ON MANAGERIAL SUCCESSION

A Dissertation

by

GREGORY CASH HILL

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

May 2006

Major Subject: Political Science

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Approved by:

Chair of Committee,	Kenneth J. Meier
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ABSTRACT

On Managerial Succession. (May 2006)

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This dissertation is an exploration, development and application of a theory on the effects of managerial succession on organizational performance in the public sector. Public management is a field of study within public administration that is gaining momentum and is strengthening both its theoretical and empirical bases. In this dissertation I build upon the very small literature on managerial (or executive) succession to develop a theory of the effects of managerial succession on performance. I posit that in the short-term performance will decrease; however, over time organizations that have had a succession event will see an increase in performance. I employ the use of three unique datasets: Texas school district superintendents, British local education authorities, and Major League Baseball field managers. All datasets have particular strengths that allow for a more complete empirical analysis. What we find is that, while there appears to be no significant relationship between managerial succession and performance in the year following the succession event, there is a positive and significant event over time. Furthermore, in the British analysis, which is designed to test a similar organization to the Texas analysis yet in a vastly different organizational structure, we find no significant relationship between performance and succession.

DEDICATION

To my grandfather, Rex Ford Smith:
A great leader and public administrator

ACKNOWLEDGMENTS

I would like to thank my committee chair, Dr. Kenneth Meier, who, as Cap'n Smooth, guided me through this arduous process with patience and encouragement in his own, unique way. Imagine my thrill at receiving a draft back with the comment "it could've sucked worse" in blue pencil. I would like to thank the members of my committee, Dr. Kim Hill, Dr. James Rogers, and Dr. Jae Moon for their guidance and patience. I thank George Boyne and Richard Walker for inviting me to the "Determinants of Performance in Public Organizations" conference in Cardiff, Wales, in the spring of 2004, exposing me to the many great scholars studying public management.

I would also like to thank my good friends and colleagues in the Political Science Department at Texas A&M University. Alisa Hicklin has been a valuable soundboard with whom I spent a tremendous amount of time in data collection and analysis as well as trudging through the commonplace existence of academic bottom dwellers and conference goers. I thank Rene Rocha and Daniel Hawes for always being willing to split hotel rooms with me at conferences. I thank Chris Owens for spending hours teaching me how to be a graduate student while being subjected to many cumulative hours of Mormon and baseball banter. I thank David Gore, who set the example of how to balance life and dissertation, and whom I consider one of my greatest friends, even if he is a rhetorical theorist who fears quantification. We spent a great many hours eating pizza at Antonio's while trying to solve the mysteries of life.

I acknowledge the existence of the Chicago National League Baseball Club, for the invention of the Superstation WGN which allowed me as a youth in Idaho far from any major-league ball club to foster a deep-seeded respect and love for baseball, which was the real driving force of this project. I also thank the Chicago Cubs for making me a conservative. As George F. Will said, “Conservatives know the world is a dark and forbidding place where most new knowledge is false, most improvements are for the worse, the battle is not to the strong, the riches to men of understanding and an unscrupulous Providence consigns innocents to suffering” (1998, 21). Any long-time Cubs fan will likely recognize this sentiment. This is a reflection of all true Cubs fans and I blame them whole-heartedly for what I am.

I would be remiss and ungrateful not to acknowledge my wife, Marisa, and my children, Spencer Rex and Audrey Paige. My wife, who functions in many capacities, not the least of which is my copy editor and part-time biographer, was responsible for holding the family together while I traveled this lonely, dissertative road. Furthermore, she sacrificed and let me finish my dissertation before starting hers. She is a wonderful wife, my best friend, and I love her very much. I thank Spencer for being the man of the house while I was away at conferences and spending many late hours at the office. I thank Audrey Paige for being a good sleeper, allowing me a few uninterrupted nights of sleep, and being the cutest girl in pigtails in the great state of Texas.

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CHAPTER I

INTRODUCTION

Public management scholarship has recently seen a significant increase in theoretical and empirical exploration. Ten years ago, public management as a field of theoretical study was in a state of disarray (Bozeman 1993). It was thought to be simply the art of policy implementation and had seemingly no theoretical direction. However, since 1993, public administration scholars have made significant strides in justifying public management as a legitimate field of theoretical study and, indeed, one of the fields of public administration that is rapidly on the rise.

Public administration has numerous theoretical puzzles to solve. One of these puzzles is the role of changing managers in an organization. We see that, in practice, it is a phenomenon that occurs frequently, either voluntarily or involuntarily, but what impact does it have on public organizations? What effect does changing managers have on organizational performance? What are the potential outcomes of managerial change, and do organizations even care? Are we convinced that managers matter at all, or are they simply interchangeable organizational pieces, doing nothing more than monitoring subordinates as they perform their standard operating procedures? To answer these questions, we need to start with a look at the organizations. Data published by public organizations show great variation in performance, suggesting that some organizations

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This dissertation follows the style of *The Journal of Public Administration Research and Theory*.

perform better than others, some worse than others. How much of this variation in performance is attributable to management change? In this dissertation, I will look at what we know (the little that we do) and what we can develop with regards to managerial succession and the effects of changing managers in an organization.

The influence of public managers on organizational performance has long been of interest in the field of public administration (Barnard 1939, Brudney, O'Toole, and Rainey 2000, Nicholson-Crotty and O'Toole 2004, Rainey 2003). Recently, rigorous empirical, quantitative approaches started to permeate public administration scholarship. For example, studies now exist examining the influence of performance on networks (O'Toole and Meier 1999, Provan and Milward 1995, Milward and Provan 1998), strategy (Boyne and Walker 2004), and governance (Lynn, Heinrich, and Hill 2001). Despite the recent surge in quantification of public management, one area of public management research that has not been explored is the extent to which organizational performance is affected when management is changed. Examining the effect of managerial succession on organizational performance from a large-N perspective will assist in building public management scholarship by allowing for more generalizability and not relying so much on the context of individual circumstances. The primary goal of this dissertation is to address the puzzle of managerial succession and its effect on organizational performance.

