, their full participation in departmental affairs was encouraged. However, the involvement of constituency groups in such a wide range of departmental operations was seen by some as having negative consequences (Begala, 1984; Mohley, 1984; and, Wirick, 1983). Director Magnone was thought to have relinquished, in effect, too much managerial discretion and to have participated too willingly in a process of mutual cooptation (Selznick, 1949).

Regardless of what one might think of these characterizations, it does appear that by 1980 MRDD and its key stakeholders had achieved a fairly clear consensus regarding the strategic direction of the Department. This direction has already been described as involving an increased quality of life for residents of developmental centers, development of a community-based service delivery system, and movement of individuals residing in developmental centers into the community system. As the previous discussion suggests, a number of factors contributed to the emergence of this strategic direction. One important factor was the feeling that the care and treatment provided
in large institutional settings was not only inappropriate for many residents, but also inhumane (Boley, 1984; Deinstitutionalization Task Force, 1982). Horror stories about conditions in public institutions for the mentally retarded were widespread and there was certainly some recognition that Ohio could and should do better (Boley, 1984; and, Wirick, 1983). The movement for deinstitutionalization and humanization were simultaneous thrusts during the late 1970s and early 1980s.

Crucial to the strategy of humanization and to the improvement of the quality of life in the developmental centers was the legislative mandate to achieve compliance with national standards for facilities for the retarded (Bohlmann, 1984). This element of Ohio HB 1215 (1976) became a vehicle for additional state funding as well as opening up the possibility of federal funding. The approach employed in this regard was really quite ingenious. The additional state funds resulting from HB 1215 were used to bring one developmental center into compliance with the standards and, as a result, make it eligible for federal funding. With one institution receiving federal funds, state dollars could then be used to bring another developmental center into compliance with standards. This process was continued until the entire system met federal standards (Bohlmann, 1984).
The second aspect of this strategic direction was deinstitutionalization, that is, the movement of individuals from developmental centers into community-based programs. This strategic approach was congruent with the national movement to provide care and treatment in the most normal, least restrictive environment possible. Additionally, it was congruent with preferences in Ohio for local control over human services programs and service delivery. The policy itself was made possible by the advances in applied behavioral science which permitted the mentally handicapped to acquire skills necessary for more independent and self-sufficient lifestyles (Bohlmann, 1983; and Boley, 1984). As a consequence, many individuals who had required 24 hour a day supervision in institutional settings were now able to live less supervised and restricted lives in the community. Responsibility for providing residential and educational services for the bulk of the mentally retarded population in Ohio shifted to the local level.

As the population statistics in figure 13 suggest, the number of persons served in community programs expanded greatly as deinstitutionalization proceeded and the State’s responsibility for direct service delivery diminished. An outgrowth of these developments was an entirely new way of conceptualizing the State’s role. The change in strategic
concept can be traced through the annual reports published by the Department of Mental Health and Mental Retardation and, after 1980, by the Department of Mental Retardation and Developmental Disabilities. In the 1975 annual report of DMHMR (the first of the Rhodes administration), the role and responsibilities of the Division of Mental Retardation and Developmental Disabilities are described as follows:

This division provides treatment, care, education and training, habilitation, and consultation to mentally retarded and other developmentally disabled individuals and their families throughout the state (Department of Mental Health and Mental Retardation, 1975).

The report goes on to discuss the declining numbers of "patients" in the developmental centers and the increased availability of and enrollments in the community-based programs. This basic pattern of description continues in the next two annual reports.

In the 1978 report, there is a marked change in the description of the Division:

This division serves its mentally retarded and developmentally disabled clients with educational and habilitation services through the continuum of the state-wide service delivery system (Department of Mental Health and Mental Retardation, 1978).

For the first time, normalization is mentioned as a guiding principle in the design of the service delivery system. Also included for the first time is a discussion of the
national movement towards deinstitutionalization and its implications for Ohio. Continued declines in numbers of residents in the developmental centers is attributed to a deliberate policy of deinstitutionalization. As a symbol of changing priorities, the description of community programs is placed before the much shorter description of the developmental centers and institutional services.

By 1982, the annual report of the newly independent Department emphasizes a broader range of responsibilities than presented earlier. In addition to responsibility for direct service to institutional residents and support and supervision of county programs, the Department claims an expanded role in planning and regulating all aspects of services to Ohio’s MR/DD population. Beyond the evidence of these reports are statements regarding the direction in which the Department was heading (Bohlmann, 1984; and Wirick, 1983). These statements emphasize the intended transformation of the Department from service provision to planning and regulation. According to Commissioner Wirick, who served in the last years of the Rhodes administration: "Ideally, we would become a monitor or licensor of [local] facilities....I don’t think we need a Department of Mental Retardation which provides services" (Wirick, 1983).

This discussion of the Department’s changing conception of itself and its role in the service delivery
system captures a critical strategic movement. This transformation both in self-concept and in organizational means and ends represents a major strategic redirection. As the Department sought to adapt to changing conditions in its environment, it came to see itself in different ways and became committed to a strategy in which it began to distance itself from its historical core functions. The Rhodes administration neither initiated nor completed this transformation process, but, as will be demonstrated in the next section, the redirection which emerged during this period has largely continued into the Celeste years.

As suggested earlier, a significant feature of the strategic management of DMRDD, in contrast to other agencies investigated in this research was the essential continuity of strategic direction over an extended period. That is not to say that are no important distinctions in the strategic management of the Department under the two administrations. However, this continuity is striking, given the basic differences in the philosophies and approaches of the two administrations.

The Celeste Administration

In September of 1982, candidate Richard Celeste issued a statement detailing his positions on issues related to mental retardation and developmental disabilities. The
statement is noteworthy in at least four respects. First, it marks a relatively changed attitude toward a whole set of MRDD issues. In the Rhodes years, human services in general had been given limited attention and mental retardation concerns were not considered to be gubernatorial priorities (Bohlmann, 1983 and 1984; Boley, 1984; Kindred, 1984; and, Verhoff, 1984). Through this statement, Celeste signaled his intention to return these items to the agenda of state government. Second, the statement suggested that the Celeste administration intended to pursue a cooperative (generic) strategy for service delivery that would emphasize the multiple service needs of the mentally handicapped. Third, Celeste proposed to centralize policy making and control in the Department even as the service delivery system was decentralized. This was manifested by the often expressed commitment to eliminate the regional offices which had been established under Governor Rhodes. Finally, the statement hinted that, in the Celeste administration, the locus of strategic control would be found at the jurisdiction level. The significance of this change can be appreciated only in the context of the laissez-faire approach of the Rhodes administration. Under Governor Rhodes, policy and program initiative was largely an agency level phenomenon. In the absence of explicit strategic direction from the Governor,
agencies were relatively free to define their service
domain, to set agency direction, to establish policy and
program priorities, and to compete with other agencies for
political support and resources. In this campaign
statement, Celeste was laying the foundation for a
different approach, one which emphasized the central role
of the Governor in strategic coordination and control.

The Celeste campaign statement also had the effect of
committing the new management team at DMRDD to a strategic
direction that continued along the lines of the strategy
put in place during the Rhodes Administration. As
discussed in the previous section, this direction was
consistent with national developments in the MR/DD field
and enjoyed widespread support among professional, parent,
and advocate groups. The appointment of a professional
public manager with only limited MR/DD experience to be
director of the Department seemed to confirm a strategy of
program and management improvement within the context of an
established and continuing policy direction.

Several developments in the first year of the Celeste
administration provide support for this interpretation.
The first of these was related to the on-going effort to
move individuals from developmental centers into community
programs. Associated with this effort was a new initiative
by DMRDD to close the developmental centers that had been depopulated, beginning with the Orient Developmental Center in Pickaway County. Relatedly, officials of the Department began to speak of “communitization” as the emerging next step as the process of deinstitutionalization was completed (Begala, 1984; Bohlmann, 1984; and, Johnson, 1984).

A second, but related development concerned the MRDD budget for the 1983-1985 biennium. Among the important features of this budget were: 1) new subsidies for community services ($259.6 million for FY 1984); 2) partial funding of the costs of achieving parity for 169 Board educational programs; 3) increased funding for community residential services (Purchase of Service); 4) new “impact” funds to assist county programs in providing services to deinstitutionalized individuals; and, 5) funding of a new program to assist families who keep MR/DD family members at home (Bohlmann, 1984; Department of Mental Retardation and Developmental Disabilities, 1984; and Johnson, 1984). While the 1983-85 budget continues the direction established in budgets during the Rhodes administration, it is notable in that it marks the first time that funding for community programs exceeds funding for developmental centers. According to several participants in the budgetary process, these priorities reflected DMRDD’s determination to “put its money where its mouth is.”
(Begala, 1984; Bohlmann, 1984; and, Johnson, 1984). It also accords with the concept of communitization mentioned in the previous paragraph.

The last of the significant early developments had to do with the organizational structure of DMRDD. In keeping with the Governor's campaign promise to eliminate regional offices, the Department undertook a reorganization which had the dual effect of centralizing management-level activities and decentralizing service delivery (Anonymous, 1984; Begala, 1984; Boley, 1984; and, Kozlowski, 1984). Also, this restructuring provided the basis for developing MRDD's planning and monitoring role. From the perspective of top management, this move was also consistent with its commitment to management improvement and cost containment and supported its strategy of moving responsibility for service delivery to the community. However, others in the MR/DD system, including some department employees and some advocacy groups, saw this development in largely negative terms. Discussion of this point and consideration of its various implications are taken up later in this section.

As noted earlier, another early effort of the Celeste administration involved the development of a more "generic" approach to human services in general and to the problems of mental retardation and developmental disabilities in particular. Several manifestations of this approach are
pertinent to an analysis of strategy and strategic management in DMRDD. The most obvious and significant of these involved the development of an inter-agency strategic plan for human services in Ohio. DMRDD joined the departments of Health, Public Welfare, and Mental Health, the (then) Commission on Aging, and others in an effort to articulate the philosophy of Celeste administration and to set out a statewide direction for the provision of human services in the state. The strategic plan as it was published argued that the varied and often multiple needs of the MR/DD population fell into the domain of a number of programs under the control of various state agencies and human service providers in addition to the Department of Mental Retardation and Developmental Disabilities. The twin goals of higher quality services and greater cost efficiency suggested a more collaborative approach to meeting generic human service needs. Although there was substantial support for the concept of multiple sources of service delivery among MR/DD constituency groups, movement away from an exclusive focal agency representing their concerns was quite troubling (Graham, 1984).

A carryover strategy from the Rhodes years can be connected to the generic approach developed in the strategic plan for human services. This involved the continuing effort to shift costs from the State to the
federal government. One of the main vehicles identified for this purpose has been Medicaid funds, especially for community-based residential services (Begala, 1984). The commitment to achieve parity of funding for County Board educational programs was similarly seen as contingent on additional federal Medicaid dollars. Each of these initiatives required new forms of collaboration with federal agencies, with other state government departments, with local government, and with local service providers.

The policy, fiscal, and organizational actions which were described in the previous paragraphs provide a basis for characterizing the strategic movement of MRRD during the first two years of the Celeste administration. As suggested earlier, this movement was largely a continuation of the basic direction established in previous administrations. However, there are some interesting and significant changes in the pattern of strategic management that need to be explored. The first of these involves "shifting" - the practice by which DMRDD reduced its responsibility both for providing and financing direct service delivery. While this fits with the changed self-concept of DMRDD during the Rhodes administration, it has been pursued more aggressively and carried much further under the new administration (Bohlmann, 1984; and Mohley, 1984). The implications of shifting can be seen very clearly in DMRDD's relationship
with local service providers and other external stakeholders. For one thing, the Department has attempted to articulate an explicitly new concept of partnership and shared responsibility with local service providers (Johnson, 1984). As suggested earlier, this has permitted DMRDD to pursue transformation to a planning, funding, and regulating role. It has also permitted a second major outcome of shifting. By limiting its own service delivery role, DMRDD has made county boards and community-based service providers more visible and, as a result, much more likely to be held accountable for the availability and quality of services in local communities (Kozlowski, 1984).

The second major change in strategic direction has to do with relationships with external constituent or advocacy groups. In contrast to the situation during the previous administration, which was variously seen as open to or captured by the MR/DD constituency, DMRDD under Director Johnson has attempted quite deliberately to distance itself from the advocacy groups (Begala, 1984; Bohlmann, 1984; Graham, 1984; Johnson, 1984; and, Mohley, 1984). This distancing is evidenced by more limited access to officials, and less participation by these groups in various policy processes as well as far less involvement in day to day operations. Department officials suggest that their approach restores an appropriate balance between a
state agency and private citizens, which had eroded under the previous administration. They see their efforts to create distance between the Department and the constituent groups as crucial to effective management of the service delivery system (Begala, 1984). So long as the Department could be influenced in every aspect of policy making and operations, senior management would find it difficult to provide strategic direction or to exercise necessary control.

The view of advocacy groups is naturally quite different. They believe that the DMRDD is now less open to them and to receiving their input, less sensitive to the feelings of parents and families, and less concerned about the needs of individual clients (Graham, 1984). Much of this bad feeling seems to have surfaced as a result of conflict over the closing of Orient Developmental Center, which was strongly supported by the new administration and opposed by many advocacy groups. Both sides saw this incident as especially reflective of the low state of mutual understanding and support.

In seeking to explain the situation, some observers attribute the breakdown of the relationship between DMRDD and these advocacy groups to the lack of MR/DD experience among top level officials of the Department (Anonymous, 1984; Boley, 1984; and, Kozlowski, 1984). Some others
suggest that the situation results from the general movement toward centralization of policy making and strategic management which is characteristic of the Celeste administration (Kozlowski, 1984). It was also claimed that since DMRDD, for the first time, enjoys strong support within the formal political structure, it can afford to forgo both the benefits and costs of alliances with its advocacy and constituency groups (Boley, 1984). In the next section of this chapter, it will be necessary to sort out the impact of these and other factors on the strategic choice and action taking of the Department.

Before proceeding to a more formal analysis of strategy and strategic management in DMRDD, it might be useful to summarize the pattern of strategic management found during the first two years of the Celeste administration. It should be reemphasized that in the case of DMRDD, the key elements of the strategy inherited from the Rhodes years remained in place. This strategy was principally concerned with the transformation of the Department from a service delivery system based on state operated institutions to one based in the community under local control. Under the Celeste administration, the movement of individuals from institutions to community-based programs continued and new initiatives were undertaken to provide additional resources to community programs. While
committed to decentralization of service delivery, the new
senior management of DMRDD sought to reassert its authority
in the strategic arena. Direct evidence of this effort can
be found in relationships with external constituency groups
and in the centralization of planning processes (Anonymous,
1984; Graham, 1984; Kozlowski, 1984; and, Mohley, 1984).
Similarly, the effort to close the Orient Developmental
Center, in the face of concerted opposition, was reflective
of DMRDD's effort to regain strategic control.

Analysis of Strategic Management in DMRDD

In analyzing the pattern(s) of strategy and strategic
management found in DMRDD, attention must be given once
again to the six strategic dimensions first presented in
chapter three. Following the practice of the preceding
chapter, each of the dimensions will be discussed in turn.
Also, the internal and external factors found to influence
the agency on each of the dimensions will be considered.

Nature and Strength of the External Influence Field.
As the earlier sections of this chapter have made clear, a
large number of external actors attempted to influence the
strategic management of DMRDD. The foremost of these were
the advocacy groups, composed of parents and others
concerned about quality of life and civil liberty for the
MR/DD population. During the Rhodes administration, these
groups were very active in both political and legal arenas, seeking to achieve significant changes in the quality and method of service delivery. The efforts of advocacy groups brought the involvement of both legislative and judicial actors to the situation. Several class actions brought against the Department produced clear legal mandates for change toward a more normalized living environment. At about the same time, the Ohio Legislature adopted policies which required that state-operated residential facilities be brought up to federal standards. Several factors seem to have produced this set of forces. The advocacy groups, naturally enough, felt very strongly about the outcomes of MRDD programs and policies. As a consequence, they were strongly motivated to make their preferences known and to act on their concerns. Legislators were affected by reports of "atrocities" in the developmental centers, by pressures they felt from vocal constituents, and by rising costs in the existing delivery system. In the terminology of chapter three, the visibility of DMRDD programs, the size and costs of that program, and the risks associated with constituent dissatisfaction led the Legislature to attempt to influence the strategy and strategic direction of the Department. One other major source of external influence mentioned earlier might well be reintroduced at this point. The MR/DD professions were very much
involved in reforming the service delivery system in Ohio (Boley, 1984; Deinstitutionalization Task Force, 1982; and, Kozlowski, 1984). Their belief that MR/DD clients were better served in community-based living environments provided a rationale for deinstitutionalization that was a source of constant pressure on the Department.

The ability of these external actors to influence the strategy and strategic management of DMRDD varied over time. During the Rhodes administration, the advocacy groups enjoyed considerable success. By virtue of their ability to organize their supporters, to mobilize for or against the Department, and to initiate legal action, the advocacy groups had real ability to influence strategy and strategic management. The courts, by virtue of their ability to apply sanctions, and the Legislature, by virtue of its control over scarce resources, were similarly influential. Because the external actors shared common objectives for DMRDD, there were no countervailing forces that the Department could use to off-set external demands.

In the last two years, while the level of attempts at influence has remained high, the ability of external actors to influence DMRDD has been much reduced. Advocacy groups, the courts, and the Legislature appear to exert much less influence on the new management team. Several factors can be cited as contributing to this reduction of influence.
Since the developmental centers are now basically in compliance with court orders and federal standards, the pressure that was exerted by legal mandates and external resource control has been reduced. The new Governor and the Democratic-controlled General Assembly have been more compatible on human service issues than was true in the past, limiting incentives for independent legislative initiative and involvement. Relatedly, and most importantly, DMRDD seems to believe that it no longer requires the level of support from or involvement of the advocacy groups. As a consequence, these organized groups have much less ability to influence the Department.

Over the years, external forces conditioned fundamental changes in the DMRDD. Various stakeholders sought to direct the Department toward major transformation of the service delivery system. As suggested earlier, much of this new direction was consistent with the strategic preferences of senior management. That is not to say that the response of DMRDD to external influence attempts did not vary over the ten year period. In the years prior to the creation of an independent Department, there was some resistance to the policy and program changes sought by external groups. During the tenure of Director Magnone, DMRDD was very responsive to the demands of its various constituencies. In this period, the advocacy groups
enjoyed considerable influence in all aspects of departmental operations. The responsiveness of the Department to these groups has diminished significantly in the first years of the Celeste administration (Begala, 1984; and Graham, 1984)

**Locus of Strategic Control.** The extended discussion about the strength and nature of the external influence field in the preceding section should suggest to the reader some degree of variation in the locus of strategic control dimension over time. To a considerable extent, the initiative for setting the strategic direction of DMRDD during the Rhodes administration was located outside the Department. In the two years of the Celeste administration, DMRDD has attempted to regain the initiative and reestablish the Department as the principal source of strategy and strategic management (Begala, 1984; Bohlmann, 1984; Johnson, 1984; and Kozlowski, 1984). Both patterns of strategic control can be attributed to a limited set of organizational and environmental factors.