Dissertation Focus

This dissertation investigates the impact managerial succession has on the performance of public organizations. Specifically, three empirical questions will be addressed: how does managerial succession affect organizational performance in general? What is the short-term impact of managerial succession, and what is the long-term effect of succession on performance? These three questions lead to a number of ancillary questions, such as, how does frequency of turnover influence performance, what are some of the moderating effects that buffer against the effects of change, how does organizational structure affect the influence of the manager on performance, and how does managerial change affect other aspects of public management, such as, networking with the community?

Significance of Research

Determining the impact of managerial succession on organizational performance has both theoretical contributions to public administration scholarship as well as a normative contribution to public administrators. First, a theory of public managerial succession will aid in addressing the questions of managers' influence on the organization generally and performance specifically. If managers do, indeed, matter then managerial succession should be reflected in performance indicators for the organization.

Managers matter in terms of performance for three main reasons. First, managers are able to establish and utilize political networks. O'Toole and Meier (1999) argue that networks are the link to managing the environment. Through establishing and managing networks, managers are better able to "manage." In terms of managing the network, they argue that, "Management can either adopt a strategy of buffering the environment or actively seek to exploit the environment for the benefit of the program system (1999, 517)." These networks function both as a tool for exploitation and a buffer for absorbing political pressure. Managers can act to exploit the network by engaging network actors to reduce the manager's costs. It is clear that recent trends in public sector service provision show movement toward privatization, contracting out, and "reinventing government."[1] As these trends gain momentum, networks and network management increase in importance (O'Toole 1997).

Second, managers can provide clear goals and objectives, providing accountability to political principals and the citizenry as well as stability to the organization. Rainey (1997, 205) defines goals and objectives. First, "a *goal* is a future state that one strives to achieve, and an *objective* is a more specific, short-term goal, a step toward a more general, long-term goal."[2] If managers can provide and implement

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[1] Osborne and Gaebler (1992) stimulated and propagated the notion of contracting out in their book, "Reinventing Government." While it has proved to be a best-seller and is considered a must-read by many in public services, it does not provide conclusive evidence that contracting out of public service provision is more effective than traditional service provision.

[2] Rainey (1997) provides an exhaustive treatment on the theoretical expectation of goals in public management theory. Much of this work is built upon theories of motivation (see Evans 1986). One of the best articulated theories of goals is the "The Path-Goal Theory of Leadership," which argues that effective leaders motivate and inspire subordinates by helping them pursue certain goals that influence performance. Management By Objective (Morrisey, 1976), or MBO, is another proposition of goal management in the public sector.

goals, particularly performance-oriented goals, then they can be influential in outcomes of the organization as well as held accountable to their political principals. It is reasonable to assume, then, that clear goals provided and implemented by management would influence organizational performance (Pinder, 1984; Locke and Latham, 1990). From an empirical perspective, Locke and Lathan (1990 and 2002) from the field of psychology find evidence in support of their theory of goal setting, which states that specific goals lead to higher performance, and Chun and Rainey (2005) find evidence to suggest that the relationship between goal ambiguity and organizational performance is negative.

Finally, managers have the ability to change the next subordinate level of management, which allows them to establish management teams. Management teams are instrumental in providing efficient and possibly effective organizational performance, as they are made up of like-minded individuals with intentions that are likely to mirror the top manager. If the top manager is able to choose a management team to reflect his or her values, then he or she is likely to influence performance. As important as organizational structure is, without managers to establish networks, goals, and preserve institutional memory, the implementation of political directives would be challenging, indeed.

A second reason to design and test this theory is that the determinants of management performance in the public sector are just beginning to bloom, and as such, managerial succession ought to play a vital role. Thus, this analysis is not simply adding a new variable to an existing body of literature, but helping to define the new and relatively unexplored impact of managerial succession and organizational performance.

Third, the theory of managerial succession posited here adds to the growing literature on the theoretical and empirical study of public management, increasing the scholarly pursuit of knowledge in this under-studied region of public administration. As public administration continues to make its mark as a legitimate subfield of political science, public management theories have the potential to be bedrock of the field.

One potential reason that very little scholarship on the determinants of performance in public organizations exists is that very few public organizations have consistent performance indicators that can be used in a large-N study. Employing school districts as the operational unit of this foray into public management research is particularly useful as the districts have similar goals, are rich in data, and are relatively untapped. One of the major obstacles in studying public management performance is the inconsistency of performance indicators across organizations. Using school districts allows for the comparison of a great many organizations across similar performance indicators, yet with enough variation in structure, hierarchy, and goals to test hypotheses. The diversity in size, structure, and makeup of school districts, not only in Texas but in the United Kingdom as well, provide a rich field of study and research.

The normative implications are important, as well. A study of managerial succession can provide practical knowledge and guidance for public managers and organizations in general, particularly of organizational behavior and decision-making in terms of performance. It offers organizations a framework for making managerial decisions. Finally, this study is designed to assist in solidifying the study of public management as a scientific endeavor, not simply as the art of policy implementation. Through these analyses I can show that indeed, management and performance can be approached from a quantitative, social-science perspective.[3]

Historical Perspective

The history of public management as a vocation is long, indeed. It made its emergence into the academic community with two well-known figures; Woodrow Wilson and Frank Goodnow.[4]

In 1887, Woodrow Wilson, who is most recognized in the field of public administration for his introduction of the politics/administration dichotomy, also provided the theoretical base for the rationale of public management. He said, "It is the object of administrative study to discover, first, what government can properly and successfully do, and, secondly, how it can do these proper things with the utmost possible efficiency and at the least possible cost either of money or of energy" (1887, 197). He continues, "Administration is the most obvious part of government; it is government in action; it is the executive, the operative, the most visible side of

[3] There is a body of literature that employs a qualitative approach to public management, implying that managing public organizations is an art rather than a science. One of its most vocal disciples is Robert Behn. His body of work is heavily cited in practical public administration as well as in MPA programs.
[4] Wilson would, of course, go on to become the 28th President of the United States, and Frank Goodnow would become the first president of the American Political Science Association. The chronology is important here, as Wilson's work was written and ignored for much of the first half of the 20th century, yet Goodnow's contribution, which surfaced in 1900, was immediately recognized as a foundation for the academic pursuit of public administration and the politics/administration dichotomy.

government, and is of course as old as government itself" (1887, 198). Implicit in Wilson's view of government is the need for government workers who would be responsive to the democratically elected officials and at the same time, oversee the effective interpretation and implementation of public policy. Thus is born Wilson's public manager.

Goodnow, in 1900, argues that there are two distinct functions of government, namely, politics and administration. "Politics has to do with policies or expressions of the state will. Administration has to do with the execution of these policies" (Goodnow 1900 [1967], 18). Indeed, Goodnow makes clear in his discussion that politics is the process of articulating, guiding and influencing public policies, while administration is the implementation of those policies.[5]

During this period when Wilson and Goodnow were defining public administration, Frederick Taylor (1911) was independently conducting experiments that would shape the study of administration to this day. Taylor pioneered the concept of scientific management, which is, "the principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity of the employe[e]" (1911 [1998], 1). The concept is that by discovering the best way to accomplish a task (and by "best" Taylor means the most efficient and highest class of work (1998, 4)) both the employer and the employee recognize the maximum benefits. In other words, the most efficient process will yield the most prosperous results.

[5] Both Wilson and Goodnow, in describing the politics/administration dichotomy, were describing an "ideal" administration as opposed to an empirical reality.

Premised on the notion of "one-best-way," scientific management was eagerly adopted by scholars of public administration. Eventually scientific management led to the foundation of classical organization theory, assuming that if there was one best way to accomplish a production task, then it follows that there must be one best way to accomplish social organization and tasks (Shafritz and Hyde, 1997). Taylor identified four (4) duties of management. They are:

1. replacing traditional rule-of-thumb methods of work accomplishment with systematic, more scientific methods of measuring and managing individual work elements;
2. studying scientifically the selection and sequential development of workers to ensure optimal placement of workers into work roles;
3. obtaining the cooperation of workers to ensure full application of scientific principles, and;
4. establishing logical divisions within work roles and responsibilities between workers and management.[6]

Current public management is profoundly impacted by Taylor's notion of scientific management. Indeed, precise measurement of process and outcomes, the scientific selection of workers, and cooperation of workers to achieve organizational goals can be

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[6] The list above was derived from testimony by Frederick Taylor to the Committee of the House of Representatives to Investigate the Taylor and Other Systems of Shop Management. Interestingly, the term "scientific management" is credited to Louis Brandeis who was attempting to convince the Interstate Commerce Commission that it was wasting "a million dollars a day" by not having a systematic, scientific method of management on the railroads. The list was compiled in the form above by Shafritz and Hyde (1997).

found to pervade public management. In reference to scientific management and its relationship to public management scholarship, Frederickson and Smith (2003, 99) say, "As business innovations often do, these concepts soon colonized government. They became a central part of the progressive era and the movement to reform government, and they were highly influential in the development of civil service systems in government at all levels." We see that many contemporary theories (including the one posited in this dissertation) of public management stem from the premise of scientific management (Frederickson and Smith 2003). One of the scholars influenced by scientific management was Luther Gulick.

In 1937, Luther Gulick laid out seven responsibilities of public administrators. They were: planning, organizing, staffing, directing, coordinating, reporting, and budgeting. These seven responsibilities, commonly referred to by the acronym POSDCORB, were the functioning orthodoxy of the scientific management movement and established the modern concept of the roles and responsibilities of public administrators as managers. As Leonard White argued, public administration is "the management of men and materials in the accomplishment of the purposes of the state…In every direction good administration seeks the elimination of waste, the conservation of material and energy, and the most rapid and complete achievement of public purposes consistent with economy and the welfare of the employees" (1926 [1937], 6-7). From the POSDCORB orthodoxy has evolved the modern notion of managerial responsibility couched in one form as organizational performance.

Another concept stemming from Gulick and the POSDCORB orthodoxy is span of control. Span of control, simply put, is that as managerial oversight broadens to more subordinates, controlling and monitoring information and behavior becomes more difficult, and influence is spread thin. Span of control is an essential faction of public management scholarship and will be addressed in great detail in chapter V of this dissertation.

How We Got Here

Multiple academic "movements" have occurred since the 1930's that have helped to define public management. For example, in the late 1960's, under the flag of "new public administration," theories of democratic accountability, social equity, self-management and flat hierarchies were reviving the management theories which were lost during the 1930's and 1940's. But academic interest in theories of public management waned until the 1980's. The 1980's reinvigorated management scholarship; not in the terms of decision theory, but in terms of descriptive management behavior (Frederickson and Smith 2003), circumscribing, in a sense, management studies back to its theoretical roots.

The most recent movement in public administration scholarship is the governance movement, championed primarily by Laurence Lynn, Jr. Governance advocates argue that this field of study seeks to determine how the public sector can continue to provide services across a broad range of arenas that satisfy the public good (Heinrich and Lynn, 2000; Lynn, Heinrich, and Hill, 2001). The management of those who are charged with providing services to the public has a lot to do with the effectiveness of the provision of services. This study is referred to as "governance." Governance can be defined as; "regimes of laws, administrative rules, judicial rulings, and practices that constrain, prescribe and enable government activity" (Lynn, Heinrich, and Hill 2001, 3) where "activity" is defined as the delivery of the goods and services the government is charged with providing. In order to deliver the goods and services, organizations are designed so that the onus of this delivery falls upon the managers.

Organization

Chapter II develops the theory for this dissertation. There are many factors that lead to organizational performance. Some factors are beyond managerial control, for example, ethnic and racial makeup of the constituency, fiscal constraints, and economic conditions. Other factors, such as leadership, networking, managerial skill, and managerial succession also affect organizational performance. Managerial succession, as an influence on organizational performance, has largely been overlooked by management scholars, both in the public context as well as the private context.[7] Chapter II will explicate a theory of managerial succession.

The next three chapters develop the empirical examinations of the theory. Each empirical chapter begins with an explanation of how the succession theory will be tested.

[7] The use of private sector management literature related to managerial succession is a valuable resource in the development of a theory of public managerial succession. It is of particular interest because, as will be discussed further in the next chapter, there is very little work in the public management literature related to succession.

All three chapters explore a different wrinkle of the theory of managerial succession, and quite logically build upon each other. In all three chapters, I strive to provide evidence of the affect of managerial succession on organizational performance. Utilizing three different datasets adds to the robustness and generalizability of the theory.

In chapter III, I test the short and long-term impact of managerial succession on performance in the U.S. context. Using data from high school districts in the state of Texas, I argue that succession events do, indeed, impact organizational performance. The empirical results compliment the theory and hypotheses, and provide the most comprehensive, first look at the influence of succession on performance.