Understandably, a key element in establishing the locus of strategic control for a public organization is its external influence field, the pressures it exerts on the organization, and the way in which the organization interacts with the forces in its environment. The earlier
description of this element suggests that in the Rhodes administration strategy and strategic management in the MR/DD field was not only influenced by external forces, but largely directed by them. In searching for factors which might explain this circumstance, one has to be struck by the importance of leadership and leadership style in determining whether a public organization is able to set its own strategic direction. There is considerable evidence to suggest that strong leadership was not provided during the Rhodes period. Top management in both the old Department of Mental Health and Mental Retardation and the new Department of Mental Retardation and Developmental Disabilities was largely content to be directed externally (Begala, 1984; Kindred, 1984; Mohley, 1984; and, Wirick, 1983). Prior to the creation of DMRDD, although leadership of the Department of Mental Health and Mental Retardation had no commitment to transformation of the service delivery system, it did not try to resist the forces pressing for such a transformation (Kindred, 1984). After DMRDD was established, there was a genuine commitment to change in the Department. During this period, however, Director Magnone provided only "minimal policy articulation" (Wirick, 1983). As an outgrowth of his management style and philosophy, the Director appeared to strongly value consensus and avoidance of conflict. Headquarters staff
operated with relatively little guidance and were able to proceed as they wished within a broad framework (Wirick, 1984). A related factor affecting DMRDD's ability to set its own course during this period was its historic pattern of service delivery and resource allocation. The capacity and competence developed through the operation of the developmental centers did not adequately prepare the Department to design and develop a new delivery system. So while MRDD was committed to changing the system, it lacked the organizational capacity to produce fundamental change on its own.

In the last two years, it seems clear that the Department has been able to establish itself as the main source of strategic direction for MR/DD policy and program. To some degree, this is reflective of changed conditions in the organization and the environment. As pointed out previously, the influence of various stakeholders has been much reduced. Many of their most pressing concerns have been addressed and the balance of forces has shifted in a way that limits the capacity of advocates and other external actors to influence the strategic direction of the DMRDD.

Another important element in this shift in the locus of strategic control can be attributed to the leadership provided by Director Johnson. Although out of favor with
the advocacy groups and with some members of her own staff, she has set a clear strategic direction for the Department and has begun to mobilize the organizational and financial resources required to put that direction into place (Anonymous, 1984; Begala, 1984; Boley, 1984; and, Graham, 1984). Evidence of this capacity to exercise internal strategic control can be found in the establishment of new budget priorities, departmental reorganizations, centralized planning mechanisms, and developmental center closings. In each instance, DMRDD was able to overcome opposition and take actions consistent with the strategic direction which it had established for itself.

**Orientation Toward Change.** The clear outcome of strategic choice and action taking in the two periods considered in this research was to produce fundamental change in the MR/DD needs environment. The transformation from an institutional program to one based in the community represented a substantial change in the service delivery system and in the self-concept of the Department. The discussion in this section of the chapter will focus on the factors accounting for the orientation toward change found in DMRDD. Certainly one important element producing an orientation toward fundamental change was the utilization of applied behavioral science technology in the education
and training of the mentally retarded. This development allowed many retarded individuals to gain the skills needed to live more independently in normalized environments. Relatedly, important external stakeholders and Department professionals favored fundamental change. A variety of judicial and legislative mandates provided essential support for a policy of deinstitutionalization. All of this led to a consensus within the Department regarding means and ends which was supportive of fundamental change. Finally, the ability of the Department to shift costs to the federal government eliminated the resource constraints which might have limited its ability to institute major change.

Scope of Strategic Management. From the preceding discussion, it should be clear that during the period of this research DMRDD underwent a substantial transformation. This process, which began in one administration and continued into the second, resulted from the taking of strategic actions with considerable scope: reduction in the number of residents in developmental centers by two-thirds; development and support of a new community-based service delivery system; shift of financial resources to community programs; promotion of a new planning and regulatory role for the Department; and,
creation of an organization structure consistent with evolving departmental philosophy and responsibility.

The broad scope of strategic management in DMRDD can be attributed to several factors. During the Rhodes years, there were strong pressures to take action on a whole host of issues. As the Department sought to respond to these issues, it developed an internal consensus on preferred ends and the means to achieve them. Over time, the Department set in motion a series of actions which led to a trans-formation of the service delivery system and, ultimately, to a new role for the Department. Finally, the availability of new technologies to educate and train the mentally retarded for independent living facilitated the development of a community-based service delivery system. In the Celeste administration, consistent with the internal locus of strategic management control discussed earlier, the press for a broad domain of strategic action taking has been more internal. Strong leadership, consensus among senior management regarding strategic direction, and increased capacity for the planning and regulation of community programs are factors allowing for the broader scope of strategic management.

Strategic Management Activity Level. In the period before 1980, the leadership of the Department of Mental
Health and Mental Retardation was not especially attentive to strategic issues. According to several informants, the old Department was content to react to issues that came on the strategic agenda and to follow rather passively the direction already in place (Bohlmann, 1984; Kindred, 1984; and, Wirick, 1983). After the creation of the independent DMRDD and continuing to the present time, strategic management activity has been relatively high. Central to this high level of strategic management activity has been the orientation toward change characterizing the new Department. In keeping with this emergent commitment to transformation of its essential means and ends, the Department has been engaged in a demanding course of purposeful choice and action taking. The strength and nature of the external influence field, the locus of strategic management control (Celeste administration), and the scope of strategic management also contribute to the level of strategic management activity. As described previously, external sources of influence pressured the Department for action on a wide range of issues. In response to this pressure, the level of strategic choice and action taking increased. During the Rhodes administration external forces were a principal activating factor in the strategic management of DMRDD. In the Celeste administration, with strategic control located in the
Department, the source of activation was largely internal. Finally, the broad scope of strategic choice and action taking present throughout the history of DMRDD required a fairly high level of strategic management activity.

In addition, a number of organizational and environmental factors contributed to the observed level of strategic management activity. The internal factors which appeared to activate strategic management were leadership (in the Celeste administration), consensus regarding means and ends, and organizational capacity. External factors were importance of outcomes, stakeholder preferences, and public support. In sum, these factors provided a climate in which DMRDD was motivated to engage in purposeful choice and action taking.

**Direction of Strategic Movement.** The main thrust of strategic activity in the Rhodes administration was, for the most part, directed internally. This followed from the main objective of strategic management, which was to effect a transformation in the nature and role of the Department. The determinants of this direction can be identified in virtually every element of DMRDD's situation. However, the key to understanding this strategic dimension can be found in the environment of the Department. In the Rhodes administration, the influence of external actors was very
great and their preferences quite clear. When combined with an internal consensus supporting a similar strategic direction, an internal emphasis focusing on humanization and deinstitutionalization was the result.

The Celeste administration presents a somewhat different picture in that its strategic movement has been both internal and external. This approach has emphasized continued devolution of the institution-based delivery system and expanded development of a community-based system. Related concerns of senior management have involved program and management improvement, cost containment, and generic service delivery. This dual focus can also be explained in terms of DMRDD's overall strategic situation. The various factors contributing to diminished external influence and to an internal locus of control have given the Department greater discretion in strategic management. Because the various stakeholders lacked influence, there have been few meaningful alternatives to the strategic preferences of the Department and the Governor. This has allowed senior management to act on a strategic agenda which has impacted both internally and externally.

Summing Up. The analysis in this section has described the pattern of strategy and strategic management
found in DMRDD and identified the organizational and environmental factors associated with that pattern. These relationships are summarized in Tables 6 and 7. Figure 14 illustrates the deployment of the Department on six dimensions of strategy.

Strategic management in DMRDD has been largely conditioned by a variety of external factors, including legal mandates, advocacy group pressures, professional norms and standards, and economic conditions. The development of strategy in the Rhodes administration can be traced through the changing conception of DMRDD's role in service delivery. Over time, the strategy of DMRDD can be best described as Transformational. From the previous discussion, it should be clear that strategic management in the Celeste administration was more internally directed, less the product of external forces and pressures. Senior management of the Department was more active in developing strategic resources and in establishing and controlling DMRDD strategy. Although the intention and outcome of strategy was similar to that achieved in the Rhodes administration, the conditioning factors were quite different. With the declining influence of external actors, the main impetus for strategy came from internal management considerations and from the policy preferences of DMRDD management and jurisdiction-level officials. Nonetheless,
the strategy found in the Celeste administration must also be labeled *Transformational*. 
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<th>Dimensions</th>
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<th>(3) Orientation Toward Change</th>
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**Loading on Dimensions**
- **Strong**
- **External**
- **Fundamental**
- **Broad**
- **Low to High**
- **Internal**

* + = Presence of factor influenced deployment on the dimension
  - = Absence of factor influenced deployment on the dimension
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*+*: Presence of factor influenced deployment on the dimension

*-*: Absence of factor influenced deployment on the dimension
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**Figure 14**

Deployment on Dimensions of Strategy in DMHSD
Chapter Seven

Strategic Management in the Department of Public Welfare

Agency Background

The Department of Public Welfare (DPW) is one of the oldest agencies of state government in Ohio, having been established in 1867 as the Board of State Charities. Over the years, the expansion of government responsibility for the provision of human services has led to the development of an extensive and complex intergovernmental system of public welfare in Ohio. As this first section of chapter seven will show, DPW plays a central role in that service delivery system.

The basic purpose of the Department of Public Welfare (DPW) is to ensure that people in need of financial, medical, and social services receive the assistance to which they are entitled. In order to carry out this responsibility, the Department develops, administers, and/or supervises a wide variety of human services programs. The system of public welfare in Ohio is a state-supervised, county-administered program. This means that Welfare Departments in each of Ohio’s 88 counties, and Children’s Services Boards in some counties, are
responsible for the delivery of human services under the supervision and regulation of the Ohio Department of Public Welfare. The nature and extent of DPW control over county welfare departments and programs vary considerably, depending in part upon program type, funding source, legal mandates and requirements, and administrative philosophy (Creasy, 1984; Cuddy, 1984; and, Harshaw, 1984). Federal responsibility for providing funds for income assistance, social services, and health care adds a significant element of complexity to the service delivery system. Still another source of complexity can be found in the overlapping jurisdictions and responsibilities of various state agencies. For example, the medical care of the mentally retarded living in community-based facilities under the jurisdiction of the Department of Mental Retardation and Developmental Disabilities is often paid for with federal funds provided to the Department of Public Welfare. It is not unusual in this system that the provision of services, supervision, regulation and control of service delivery, and funding are provided by different levels of government. The administrative discretion of the Department of Public Welfare is further limited by Ohio statute (Creasy, 1984; Cuddy, 1984; and Feild, 1983). Because of an historical concern about the capacity of the Department to properly carry out its responsibilities, the Legislature has seen
fit to spell out operational requirements and procedures in
great detail. As the subsequent discussion will demon-
strate, these institutional arrangements have considerable
impact on the strategy and strategic management of the
Department of Public Welfare.

Human services in Ohio are grouped into six major
program lines: 1) Aid to Dependent Children; 2) Medicaid;
3) General Relief; 4) Food Stamps; 5) Social Services; and,
6) Emergency Assistance. Each of these major human service
programs are discussed below.

Aid to Dependent Children. Aid to Dependent Children
(ADC) is designed to assist children living in households
whose income is not sufficient to provide an adequate
standard of living. Children may be eligible for cash
assistance under ADC when one of the parents is absent from
the home, too ill to work, unemployed, or deceased; or when
the children are placed in foster care because the parents
are unable to care for them. ADC is the principal source
of income assistance to low-income children and their
families in Ohio.

In fiscal 1982, an average of 592,204 persons per
month received ADC benefits. Expenditures for ADC in Ohio
totaled $620,453,281 for the year. This level of
expenditures reflects a three-fold increase since 1973.
Medicaid. The Medicaid program provides for the cost of health care to persons who are eligible to receive cash payments from one of the welfare programs established under the Social Security Act or who meet eligibility requirements under a state-approved plan. "Medicaid operates as a vendor payment program which means that all payments are made directly to the provider of the medical service" (Ohio Department of Public Welfare, 1977). As a result of this feature of the program, DPW is required to supervise and regulate Medicaid providers, seeking to minimize both fraud and overpayment.

Expenditures for health care under the Medicaid program have grown dramatically in recent years and have come to be Ohio's largest single human service expense. In 1982, Medicaid costs amounted to more than $1.2 billion, or a little more than 52% of the DPW budget for the year.

Food Stamps. The Ohio Department of Public Welfare and the 88 county Welfare Departments administer the Food Stamp program in Ohio for the U.S. Department of Agriculture (USDA). Through the Food Stamp program, low income individuals and families are able increase their food purchasing power, thereby promoting better nutrition and health. Food stamp eligibility is based on household income with the dollar value of the stamps received determined by need and by the number of eligible persons in the
household. Food stamps may be used like cash for allowable food purchases at authorized stores. Eligibility standards are established by USDA. Similarly, the costs of the program are largely borne by the federal government.

In 1982, an average of 1,006,436 Ohioans per month received food stamp benefits. The total value of these benefits was $531 million, for an average monthly benefit of $43.97.

**General Relief.** The General Relief (GR) program is funded by the State and the 88 counties in Ohio as a program of last resort for those individuals and families who do not meet the eligibility requirements for federal health care and income assistance programs. Since the counties contribute up to 25% of GR benefits, the dollar amount of benefits may vary from county to county.

As a result of depressed economic conditions in Ohio, the caseload of GR recipients grew to an average of 90,579 per month. In many instances, the new additions to the General Relief rolls were individuals who had exhausted unemployment benefits and who were not eligible for other assistance. A total of $103,121,568 was paid out in cash benefits during 1982. In the same year, $87,313,036 was paid out to various health care providers who rendered medical services to GR recipients.
Social Services. This program is designed to assist counties in meeting the social service needs of the local population. While some of the services to be provided are determined by county need assessments, others are mandated by state or federal policy. Among the programs provided under the Social Services program are adoption, day care for children and adults, health-related services, psychological services, protective services for children and adults, and information and referral services. These services are provided without cost to ADC and Social Security recipients as well as to certain low-income families. Services are available to higher income families on a fee-for-service basis.

Social services in Ohio are funded by both state and federal monies. Federal funds are made available through a block grant authorized in Title XX of the Social Security Act. In addition, support for social services for children and families is provided under Title IV-B. Expenditures for Title XX programs in fiscal year 1982 were $175,579,219, of which $132,532,449 were federal funds. Title IV-B expenditures totalled $7,738,356 during the same year.

Emergency Assistance. The Emergency Assistance program is intended to meet the exceptional and emergent needs of Ohioans regardless of their eligibility for other
assistance programs. Under the terms of the program, assistance can be provided for one 30-day period within any 12 consecutive months to meet expenses for food, clothing, shelter, or other non-deferrable needs arising from natural disasters, financial crises, and other unusual circumstances. In the last few years, major demands on the Emergency Assistance program have been made by individuals and families unable to make utility payments. County welfare departments paid a total of $21,155,744 in family emergency assistance during 1982, of which 25% was used for medical emergencies, 43% to prevent utility shutoffs, and the rest for a variety of emergency needs. Adult emergency assistance accounted for expenditures of $9,877,879, of which 64% was used for medical emergencies and 15% to prevent utility shutoffs.

The preceding description of the programs, funding sources, and patterns of service delivery provides evidence of the complexity of the human service delivery system in Ohio. With responsibilities for the public welfare system shared by different levels and units of government, the Department of Public Welfare is expected to supervise and coordinate the system rather than provide administration and control. As the literature review of chapter two and the conceptual framework of chapter three suggest, how this role is operationalized depends not only on the strategic
management approach of senior officials in the Department, but also on the characteristics of the environment, the nature of relationships with key stakeholders, and the demands made on and by the public welfare system. Later in this chapter, the linkages between these elements and the patterns of strategy identified as existing in the agency will be more fully developed.

The Rhodes Administration

Having completed a preliminary discussion of the basic context in which the Department of Public Welfare operates, the variety of programs for which it is responsible, and the external relationships which it must maintain, this section of the chapter is concerned with the strategic management of the Department during the administration of Governor James A. Rhodes.

During this period, the major factors influencing the strategy of the Department were external in nature. Among these were relationships with key stakeholders, growth in demand for services, decreased resource availability, and federal policy and program management mandates. These external factors conditioned a strategic response which was largely internal in nature. In common with the other agencies in this study, the involvement of Governor Rhodes in setting out this direction was minimal. In the case of
human services, this hands-off approach was not only consistent with the Governor's preferred management style, but was also well suited to his political needs and policy preferences (Benson, 1983; Creasy, 1984; Langenhop, 1983; and Mowbray, 1983).

In the early part of the Rhodes period, relationships with DPW's external constituencies were more than usually problematic (Creasy, 1984). During this period, in which there were several directors of the Department, there was a high level of conflict with the Legislature over policy implementation, budget, and other issues. This conflict and hostility came to a head in 1977 when the appointment of Acting Director McKenna to the post of Director was not confirmed by the Ohio Senate (Creasy, 1984). Following that action, Governor Rhodes appointed Kenneth Creasy, who served as Director of DPW during the remainder of the Rhodes administration. Because senior people from the earlier time were not generally available for in-depth interviews, this section will focus almost exclusively on the Creasy period.

The appointment of Director Creasy was a major turning point in the strategic management of the Department of Public Welfare during the Rhodes administration. Creasy had come to DPW as Legislative Liaison after having previously served in the Ohio Legislature. He became
Director at a time when the stock of the Department was quite low and it was under attack from all sides (Creasy, 1984; Harshaw, 1984; and, Jansen, 1984). Not only was the Legislature concerned about Department operations and unsympathetic to senior management, but service providers, the county welfare departments, advocacy groups, and other constituency groups were also hostile (Creasy, 1984; Harshaw, 1984; Jansen, 1984 and, Mowbray, 1983). One incident is illustrative of the poor state of external relations. In 1977, when Creasy became Director, the General Assembly had refused to appropriate funds to line items under the control of the Department. DPW's entire appropriation was placed under the State Controlling Board to be approved and released quarterly (Creasy, 1984). "The Legislature got so deeply involved because it was so irritated with the Department, had such a low confidence level, trust level, and was so angry at the Department, that its way of responding was to take money away and make the Department come in" (Creasy, 1984). In a variety of other ways, the Legislature acted to restrict freedom of operation and to limit the discretion of senior management (Creasy, 1984; Cuddy, 1984; and, Feild, 1983).

In response to this situation, Director Creasy sought to "bring peace to the place and get it out of the newspapers " (Creasy, 1984). According to the Director,
this largely entailed opening up the Department, making it more responsive to the Legislature and to constituents. Most outside observers, however, have reported that while DPW was very attentive to relationships with external constituents during the Creasy period, it was not always genuinely responsive to the input of certain elements in its constituency (Harshaw, 1984; Jansen, 1984; and, Verhoff, 1984). For the most part, it seemed that Creasy saw the Legislature as the key actor in terms of influence and policy direction and that he was sensitive to its political concerns to the exclusion of other constituents (Creasy, 1984; Harshaw, 1984; and, Page, 1983).

The other external factors influencing the strategic management of the Department were of a somewhat different nature. The most important of these was an on-going state of fiscal stress in Ohio which not only limited the resources available to state government, but also restricted the human services agenda (Feild, 1983). Toward the end of the Rhodes administration, this pressure was compounded by Ohio’s deteriorating economic situation, which caused both increases in the demand for income assistance and health care subsidies and decreases in state revenues (Ohio Department of Public Welfare, 1982).