In chapter IV, I explore the impact of managerial succession on performance in a non-U.S. context, using data from British school districts. Much of the traditional public management scholarship is centered in the United States and its rather decentralized system of government. Recently, however, a push for more collaborative international scholarship in public management has led to a systematic increase in the number of non-U.S studies emerging.[8] In this chapter, I not only test the model with the British data, but I also make an argument and test for the impact of organizational structure. I argue that organizations with rigid hierarchies are less likely to feel the impact of a succession event than organizations with loose hierarchies. Most interestingly, the empirical results give us null findings, disallowing for an acceptance or rejection of the theory, but truly

[8] Among these collaborative efforts was the "Determinants of Performance" conference held in Cardiff, Wales, May, 2004. Much of that work can be accessed in the October 2005 edition of the *Journal of Public Administration Research and Theory.* Other recent works are the *Oxford Handbook of Public Management* (Ferlie, Lynn, and Pollitt, 2005) and *Governing Networks* (Salminem, 2003).

implying that something other than the turnover event itself is driving performance decreases. Is it structure?

In chapter V, I test the frequency of managerial succession and its effect on performance. In order to test these hypotheses, I employ data from 26 Major League Baseball (MLB) organizations over a 25 year period. I argue that MLB field managers behave like, and function under, many of the same constraints as public managers, providing a reasonable proxy for public managers. I find that indeed, managerial succession has a negative effect on organizational performance, and that, while some managerial change is healthy, excessive change causes performance to drop.

Chapter VI provides the conclusions and summarizes the results. I tie all three of the empirical chapters together and assess the adequacy of the empirical analysis of the theory. I use the concluding chapter to evaluate my hypotheses, the success of my expectations, and possible explanations for why some hypotheses performed better than others. Finally, I make some comments to the significance of the research, both scientific contributions and normative contributions.

Finally, a paragraph regarding the data and analyses; in order to address the hypotheses presented in the following chapter, I will employ three different datasets. The first dataset is from Texas school districts, the second dataset is comprised of school districts from the United Kingdom, specifically England, and the third dataset is comprised of Major League Baseball and its managers. Each of these datasets will be discussed in length in their respective chapters, but I will say here that each are designed to empirically test the theory outlined. The Texas data will test the short and long-term effects, as well as networking and where the manager comes from. The British data will attempt to mirror as many aspects of the Texas data tests as possible, given its limitations, but its primary significance is testing the theory in a wholly different organizational structure. Finally the Major League Baseball data is principally designed to test the frequency hypothesis. By employing three similar datasets, yet with individual strengths, I believe that we can produce a better examination of the theory of managerial succession.

To test the hypotheses I will use traditional Ordinary Least Squares regression analysis with adjustments related to pooled time series datasets. The analysis will employ a fixed effects model in the long-term tests in order to account for variation over time. This should help to ensure that any results are not the product of general trends or other unknown factors that are shifting the regression line over time.

Summary

Public managers are the most visible, and arguably one of the most influential members of the organizational structure. They are more than just interchangeable parts of the organization. They are fundamental in the performance of the organization in a democratic system in that they receive direction from political principals and oversee the actions of bureaucratic subordinates. Furthermore, they exercise judgment and discretion (for good or ill) in the implementation of vague and often contradictory legislative mandates. Indeed, they act as a conduit between policy formation and policy implementation, overseeing and influencing steps along the way.

In this chapter, I have presented the background and basic framework of the theory of managerial succession, the relevance of the research, and the structure I will be using to solve the theoretical puzzles presented throughout the rest of the dissertation.

What follows in this dissertation is the contribution of three points to the scholarly literature on public management. First, I offer a theoretical argument on how managerial succession affects the performance of public organizations generally. Second, I test hypotheses using systematic methods and quantitative methodology. Third, I make normative and qualitative inferences; however, these inferences are based on the quantitative methodology.

CHAPTER II

A THEORY OF MANAGERIAL SUCCESSION

The true test of good government is its aptitude
and tendency to produce good administration.
Alexander Hamilton

The literature on the succession of public managers is limited. A review of the literature on managerial succession, both public and private, leads us to argue that public managerial succession studies are vitally important in understanding the role of public managers.

Studying the Private Sector

The vast majority of succession literature focuses on private sector managers, which differ substantially from public sector managers. Indeed, many private sector management scholars argue that CEO succession is the perhaps one of the most significant events to occur within the firm (Finkelstein and Hambrick, 1996; Kesner and Sebora, 1994). The role of the CEO is vital to the firm. Zhang and Rajagopalan argue that "CEO succession is perhaps one of the most crucial events in the life of any firm because of the substantive and symbolic importance of the CEO position" (2004, 483). Does the public sector view the symbolic importance of the public manager like the private sector does the CEO? On the contrary, the oft-stereotyped reputation of public managers is as unmotivated self-maximizing bureaucrats, quite the opposite of the private sector CEO, who is central, not only in visibility, but to the success of the firm.

The importance of private sector managers can hardly be disputed. Kenneth Andrews (1980) explicates the role of the private sector manager. He argues that the firm (and its manager) should strive to make “an economic and noneconomic contribution…to its shareholders, employees, customers, and communities” (1980, 18). Clearly, then, with this mark of importance attached to the chief executive, CEOs are the individuals responsible and accountable to investors, stakeholders and clients. Changing CEOs should, then, greatly impact the performance of the organization (Brady and Helmich, 1984; Dalton and Kesner, 1985; Glover, 1976; Hofer, 1980; Steiner, 1979; Steiner, Miner, and Gray, 1982).[9]

Many of the differences between public and private sector management are presented in terms of the means available to the managers. In other words, what resources are available to the manager that allows him or her to influence performance? The CEO, as a rule, has tremendous autonomy in the decision-making process, and is at liberty to employ whatever methods deemed necessary to accomplish the goal. Private sector chief executives are often held accountable to boards of directors (and indirectly, to stakeholders) to accomplish their goals, which are almost exclusively monetarily based. Without fail, we find that in studies of the private sector, virtually all

[9] The theory of management and its impact on performance is contradicted by the work of Herbert Kaufman and his population ecology theory. Population ecology, borrowed from a prominent theory in the natural sciences, argues that organizations are open systems that are capable of replenishing themselves from the environment. However, as environments change, organizations fail to adapt and eventually their inability to extract resources from the new environment kills them. Kaufman (1985) argues that survival is essentially random, and that management strategies are fallacies. Kaufman’s population ecology has been met with some resistance. Delacroix (1987) argues that Kaufman’s portrayal of randomness is rather extreme, and that “few population ecologists would feel comfortable with his literal concept of chance as an utterly unpatterned lottery-like culling of extant organizations” (1987,612).

performance indicators are related to a monetary goal. There is very little mention, if any, of goals other than monetary-based. Public sector managers do not enjoy this luxury. As a rule, managers in the public sector are not at liberty to set their own performance goals. Nor do they have ultimate control over funds to accomplish those goals. The overseeing body, normally the legislature, sets goals and nearly always controls the budget.

Another significant challenge in studying public management is the difficulty in establishing well defined performance indicators. While the private sector has a tangible monetary indicator (i.e. the bottom line), the public sector's gauge is legislatively mandated goals, which are a vague and often contradictory barometer. In other words, public managers must function within a state-mandated budget to accomplish legislatively-mandated goals. Public bureaucracies and managers also must recognize and espouse such democratic ideals as accountability, efficiency, responsive, and equity, all which are vital to public organizations but are often in contradiction with one another. Indeed, governments are established to provide corrections for "market failures," or goods and services that a purely economic community could not support or chose not to provide.

There are a handful of public and private sector studies dealing with managerial change. Yukl (2002) argues that managerial succession studies are necessary in order to determine the effect of top-level leadership change on organizational performance. His argument is that these studies are generally very difficult to do and most existing studies are not empirically reliable in terms of drawing substantive, theoretical conclusions.

Goodman (1982) views managerial change as elusive, something that cannot be clearly or accurately tested. O'Toole and Meier (2003) look at organizational stability, but do not explicitly address the impacts of managerial change. They find that organizational stability leads to more efficient functioning. The research questions in this analysis are not expressly addressed in any of these bodies of literature.

Cannella and Lubatkin (1993) provide a more complete analysis of managerial succession. They argue that there are three competing theories that account for the occurrence of managerial change: the adaptive view, the inertial view, and the contingency view. The adaptive view is that organizations will adapt if the performance levels are not met by recruiting from outside the organization. "When performance is poor, directors will favor outside candidates, because outsiders are perceived to be more capable of changing the mission, objectives, and strategy of an organization than are insiders" (1993, 764). Furthermore, during times of good performance, an insider would be less disruptive to the overall regime. Thus, the adaptive view is rationally intuitive.

Cannella and Lubatkin also propose the inertial or scapegoating view, which is, that organizations are so resistant to change that they will likely hire from inside the organization even if performance is poor. The firm can then cast blame onto the individual manager, not the regime, and hire from within, which is safer and still promotes the firm's regime. These assumptions are drawn mostly from the early attempts to explain management through baseball field managers (Grusky 1963; Gamson and Scotch 1964).

Finally, Cannella and Lubatkin posit a contingency view of change, claiming that sociopolitical factors moderate and drive succession. This contingency model of change is drawn from Frederickson, Hambrick and Baumrin's (1988) premise, "[T]he link between an organization's performance and its directors' decision to dismiss an incumbent CEO is not direct but rather is moderated by four constructs: director expectation and attributions, director allegiances and values, the power of the incumbent CEO, and the availability of alternative candidates for the CEO position" (Cannella and Lubatkin 1993, 766). These four "constructs," or constraints, should all be factors in measuring the effect of managerial succession.[10] Although the authors do not consider the availability of an alternative CEO because of lack of data, they do explicate how their remaining constructs are moderating influences in director decisions to dismiss incumbents.

Cannella and Lubatkin argue that directors may have feelings of allegiance toward the CEO, particularly if the director originally appointed him or her. Tight allegiances will make directors less critical of CEOs and their performance, influencing the decision of outsider versus insider hire. Furthermore, if the CEO has power and influence, it is likely that an heir apparent, or insider, will be hired as it is a signal to the shareholders that the CEO is performing well and performing one of his key responsibilities, namely grooming an heir (Vancil, 1987). Cannella and Lubatkin present a well-articulated model of factors that lead to managerial succession, upon

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[10] Other proponents of the contingency view, or sociopolitical approach to managerial change, are Goodstein and Boeker 1991; Miller, 1991; Morck et al., 1989; Puffer and Weintrop, 1991; Sonnenfeld, 1988; Vancil, 1987; Walsh and Seward, 1990. See Cannella and Lubatkin for citations.

which this theory relies to predict the effect of insider versus outsider succession on organizational performance.

Other private sector studies have looked at different conditions that affect organizational performance. Lieberson and O'Connor (1972) find that the industry and the company account for more variance than the leader or manager, except in terms of profit margin. By using performance indicators such as sales, earnings and profit margins as well as managerial succession, Lieberson and O'Connor show that environmental factors, the organization's place within the industry, as well as the industry itself, have a greater affect on performance than does leadership.[11]

Some past studies have been conducted in terms of leadership and seem to contradict Lieberson and O'Connor's findings. Weiner and Mahoney (1981) examined large manufacturing companies (net assets of at least $16 million) and found that leadership accounted for 44% of the variance in profit. Leadership was measured in three ways: stewardship, capital structure strategy, and retained earnings strategy. Others have found similar effects of leadership. For example, Thomas (1988) looked at retail and found that leadership explained 51% of the profit variance. These are interesting studies and provide the framework for looking at change in leadership. If leaders or managers make up such a substantial portion of the variance in performance indicators, then changing those leaders ought to have an effect on this variance.

The only work directly related to public managerial succession and

[11] This is a significant finding and one that reinforces a contrary theory of management, namely, that the system is what is driving the results, not the managers. This issue will be addressed in chapter V.

organizational performance is Boyne and Dahya (2002), which argues that managerial succession has an impact on organizational performance, but that impact is mitigated by three conditions: the means, motives, and opportunities of the replacement manager. The relationship they posit between performance, succession, and managerial conditions is hierarchical in nature, and they even go so far as to posit hypotheses, but do not provide any empirical justification for their claims.

Clearly, with so little work on managerial succession, and almost no work on the effects of succession on organizational performance, the study of managerial succession presented in this dissertation is important in many ways.