In fiscal year 1982, DPW experienced a series of reductions in its appropriated funds totalling $25.6
million. In order to protect the level of basic services, these cuts were concentrated in administrative areas and, as a result, the Department operated at 17% below official personnel levels. At the same time that it was making these reductions in the Department’s budget, the General Assembly found it necessary to appropriate an additional $64.7 million to cover increased costs in the Aid to Dependent Children, General Relief, and Medicaid programs. In June 1982, the State Controlling Board transferred $26 million from the Department’s 1983 budget to the 1982 budget to permit payment to Medicaid providers for services rendered in 1982 (Ohio Department of Public Welfare, 1982).

A related element in the financial pressures on the Department came from the tremendous growth in health care costs. From 1977 to 1982, Medicaid expenditures more than doubled, increasing from $546 million to $1.25 billion. In 1982, health-related programs, including Medicaid, not only amounted to 52% of the DPW budget, but were also one of the largest single items in overall State budget (Benson, 1983; Ohio Department of Public Welfare, 1977 and 1982; and, Page, 1983). Despite extreme financial conditions, the Department was largely able to protect recipients from benefit reductions (Benson, 1983).

As noted earlier, among the features of the external environment conditioning the strategic direction of the
Department of Public Welfare were federal policy and program management mandates. DPW saw relationships with the federal government as providing opportunities for, as well as constraints on, management (Benson, 1983). One area in which federal policy was seen as helping was in the provision of social services. Beginning early in the Creasy years, there was a "...deliberate attempt to expand social services through increased federal funding" (Benson, 1983). This strategy of "shifting" costs was seen as increasingly important as the constraints on both state and local funding grew.

On the other hand, federal policies imposed a variety of monitoring and quality assurance requirements that influenced the strategic management of the Department. The administrative activities resulting from federal requirements became a major thrust of Department operations in the late 1970s. Because of the threat of federal financial sanctions as a result of errors in program administration, the Department was "encouraged" to focus on corrective action. This new thrust was first noted in the annual reports of the Department beginning in 1978 and received continued attention during the remainder of the Rhodes administration.

In a somewhat different fashion, changes in federal eligibility requirements for ADC and Foodstamps caused the
Department to terminate, reduce, or deny federally-funded benefits to thousands of Ohioans. In 1982, for example, there was an average reduction of $8.4 million per month in ADC benefits alone. Many of the individuals terminated or denied benefits were then added to the General Relief rolls, contributing, at least in part, to the 35% increase in General Relief expenditures for the year. Despite differences in the two cases, they both illustrate the extent to which federal policy influenced operations of the Department.

Earlier discussion has already addressed some elements of the general strategy adopted by the Department as a result of its environmental situation. In terms of external relations, Director Creasy and senior management sought to restore the credibility of the Department with the Legislature and other key constituents. The strategy for achieving better relations with the Legislature was based on the political skills of Director Creasy and the ability of the Department to minimize negative perceptions of its programs, policies and operations (Benson, 1983; Creasy, 1984; and Page, 1983). In addition, faced with severe fiscal constraints, the Department sought to protect its core programs, prevent substantial benefit reductions and, whenever possible, shift costs to federal programs (Benson, 1983; Creasy, 1984; Jansen, 1984; Mowbray, 1983;
and Page, 1983). In the execution of this approach, the department was generally reactive to external pressures rather than attempting to shape or change them (Benson, 1983; Langenhop, 1983; and, Mowbray, 1983). Some observers took this to mean that the department lacked clear direction, and that it was simply muddling through (Benson, 1983; Mowbray, 1983; and, Page, 1983). In the last years of the administration, this perception was reinforced by the continuing fiscal crises and series of budget cuts. However, the testimony of Director Creasy suggests that this was a deliberate strategy, aimed at making the best of a difficult situation.

A major portion of this strategic management thrust was manifested internally. Having given the highest priority to relieving the pressures generated by external demands, it was necessary to co-align the approach to internal department operations with the requirements of the external environment. An important feature of the internal approach was the manner in which the departmental mission was conceived by the Director and his top management team. By all accounts, Director Creasy and senior management conceived of the Department in narrow terms. In their view, the responsibilities of the Department were properly limited to the provision of services and the enforcement of regulations as specified in the statutes (Benson, 1983;
Craay, 1984; Harshaw, 1984; Langenhop, 1983; Mowbray, 1983; Page, 1983; and, Verhoff, 1984). By conceiving of itself as purely an implementor of policy established elsewhere, the Department achieved a close fit with the externally-focused strategy of accommodation to the concerns of the Legislature. Also, a minimal advocacy role for the Department was consistent with what was perceived to be the political interests and policy preferences of Governor Rhodes (Benson, 1983; Mowbray, 1983; and, Verhoff, 1984).

Execution of a "rules-driven" strategy which protected the core programs of the Department as well as the political interests of the Governor was supported by the creation of favorable internal conditions. One of the most important of these was the establishment of an environment in which political criteria were generally invoked and political sensitivity and skills were rewarded. Director Craay made clear the importance of political considerations and relationships in setting out policy direction for the Department and guiding its operations (Benson, 1983; Craay, 1984; and, Page, 1983). This highly politicized climate was reinforced by a style of management which was essentially authoritarian in nature (Benson, 1983; Mowbray, 1983; Langenhop, 1983; and, Page, 1983). By exercising a high degree of formal control over operational
details, senior management was better able to impose its strategic policies and priorities on the Department. Unfortunately, according to most accounts, this approach also had the effect of demoralizing staff and limiting organizational capacity (Benson, 1983; Hartford, 1983; and Mowbray, 1983).

From this description of choice and action taking during the Rhodes administration, one can identify a pattern of strategic management dominated by the objective of protecting the core program from external pressures. This strategy involved re-establishing good working relationships with the Legislature and other constituents, lowering the profile of the agency and minimizing program initiatives, and imposing tight controls over internal operations. Given the climate and conditions of the period and the priorities of the administration, this strategic program may have been all but inevitable.

The Celeste Administration

The incoming Celeste administration faced many of the same external pressures and environmental conditions that had been confronted by the Rhodes administration. In the early days of the administration, for example, declining revenues and increased demands for services continued to be among the main factors affecting the Department. However,
the strategic management approach adopted by the Department of Public Welfare under Director John Cuddy was quite different from the one that was in place during the Rhodes administration. Quite importantly, the Department was not so driven by political considerations nor was it constrained by an ambiguous attitude toward human services (Cuddy, 1984; Feild, 1983; Mowbray, 1983; and, State of Ohio, 1984). Also, Director Cuddy brought a more professionalized and participative management style to the Department (Benson, 1983; Cuddy, 1984; Hartford, 1983; Langenhop, 1983; and Mowbray, 1983).

Although the new Director was not unconcerned about DPW’s external political relations, he faced a far different environmental situation than had Director Creasy. With the Democrats in control of both houses of the General Assembly and with a strong personal and political commitment from the Governor to support human services programs, the environment was perceived as less hostile to the basic purposes and programs of the Department than it had been previously. Also, the constituent groups that were seen as politically relevant by the new administration were drawn more from clients, advocate groups, service providers, and others more likely to favor expanded services and benefits and a more supportive approach to clients and their service needs (Cuddy, 1984).
Interestingly, because these constituents had greater expectations of a Democratic administration, they seemed to impose higher standards of performance (Cuddy, 1984; Jansen, 1984; and, Verhoff, 1984). Ultimately, these constituent pressures produced the common situation in which DPW could win "little applause" and could only cause a problem for the administration (Cuddy, 1984).

Whatever the effect of external pressures, they were balanced by the management philosophy and style of the Director. In fact, Director Cuddy was appointed primarily because of his public management experience rather than for his political skills and connections. The strategies employed during his tenure as Director would be largely guided by a professional management perspective instead of by political considerations (Benson, 1983; Cuddy, 1984; Hartford, 1983; and, Mowbray, 1983).

There were, nonetheless, several ways in which external factors, such as constituent pressures, influenced strategy and strategic management during the Cuddy period. One of the most important of these had to do with the conceptualization of DPW's mission and role. In another contrast to the Rhodes administration, senior management in this administration expressed the view that the Department was not only an instrument for carrying out established policy, but also had to be an advocate for an improved
quality of human services in Ohio (Cuddy, 1984; and, Feild, 1983). One indication of this expanded claim for the Department role is provided by the Mission and Goal Statement prepared in January of 1984. According to this document, "It is the mission of ODPW to identify human service needs and seek ways to provide programs and services to meet those needs. Programs will be designed to help Ohioans maintain an adequate quality of life and to treat people with dignity and respect. Programs will be responsive, accessible, and efficiently run" (Ohio Department of Public Welfare, 1984). Although this concept was always being balanced by the constraints of state law, federal regulations, and limited resources, and adjusted by the judgments and preferences of senior management, it represented a response nonetheless to the expectations and demands of key constituencies for a more activist view of the Department.

Another source of external direction was the human services agenda emerging at the jurisdiction-level. As was the case for the Department of Mental Retardation and Developmental Disabilities, the strategy and strategic management of DPW was very much influenced by the Governor's strategic planning process and by the Strategic Plan for Human Services which came out of that process. However, since Director Cuddy was not only the chair of the
Cabinet Cluster on Human Services, but also an active participant in shaping its recommendations, it would seem that there was a significant element of overlapping agendas and mutual influences (Cuddy, 1984).

The strategic planning process for human services, like the other Cabinet Cluster planning efforts, was strongly influenced by the depressed economic conditions in Ohio and by the Governor's program to restore the State to economic health. As reported earlier, these conditions had led to greater demands for human services in Ohio at the very time that State tax revenues, federal funding, and other sources of funds were declining. In the words of the document, "Several themes run through this draft. We believe that the State must focus its programs and resources on promoting independence by (1) improving the ability of every citizen to get and keep a job, and (2) providing opportunities for full and meaningful participation in the economic and social life of Ohio's communities. Moreover, we believe that the State must invest in reducing dependence through a range of prevention strategies. Prevention will serve both to improve the quality of people's lives and to contain the growth of costs" (State of Ohio, 1984).

The major themes identified in the strategic plan were ultimately reflected in the program and policy priorities
of the Department and in the basic strategy designed by senior management for carrying out the mission of the Department. Priorities identified in the Mission and Goal Statement include the following: provide for an adequate standard of living; promote and maintain access to quality health care; increase client self-sufficiency; develop services that enable people to remain at home; provide services that safeguard those in jeopardy; and, ensure that substitute care arrangements are safe and humane (Ohio Department of Public Welfare, 1984). The remainder of the document refers to the internal mechanisms and strategies which would be employed to achieve DPW’s priority programs.

Drawing on the managerial strengths and preferences of the Director, the internal agenda was largely focused on mobilizing an agency which was seen as having been “asleep for eight years” (Cuddy, 1984; Mowbray, 1983). As a result, the internal strategies were directed at enhancing the capacity of the Department to carry out its mission and at improving its performance. A major portion of this effort involved trying to convince staff that what they did could make a difference in the quality of services provided, that what they did was worthwhile and important. According to the Director and other informants, this thrust was necessary because of the poor attitudes, low morale, and limited management capacity inherited from the Rhodes
administration (Benson, 1983; Cuddy, 1984; Hartford, 1983; and, Mowbray, 1983). An important component of the management development and capacity building effort involved workshops and other training activities designed to develop specific skills (Cuddy, 1984). In addition, the Department put in place a structured decision making process designed to improve the quality of staff work as well as to enhance the information available for policy and decision making. Lastly, the Director established an evaluation process linked to job performance and sought ways to provide performance-based incentives and sanctions. For some staff members, the new management style and expectations created some anxiety. Director Creasy is reported to have never taken disciplinary action related to poor performance; the worst and the best were treated equally (Mowbray, 1983). In contrast, Director Cuddy expected performance and invested in training to develop the capacity of staff to perform.

Other elements in the internal strategy were similarly related to the capacity for performance. Computerization of Department systems and operations which was started in the Creasy period was extended and enhanced under Director Cuddy. New systems for Medicaid bill paying and nursing home audits were put in place (Cuddy, 1984). The Department also began to look at programs from a policy
perspective, with the objective of up-dating administrative rules. Finally, because of additional revenues and stringent cost reductions in Medicaid, the Department was successful in gaining control over its budget (Cuddy, 1984). For the first time in several years, the Department was able to avoid the practice of "rolling over" its Medicaid bills, paying for expenses in one fiscal year with revenues from the next year.

External strategies were closely connected to the internal strategic management objectives of the Department. Like his predecessor, Director Cuddy believed that it was important to involve external constituents in various aspects of the Department as a means of securing their support. Responsive to a different set of constituents and constituent demands, this Director also developed a strategy to "open up" the Department to certain external influencers, including service providers, advocacy groups, clients and others. This involvement took such diverse forms as participation in the budget process and consultation with advocate groups regarding children's services policy (Cuddy, 1984). Because the Department was selective in who was involved, some excluded constituent groups came to believe that the Department was more closed than it had been in the past and less responsive to the concerns of those outside the Department (Jansen, 1984; and, Verhoff,
1984).

In addition to opening up the Department to certain constituents, the external strategy attempted to build support by "displaying" improved capacity for performance. This involved getting the "...message out externally that this was an organization that was more attuned to do things...and to do them right" (Cuddy, 1984). Related to this approach was a publicly stated commitment to system improvement. The position of the Department both internally and externally was always that "...you can't make the system work better for the people it serves until you make the system work" (Cuddy, 1984). To some extent, this view seemed to have the effect of antagonizing certain elements among the constituent groups who believed that an emphasis on operational efficiency did not address the real needs of clients (Jansen, 1984; and Verhoff, 1984). Another factor in the thrust for system improvement was a desire to gain more control over the decentralized delivery system (Cuddy, 1984). Unlike the Rhodes administration, the current regime was less committed to local autonomy and believed that centralized administration produced greater efficiency.

To summarize, strategy and strategic management in the Cuddy years was largely oriented toward organizational capacity building and development. Implementation of this
strategy required that the Director and senior management focus on improving internal operations, through management training and systems development. Through its efforts to increase organizational capacity and to build a reputation for competence, the Department sought not only to improve the efficiency of the service delivery system, but also to gain increased external support for its strategic program.

**Analysis of Strategic Management in DPW**

**Strength and Nature of the External Influence Field.** From the discussion of previous sections, it should be clear that a considerable amount of external influence has been brought to bear on the Department of Public Welfare. During the first years of the Rhodes administration, dissatisfaction with the leadership of the Department led the Ohio General Assembly to limit departmental discretion. One manifestation of this effort is the high level of operational detail specified in the Ohio statutes affecting DPW (Creasy, 1984; Cuddy, 1984; and, Feild, 1983). At one point, as noted previously, the Legislature became so disenchanted with the Department that it took operational budget management into its own hands. A number of factors account for the level of influence directed by the General Assembly and other actors at the Department. Public welfare programs in the United States are large, expensive and
generally unpopular. Cases of waste, fraud, and abuse by welfare recipients have been highly publicized. In Ohio, DPW is responsible not only for a large number of programs with significant social impact, but also for the expenditure of large sums of money. Growth in the range of services available and increased numbers of eligible Ohioans have produced major increases in overall public welfare spending. Economic distress in the state has not only increased the demand for services, but also diminished the capacity of state government to provide them. These economic conditions gain the attention of the public and of public officials. The scope of social welfare programs, the amount of service provided and its cost, the quality of program management, and the basic approach to service delivery are issues of consequence on the public agenda. The politics of public welfare are equally consequential in defining the external influence field. In recent years, forces seeking to reduce government’s role in human services have had considerable success. Cutbacks in the level of services, control of fraud, waste, and abuse, and proposals for reform of the public welfare system have regularly been on the public agenda. Constituencies that might favor expanded or more generous programs have often been unorganized and unable to mobilize support.
In keeping with the visibility and size of welfare programs, the significance of program outcomes, the state of financial resources, and the importance of political considerations, the level of external influence attempts was relatively high in both administrations. However, the ability of external actors to influence choice and action taking showed greater variation. As discussed earlier, during the Rhodes administration, the Ohio General Assembly was the dominant force in influencing the direction of the Department. The ability of legislators to control both the size of the budget and access to whatever allocation had been approved provided a base for substantial influence. The ability of the Legislature to influence Department operations was also enhanced by constraints imposed on managerial discretion. Because many areas of activity required legislative approval, the General Assembly was often in a position to reward or sanction Department policies, decisions, and actions. Another factor contributing to legislative dominance was the absence of gubernatorial policy direction. Since the administration had, at best, a limited commitment to human services, there was little incentive to provide countervailing influence. Given the conservative ideology of the Rhodes administration, there were few relevant constituencies pressuring the Department for different policies and programs. In
light of these realities, it is really no surprise that DPW sought an accommodation with the General Assembly.

The ability of external actors to influence the strategic management of the Department of Public Welfare was much reduced at the beginning of the Celeste administration. To a much greater extent than had previously been the case, the General Assembly was willing to allow the Department freedom of operation. In part, this was simply an outgrowth of common political affiliation, but it also seemed to reflect a commitment to a shared human services agenda and greater confidence in the ability of the Department to carry out its responsibilities. Jurisdiction-level influences and themes were, on the other hand, more important in charting direction (Cuddy, 1984). Because Governor Celeste had a more centralized management style and clear policy preferences, he was prepared to exercise formal authority in order to influence policy and program. Constituent groups that one might have expected to be influential in a Democratic administration were generally not able to affect policy and program. Lack of access to deliberations of the Department and the management style and focus of Director Cuddy seemed to freeze some constituent groups out of the process (Jansen, 1984; and, Verhoff, 1984).
From the previous discussion, it should be clear that, during the Rhodes administration, DPW was fairly responsive to external influence. This responsiveness was, almost without question, an outgrowth of the considerable power of the General Assembly. By virtue of its ability to control resources, to limit managerial discretion, and to reward and sanction management performance, the Legislature was generally able to secure a preferred response. This was reinforced by an absence of countervailing sources of power in the environment or public support for the Department, by disengagement at the jurisdiction level, and by an intended departmental strategy of accommodation.

In contrast, during the Celeste administration, the Department experienced a more diffuse and weakened influence field. As a result, the Department was better able to resist influence attempts and, as will be suggested later, to set out an independent policy direction. Many of the factors already identified contributed to this capacity for resistance. Reduced resource control, policy preferences within the administration, and an improved reputation for organizational competence served to permit senior management discretion in their response to external influence.

**Locus of Strategic Control.** As one might expect, DPW deployment on this dimension was significantly different across the two administrations. Because of the nature of
the external influence field and the response of the Department to that field, the locus of strategic control during the tenure of Director Creasy was largely external. For the most part, the strategy of the Department and its program and management emphases developed in response to pressures from the General Assembly. Events early in the administration had so politicized relationships with the General Assembly that management of Department operations was seriously affected. Director Creasy, who inherited this relationship, recognized that legislative resource and management control would paralyze the Department. To protect the integrity of the core programs, he adopted a strategy of accommodation to political interests.

Relatedly, the emphasis on political accommodation was consistent with the style and preferences of the Rhodes administration. With neither strong policy commitments (consensus about strategic means and ends) nor reserves of organizational competence, the Department had neither reason nor capacity to resist external control and direction.