Short and Long-term Effects of Succession on Organizational Performance

A theory of managerial succession can be crafted to increase our understanding of the role of public managers in the performance of the organization and to solve these political queries. The basis of the theory I propose stems from the article by Boyne and Dahya, but it is mainly in response to observations in the public sector of turnover in a supposedly stable bureaucracy and the intuitive implications associated with the turnover with respect to performance.

In order to develop a theory of managerial succession and organizational performance, I start with some definitions. First, a “succession event” is the process of filling the vacancy of a top managerial position with a manager new to that position. Thus, managerial succession is the implementation of a new manager into the organizational structure.

Second, in defining "organizational performance," I rely on the definition posited by Boyne and Dahya (2002, 184), the "standards of service provision, as measured and judged by a powerful external constituency such as central government and its agents."[12] If organizational performance is politically constructed, then measuring performance as outlined above is reasonable, indeed.

We can argue based not only on intuitive rationalization but on the very small literature above, that managerial succession affects organizational performance. Furthermore, succession affects performance in two distinct ways: first, the immediate effect of managerial succession on performance is negative, or the outcomes the year following a succession event will be negative. Second, over time, the effect of a succession event will weaken as the replacement manager begins to rebuild hierarchical and network relations, driving performance in a positive direction.

In order to trace out the logic of the argument, I have to make an assumption regarding the replacement manager. The assumption is that on average, the organization replaces the old manager with a better manager. I have no data to support this and it is unlikely that such data exist, but while there is tremendous uncertainty in the hiring process, the assumption is that the organization at least believes they are hiring a better manager than the one they left behind. This is may not always be the case, such as in terms of voluntary replacements or retirements. Then again, if we refer back to Cannella and Lubatkin and reference the grooming process that an heir apparent goes through

[12] Defining these two components of the theory allow us to leave behind the quibbles over "what is performance in public organizations" or "can performance be defined?" which are arguments that abound in discussions of measuring public organizational performance.

with the incumbent, we might indeed argue that the organization is at best expecting a better manager, and at worst, expecting someone no worse than when they left. This is an important assumption to the analysis.

This theory leads to some non-intuitive conclusions. The first of which is, if the short-term effect on performance is always negative, why would organizations ever change managers when short-term costs are so large? Aside from having no choice in the matter (the incumbent either retires or is lured away from the organization), there is little rationale for changing managers.

We have no idea on the actual influence of the manager in terms of public organizational performance. Why, then, would an organization not always choose the promotion path that leads to increased performance in both the short and long term? In practice, organizations do not always choose this path. Below are three scenarios that will likely assist in answering why certain managers are chosen over others.

Scenario 1: The political factors

> The organization may have some political need to choose a manager who is capable of large scale positive influence over short periods of time, at the expense of long-term performance. Thus, the organization may choose the short-term candidate over the long-term candidate.

Scenario 2: Bureaucratic factors

> The organization may desire to redesign the long-term goals and mission, which would require an external hire, willing to sacrifice short-term performance for long-term success.

Scenario 3: Reflective Speculation

> The vacancy may have come via some factor that is beyond the scope of control of the organization (retirement, death, and child-birth), at which point, the organization simply poses the following question—How were we doing vs. what are our options for replacement?

The organization will then make a decision based on a boundedly rational cost-benefit analysis, weighing the goals, needs, and wants of the organization. The decision of how to fill the vacancy is clouded in a shroud of uncertainty, to be sure, as the organization has a pool (probably quite shallow) of applicants to choose from, and only a vague idea of their skills.

To explain managerial succession and the query above, I attempt to enter the fray at the point of managerial vacancy. All things being equal, the organization has many things to consider when determining how to replace its manager. Chief among these considerations is that it can either fill the vacancy with someone from inside the organizational structure or they can hire a replacement from the outside. It must pick the manager from a pool of managers, having only a vague idea about their managerial skills, which casts a degree of uncertainty on the process. The transaction costs associated with an outside hire are going to be greater, as the new manager with little or no ties to the organization will have to establish political bridges with the governing board as well as in the community, build trust within the hierarchy, and must be sensitized to organizational culture and norms. Part of the cultural training is the outsider candidate's inability to recognize informal agreements and understandings that exist between subordinates as well as between management and stakeholders (Cannella and Lubatkin 1993). The organization, in short, must make a decision based on the limited information they have about their managerial options, bounded by the outcome of their cost-benefit analysis.

To minimize some of the uncertainty, there are conspicuous mitigating factors associated with the outcomes. If the manager is chosen from inside the organization to fill the vacancy, we would expect to see little change in terms of performance. The replacement manager's transaction costs are low relative to the benefits he brings, making him an obvious choice to either maintain the status quo or see an increase in performance. Benefits include a working knowledge of the culture, a well-established network of external actors, and direct training from the previous manager (Zhang and Rajagopalan 2004). Indeed, an insider hire can be viewed as the heir to the throne, being afforded all of the rights and privileges that accompany that training. The agency is clear on the potential of the heir and is able to adapt to his strengths and weaknesses. The status quo argument is the outcome of the cost-benefit analysis, having some concept of his skills and training (presumably these were established in-house) and by virtue of being entrenched in the organization, the costs of building bridges and political trust are essentially gone. The increase in performance outcome is related to the "stale in the saddle" argument. The benefit to an internal promotion may very well be an invigoration of ideas and innovation of implementation strategies, changing the direction of the performance, if ever so slightly. In this case, the benefit-cost analysis would resemble this:

$$B^{I} - C^{I} \geq B^{\not{I}} - C^{\not{I}}$$

Where:

B^{I} = Benefits associated with hiring from the inside

C^{I} = Costs associated with hiring from the inside

$B^{\not{I}}$ = Benefits associated with hiring an outsider

$C^{\not{I}}$ = Costs associated with hiring an outsider

On the other hand, were the vacancy filled from an outside, albeit highly qualified, replacement, the outcome of the cost-benefit analysis would look quite different. The cost associated with networking, building political trust and organizational capital, determining organizational norms and culture, as well as the personal costs of a change in lifestyle will be high relative to those of an insider. The presumption then is that outside hires would cause a dip in performance. Whether that performance dip persists over time is an empirical question, one which we would hypothesize is related to the relative benefits of the new outside hire. Clearly in this case, the cost-benefit figure above would see the “less than or equal to” sign reversed, implying that the decision calculus leans in the direction of an outside hire.

There are four potential outcomes based upon the hiring decision in terms of organizational performance. In the immediate future, the first potential outcome is an increase in performance. This is a logical and highly desirable outcome. Conversely, the second potential result may be negative performance in the immediate future. In the long-run, performance can also result in positive performance (again, this scenario is highly desirable) while the fourth scenario would suggest a decrease in the long-term outcomes. Obviously, the organization wants to make the decision that will best maximize its utility, and to do so, it must make the decision under conditions of uncertainty. In addressing decisions made under uncertain conditions, Frederickson and Smith (2003, 169) posit, "Decision rationality is bounded by uncertainty regarding the consequences of present actions, and even greater uncertainty regarding the possible future consequences of possible future decisions."

When choosing between the two options, it is rational for an organization to minimize uncertainty and risk in the name of organizational survival. Again, if the organization is perfectly rational, why would they ever choose outside replacement? The explanation may be impossible to pin down, but we know it happens, so we must assume that the long-term goals of the decision-makers will be met at the cost of the short-term drop in performance. Based on the notion of "satisficing," or "good enough" rationality, organizations may indeed choose an outsider as a replacement, costing immediate performance but moving organizational goals toward some established equilibrium. I call this the "weathering the storm" hypothesis, arguing that the benefit of long-term success will outweigh the costs of short-term failure. Governing bodies are a collection of individuals that mandate some collective values. If the values espoused by the governing body are at the core of the organizational stability and not too costly then weathering the storm is indeed a rational and reasonable explanation for hiring outside of the organizational structure. To illustrate this, I present a pair of hypothetical graphs of insider versus outsider succession, with some performance measure on the Y axis and time along the X axis. The model is as follows:

$$O_t = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 + X_3$$

Where:

O_t = Performance

X_1 = Time

X_2 = 0 before the managerial change, and one thereafter

X_3 = 0 before the managerial change, and 1, 2, 3… corresponding to the number of years since the change

I = Insider replacement

$Ɨ$ = Outsider replacement

Hence, the predictions from the discussion above are as follows:

$\beta_2 < 0$, meaning that short term performance is less than zero, or negative, and;

$\beta_3 > 0$, meaning that long term performance is greater than zero, or positive.

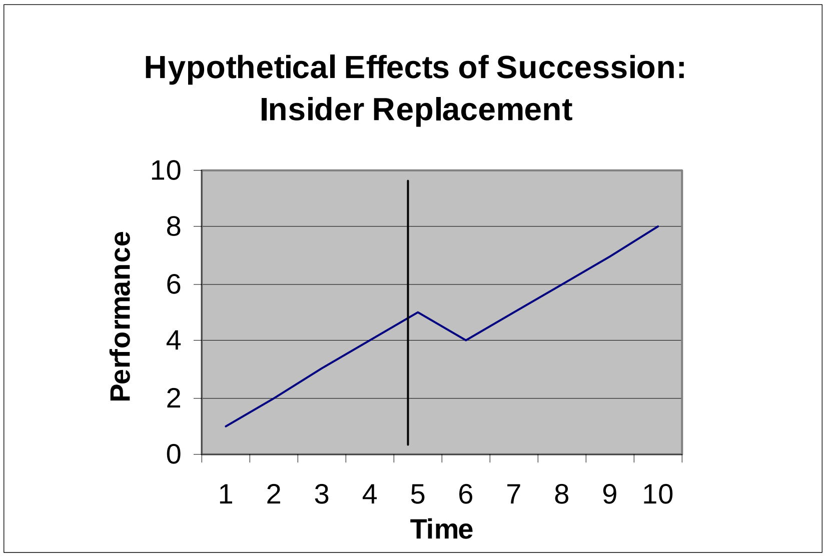
However, the insider versus outsider caveat is portrayed as follows:

$\beta_{2I} > \beta_{2Ɨ}$, but $\beta_{3I} < \beta_{3Ɨ}$, meaning that in the short term, insider succession will have more positive affects than outsider replacement, but in the long term, the opposite is true.

Graphically, then, we expect to see the following relationships:[13]

For organizations that suffer a succession event, and the replacement manager is selected from within the organization, performance will decrease slightly but the recover and continue at roughly the same pace as prior to the succession event, as shown in Figure 2.1.

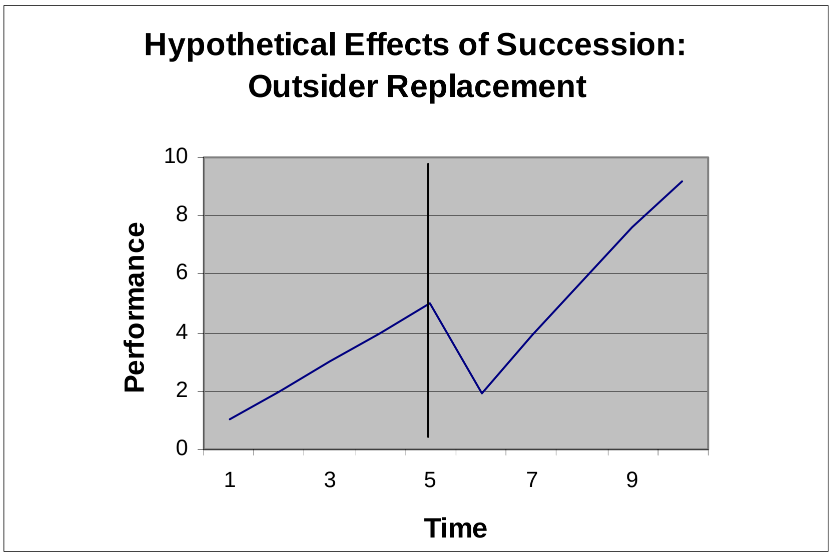
Figure 2.1
Insider Replacement



[13] The numbers on the graphs are strictly hypothetical, designed to present the relationships over time. The numbers along the Y-axis for both graphs are hypothetical but designed to be ordinal in nature. The vertical lines in both graphs represent the moment the succession event occurred. All of the information to the left of the line pre-dates the succession event and this discussion makes no attempt to explain it. It is what it is. The information to the right of the succession line occurred after the succession event, and is of substantive importance to this discussion. Note that performance prior to succession can look quite differently, which would change the slope of the lines post-succession, but the general trend is expected to be the same.