During the tenure of Director Cuddy, DPW was much more in control of its strategic direction. A more internalized locus of strategic control was achieved as an outgrowth of changed conditions inside the Department and in its environment. As suggested by the discussion of the program
of development and management improvement initiated by Director Cuddy, there was a clear consensus among the management team regarding Department needs and requirements (Benson, 1983; Cuddy, 1984; Feild, 1983; and, Howbray, 1983). Internal strivings for improved capability and competence were supported by the director’s leadership style and agenda. The program of development and capacity building was in itself an enabling factor, enhancing departmental discretion and degrees of freedom. Improving fiscal conditions, legislative confidence in the management of the Department, and other features of the external influence field similarly contributed to DPW’s capacity for self-direction.

Orientation to Change. Throughout the period examined in this study, the Department of Public Welfare sought to effect moderate amounts of change in the Department and its environment. During the Rhodes administration, senior management attempted to regain some measure of credibility, restore confidence in the integrity of senior management, and protect core programs and essential service levels. These objectives required the Department to focus internally as well as externally in its strategy making and action taking. In the Celeste administration, strategic choice and action taking was focused internally on improved
program management, systems development, and organizational capacity building. Despite the differences of emphasis, the strategic programs of both administrations were essentially incrementalist.

At least in part, this common approach can be explained by the nature of the demands being made on the Department and the preferences of its stakeholders. Although the Rhodes administration experienced considerable pressure for change, the General Assembly and other concerned constituents were not demanding significant policy redirection. There were few changes in the technology of service delivery, no new legal mandates requiring changes in services or programs, and no major jurisdiction-level initiatives. Limited resources, the threat of cutback, and the lack of public support for human services motivated the Department to protect rather than expand operations. Under this whole set of conditions, there was little incentive for fundamental change.

A lack of incentives for significant change continued into the Celeste administration. Environmental pressures on the Department were, if anything, less than they had been in the previous administration. An agenda of management improvement and capacity building occupied the attention of senior managers and limited their interest in
effecting fundamental change in policy, service delivery, or in the environment. The activist leadership of Director Cuddy, while an important resource, was largely focused on internal operations, and there was a general consensus among senior management regarding the appropriateness of this approach.

Two areas of Department activity might represent exceptions to this judgment. Governor Celeste's Strategic Plan for Human Services would, if fully implemented, entail some fundamental changes in strategic and operational management of human services in Ohio. As noted earlier, the plan calls for both new policy emphases and for new strategies for providing services. The second area where there is a potential for fundamental change involves state administration of the service delivery system. According to Director Cuddy, this was an unfinished item on his agenda, one that had not been fully developed or realized. Its inclusion on DPW's action agenda would represent an orientation toward fundamental change.

Scope of Strategic Management. Earlier, the strategy of the Rhodes administration was described as intended to accommodate the demands of the Legislature and to protect the core programs of the Department. As a consequence of these limited objectives and of the conditions which
produced them, the scope of strategic management in DPW was rather narrow.

The capacity of external actors to influence the Department has already been discussed at length. In this context, it is sufficient to point out that the power of influencers, based on resource control and other factors, extends not only to what an agency can do, but also to what it cannot. The ability of the General Assembly to structure and control the areas of discretionary behavior was a significant element in the narrow range of choice and action taking in DPW. Relatedly, minimal commitment to the provision of human services and a laissez-faire approach at the jurisdiction level eliminated any possibility of countervailing external pressure. Moreover, there was little public support for expanded programs or services.

Other factors contributing to the limited strategic agenda of the Department were more internal. Again, as noted previously, the management style of the Director emphasized hierarchical control rather than performance (Benson, 1983; Hartford, 1983; and, Mowbray, 1983). Because of this approach and the related lack of organizational capacity, there were few efforts to purposively address a comprehensive strategic agenda (Benson, 1983; Hartford, 1983; and, Langenhop, 1983).
The scope of strategic management was somewhat broader under the leadership of Director Cuddy. The constraints imposed by the Legislature were significantly reduced and there was support for human services at the jurisdiction level. Strategic planning for human services required that the Department engage in a comprehensive, inter-agency program for program planning and development. While this administration was clearly committed to outreach and cooperative action within the jurisdiction, it was less successful in extending this to other organized constituents. To some observers of Director Cuddy’s approach, there was only a limited interest in the concerns of these constituents and almost no attempt to manage external relations (Jansen, 1984; and, Verhoff, 1984).

Within the Department, an emphasis on management improvement and capacity building committed senior management to an extensive program of development. The leadership of Director Cuddy and the emerging consensus regarding strategic direction in the Department were major factors underlying this comprehensive program (Benson, 1983; Cuddy, 1984; and, Mowbray, 1984).

**Strategic Management Activity Level.** According to some internal observers, the Creasy years were characterized by a relatively low level of strategic management activity
(Benson, 1983; Hartford, 1983; Langenhrop, 1983; and Mowbray, 1983). Senior management was said to conceive of the Department as an instrument of externally determined policy and, as a consequence, to have adopted a highly reactive mode of behavior. Director Creasy and his associates engaged in little planning and the Department often appeared to be without direction, driven only by political considerations. While it is not completely unreasonable to interpret this strategic management approach as largely inactive, before doing so one must reflect on the objectives of strategic activity in this administration. Remembering that the strategic objective of the Department was to accommodate pressures from the external influence field and to protect its programs, one could argue that some intended (as well as realized) strategic management activity was present. This judgment recognizes the diverse qualities of strategic activity and reinforces the distinction made previously between strategic planning and strategic management. Environmental pressures, the policy and political agenda of the administration, the management style and approach of Director Creasy and his senior associates, and the general strategic setting as described previously produced a situation in which planning was neither feasible nor desirable. In that light, it seems clear that the Department was, in fact, engaged in a
purposeful strategic program.

Evidence of strategic management activity is more easily discernible during the Celeste administration. A strategic program of management improvement and organizational capacity building not only indicates a relatively clear direction, but also suggests a high level of activity. Similarly, the strategic planning process provides evidence that policy development and management received major attention within the Department and at the jurisdiction level.

We can account for this activity in terms of several by now familiar factors. To a large extent, the level of strategic activity in the Department reflects the leadership of Director Cuddy, his philosophy and style of management, and his agenda for the Department. Senior management shared a commitment to building a Department that operated on professional management principles and that had a reputation for competent performance (Cuddy, 1984; Feild, 1983; and, Mowbray, 1983). This commitment was not only supported by the Governor, but was also complementary to his strategic planning approach. In contrast to the previous administration, the external influence field was generally supportive of a developmental strategy. Those constituents who preferred other emphases were generally without much influence (Jansen, 1984; and,
Verhoff, 1984). Finally, improvements in the financial condition of the state, recognition of the importance of programmatic priorities like health care cost containment, and the benefits of increasing competence and capability provided additional resources for the strategic program.

**Direction of Strategic Movement.** As pointed out in earlier discussions, the impetus for strategic activity in the Rhodes administration had an external origin, but a major part of DPW strategy during this period was manifested internally. Under Director Creasy, DPW was not only subject to high levels of external influence, but also generally accommodated that influence. Political considerations and relationships were key factors in establishing the strategic direction of the Department. These external considerations essentially required the Department to adopt a low profile, limit public exposure, minimize new program initiatives, and implement tight management control. This approach was also consistent with the preferences of the administration and the management style of the Director.

Although the strategic activity of the Celeste administration was similarly internal, its underlying basis was quite different. For Director Cuddy, internal development, by producing a greater capacity for external action and increasing DPW’s leverage within the administration
and among stakeholders, was linked to an external strategic agenda. In the first years of the administration, the emphasis was on systems development, management improvement and capacity building. It seems likely that at some later point in time, the strategic emphasis might have been directed externally.

The direction which was realized during the period of this study fit with the management approach of the Director and his assessment and the Department’s capability. Similarly, it was consistent with the preferences of many influential stakeholders. Jurisdiction-level policy makers, for example, seemed to see management improvement and cost reduction as a principal vehicle for improving services and benefits (State of Ohio, 1984). Those stakeholders who favored more direct or immediate steps to increase benefits or provide additional services were not influential in setting out strategic direction (Jansen, 1984; and Vørhoff, 1984).

**Summing Up.** The factors influencing the strategic management of the Department of Public Welfare are summed up in Tables 8 and 9. Figure 15 depicts DPW’s deployment on the six dimensions of strategy discussed above.

From the discussion of strategy in the Rhodes administration, it should be clear that the Department, in the
face of strong external pressures, sought to defend and maintain its core programs. This strategic objective required that DPW simultaneously accommodate external actors and simultaneously control and limit internal initiatives. In keeping with its principal objective, this strategy can be labeled Protective.

Strategy and strategic management in the first years of the Celeste administration was substantially different in character. In this administration, the main source of strategy has come from internal forces and has been largely directed toward the achievement of greater organizational capacity. This internally-focused Developmental strategy came into being primarily because of the preferred management style of Director Cuddy. Support from the jurisdiction-level also proved to be an important strategic resource.
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Loading on Dimensions: Strong External Incremental Narrow Moderate Mixed

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**Loading on Dimensions**

- Weak Internal Incremental Moderate High Internal

1 = Presence of factor influenced deployment on the dimension
- = Absence of factor influenced deployment on the dimension
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<th>Nature and Strength External Influence Field</th>
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<th>Moderate</th>
<th>Strong</th>
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<td>Make Incremental Change</td>
<td>Produce Fundamental Change</td>
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Figure 15

Deployment on Dimensions of Strategy in DPW
Chapter Eight

Strategic Management in the Public Utilities Commission

This chapter presents the results from the last of four case studies of strategic management in state government agencies in Ohio. The agency examined in this chapter, the Public Utilities Commission of Ohio (PUCO), is different from the agencies previously considered by virtue of its status as an independent regulatory commission. The inclusion of PUCO in this research provides an opportunity to investigate more thoroughly the impact of an agency’s legal standing and policy type on its strategy and strategic management.

Agency Background

Beginning in the 1860s, the Ohio General Assembly granted to agencies of state government the authority to regulate certain providers of utility services. This authority was granted to the Public Utilities Commission of Ohio (and to its several predecessor agencies) in the belief that "...certain services to the public would be best distributed by companies operating with little or no competition. Government regulation was instituted as a
substitute for competition to secure adequate services for the public at reasonable costs" (Public Utilities Commission of Ohio, undated). According to contemporary economic theory, allowing a utility to operate as a monopoly in a limited service area leads to economies of scale, technical efficiencies, and lower unit costs of production (Greer, 1980; and, Samuelson, 1980). In order to protect consumers from the effects of monopoly power and to ensure other public benefits, government regulates the rates charged by utility companies and monitors the quality of the services they provide.

In 1867, the Ohio General Assembly delegated regulatory responsibility for railroads and telegraph operations to the Office of the Commissioner of Railroads. In 1906, this agency was reconstituted as the Railroad Commission of Ohio. With the development of new technologies, the scope of regulation was broadened to include gas, electric, water, and telephone utilities. In 1913, the Ohio General Assembly established the Public Utilities Commission of Ohio as an independent regulatory commission appointed by the Governor. Since that time, the PUCC has been assigned regulatory authority for additional industries and activities, including bus, truck, and motor carrier operations, water and sewage disposal companies, and railroad bridge safety (Kelly, 1983; and, Public Utilities
Commission of Ohio, undated).

The present day Public Utilities Commission of Ohio monitors the services provided and regulates the rates charged by public utility and transportation companies in Ohio. "A utility or transportation company cannot begin or eliminate a service, modify an existing service, change the rates charged for a service, or expand its service area without PUCO approval" (Public Utilities Commission of Ohio, undated). The process by which the PUCO considers changes in the rates or operations of a utility company constitutes the major regulatory activity of the Commission (Borrows, 1983 and 1984; Kelly, 1983; and, Liebman, 1984).

According to the Ohio Revised Code, PUCO determination of the rates charged by the regulated utilities "...assures the public adequate service at a just and reasonable rate, and at the same time allows the companies a fair rate of return on the established statutory rate base" (Public Utilities Commission of Ohio, 1983). The process of establishing rates which meet these criteria is long and complex (Kelly, 1983). Upon receipt of a utility company's request for a rate increase, PUCO staff conduct an investigation of the company's financial requirements. The investigation seeks to determine if the company's "...exhibits concerning test year operating income, rate base, and other data are reasonable for ratemaking purposes, and if the financial
and statistical records supporting the data can be relied upon" (Public Utilities Commission of Ohio, 1982). The second stage of ratemaking involves hearings before PUCO attorney-examiners to consider the evidence provided by the company in support of its request and the findings of the staff investigation. In these proceedings, an attorney-examiner presides over the hearing; reviews the evidence presented; rules on motions; and, researches, reviews, and drafts a final report for Commission consideration. Based upon the evidence presented, the Commission renders a final decision that establishes the rate(s) which the utility company may charge for utility services. In reaching this decision, the PUCO seeks to determine what constitutes an appropriate rate structure so as to ensure a fair rate of return to investors in the company. During most of PUCO’s history, the rate setting process was purely technical in nature and largely devoid of controversy. Because of gains from technology, economies of scale from expanded operations, and the availability of relatively low-cost and plentiful supplies of energy for electric generation and for home heating, the utility companies were generally able to maintain stable or even declining prices (Borrows, 1984; and, Kelly, 1983). These conditions made it relatively easy for the PUCO in its rate determination process to balance the requirements of the regulated
companies for fair rates of return and the demands of consumers for low prices and adequate service.

From 1973 on, however, a succession of events rather abruptly changed the climate of regulation in Ohio and other states (Forester, 1984; and, Kelly, 1983). The Arab oil embargo, uncertainty about the supply of natural gas, problems in the construction and operation of nuclear-powered generating plants, changing federal energy and telecommunications policy, and bouts of high inflation and high interest rates combined to pressure both producers and consumers. As a result of these events, the utility companies experienced nearly continuous increases in the costs of operations. Additionally, because of higher interest rates and delays in bringing generating plants on-line, the costs of investment in new generating capacity had strained the resources of utility companies. From the producers' perspective, conditions required that the PUCO authorize off-setting rate increases. Residential, commercial, and industrial consumers, on the other hand, were experiencing tremendous increases in their monthly utility bills. From their perspective, the PUCO was granting the regulated companies rate increases that were unjustified in the light of economic circumstances. What had been for sixty years a relatively routine regulatory process suddenly took on significant political and economic
dimensions (Borrows, 1983 and 1984; Forester, 1984; Kelly, 1983; and, Spratley, 1984).

In 1976, the Ohio General Assembly passed legislation intended to reform the PUCO and its operating procedures. Amended Substitute Senate Bill 94 changed the formula for calculating the allowable rate base, gave the Commission new discretionary authority to include Construction Work in Progress in the rate base, and established the Office of Consumers’ Counsel as an advocate for residential consumers. The historical means for determining the value of “property used and useful in providing services” had been the Reconstruction Cost New Less Depreciation (RCNLD) rate base formula. In times of high inflation, the RCNLD formula required the Commission to calculate the rate base on the basis of the much higher cost of reconstruction (Forester, 1984). The new ratemaking provision of SB 94 provided for an Original Cost rate base, mitigating the impact of inflation on the allowable rate base and on the rates that consumers can be charged.

The method for calculating the rate base was also at issue in the case of the Construction Work in Progress (CWIP) provision of the new law. SB 94 continued to use the “used and useful” standard to ensure that utility property is providing service prior to being included in the rate base. However, the PUCO was granted new authority
to permit a reasonable allowance for CWIP in determining the rate base. Before CWIP can be included in the rate base, the facility must be at least 75% complete and the total allowance for CWIP cannot exceed 20% of the value of the facility (Public Utilities Commission of Ohio, undated). The inclusion of CWIP in the rate base was intended to allow utility companies to receive some return on long-term investments in generating capacity not yet in service (Borrows, 1983; Christman, 1983; Forester, 1984; and, Kelly, 1983). In effect, the CWIP allowance balanced the changed basis of calculating the value of the rate base.

The third component of the reform bill provided for the establishment of the Office of Consumers’ Counsel (OCC). OCC was given a mandate to serve as the official representative of residential consumers in cases before the PUCO and other regulatory bodies. The legislative intent in creating OCC was to bring some balance to the regulatory process by providing for an advocate of consumer interests which had been seen by some as under-represented in PUCO proceedings (Spratley, 1984).

Despite the new law, the years following 1976 were no less turbulent for the PUCO than the preceding period had been (Borrows, 1983 and 1984; Forester, 1984; Kelly, 1983; and, Spratley, 1984). Between 1976 and 1982, the PUCO
faced an increasing volume of rate cases (Christman, 1983). Employing the rate determination policies and procedures set out in SB 94, the Commission granted a succession of utility price increases. In the Toledo area, for example, average combined utility costs rose 229% (Office of Consumers' Counsel, 1984). Although a major portion of increased costs to consumers in Ohio were attributable to federal deregulation of natural gas, PUCO ratemaking policies were frequently and strenuously challenged (Spratley, 1984).

According to PUCO staff, issues facing the Commission became increasingly complex during this period (Christman, 1983). "For example, determining a fair rate of return is a complex thing to do and involves a certain amount of judgment because you are trying to determine what rate of return you have to provide to get an investor to come up with investment dollars" (Christman, 1983). Another complex issue involving Commission judgment and discretion concerned the treatment of Construction Work in Progress (CWIP) was equally important to the regulated companies who sought to earn a return on their investment in long delayed nuclear generating plants and to consumers who objected to paying for electricity that they had not yet received.

By 1982, the PUCO was once again on the active political agenda. In the election of that year an
initiative was on the ballot proposing the direct election of Commissioners. Although it was ultimately defeated, Proposition Three crystallized much of the popular opposition to Commission decisions. The climate for change in the policies and decisions of PUCO was strengthened by the campaign of Richard Celeste, who ran on a platform calling for PUCO reform. Finally, the Ohio General Assembly passed Amended Substitute Senate Bill 378 which significantly altered the PUCO. This legislation, which became effective in January of 1983, expanded the members of the Commission from three to five and enumerated specific qualifications for appointment of Commissioners. SB 378 also created a Nominating Council responsible for developing a list of recommended candidates from which the Governor makes appointments to the Commission. In addition, the legislation made substantive and procedural changes in rate proceedings before the PUCO. As a result, the Commission began to hold evening hearings for the taking of consumer statements regarding rate increases and multiple local hearings in major, multi-city cases. Substantively, Senate Bill 378 prohibited the initiation of a rate proceeding while a previous case is pending. The elimination of "pancaking" has the effect of reducing the number of cases coming before the Commission (Public Utilities Commission of Ohio, 1983).
Several of the provisions of SB 378, symbolizing the politicization of PUCO issues, the pressures for expanded accountability and representativeness, and the imposition of merit criteria, reflect the PUCO's inability to project itself as a neutral arbiter and its loss of standing among its constituents. After ten years of increasing costs of operation and "soaring" utility rates, the Commission had lost both credibility and support (Brown, 1984; Forester, 1984; and, Gaylord, 1984). The newly appointed members of the Commission appeared to recognize the need for a different approach to their regulatory responsibilities (Brown, 1984).

This new approach was in some measure stylistic, emphasizing more visibility and public outreach. It was also manifested substantively in rate determination cases and in other areas of regulation. In 1983, for example, the average combined monthly utility bill (electricity, gas, and telephone) increased only three percent. By comparison, the average bill had increased by twenty-eight percent in the previous year. The cost of utility services to consumers was held down because the Commission granted only forty percent of the rate increases requested by the companies. The contrast between 1983 and previous years is shown in figure 16.
Figure 16

Major Gas, Electric, and Telephone Rate Increases
Granted by the PUCO (1977-1983)
The new Commission also faced several significant regulatory issues related to the rate determination process. The question of Construction Work in Progress (CWIP) continued on the Commission’s agenda, as did the question of management performance (Borrows, 1983 and 1984; Brown, 1984; Gaylord, 1984; and, Spratley, 1984). Consumer utility bills increased by $649 million between 1977 and 1982 solely due to the allowance of charges for CWIP. During this period, the PUCO added nearly $4 billion in CWIP to Ohio utility rate bases (Office of Consumers’ Counsel, 1984). In one set of cases, those related to the Zimmer Nuclear Power Plant, the previous Commission had granted the three companies constructing the plant rate increases totalling $185 million due solely to CWIP costs. In 1983, PUCO awarded no rate increases based on CWIP for the Zimmer plant.

PUCO has statutory authority to consider the quality of management and management efficiency in determining the rates charged by regulated utilities. A management audit of Ohio Edison Company was ordered in 1982. In 1983, the Commission ordered audits of the fuel procurement policies of Columbia Gas of Ohio and of cost overruns of the Zimmer Nuclear Power Plant under construction by Cincinnati Gas and Electric, Dayton Power and Light, and Columbus and Southern Ohio Electric (Office of Consumers’ Counsel, 1984;
and, Public Utilities Commission of Ohio, 1983). In effect, the management audits signal the intention of PUCO to hold the regulated companies accountable financially for the quality of management decisions and to become more involved in general management (Brown, 1984; Gaylord, 1984; and, Liebman, 1984). Another area of increased attention in recent years has been telecommunications regulation (Borrows, 1984; and, Liebman, 1984). Federal deregulation and the AT&T divestiture of local telephone operating companies has shifted the burden of regulation to the state level. The size and complexity of rate cases in this area have created additional strains on the regulatory capacity of the PUCO (Borrows, 1984).

In summary, the ten year period of concern in this research has been a period of marked change in the conditions of utility regulation. After nearly sixty years of operation, the Public Utilities Commission of Ohio found itself facing a skeptical and often hostile constituency. During this period, regulatory issues moved out of the technical arena and on to the political agenda. Competing interests pressured the Commission to move away from its traditional posture as a neutral arbiter and reach decisions more favorable to those interests. By 1983, both the composition of the Commission and its perceived mandate had undergone significant change. While still required by
law to consider the financial requirements of the utilities and provide a fair rate of return, the political climate in Ohio and the resulting politicization of the PUCO's regulatory responsibilities produced a movement toward consumer interests (Borrows, 1984; Brown, 1984; Forester, 1984; and, Office of Consumers' Counsel, 1984).

Having provided the reader with background information on the Public Utilities Commission of Ohio in this section of the chapter, the next sections will describe and analyze the strategy of the Commission (including staff) from 1974 to 1984. As suggested in the beginning of the chapter, this discussion will focus on the relationship between PUCO's regulatory mission and standing as an independent commission and its pattern of strategy and strategic management. Because it is the only agency in this dissertation characterized by these factors, the findings should be of special interest. The previous practice of dividing the discussion into sections for each administration was not employed in this chapter because of the independent standing of the PUCO and its statutory distance from the two governors and their administrations. Where necessary and appropriate, however, distinctions between the two administrations and the implications of political control at the jurisdiction level will be drawn out.
Patterns of Strategy and Strategic Management

Any description of strategy and strategic management in the Public Utilities Commission must be to a large extent dominated by the legal context of its operations. Section 49 of the Ohio Revised Code not only spells out the duties and responsibilities of the PUCO, but also declares that the Commission is to simultaneously provide the utilities with a "reasonable rate of return" and consumers with "adequate service at fair and reasonable rates". For most of the period of considered in this study, "[t]he Commission generally...viewed its role as being an impartial arbiter to balance or attempt to balance the interests of the different parties who came before it. In other words to weigh the interests of the utility on one hand and the consumers on the other hand and come to a result that was not only lawful, but fair and reasonable to all of the parties" (Christman, 1983). This notion of "balancing", as spelled out in the basic charter of the PUCO, has clearly been a key element in the strategy which emerged over time.

To suggest that the Commission attempted to balance the competing interests of producers and consumers is to say both everything and not nearly enough about strategy and strategic management in the PUCO. On the one hand, the notion of balance is critical to understanding PUCO
strategy because it represents not only the Commission's statutory mandate, but also because it captures a widely shared conception of organizational purpose and action taking. Most internal informants, in their portrayals of agency policy direction, emphasized the intersection of fact-finding (technical) and adjudication (legal) processes as central to the regulatory responsibilities of the Commission (Borrows, 1983 and 1984; Christman, 1983; Kelly, 1983; Liebman, 1984). This emphasis suggests not so much a preoccupation with routine process as a commitment to a particular philosophy of regulation. Putting this philosophy into the conceptual framework of this research, one might say that the "intended" strategy of the PUCO, required by law and embedded in the organizational self-concept, was to balance competing interests and to produce a result that was both lawful and equitable.

On the other hand, having made the claim that the Commission pursued an intended strategy which entailed balancing the interests and demands of its constituents, one may have said little about the strategy which was actually realized or about how the pattern of strategy evolved over time. The remainder of this section is devoted to a description and explanation of the emergent pattern of strategy in PUCO.
In approaching this discussion, it is important to reiterate the context in which intended strategy was established. Over a period of many years (1913 to 1973), the regulation of public utilities was a relatively straightforward activity involving only questions of technical complexity. In this stable environment, it was feasible for the PUCO to produce outcomes satisfactory both to consumers and producers. Although the process of regulation was quasi-judicial, it was not particularly adversarial (Christman, 1983; and, Forester, 1984). The parties to the regulatory process were, for the most part, technical experts from the Commission and the utility companies and regulatory decisions were based on a technical (legal) logic. As the section on agency background has suggested, a number of events, beginning with the Arab Oil Embargo of 1973, combined to dramatically alter both the environment of the agency and the pressures impacting on the regulatory process.

Strategy making, at least in part, requires that the strategist(s) interpret both the environment and the place of the organization in that environmental context. The interpretation of PUCO’s changing environment and the nature of organizational purpose and action by organizational members and observers helps us to understand the nature of the Commission’s strategic evolution. The
Commission began the period of concern to us (1974) with an approach to regulation focusing on long-term financial considerations associated with inducing investment in and by the utility companies. Given an environment characterized by economic growth and increased demands for services, the principal concern was to ensure that the companies had sufficient resources for expansion up to the levels of services that would be needed in the future (Christman, 1983; and, Kelly, 1983). Events after 1973 introduced a whole new set of considerations to the PUCO’s strategic calculus. To a significant degree, these considerations are captured by the notion of politicization of the regulatory process. Passage of the PUCO reforms of 1976 altered the institutional relationship between the Commission and the regulated producers. Creation of the Office of Consumers’ Counsel and its participation in the process of ratemaking tended to give further emphasis to a judicial conceptualization of the regulatory process. In other words, the Commission, facing new environmental conditions and institutional arrangements, continued to attempt the balancing of competing interests. What was different about this strategic response was that for the first time there was genuine competition among interests.

Previous description of the situation between 1977 and 1982 suggests that the strategy of balancing was neither
able to achieve the objectives of the Commission nor to satisfy its constituencies. The representatives of both producers and consumers saw the rate determination process as basically flawed by the attention given to competing interests (Forester, 1983; and Spratley, 1984). Balancing (like beauty) is in the eye of the beholder.

Other observers expressed the view that the PUCO lacked essential capacity to handle the new conditions in its environment (Borrows, 1984; and, Leland, 1984). "By the early 1970s, it was apparent to almost everybody that regulation was not working. The most obvious deficiency was administrative....The mechanisms weren't in place. So the first order of business in the early 1970s was to deal with administrative inefficiencies" (Borrows, 1984).

According to this view, the effort to improve of PUCO's administrative procedures ultimately made it possible for the Commission to turn to significant regulatory issues and policies (Borrows, 1984). Any suggestion that this provides evidence of an intended strategy, other than balancing, is undercut by other interpretations which emphasize the impact of the political environment on PUCO's emergent strategy. From this perspective, PUCO's shifting emphasis (from accommodation of producer interests toward greater protection of consumers) was a consequence of changed political conditions (Leland, 1984; Office of
Consumers’ Counsel, 1984; and, Spratley, 1984).

Synthesis of these different perspectives provides a reasonable sense of both the stimuli felt by the Commission and its response to them. Changing economic and political conditions led various constituencies to pressure the Commission to produce outcomes more favorable to their interests. Members of the Commission and the technical staff perceived these pressures as demands for more efficient technical processes. In response, the Commission tried to develop new administrative mechanisms and additional technical capacity. Consumers and their political representatives interpreted this program as a continuation of the status quo, and the utility companies believed that their had been a shift away from balance. One could argue that this series of interpretations by the Commission and its constituencies produced a cycle of misperceptions and reactions which amplified strategic error.

A second stage in the evolution of strategy at the Public Utilities Commission is tied to political events between 1980 and 1982. Having failed to achieve a new equilibrium operating under the terms of the 1976 law, the PUCO continued to be pressured toward an adjustment in its strategy. Several steps seemed to take the Commission in the direction of a more consumer-oriented focus. One area of continuing concern involved rate design and the
implications of rate design for consumers unable to pay higher utility rates (Kelly, 1983; and, Forester, 1984). Relatively, strong political pressures on the Commission resulted in new ways of dealing with the problem of utility shutoffs. Creation of the Public Interest Center was also reflective of the PUCO’s efforts to be responsive to consumer interests and concerns.

As noted earlier, these efforts were not sufficient responses given conditions in the political environment. However, the election of 1982 completed the transition to a clearly consumer-oriented focus (Brown, 1984; Forester, 1984; Gaylord, 1984; Leland, 1984; and, Office of Consumers’ Counsel, 1984). Requirements for membership on the new Commission as well as the specific appointments made by Governor Celeste ensured that the new Commissioners would be more proactive in their regulatory strategy and more responsive to consumer needs and demands (Brown, 1984; Gaylord, 1984; and, Leland, 1984). In the campaign, then candidate Celeste had made the PUCO a major issue. With the appointment of four new commissioners, Celeste had an opportunity to change the regulatory orientation of the PUCO. “It was clear that what the Governor wanted was to have a commission that was giving more emphasis to consumer concerns. When the nominees were interviewed by the Nominating Council, they were asked about these things...”
(Liebman, 1984). Throughout the first years of the administration, the Governor remained interested in the PUCO and found ways to make his interest known and influence felt (Brown, 1984; and, Forester, 1984).

It also seems clear that the staff perceived the change in Ohio’s regulatory climate. As the repository of expert knowledge in the PUCO and instruments of its organizational purpose, the staff played a major role in setting out the strategic direction of the Commission. From the perspective of the utility companies, staff direction setting has been, over time, increasingly influenced by political considerations. According to one observer, the staff "... in attempting to interpret what they should be doing, the direction they should be taking, have gone further than ... commissioners" (Forester, 1984).

The capacity of PUCO staff to shape the direction of the Commission is a long term phenomenon. Given the high level of turnover among commissioners and the technical requirements of regulatory decision making, it should not be surprising that the professional-technical staff exercises considerable power. What is more interesting is the responsiveness of the expert staff to conditions in the environment and its capacity to adjust regulatory strategy in light of the pressures bearing on the organization.
Specific manifestations of the Commission's strategy after 1982 can be found in a number of areas. Perhaps the most significant of these involve the Commission's increased involvement in the management of the utility companies. Under Ohio law, the Commission has statutory authority to consider management performance in the rate determination process. As previously noted, the PUCO has recently ordered management audits of Columbia Gas and of the Zimmer Nuclear Power Plant construction project. In addition to regulation and rate determination, the Commission has become involved in management issues related to setting standards for construction projects, utility shutoffs, and weatherization. In these instances, as in the management audits, the Commission has moved far beyond the bounds of traditional ratemaking. Interestingly, these areas are ones which serve to increase the discretion of the Commission and to involve it in setting its own regulatory agenda. "...[T]he Commission is being more aggressive about setting its own agenda. And, as I mentioned, we are still a reactive agency because we have to with all the problems that are brought to us by various constituencies, but there is some attempt to say, 'we see this as a problem, we are going to open up a case, and start an investigation into that.'" (Liebman, 1984). One case initiated by the PUCO, concerning the treatment of
customers without the means to pay for their utility bills, is illustrative of this tendency.

As suggested by the previous paragraph, the historical posture of the PUCO has been largely reactive, responding to the cases brought to it by its various constituents (Christman, 1983; and, Liebman, 1984). Both Commissioners and staff perceived the PUCO as having limited discretion both in rate determination and in ensuring quality of service (Christman, 1983). In the last few years, responding to its changed environment, the Commission has chosen to exercise its discretionary authority on a more frequent basis (Liebman, 1984; and, Forester, 1984). In two areas where the PUCO has considerable discretion, the amount of Construction Work in Progress permitted in the rate base and determination of a fair rate of return on investment, the pattern of decisions has generally come to favor the positions of consumers and their advocates (Forester, 1984; and, Office of Consumers’ Counsel, 1984).

Summing Up. This discussion has focused on the evolution of strategy and strategic direction in the PUCO. The interaction of environmental forces, incremental changes in legal requirements, and on-going adjustments in the interpretation of its mandates produced change both in the regulatory approach of the Commission and in the outcomes of its proceedings. Operating within a context that
mandated balanced outcomes, the PUCO seemed, nonetheless, to have the capacity to respond to pressures for a strategic adaptation to conditions in its environment.

**Analysis of Strategic Management in the PUCO**

The preceding discussion has begun to elaborate many of the factors associated with the pattern of strategy found in the PUCO. The purpose of this section is place that description of strategy into the framework developed in chapter three and employed in previous analyses.

**Nature and Strength of the External Influence Field.** The changing character of the external influence field and demands of external actors were central to the emergent strategy of the PUCO. As described in the two previous sections, the environment in which the Commission carried out its regulatory responsibilities changed significantly over time. With increased attention to regulatory policy and practice, the efforts of various constituents to influence decisions of the Commission also increased.

To some extent, an influence role for external actors is built into PUCO rate determination procedures. The adjudication process employed in setting rates charged by public utilities is not only dependent on data from the regulated company, but also open to the testimony of residential and commercial customers and their
representatives. In weighing the views of interested parties, the Commission seeks to find what is fair as well as what is lawful (Christman, 1983). Before 1973, however, the outcomes of PU CO action had limited impact and regulatory proceedings were not highly visible (Kelly, 1983; and, Leland, 1984). As the outcomes of regulatory decisions increased in salience, various constituents came to have a more active involvement in PU CO proceedings. Most significantly, the creation of the Office of Consumers’ Counsel (OCC) introduced a new and resourceful actor to the external influence field. Participation by a consumers’ representative in formal proceedings before the Commission offered new opportunities for influencing rate cases and clearly changed the balance of forces affecting PU CO decision making.

Another factor in the level of attempted influence was the increasing politicization of public utility issues. With the increased costs and impact of regulatory decisions, the PU CO repeatedly found itself on the political agenda. In 1976 and again in 1982, legislation was enacted affecting the Commission and its regulatory responsibilities. As noted previously, the composition and regulatory philosophy of the Commission also became a major political issue in the 1982 gubernatorial campaign. All of these factors contributed to the growing efforts by
external actors to influence the strategy and strategic
management of the PUCO.

As described above, various forces in the external
influence field sought to move the Commission toward
regulatory decisions more favorable to their interests. In
effect, producers wanted the PUCO to maintain a rate
structure which focused on providing an adequate rate of
return on investment as a means of ensuring long-term
production capacity. Consumers, on the other hand, sought
regulatory outcomes from the Commission that minimized
short-term consumer costs.

One might reasonably expect that external influencers
would have a relatively limited capacity to affect the
regulatory approach of the PUCO. External actors do not
exercise significant resource control since the PUCO budget
is funded by assessments against the utility companies and
not by legislative appropriations. Since the PUCO is an
independent regulatory commission, only a limited amount of
formal authority and control is held by actors outside the
Commission. Except for the governor, who exercises the
power of appointment (and reappointment), there would
appear to be few external actors with sufficient power or
resources to influence Commission decisions.

Nonetheless, the PUCO became increasingly susceptible
to the influence of its various constituencies. Over time,
the amount and nature of external influence increased substantially. The ability of the regulated utility companies to influence the decisions of the Commission was linked to regulatory philosophy. So long as the main objective of regulation was to ensure the long-term capacity of the companies to provide utility services, then close attention would be given to the views and concerns of the companies. Additionally, the utility companies gained influence based on their ability to control information and to provide expert knowledge. In order to produce satisfactory regulatory outcomes, the Commission had to rely on information provided by the regulated companies. Close attention, cooperation and regular working relationships produced an environment in which the companies had considerable influence (Christman, 1983). As consumers became more engaged by regulatory issues and gained an institutional representative before the Commission, their ability to influence the outcomes of regulatory proceedings also increased. This new found consumer influence can be attributed to a number of factors, including the ability of the Office of Consumers' Counsel to develop alternative analyses of rate cases and the growing attention of political actors to PUCO actions. For both producers and consumers, information and expert knowledge were critical resources in their efforts to influence regulatory issues.
Because the PUCO operated in a political as well as economic environment, the capacity of consumers and their representatives to mobilize political resources became a major factor in their ability to influence the Commission and to ensure its responsiveness.

Locus of Strategic Control. The independent standing of a regulatory commission would suggest the likelihood of an internal locus of strategic control. However, this study of the PUCO does not support that assumption.

Two factors seem to account for the relative complexity of the situation. Historically, the legal mandate of the PUCO, which required that it balance the competing interests of producers and consumers, had been interpreted by members of the Commission and by staff as requiring a specific regulatory approach. Until recently, the Commission has not conceived of itself as having considerable areas of discretion. In effect, its interpretation of its legal mandate served as a principal vehicle for external control.

Concurrently, the work of the Commission became less technical and more political, increasing the ability of external actors to influence PUCO proceedings. Political action changed the composition of the Commission, its rules of procedure, and its operational environment. Even
before the 1982 reforms, the increasing strength and changing balance of the external influence field pressured the Commission to produce more politically acceptable results. As part of its efforts to achieve more satisfactory regulatory outcomes, the Commission began to establish a new regulatory orientation. However, this can best be understood as a response to external pressures and control rather than a manifestation of strategic autonomy.

This judgment is consistent with the earlier finding that the strategy of the PUCO was emergent rather than intended. In addition to the effect of the external influence field, several environmental and organizational factors would seem to account for this external locus of control. Perhaps most importantly, the limited tenure in office of most members of the Commission has tended to create a top-level leadership vacuum. Although this void has been filled, at least in part, by the PUCO staff, these arrangements did not provide sufficient resources for autonomous direction setting. Similarly, the lack of organizational resources in the early 1970s made it necessary for the staff to focus on operational issues and may have set the tone for the remainder of the period (Borrows, 1984). Dissensus among members of the Commission, staff, and stakeholders regarding the means and ends of regulatory strategy contributed to a politicization of regulatory
issues and ensured that strategic issues would be controlled externally.

There is some evidence to suggest that the reforms of 1982, which changed the size and composition of the Commission, as well as the criteria for selection of members, may have enhanced the capacity of the Commission to take more control for setting out the direction of regulatory policy and procedure (Brown, 1984; and, Gaylord, 1984). This is reflected in the increasing number of instances where the Commission has, in effect, acted to set its own agenda (Liebman, 1984). On the other hand, these new initiatives have been interpreted as further instances of politicization and external control (Forester, 1984). Because so little time has passed, it is difficult to make any final judgments about changes in the PUCO's locus of strategic control.

Orientation Toward Change. This dimension has been previously defined as capturing the intended and realized impact of an agency's strategic choice and action taking. In the case of the PUCO, it is quite important to distinguish between intention and realization of strategic impact. During most of the past ten years, a main objective of Commission action was to maintain the existing "balance" between producer and consumer interests. However, over time, the realized strategy of the PUCO had the effect of
substantially altering the regulatory balance in favor of consumer interests (Borrows, 1984; Brown, 1984; Forester, 1984; Gaylord, 1984; and, Spratley, 1984).

An assessment of the factors contributing to this outcome is both interesting and instructive. For other agencies, it has been possible to identify a set of organizational and environmental factors which, in effect, conditioned the strategic objectives of the organization and provided the resources for engaging in strategic choice and action taking. In the case of PUO, it was a lack of consensus, leadership, and organizational capacity that rendered the organization incapable of achieving its intended impact. Instead, external factors and forces led the Commission to produce a fundamental change in regulatory outcome without regard for organizational objectives or preferences. The increasing visibility of the ratemaking process and its impact on residential and other consumers, the changing balance of power among external influencers, and the politicizing of regulatory processes all contributed to this fundamental change in orientation.

Scope of Strategic Management. Historically, the scope of strategic management in PUO was quite narrow. The almost singular strategic concern of the Commission was to ensure the capacity of the regulated utilities to
provide adequate service at reasonable rates. At the operational level, Commission activity focused on determining the rate of return required by the regulated companies and establishing the appropriate rate structure. This particular emphasis can be traced to the history of the PUCO, to the character of its regulatory mandate, the rather limited, technical conceptualization of its mission, and the constraints produced by its external influence field. However, since 1982, the scope of strategic management activity has increased significantly. The current concerns of the Commission extend beyond rate determination to various aspects of management performance, to energy conservation policy, and such utility-related social issues as the provision of utility services for those unable to pay. In part, this expanded scope reflects changes in the legislation establishing the regulatory mandate of the PUCO. However, there is also evidence that the Commission has developed an interpretation of its regulatory responsibility that extends beyond any changes in mandate (Brown, 1984; Forester, 1984; and, Gaylord, 1984). The external pressures which produced a revised regulatory approach have been documented throughout the chapter. These pressures also account for the expanded scope of PUCC’s strategic management.
Strategic Management Activity Level. Although the PUCO took actions which ultimately resulted in an adaptation in its strategic orientation, the forces producing this adaptation were generated outside the agency. According to one knowledgeable PUCO informant, the Commission and staff were not actively engaged in strategic management activities at any time (Borrows, 1984). The discussion of the other strategic management dimensions suggests reasons for this low level of strategic management activity. For one thing, PUCO's status as a regulatory agency produced only a limited mandate for strategic action. Moreover, the strategic objective of the Commission was to maintain the existing balance among competing interests. Until the most recent period, there were neither pressures nor incentives for members of the Commission to engage in extensive strategic choice and action taking.

When conditions changed and external forces began to exert pressures for a different regulatory orientation, the Commission did produce a strategic adaptation. However, this should be seen as an emergent rather than intended outcome. The strength of the external influence field and the related politicization of regulatory issues have already been described as producing an external locus of strategic control. With the basic responsibility for
strategic management resting with external forces, the Commission had few incentives for vigorous action. Similarly, the historical absence of leadership on the Commission and the lack of other resources which might have overcome external control minimized any likelihood of extensive strategic management activity.

**Direction of Strategic Movement.** Although there were some internal actions designed to enhance its regulatory capacity, the Commission's emergent strategy was related to the development of a regulatory approach congruent with the changing balance of environmental forces. Thus, the main outcome of strategic movement for the PUCO was directed externally toward transformation of its relationship with its environment. This finding is consistent with previous discussions regarding the emergent, externally controlled character of strategy and strategic management at PUCO.

Organizational conditions, as well as conditions in the environment supported an external strategic direction. Over time, the Commission received increasing pressure for fundamental changes in its regulatory orientation and in its relationships with stakeholders. The emergence of new institutional actors, expanded legislative mandates, and changing public demands were all substantive factors in this external movement. The absence of organizational
resources made it difficult for an alternative direction to develop. While there were some pressures for internal changes, there were only limited organizational resources available and few if any incentives for directing attention to those concerns.

**Summing Up.** As in previous chapters, the analysis of the factors producing strategy in the Public Utilities Commission of Ohio is summarized in tables 10 and 11. Similarly, figure 15 illustrates the PUCO’s deployment on six strategic dimensions. As pointed out in the two previous sections, strategy in the PUCO has largely been a product of external influence. Over time, the external influence field has added important new actors and forces, grown in strength, and changed the nature of the demands it makes on the Commission. As required by law, members of the PUCO have attempted to weigh and balance the competing interests of various constituents. Over time, as the outcomes of its traditional Balancing strategy became less acceptable, external pressures on the Commission and its staff produced different and more suitable regulatory results. Although politicization of the regulatory process led to more consumer-oriented policies, the underlying logic of Balancing was consistent throughout the period.
## TABLE 10

Strategic Factors in PDC (Rhodes Administration)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Dimensions</th>
<th>(1) External Influence</th>
<th>(2) Locus of Control</th>
<th>(3) Orientation Toward Change</th>
<th>(4) Scope of Strategic Management</th>
<th>(5) SM Activity Level</th>
<th>(6) Direction of Strategic Movement</th>
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+ = Presence of factor influenced deployment on the dimension
- = Absence of factor influenced deployment on the dimension
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**Internal**
- Size & Cost
- Discretion
- Consensus
- Leadership
- Technology
- Org. Competence
- Policy Type
- Resource Scarcity
- Consistency

**External**
- Visibility
- Importance of Outcome
- Risks & Payoffs
- Fiscal Conditions
- Resource Control
- Balance of Power
- Formal Authority
- Political Agenda
- Inducements & Sanctions
- Stakeholder Preferences
- Public Support
- Legal Mandates
- Countervailing Forces
- Influence of Other Dimensions

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<td>Produce Fundamental Change</td>
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Figure 17

Deployment on Dimensions of Strategy in PUCO
Chapter Nine

Conclusions from the Ohio Studies of Strategic Management

Each of the last four chapters has presented the results of a field study of strategy and strategic management in an agency of state government in Ohio. In this concluding chapter, those findings are summarized and integrated with the theoretical perspective developed in chapter three. Before proceeding with that analysis, it might prove useful to reintroduce the research questions that have guided this dissertation.

The first of the two research questions asked: What are the characteristics (dimensions) of strategy and strategic management in public agencies? This question was principally concerned with the nature of strategy and strategic management in public organizations and with the identification of the dimensions characterizing those strategies. In effect, it asked: what are strategies and how are they produced? The second question asked: What are the factors associated with the pattern of strategy and strategic management in a public agency? This question suggested that the research would identify the environmental and organizational variables moderating strategy and
strategic management of public organizations.

The two research questions as posed in chapter one provide the context for this concluding chapter. In fact, the main objective of this chapter is to provide answers to these questions. The chapter is organized as follows. First, the process of strategy formulation and evolution in public organizations is discussed. This presentation is based on the multiple dimensions of strategy introduced in chapter three. Next, the influence of various environmental and organizational factors on the patterns of strategic choice and action taking is assessed. Attention is then given to formulating a strategic management approach derived from the Ohio studies. Last, the implications of this research both for the academic study of public management and for its practice are considered.

**Dimensions of Strategic Management**

As discussed in chapters two and three, an important issue in the development of a theory of strategic management in public organizations concerns the discovery of a basis for describing and classifying the patterns of strategic choice and action taking found in empirical studies of public agencies. In presenting the four case studies of Ohio agencies, the strategy of each agency was analyzed in terms of six dimensions. The dimensions
employed in these analyses were: 1) Nature and strength of the external influence field; 2) Locus of strategic control; 3) Orientation toward change; 4) Scope of strategic management; 5) Strategic management activity level; and, 6) Direction of strategic movement. This particular analytical format was selected because these dimensions were thought to capture essential features of strategy in public organizations. In other words, it seemed that the strategy of any public organization could be represented by its pattern of deployment on the six dimensions. From the accounts of strategy and strategic management in chapters five through eight, it should be clear that the framework can be employed for descriptive purposes. It remains necessary to demonstrate its usefulness in constructing a classification of the strategies found in public organizations.

The discussion in chapter three suggested that the strategy of a public organization was defined by the pattern of choice and action taking which results from the co-alignment of the demands and pressures acting on the organization with its internal strivings, capabilities, and competencies. As described in the four empirical studies, the external influence field is the main source of the demands and pressures acting on the organization. Over time, the strength of that field and the nature of the
demands it makes on the organization are among the fundamental determinants of organizational strategy. The nature of this process can be illustrated by reference to the cases presented previously.

In the Department of Mental Retardation and Developmental Disabilities (DMRDD), the conjunction of well organized constituent groups, emerging national norms and professional standards for treatment, legal mandates, and a new service delivery technology produced pressures on the Rhodes administration that resulted in a community-based strategy for providing services to the MR/DD population. As described in chapter six, the capacity of these external forces to influence the Department decreased during the first years of the Celeste administration. As external actors lost capacity to influence strategy in DMRDD, senior management was able to achieve a greater measure of strategic control. The declining capacity of external influencers was a major factor allowing for the creation of a modified strategy in the Celeste administration.

The character of the external influence field and changes in it over time were significantly different in the case of the Public Utilities Commission of Ohio (PUCO). As the economic outcomes of regulation became increasingly salient to various constituents, the attention of external actors to the regulatory process also grew. With increased
activity, the capacity of consumers and their institutional representatives to influence the regulatory philosophy and approach of the PUCO increased and produced a new strategic balance.

These brief recapitulations of the role of the external influence field in the development of agency strategy are intended to suggest that it is appropriate to employ this dimension as one element in the classification of patterns of strategy. A related aspect in classification concerns the locus of strategic control for an agency. This dimension has been defined as reflecting the agency's capacity for taking strategic initiative. In effect, this dimension captures whether the agency has the ability to set out its own direction or whether its strategic approach has been established externally. As noted in the analyses of strategies of the Ohio agencies, there is a close connection between an agency's deployment on this dimension and the strength and nature of its external influence field. The exact nature of this relationship requires careful exploration.

Examples of the ways in which locus of strategic control serves as a major dimension in the type of strategy found in a particular agency are also provided in the case studies of Ohio agencies. The Department of Natural Resources under Director Robert Teater developed a clear
strategic program, emphasizing management improvement and program development. This strategy was established almost exclusively by DNR's senior management. The viability of DNR's strategy was linked to external acceptance of Department policies, but the initiation of those policies was not controlled externally. A similar pattern in the locus of strategic control was found in several agencies in the Celeste administration. The Department of Public Welfare and the Department of Mental Retardation and Developmental Disabilities were generally able to exercise internal control over strategic direction setting. In both instances, the strategic program required minimal external support, relying instead on the development of internal consensus and program management capacity.

In contrast, the main sources of strategic direction for these same two departments in the Rhodes administration and for the Department of Natural Resources in the Celeste administration were found, at least in part, externally. Strategic direction for DMRDD was shaped by legal mandates, the demands of external constituents, and national standards of professional practice. In DPW, the need to satisfy legislative and other political overseers dominated agency strategy. Strategy in DNR, as in the Department of Public Welfare, was largely controlled by political considerations.
In addition to these two dimensions, the strategies available to public organizations can be classified in terms of orientation toward change, scope, activity level, and direction of strategic movement. Orientation toward change captures an important element of an agency’s strategic intention; strategic choice and action taking may be intended to produce fundamental change in the agency’s environment or in its operations, or may be intended to maintain the status quo. The best examples of these two distinctive orientations are provided by the Department of Mental Retardation and Developmental Disabilities and the Department of Public Welfare.

As described in chapter six, DMRDD’s main strategic objective was to transform its service delivery system and, thereby, transform itself. Although the initial impetus for this transformation came from largely external forces, it became a widely shared objective among the senior managers and policy makers of the Department, producing substantial changes in management philosophy, program activities, and patterns of funding.

In contrast, DPW, under the leadership of Director Kenneth Creasy, was almost singularly concerned with maintaining its identity and protecting its core programs. As a result, senior management was responsive to external forces and attentive to political considerations, while
maintaining strong internal controls. This strategy produced few new programs or approaches, but was able to block the most serious threats to Department operations.

The strategic management of an agency may encompass a broad range of strategic issues and concerns or may be more restricted in its scope. Scope of strategic management captures another aspect of strategic intent, defining, in effect, the agency’s strategic action space. The nature of variation on this dimension can be illustrated by reference to the Public Utilities Commission of Ohio. As described in the previous chapter, the emergent strategy of the PUCO moved the agency from a relatively narrow concern with the technical details of regulation toward a much broader and more inclusive definition of its regulatory responsibilities. Major features of this new orientation were a new concern for the interests of consumers and increased involvement in the operations and management of the utility companies.

Other instances of change in the scope of strategic management were found in the Department of Natural Resources and in the Department of Public Welfare. In DNR, the agency’s strategy went from a relatively broad concern for issues and constituencies to a much narrower focus. DPW strategy went from a narrow focus on political relationships and program maintenance to a somewhat broader
concern for management improvement and development. In both cases, changes in the scope of strategic management were linked to the change in administrations and reflected a secondary element in the transformation of strategy in those agencies. The scope of strategic management in the Department of Mental Retardation and Developmental Disabilities remained quite broad throughout the ten year period. During the Rhodes years, this orientation was the product of external pressure for changes in the delivery system. In the Celeste administration, the broad scope of strategic management reflected the preferences of senior management and the strategic direction they had chosen for the Department.

In general terms, strategy refers both to the objective (outcome) sought or achieved and to the path of movement pursued or realized for the organization as a whole. From that perspective, since each of the agencies realized some movement to arrive at a new position or outcome, it is clear that a strategy of sorts was in place for each of them. However, that is not to say that each agency was equally concerned with strategic issues or with acting on a specific strategic agenda. As reflected by the accounts of strategic management in the four Ohio agencies, the strategic management activity level of an agency and of its senior management may vary from active to relatively
inactive.

The level of strategic activity in the area of mental retardation was relatively low in the first years of the Rhodes administration. Until the creation of a separate department identified with MR/DD issues, the major concern of senior management (of the Department of Mental Health and Mental Retardation) was to minimize pressures on the existing system. Once a separate department came into being, the level of strategic management activity increased, largely in response to the demands of external constituents. In the first years of the Celeste administration, the level of activity was, if anything, higher than it had been previously, once again reflecting the style and preferences of senior management.

Similar movement (toward greater strategic management activity) was found in the MOUC. In that agency, growing demands and pressures from external stakeholders produced a new approach to a regulatory agenda in which the Commission was more actively engaged. Manifestations of this increased level of activity can be found in the Commission's relatively new practice of initiating cases and in its efforts to monitor management performance.

In contrast, DNR and DPW were judged to have maintained a fairly consistent level of activity across the two administrations. Although the senior managements of DNR
had different strategic objectives, both were vigorous in their efforts to carry out the agendas they had set. The claim that DPW was consistently active in its strategic management requires some explanation. The reader may recall that during the Rhodes administration the Department was perceived by many observers as “do-nothing” and inactive. In terms of program activity, this appears to be a reasonable judgment. However, as pointed out in the discussion in chapter seven, the strategy of Director Creasy, which aimed to protect the core elements of the Department, was based on building good external relations, taking few program initiatives, and keeping a low profile. In this light, the efforts of senior management to accommodate external demands and to control internal operations were more clearly strategic in nature. The level of strategic management can be described as moderate rather than low.

The strategy of an agency may be directed toward relationships with elements in its environment and/or it may be intended to manage internal tasks, technologies, structures, or personnel. Direction of strategic movement reflects the realized impact of an agency’s strategy on its environment and/or its own internal components. In the Ohio case studies, all of the hypothesized patterns of strategic movement were observed. During the Rhodes
administration, strategic movement in DNR was both internal and external, while in DMRDD and DPW strategic movement was largely internal. In the Celeste administration, DPW and DNR continued the same direction of strategic movement, while DMRDD changed in the realized direction of its strategic choice and action taking. Throughout the period, the strategic movement of the PUPO was consistently directed toward its external environment.

In both DNR and DPW, the impetus for the observed pattern of strategic movement and its strategic objectives were different in the two administrations. During the Rhodes administration, DNR's simultaneous internal and external movement was intended to produce increased organizational competence and program development. Later, in the Celeste administration, the same pattern of strategic movement was aimed at achieving control of the organization and satisfying the political demands of politically relevant external constituents. In the Rhodes administration, internal strategic movement in DPW was intended to produce tight control over internal operations. During the Celeste administration, internal strategic movement was designed to enhance organizational capacity and competence.

Agency deployments on each of the dimensions of strategy are summarized in Table 12. These data are drawn from the analyses in each of the empirical chapters. In
Table 12

Summary of Agency Deployments on Dimensions of Strategy

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Dimensions</th>
<th>External Influence Field</th>
<th>Locus of Strategic Control</th>
<th>Orientation Toward Change</th>
<th>Scope Strategic Mgt.</th>
<th>Strat.Mgt. Activity Level</th>
<th>Direction Strategic Movement</th>
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</thead>
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<tr>
<td>RHODES</td>
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<td>Mixed</td>
</tr>
<tr>
<td></td>
<td>DMHRDD</td>
<td>Strong</td>
<td>External</td>
<td>Fundamental</td>
<td>Broad</td>
<td>Low to High</td>
<td>Internal</td>
</tr>
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<td></td>
<td>DHW</td>
<td>Strong</td>
<td>External</td>
<td>Incremental</td>
<td>Narrow</td>
<td>Moderate</td>
<td>Mixed</td>
</tr>
<tr>
<td></td>
<td>PUCO</td>
<td>Weak to Moderate</td>
<td>External</td>
<td>Status Quo to Incremental</td>
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<td>Low</td>
<td>Mixed</td>
</tr>
<tr>
<td>CELESTE</td>
<td>DNR</td>
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<td>External</td>
<td>Incremental</td>
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<td>High</td>
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</tr>
<tr>
<td></td>
<td>DMHRDD</td>
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<td>Internal</td>
<td>Fundamental</td>
<td>Broad</td>
<td>High</td>
<td>Mixed</td>
</tr>
<tr>
<td></td>
<td>DHW</td>
<td>Weak</td>
<td>Internal</td>
<td>Incremental</td>
<td>Moderate</td>
<td>High</td>
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<tr>
<td></td>
<td>PUCO</td>
<td>Strong</td>
<td>External</td>
<td>Fundamental</td>
<td>Moderate</td>
<td>Moderate</td>
<td>External</td>
</tr>
</tbody>
</table>
discussing the role of the dimensions in producing specific patterns of strategy, reference will be made back to this table.

Each of the dimensions discussed and illustrated above has been shown to contribute to the patterns of strategy found in the Ohio agencies. In terms of classification, however, strength and nature of the external influence field and locus of strategic control seem to produce the most significant distinction between types of strategy. As a consequence, a classification of strategies available to public agencies must take each of these fundamental dimensions into account in some way. Figure 18 illustrates the four strategic types which can be derived from bringing together these two dimensions.

![Figure 18](image)

**Figure 18**

Fundamental Classes of Strategies for Public Agencies
Interestingly, the empirical findings, which are shown in Table 13, are only partially consistent with the theoretical framework. Only the self-directed, externally directed, and emergent strategies expected in theory were found in the Ohio agencies. The intendedly responsive strategy produced by an agency under conditions of strong external influence and internal strategic control was not found in any of the cases. These findings would seem to follow from the relationship between the strength of external influence field and the locus of strategic control. In cases where the external influence field was strong, unified, and clear in its expectations, the locus of strategic control was external. Where external forces were less influential or where the agency had greater organizational resources and capabilities, the locus of control was retained internally. The empirical relationship between these two dimensions is remarkably consistent; a strong external influence field is associated with an external locus of control and vice versa. Moreover, changes in the strength and nature of the influence field (e.g., from strong to weak) whether across administrations or over time, are associated with changes in the locus of strategic control. There was no instance where an agency experienced strong pressures from the external influence field and still retained internal strategic control.
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Agency</th>
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</thead>
<tbody>
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<td>DPW (Celeste)</td>
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<tr>
<td></td>
<td>DMRDD (Celeste)</td>
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<td>Externally Directed</td>
<td>DMRDD (Rhodes)</td>
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<td></td>
<td>DPW (Rhodes)</td>
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<tr>
<td></td>
<td>DNR (Celeste)</td>
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<td></td>
<td>PUCO (Celeste)</td>
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<tr>
<td>Emergent</td>
<td>PUCO (Rhodes)</td>
</tr>
</tbody>
</table>
These findings are significant not because they suggest the importance of external influence in establishing the strategy of a public organization. The role of external factors in the pattern of choice and action taking of public organizations is relatively well known (Backoff, 1981; Meyer, 1979; Perry et al., 1981; Rainey et al., 1976; Wamsley and Zald, 1973; and, Warwick, 1975). Rather, these findings begin to establish 1) that public organizations can be self-directed in their strategic choice and action taking, and 2) the conditions under which strategic self-direction is possible. Later in this chapter, the conditions associated with the various patterns of strategy will be more fully discussed. Before turning to that discussion, however, it is necessary to consider the role of the other dimensions in producing the more fully articulated strategies of public organizations.

Each of the more complex strategies discussed in the preceding chapters is derived from the fundamental strategies presented above. These fully articulated strategies result from the impact of the other four dimensions on the fundamental strategic categories. In effect, the other dimensions (orientation toward change, scope of strategic management, strategic management activity level, and direction of strategic movement) produce permutations of the fundamental strategies. This process can be illustrated by
reference to strategy and strategic management in the Department of Public Welfare and the Department of Mental Retardation and Developmental Disabilities.

During the Rhodes administration, the overall strategy of DPW was described as Protective. The externally directed strategy produced by the strong external influence field and the external locus of strategic control were modified by the Department's deployment on the other four dimensions. DPW's orientation toward change (incremental) followed from its strategic objectives. Key officials, including the Governor and Director Creasy, were obviously dissatisfied with DPW's external relationships and actively sought to reduce the threat they posed to the Department. The twin objectives of Department strategy were accommodation of external political pressures and protection of essential programs. These strategic objectives were manifested by DPW's mixed direction of strategic movement. Strategy was aimed both at improving external relationships and controlling internal operations. Given these objectives, the Department chose both a relatively narrow scope of strategic management and restricted its strategic activity level. Although the fundamental strategy of DPW was externally directed, the strategic choices made by the Department had the effect of producing a Protective strategy which was consistent with the
strategic objectives of senior management.

The Transformational strategy adopted by DMRDD in the Rhodes administration was produced from modifications in the same fundamental strategy as found in DPW. DMRDD's complex strategy was also the result of its deployments on the other strategic dimensions. An orientation toward fundamental change was the key element in the modification of DMRDD's fundamental strategy. In this case, both external influencers and Department strategists shared a commitment to the development of a substantially different service delivery system. This commitment motivated the high level and broad scope of strategic management activity found in the Department.

A similar process was at work in the other Ohio agencies. During the Celeste administration, the Department of Natural Resources adopted a Political strategy as an outgrowth of its efforts to gain control of the Department. In the same administration, DPW pursued a Developmental strategy that was focused internally. All of this suggests that the four fundamental strategies can be modified in a variety of ways and by almost any combination of the other four dimensions. As a result, the number of strategies that are available to public organizations is quite large. The five distinctive strategies identified in the Ohio agencies represent only a small portion of the full range
of possible strategies.

Organizational and Environmental Factors Affecting Strategy

In each of the Ohio agency case studies, a set of factors were identified as influencing the pattern of strategy in the agency. These organizational (internal) and environmental (external) factors have been shown to affect the agency’s deployment on each of the dimensions of strategy discussed above. In this section of the chapter, individual findings are summarized across agencies and administrations. Following the practice of chapters five through eight, this discussion is organized around the six strategic dimensions.

Strength and Nature of the External Influence Field.

Not surprisingly, the most salient factors affecting the strength and nature of the external influence field were external. The visibility of an agency or its program activities was related to the level of attempted influence in five of the eight cases. Visibility seems not only to increase the attention which external actors give to an agency, but also to increase the importance of outcomes to various stakeholders. As the importance of outcomes increases, attempts at influence also increase and mechanisms to achieve external control are frequently developed. Such a pattern can be seen in both DMRDD
(Rhodes) and PUCO. In DMRDD, the bringing of class action lawsuits, lobbying efforts, and media attention increased public awareness of the nature of conditions in the developmental centers. These pressures and resulting changes in the requirements for care of MR/DD clients raised the significance of outcomes for various political actors. Advocates not only saw the emerging service delivery system as an avenue for ensuring adequate treatment levels, but also as a means of gaining leverage in their dealings with the Department. Legislators were faced with increased political pressures from advocate groups who wanted change and from other constituents (employees of developmental centers, neighborhood groups, etc.) who were less supportive of change. Increases in the size and cost of DMRDD programs increased the salience of economic considerations. All of these considerations led to more attention and more extensive efforts to influence the strategy and strategic management of DMRDD.

Similarly, greater visibility of the regulatory process and increased economic impacts from ratemaking led to more attention and increased efforts to influence policy at PUCO. In this instance, the activation of the external influence field was coupled with changes in the balance of power among constituents and public support for a new regulatory orientation.
Resource control influenced the ability of external actors to influence strategic management in six of the eight agencies. In DMRDD (Rhodes) and DNR (Celeste), the ability of legislators and other external actors to control economic resources was an important influence on the pattern of strategy. Perhaps more interestingly, it was found that the absence of resource control limited the ability of external actors to influence strategy and the receptivity of the agencies to that influence in DNR (Rhodes), PUCO (Rhodes), DMRDD (Celeste), and DPW (Celeste).

In DNR (Rhodes), the development of autonomous sources of funding, combined with extremely good legislative and constituent relations, significantly reduced resource dependence. As a consequence, external actors were less influential and the Department experienced fewer externally imposed constraints. During the Celeste administration, resource control emerged as a more significant factor. DNR’s inability to secure passage of a satisfactory budget allocation not only illustrated its political vulnerability, but also expanded the capacity of legislators to influence the Department’s strategic choice and action taking. Stakeholder preferences were a factor in the deployment of six agencies on the external influence dimension. However, two distinct relationships seem to be
reflected here. In DMRDD (Rhodes), DPW (Rhodes), DNR (Celeste), and PUCO (Celeste), the preferences of key stakeholders served to enhance external control. In effect, the departments were simply responding to and accommodating the preferences of key stakeholders. DNR (Rhodes) and DPW (Celeste) saw stakeholders as providing resources that increased internal capacity and allowed greater freedom from external influence and control.

Two other external factors merit some discussion. Legal mandates, i.e., explicit statements of legislative or judicial intent, were somewhat less influential than had been expected. Only in the case of PUCO and DMRDD (Rhodes) were legal mandates related to the strength and nature of the external influence field. As noted in chapter eight, the Commission was required by statute to take into account constituent inputs to the regulatory process. As a result, the PUCO’s institutional arrangements allowed for external influence and the Commission was far more open than would have been the case otherwise.

Beyond their direct impact on the behavior of agencies, legal mandates can be seen as the resources which other external actors use to exert influence. Advocacy groups and other external actors interested in DMRDD used court decisions and legislative policy statements to pressure DMRDD. Legal mandates, which, for example,
required the creation of advisory groups also provided constituent groups with access to Department decision making.

The political agenda of external actors was a relevant factor in the strength and nature of the external influence field in five agencies. Political considerations, however, weighed most heavily in the Celeste administration, affecting all four of the agencies studied. In part, this simply reflects differences between the two governors. Although Governor Rhodes was no less political than Governor Celeste, his political objectives were not generally realized through direct, positive involvement in the management of these agencies. In contrast, the political agenda of the Celeste administration was directly connected to the activities of each agency, including PUCO. Efforts to achieve political objectives led to regular attempts to influence the strategic direction of the agencies. In the case of DNR, this was reflected both in the general politicization of the Department and in the adoption of a strong environmental and enforcement orientation. Strategy making for DPW and DMRDD was influenced by the statewide strategic planning process, which made clear jurisdiction-level preferences. Similarly, PUCO staff described how the administration made its preferences and orientations known to the Commission.
Other factors also affected the deployment of some agencies on this dimension. Table 14 summarizes the findings for all of the factors affecting the strength and nature of the external influence field.

Locus of Strategic Control. While many factors were found to affect the locus of strategic control in the Ohio agencies, only a relatively small number had an impact across agencies and administrations. Among the most important factors were leadership, internal consensus, and organizational competence. The presence of these factors empowered the organization and allowed for internal control of strategic management. Leadership proved to be especially important in DNR (Rhodea) and DPW (Celeate). In both cases, strong directors created conditions leading to development. Support from internal actors (consensus) and increased capacity for high performance (organizational competence) reinforced the developmental thrust. Where these internal resources were absent, the locus of strategic control was likely to be external to the agency. The absence of leadership, particularly where agencies lacked shared commitments or where they lacked appropriate capacities, made it difficult to gain control of strategic direction.
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<thead>
<tr>
<th>Factors</th>
<th>Dimensions</th>
<th>Rhodes</th>
<th>Celeste</th>
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<td>Visibility</td>
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<td>Importance of Outcome</td>
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<td>Risks &amp; Payoffs</td>
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<td>Fiscal Conditions</td>
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<td>Balance of Power</td>
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<td>Inducements &amp; Sanctions</td>
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<td>Stakeholder</td>
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<td>Preferences</td>
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<td>Influence of Other Dimensions</td>
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</table>

+ = Presence of factor influenced deployment on the dimension
- = Absence of factor influenced deployment on the dimension
Stakeholder preferences (for internally-directed strategic management) was the only external factor with significant influence, affecting both DNR (Rhodes and Celeste) and PUCO (Rhodes). In the case of DNR, important organizational stakeholders approved a pattern of internal control in the agency, largely because it was consistent with the achievement of their favored objectives. In the Rhodes administration, this support permitted DNR to pursue a developmental strategy initiated and directed internally. Later, as environmental groups and political actors became more relevant stakeholders for DNR, they provided support for the movement toward external political control.

As discussed earlier in the chapter, an important theoretical element in an agency’s locus of strategic control is the strength and nature of the external influence field. This influence was very strongly felt in all eight of the Ohio cases. From the previous discussion regarding the role of the external influence field, it should be clear that this dimension represents the full force of the pressures and demands placed by external actors on an agency. The greater the capacity of these actors to influence strategic choice and action taking in an agency, the more likely it is that the locus of strategic control will be external. This was illustrated in table 12.
A number of other factors, including discretion, resource control, public support, and countervailing forces, were found to affect the locus of strategic control in one or more of the Ohio agencies. All of the factors found to influence deployment on this dimension are summarized in Table 15.

Orientation Toward Change. The organizational change literature suggests that orientation toward change will be influenced by the interaction of external pressures and demands with the agency’s internal strivings and capabilities (e.g., French, 1969; and, Greiner, 1967). This theoretical relationship is strongly confirmed by the Ohio strategic management studies. Among the factors affecting the deployment of the Ohio agencies on this dimension were internal consensus, change in technology, political agenda, stakeholder preferences, public support, and legal mandates. An internal consensus regarding the aims and direction of organizational policy and strategic management served to energize DNR (Rhodes and Celeste), DMRDD (Rhodes and Celeste), and DPW (Celeste) and allowed each to pursue strategies aimed at changing internal and external conditions and relationships. As described in chapter six, fundamental change in DMRDD was motivated largely by external pressures and demands. The development of new
<table>
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* + = Presence of factor influenced deployment on the dimension
  - = Absence of factor influenced deployment on the dimension
applied behavioral science technologies increased pressures for transformation of MRDD's service delivery system. These pressures were supported by a series of court decisions and by the strong preferences of external stakeholders. The effects of external demands for change reinforced the commitments (internal consensua) of senior management and professional staff. Interestingly, as these externally-generated pressures became less relevant in the Celeste administration, internal goals and objectives (strivings) seemed to gain force.

In other agencies, preferences of external stakeholders served both to promote change and to constrain it. Over time, increasing numbers of PUCCO constituents came to favor fundamental changes in its regulatory orientation. As shown in chapter eight, these preferences substantially influenced development of a strategy for change. The preferences of stakeholders, especially in the Rhodes administration, served to limit both DPW's interest in and capacity to execute fundamental change. Similarly, DPW was constrained by the absence of public support for its programs and policies. The factors influencing orientation toward change in the Ohio agencies are summarized in table 16.
Table 16

Factors Affecting the Orientation Toward Change

<table>
<thead>
<tr>
<th>Factors</th>
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<td>Risks &amp; Payoffs</td>
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<td>Pressures</td>
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<tr>
<td>Influence of Other</td>
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* = Presence of factor influenced deployment on the dimension  
- = Absence of factor influenced deployment on the dimension
Scope of Strategic Management. The ability of an agency to occupy a broad domain of strategic choice and action largely follows from its internal resources and from the support it receives from its environment. Conversely, a narrow scope of strategic management results from a lack of resources and from constraints imposed by the environment. The factors generally influencing this dimension of strategy in the Ohio agencies were discretion, internal consensus, leadership, organizational competence, preferences of stakeholders, and public support. The relationships which were supported by the findings of this research are summarized in table 17.

In some sense, the amount of discretion exercised by an agency and its scope of strategic management are identical. Discretion is connected to the legal mandates imposed on an agency, the relationships it has with its jurisdiction-level controllers and other stakeholders, and the strength and nature of the external influence field. The scope of strategic management in DNR (Rhodes) was substantially broadened by a high level of discretion. Political actors, including the Governor and leaders of the General Assembly, had confidence in the Department and in its strategic direction. Although senior management of DPW (Rhodes) enjoyed the support of the Governor, legislative confidence in the capacity and strategic direction of the
Department was quite low. As a result, the General Assembly took numerous steps to limit managerial discretion and to narrow the scope of strategic management open to the Department.

A shared commitment to strategic goals and objectives (internal consensus), mobilized and guided by the director and senior management (leadership), was generally associated with a broad scope of strategic management. Similarly, as described in chapter seven for DPW (Celeste), confidence in the capacity of the organization (competence) produced higher levels of aspiration, generated external support, and, ultimately, reinforced capacity for an expanded domain of action.

Stakeholder preferences for particular forms of strategic choice and action taking and public support for the agency influenced the scope of strategic management in four of the eight agencies. In both DPW (Rhodes) and DNR (Celeste), the absence of public support was found to be a major constraint on the scope of its strategic management. In DPW (Rhodes), the anti-welfare orientation of the Governor and key legislators limited the scope of strategic choice and action taking. Beyond these direct external influences, the overall force of the external influence field was seen as a significant element in determining the scope of strategic management in all of the Ohio agencies.
### Table 17
Factors Affecting the Scope of Strategic Management

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Rhodes</th>
<th>Celeste</th>
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</thead>
<tbody>
<tr>
<td><strong>Factors</strong></td>
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<td><strong>DMRDD</strong></td>
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<tr>
<td>Internal</td>
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<tr>
<td>Size &amp; Cost</td>
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<tr>
<td>Discretion</td>
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<tr>
<td>Consensus</td>
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<td>Leadership</td>
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<td>Org. Competence</td>
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<td>Policy Type</td>
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External

| Visibility |         |         |         |         |         |         |         |         |
| Importance of Outcome |         |         |         |         |         |         |         |         |
| Risks & Payoffs |         |         |         |         |         |         |         |         |
| Fiscal Conditions |         |         |         |         |         |         |         |         |
| Resource Control |         |         |         |         |         |         |         |         |
| Balance of Power |         |         |         |         |         |         |         |         |
| Formal Authority |         |         |         |         |         |         |         |         |
| Political Agenda |         |         |         |         |         |         |         |         |
| Inducements & Sanctions |         |         |         |         |         |         |         |         |
| Stakeholder Influence |         |         |         |         |         |         |         |         |
| Preferences | +      | +       | +       |         | +      |         |         |         |
| Public Support | +      | -       | -       |         | +      |         |         |         |
| Legal Mandates |         |         |         |         |         |         |         |         |
| Countervailing Forces |         |         |         |         |         |         |         |         |
| Influence of Other Dimensions | 1  | 1       | 1       | 1       |

* = Presence of factor influencing deployment on the dimension
- = Absence of factor influencing deployment on the dimension
However, the exact nature of this relationship cannot be specified since deployments on one variable are not uniquely associated with deployments on the other.

**Strategic Management Activity Level.** The level of strategic management activity in an agency was generally associated with a set of internal organizational factors as well as complementary factors in the environment. Agencies with generally high levels of strategic management activity (DNR, DMRDD, and DPW) shared some or all of the following: internal consensus regarding the appropriate ends and means of organizational action; positive leadership that sought to achieve commonly shared objectives; and, high levels of organizational competence. DNR (Celeste) was the one high activity agency not fully congruent with this pattern. However, as will be shown later, external factors were at work which augmented internal pressures for a high level of strategic management activity in that agency.

External factors were found to have a major impact on this dimension. Agencies, whether self-directed or externally controlled, were responsive to the preferences of stakeholders. Public support, which was a factor in only two agencies, seemed to provide a justification for the level of strategic activity. The political agenda of significant actors in the agency’s environment served to
influence the level of activity in four agencies. In PUCO (Celeste), for example, the Governor's desire for greater regulatory activism was influential in establishing the Commission's regulatory approach. Similarly, jurisdiction-level strategic planning in the Celeste administration influenced the level of strategic activity in DPW and DMRDD. The factors which were found to affect this dimension are displayed in Table 18.

Direction of Strategic Movement. The discussion of the previous four chapters has shown how each of the Ohio agencies achieved strategic direction. In most, this direction was both internal and external; in others, it was largely external in its orientation; and, in some others, almost exclusively internal. The factors influencing the direction of strategic movement proved to be similar in character to those identified for other dimensions of strategy and strategic management. Among the factors found to be significant in deployments on this dimension were internal consensus, leadership, stakeholder preferences, political agenda, and public support.

In five of the cases, internal consensus regarding the means and ends of strategy was an important factor in the development of strategic direction. In both administrations, senior staff in DNR and DMRDD shared a common vision
Table 18
Factors Affecting the Strategic Management Activity Level

<table>
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+ = Presence of factor influenced deployment on the dimension
- = Absence of factor influenced deployment on the dimension
of what their department should be and how it should achieve that desired future state. Under Director Cuddy, DPW reached consensus on a direction emphasizing management development and program improvement. The leadership provided by senior management was similarly crucial in shaping strategic direction in four of the Ohio agencies. In DNR (Rhodes), DPW (Rhodes and Celeste) and DMRDD (Celeste), the agency CEO was a major force in setting out direction. In DNR, for example, the realized strategy in both administrations was closely linked to the management styles, program orientations, and preferences of the directors. Stakeholder preferences were an important determinant of strategic direction because the Ohio agencies, at least in part, sought to respond to key actors in their environment. The direction of strategy, whether internal or external, was considerably influenced by the direct force of stakeholder preferences. In PUOD, for example, the externally directed movement to reorient regulatory outcomes was a clear product of increased pressures from consumers and their institutional representatives. Only in DMRDD (Celeste) did the agency resist the preferences of stakeholders. This exceptional pattern seems to have occurred because the force of other influences swamped the effects of external pressures. The jurisdiction-level political agenda proved
to be influential in three cases. In DPW (Rhodes), the attitude of the Governor and key legislators pressured the Department to emphasize both external relationships and internal control. All of the factors found to influence the direction of strategic movement in the Ohio agencies are illustrated in Table 19.

**Summing Up.** Looking across dimensions, it would appear that relatively few factors had direct effects on the deployments of the agencies. For five of the dimensions, deployment was influenced by a small number of internal factors (leadership, internal consensus, and organizational competence) and external factors (stakeholder preferences, public support, and political agenda). Only the strength and nature of the external influence field was consistently influenced by a large number of organizational and environmental factors. However, because the external influence field was so pervasive in its effects, the larger set of factors had substantial indirect effects on the other dimensions.

This finding simply reinforces the importance of external influence in determining the pattern of strategy found in public agencies, and, therefore, is consistent with the theoretical development of the earlier section of this chapter. On the other hand, the impact of the internal
Table 19
Factors Affecting the Direction of Strategic Movement

<table>
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<tr>
<td>Influences &amp; Sanctions</td>
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<td>Countervailing Forces</td>
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<td>Influence of Other Dimensions</td>
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+= Presence of factor influenced deployment on the dimension
- = Absence of factor influenced deployment on the dimension
factors is such that no simple external control model is appropriate for describing the origins of observed patterns of strategy. As argued earlier, the formation of strategic patterns is a complex process, involving many qualitative dimensions.

The Strategic Management Approach

An approach is a way of looking at things. It typically involves the use of a conceptual framework or frame of reference, a set of problems, a statement of goals, and an array of methods. Drawing on the studies of the Ohio agencies, this section of the chapter discusses the core elements that are incorporated in the strategic management approach to public policy making and administration. Although much of the material has been discussed previously, the following discussion casts the familiar in a somewhat different light.

The strategic management approach is focused upon the nature of human choice and action taking in public organizations. The critical strategic function in any public organization and the primary responsibility of its general manager(s) is the co-alignment of the streams of institutionalized action designed to achieve a basic balance or harmony among purpose, future outcomes, and inner and outer
environment (Thompson, 1967). Strategic management emphasizes the environmental and organizational factors which create, maintain, transform, develop, and constrain this dynamic co-alignment process. Co-alignment implies the creation and management of patterns or fits between inner and outer environment, organizational purpose and outcome, and individualized and institutionalized streams of action. It is largely a qualitative, and yet rational, form of thought and social interaction.

As a decision making process, strategic management in public organizations attempts to link organizational purpose, values, knowledge, and action to achieve desired outcomes. Strategic management is largely a process of conceptualization. Managers and organizations develop conceptualizations and maps of the organization's internal components, of its external environment, and of the relationships between them. Strategy making (formulation) involves assessment of the organizational past and present and determination of a desired future state. In light of organizational purposes, strivings, and capacities, strategic choice and action taking (implementation) attempts to bring the future into being.

The linkage of knowledge (of past, present, and future) to action is mediated and directed during the strategic management process by normative considerations.
Public organizations are constituted, even defined, as goal seeking systems. Normative considerations ground or rationalize action both for individuals and for streams of institutional action, guided by shared conceptual maps of organizational purpose and direction. Normative elements and relations not only inform the choice of strategic action, but also the evaluation of organizational performance or effectiveness. An important task for strategic management in public organizations involves determining the kind of performance desired and the methods of evaluation. Since these outcomes and products of strategic choice and action taking are located in the internal and external environments as well as in the transactions between them, managers interweave their conceptual maps in acts of evaluation or performance appraisal. Thus, in the strategic management perspective, co-alignment rests on identifying elements and patterns among strategic factors. It is from these acts of conceptualization that patterns of strategy, like those found in the Ohio agencies, come into being.

It should be clear from this presentation that the strategic management approach emphasizes choice and action taking in organizational and institutional settings. Strategic management is driven by the need to create and manage the courses and streams of individualized action.
Choice and action taking is informed by conceptual maps of the organization, its environment, and its evolving purpose.

However, it should be equally clear that the unique qualities of public organizations, which are located in political authority systems rather than markets, moderate the domain of strategy making. Frequently, strategies created in response to external demands are incongruent with the strivings and capacities of the organization. When examined at the general purpose government agency (GPGA) level of strategic management, these demands or pressures are taken to be constraints. However, within the context of the higher level of general purpose government (GPG) strategic management, what are considered constraints manifest the strivings, preferences, and directions of jurisdiction-level strategists. From this, one can see how a similar process of conceptualization and co-alignment is at work at the GPG level. In effect, strategy making for the general purpose government agency involves the co-alignment of (at least) two levels of strategic choice and action taking. The pattern of strategies which is found operating within an administration reflects this level of co-alignment.

In the Ohio studies, the strategic objectives and style of strategic management of the two administrations were very
dissimilar. Rhodes administration GPG strategic management was predicated on a decentralized, laissez-faire approach to supervision and control of the agencies. Agency CEOs were given substantial discretion and what external control existed came largely from sources other than in the Governor’s office. For these agencies, the significance of GPG strategy was minimal. The jurisdiction-level approach in the Celeste administration was overtly strategic in its orientation, and the agencies were quite aware of gubernatorial priorities and preferences. Because of higher level coordination in the Celeste administration, there were fewer variations in the strategy making of the agencies. A simple external control model is not really appropriate, however, because of the strong commitment to a proactive strategic management style at the GPGA level.

Implications for Public Management

In this last section, the implications of this research for the theory and practice of public management are discussed. This discussion will focus on the nature of the contribution made by the dissertation and on the future research agenda which it suggests.

Chapter one began with the claim that students of Public Administration faced a recurrent problem in their attempts to specify the relationship between politics and
administration. A strategic management approach was proposed as an alternative framework for conceptualizing the proper role of administration in giving purpose to and directing public organizations. It was argued that this new approach provided gains both for theory and practice. By recognizing the purposive and self-directed qualities of public organizations, theorists can better understand the patterns of choice and action taking which they observe. For public managers, the strategic management perspective begins to provide mechanisms for more effective public policy making and management. Each of these assertions are examined in more detail below.

Implications for Theory. From the perspective of theory, the contribution of this research lies in four areas. First, by conducting empirical studies of four agencies of state government in Ohio, this dissertation has produced a comprehensive body of knowledge regarding the strategic management of public organizations. Prior to these studies, there was little evidence about the nature or character of strategic choice and action taking in a diverse set of public organizations. Additional gains were derived from the design of the studies, which allowed for the investigation of strategic management over time and across changes in political control. As a consequence, we now know a great deal more about the dynamics of strategy
the effects of jurisdiction-level factors on agency-level strategic management. Findings regarding the strategic choice and action taking of the Ohio agencies provides additional evidence of the distinctive qualities of public organizations. Strategic management in the public sector is substantially different from similar activities in private sector firms (Ring and Perry, 1985). As one might expect, features of the external environment were far more important in the emergence of agency strategies. Also of interest is the relationship between changes in control at the jurisdiction-level and changes in deployment across the dimensions of strategy. Examination of table 12 shows the consistency of changes in the deployment of the agencies. These changes in deployment may be attributed not only to differences in external conditions (stakeholder pressures and demands), but also to internal pressures to develop a distinctive strategic posture. Almost invariably in discussing managerial transitions, agency informants made note of the pressure to develop a new direction, strategy, and/or structure (Begala, 1984; Creasy, 1984; Cuddy, 1984; Johnson, 1984; Napier, 1984; and, Teater, 1983 and 1984).

Second, the dissertation has defined the nature of strategy and described the specific dimensions or
characteristics of strategy in public organizations. As noted in chapter one, the limited research related to public sector strategic management had not been clear on the descriptive parameters of strategy and strategic management. While later research may come to identify other, perhaps more useful, dimensions for characterizing strategy in public organizations, the framework presented in chapter three remains a useful means for examining and classifying observed patterns of strategy and strategic management.

Relatively, the Ohio studies suggest that the more generic strategic typologies (e.g., Miles and Snow, 1978) are not easily transferable to public organizations. More positively, this research has identified specific patterns of strategy in public organizations, presented a set of fundamental strategies in public organizations, and showed how these strategies were conditioned by other dimensions of strategy. This minimal taxonomy of public sector strategies allowed for more elaborate characterizations of empirically observed patterns of strategy in the Ohio agencies.

Last, and perhaps most importantly, these studies have identified the environmental (external) and organizational (internal) factors which conditioned the observed patterns of strategy. Understanding the relationship of this set of
contingencies to patterns of strategy observed in public organizations is an important gain for students of public organizations.

This research leaves open a number of important theoretical questions. Although a later section discusses extensions of the Ohio studies, some of these questions are best considered here. Included among the most interesting of these are the nature and role of leadership in public organizations, the nature of strategic life cycles and changes in strategic patterns over time, and the character of public organization culture(s) and the relationship of culture to strategy. Although leadership was identified as one of the most significant factors in determining the patterns of strategy found in the Ohio agencies, the accounts of strategic choice and action taking presented in chapters 5 through 8 do not fully explicate the nature and role of leadership nor do they suggest how leaders give purpose and direction to public organizations (Bennis and Nanus, 1985). Greater understanding of strategic choice and action taking in public organizations would seem to require additional work in this area.

It would also be interesting and important to investigate more fully the cyclical nature of strategy and strategic management in public organizations. The temporal
frame of this research was a ten year period overlapping two administrations. As noted earlier, changes in strategic deployments were associated with changes in political control. One might find, over longer time frames, various cycles of strategy and strategic management. It would be quite useful theoretically to determine which environmental and organizational factors condition these patterns.

Lastly, the framework developed in this dissertation does deal with the question of organizational culture (Miles, 1980; and, Schein, 1985). Nonetheless, it appeared that different values, belief systems, and managerial styles and preferences not only varied systematically across agencies, but were also significant determinants of strategic patterns. Similarly, there seemed to be a real distinction between the prevailing policy, organizational, and political values of the two administrations. Again, this is an interesting area for further exploration.

Implications for Practice. Interviews with nearly fifty informants provided ample evidence of the importance of the strategic management function in public organizations. According to these participants in and observers of the strategic management process in public organizations, the opportunity provided by this research to reflect on their experiences enhanced their understanding, and
provided new insight into the process of guiding and
directing public agencies.

One might argue that the theoretical framework
developed in this dissertation favored an external control
perspective and reduced strategy making and action taking
to mere reactivism. As noted above, only a limited set of
organizational and environmental factors influenced the
strategic deployment across agencies and administrations,
while the strength and nature of the external influence
field was a major determinant in all cases. However,
close examination of the agency studies and the strategic
factors in each case demonstrates the importance of
purposive choice, leadership, capacity building and
development, and mobilization of public support. In as
different situations as those faced by DPW, DNR, and DMRDD,
the deliberate choices of senior managers were critical in
the direction and outcomes of strategic management. This
interpretation argues most strongly for a strategic choice
perspective and against an ecological or external control
view (Van De Ven and Astley, 1981).

The strategies crafted by the public managers in the
Ohio agencies provide useful examples for other public
managers. The developmental strategy adopted in DNR
(Rhodes) and DPW (Celeste), the political strategy of DNR
(Celeste), the transformational strategy of DMRDD, and the
protective strategy of DPW (Rhodes) represent more than categories or patterns of strategic choice and action taking. For public managers, these strategies, and the framework underlying them, represent solutions to fundamental organizational problems. They suggest the full complement of conditions and considerations affecting strategic management and provide an inventory of approaches to building strategies in public organizations.

Implications for Research. From the perspective of methodology, this research confirms the experience of other researchers in the qualitative tradition. Managers in public agencies seemed to understand the nature of the inquiry and appeared to be able to respond meaningfully to questions about their strategic choice and action taking and concepts of strategy. Although many informants had not previously reflected on their strategic behavior, they were almost invariably able to make sense of their experience as strategic managers in public organizations or as observers of strategy making. This should not suggest to the reader that the majority of informants were able to describe their strategic choice and action taking in a full and complete way. Rather, it was often a matter of them being able to discuss the nature of their situations and the elements of that situation having the greatest impact on them. Often, it was a matter of them knowing and doing more than they
could easily say about their strategic management.

Intensive interviewing led to the establishment of generally good relationships between researcher and informant. This rapport seemed to produce a spirit of openness that permitted both researcher and research subjects to gain a deeper appreciation of events and actions in the Ohio agencies. Very importantly, the Ohio research experience confirms that multiple methods of data collection applied to multiple classes of informants are necessary to achieve a firm basis for discovery and verification.

Qualitative methods were employed in this research because they were clearly most appropriate given the objectives of the study and the state of knowledge about strategic management in public organizations. This "strategy" for strategic management research had a number of important virtues. The retroductive logic of the research, the constant interplay between observation and conceptualization, allowed for a more complete involvement in and understanding of the agencies and their environments. Through several waves of field study, it was possible to provide significant opportunities for surfacing disconfirming evidence and to achieve theoretical saturation (Glaser and Strauss, 1967).
Although there is every reason to be satisfied with the results of this exploratory research, there are several limitations to the Ohio studies that should be considered. First, despite the intensiveness of the effort, the dimensions and patterns of strategy may not have been accurately or completely captured. In part, this concern reflects the related issues of limited sampling and the potential for idiosyncratic results. More importantly, there is always the possibility of missing something or of misinterpreting what has been found. Relatedly, despite the precautions inherent in a well designed qualitative methodology, one should retain some doubts about the reliability and validity of the findings. Although the research subjects seemed generally truthful in their responses, the issue of informant reliability is never fully resolved. Similarly, the retrospective nature of this inquiry opens up the potential for errors in causal attributions. While methodological triangulation (the use of multiple sources and kinds of data) and explicit strategies for disconfirmation minimize this problem, it is, nonetheless, always present.

Recognizing the importance of these issues argues not for the rejection of the results of the Ohio studies, but rather for additional research. The rich data generated by the studies in Ohio agencies can best be seen as a founda-
tion for an on-going program of research. In undertaking the next steps in this evolving research program, both methodological and substantive questions can be addressed. First, extension of these studies beyond Ohio will provide a more representative sample of agencies, situations, and moderating conditions. Perhaps the most important of these extensions involve the undertaking of cross-state comparisons. In addition, one could usefully explore distinctions between levels of government by adding local government jurisdictions to the research. Second, following the pattern of research development discussed in chapter four, the results of the qualitative studies will be employed in the construction of quantitative instruments for measuring both deployment on the strategic dimensions and the impact of organizational and environmental factors. These second generation studies should begin to address the reliability and validity issues, and increase confidence in the generalizability of the Ohio results.
Appendix A

Strategic Management Interview Guide
(Agency Personnel)

Strategic Assessment

1) How would you characterize the basic mission of the Agency? How has the mission changed over the last 5-10 years? Under the Celeste administration?

2) What is the current strategic direction or thrust of the Agency? How did this direction or thrust develop? What major changes have been introduced?

3) What are the opportunities available to the Agency (e.g., to improve performance, to develop new programs or services, etc.)? How have they developed?

4) What threats or risks exist for the Agency? How have these changed?

5) What are the major organizational strengths or competencies that the Agency can draw upon to realize opportunities and/or to manage risks and threats?

6) What are the principal weaknesses, constraints, and contingencies the Agency must manage in order to achieve its major strategic objectives?

7) What are the strategic issues currently facing the Agency?

8) What specific strategic actions has the Agency taken that seem most significant? What actions would you like to see the Agency take?

9) Under ideal circumstances, what would the agency be like in 15-20 years? What changes or actions would contribute most to achieving those ideals?
Methods of Strategic Planning and Management

1) How are general goals, policies, and strategies developed in the Agency? Who is involved? What processes are employed?

2) Is there a formal planning document for the Agency? How was it developed? How is it used?

External Relations

1) Most public agencies must maintain significant relationships with external organizations, interests, and stakeholders. Which external relationships have been most important for the Agency? Which are currently?

2) How have these relationships changed over the past few years? Looking back 5-10 years? What has been the impact of these changes for the Agency?

3) To what extent has the Agency attempted to change its relationships with external elements? What methods have been employed (e.g., bargaining, coalition formation, cooptation, etc.)? Which have been most successful?

Internal Management

1) How did the basic structure of the Agency develop? How did the Agency decide to divide up its programs and functions? What were the critical factors influencing the decision(s)?

2) Frequently, different sub-units and individuals within an agency have different interests and stakes in agency operations. Similarly, different constituencies make different demands on the agency. What methods has the Agency used to achieve coordination of purpose and/or action? Which have been most effective?

3) What have been the major internal issues or sources of conflict within the Agency? What methods has the Agency characteristically used to limit, reduce, and/or manage conflict?

4) What incentives and rewards does the Agency provide to units and employees to motivate higher levels of performance? What approaches work well or poorly?
Strategic Management Interview Guide
(External Stakeholders)

1) What has been the nature of your relationship with name of agency? From the perspective of your organization, how important is this relationship? How frequently do you interact with the agency?

2) What have been the major issues or concerns in your relationship with the agency? How have these issues or concerns evolved over the last ten years? What do you see as the major issue today?

3) How would you describe the basic mission of the agency (e.g., its purpose, mandate, or philosophy)? How effective has the agency been in carrying out its mission? Has the mission changed at all in the past ten years? If so, in what ways?

4) How would you characterize the basic thrust or direction of the agency? What factors seemed to bring this direction into being? Has the direction of the agency changed over time? How would you account for the change?

5) Public organizations operate in an environment where many competing interests make demands on or attempt to influence policy or strategy. To what extent has the strategy of this agency been influenced by external organizations, groups, etc. How responsive has the agency been to these attempts? More specifically, to what extent has your organization attempted to influence the agency? What were the ways in which these attempts were carried out? Which were successful?

6) What approaches has the agency taken to developing goals, policies, strategies? Who is involved in the process? Are there any special methods employed?

7) How would you describe the strengths of the agency? Has the agency attempted to develop any special competencies? What are the weaknesses of the agency? Has the agency attempted to overcome these weaknesses?

8) How would you describe the opportunities available to the agency (to improve service delivery, cut costs, etc.)? Have these opportunities changed over time? What about threats or risks facing the department? Have these changed over time? In what way have they changed?
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