Conversely, when the replacement manager is recruited from outside the organizations, the slope of the performance indicator in the short-term is expected to be steeper, but quicker, and potentially, overall increased performance in the long-term is expected, as is depicted in Figure 2.2.

Figure 2.2
Outsider Replacement



To this point, the discussion has been conspicuously void of any discussion of organizational structure and its constraints on the manager's ability to influence organizational performance. Is it possible that managerial skill is either enhanced or constrained by the structure of the organization? Could it be that some organizational structures are more conducive to differing managerial strategies than others? We find a long-existing, albeit shallow literature, founded by Luther Gulick (1937)[14] which argues that indeed, structure matters vis-à-vis span of control, and a second, deeper stream of literature founded by Max Weber (1946) and his "ideal-type" bureaucracy, arguing that structural characteristics of organizations influence individual behavior.[15] The strength and influence of Weber's theoretical analyses are not constrained to public administration literature, but in sociology as well. [16]

Span of control refers to the way relationships between superiors and subordinates are structured in an organization (Meier and Bohte 2003). It argues that increasing the hierarchical structure reduces the span of control (Gulick, 1937; Meier and Bohte, 2000 and 2003; Hammond, 1990; Woodward, 1980; Holden, Pederson, and Germane, 1968; Hood and Dunshire, 1981; Carzo and Yanouzas, 1969; Brehm and Gates, 1997). "Span of control dictates that superiors should oversee a limited number of subordinates rather than a large number of subordinates. Monitoring and mentoring the work of subordinates is a less daunting task when the number of subordinates is small,

[14] Luther Gulick was greatly influenced by the works of Henri Fayol (1916) who developed the six principles of management, namely, technical, commercial, financial, security, accounting, and managerial. Of most interest to Gulick, and to this study specifically, is the managerial principle, which includes, among other things, responsibility, discipline, and unity of command, which appear to be the foundations of Gulick's notion of span of control.

[15] The concept of span of control suffered a near fatal blow by the revered Herbert Simon in "The Proverbs of Administration" (1946) in which Simon argued that the principles of management were vague and contradictory. This critique led to virtually no definitive empirical exploration of span of control until 1990, when Hammond revived Gulick's case. Meier and Bohte (2000) followed with an attempt to reinvigorate and resurrect the study. (See also Theobald and Nicholson-Crotty, 2005).

[16] Indeed, Weber was instrumental in defining the nature of bureaucracy that led to the study of organization theory. His work greatly influenced Peter Blau (1955, 1960, 1968, and 1974; Blau and Schoenherr 1971), one of the founding fathers of sociological study of bureaucracy, as well as Charles Perrow (1961a, 1961b, 1967, 1974, 1986, and 1991). Perrow's work is often cited in political science literature. One example is Brehm and Gates (1997) in their work on the rational behavior of bureaucrats relative to organizational oversight, which is cited in Rainey and Steinbauer (1999). Rainey is one of the leading scholars on organizations in public administration and management literature.

but becomes more difficult when superiors are charged with overseeing a large number of individuals" (Meier and Bohte 2000, 116). A narrow span of control increases the amount of influence the superior can have on the subordinate, thus increasing the effect of the manager on the performance of the organization. In other words, narrow spans of control increase the monitoring capabilities of the superior and decreases subordinate shirking (Brehm and Gates 1997). We would predict then, that even though there are more levels in the organizational structure, that changing managers, particularly those at the top levels in this hierarchical framework would have more impact on the performance of the organization.

Max Weber posited an ideal-type bureaucracy that carried with it certain characteristics. As Blau succinctly summarizes, Weber's characterization of bureaucracy "is designed to induce an impersonal and rational orientation toward tasks which is conducive to efficient administration" (Blau 1955, 1). The distribution of activities, specialization and division of labor, systematic discipline and control, and consistent application of rules that Weber propagated have led some Weberian critiques to characterize his bureaucracy as increasing the levels in the hierarchy and centralization of authority lead to rigid, bureaucratic values, standard operating procedures, and cultural norms, all of which are designed to reduce the discretion of any individual in the hierarchy, effectively making managers replaceable parts of the organization. Weber's ideal-type also reduces the need for constant managerial oversight, which greatly reduces the costs of monitoring, as very little discretion is afforded subordinates. We are likely to see little, if any, affect on performance when managers in this hierarchical framework are replaced as bureaucratic values, standard operating procedures, and cultural norms take the place of leadership, or managerial influence.

One final factor relating to managerial succession and organizational performance is frequency of succession. How do organizations that frequently change managers fare in terms of performance relative to stable organizations? Turnover is a fact of life in the public sector, both at the street-level and the management level. Frequency of succession will, indeed, affect organizational performance. This claim is based on the logical outgrowth of the theory posited, namely, that performance will decrease in the years directly following the succession event. If the organization is still suffering from the short-term affects of a succession event and changes managers, then recovery could not have occurred and performance will drop further still with another succession event. Relationships will not be forged, regime changes will not have had time to be implemented, and networks will not have been developed.

Thus, the theory of managerial succession posited here will include aspects of short and long term impacts on performance, the structure of the organization, and the affect of frequent turnover on performance. A number of hypotheses can be generated to test this theory of managerial succession.

Hypotheses

I will present and test three primary hypotheses here, which can be broken down into a number of ancillary hypotheses. The first hypothesis is related directly to organizational performance. Based on the theoretical discussion above,

Hypothesis One: *Managerial succession has an effect on organizational performance.*

The overall affect of a succession event is not uniform, however. Based on the possible performance outcomes above, the impact of a succession event may occur immediately or over the long-term. Thus,

Hypothesis Two: Managerial succession will have an immediate effect as well as a long-term effect on organizational performance.

To test the theoretical discussion of where the replacement manager comes from, whether he is an insider or outsider, I posit the following hypothesis. This hypothesis addresses the rationality of the agency in making hiring decisions, and has implications for the effect of public managers individually. If, in fact, managers themselves matter, then based on the assumption that the new manager is better than the old one, the impact on the organization should be greater if the new manager is hired from outside of the hierarchy. Internal hires are likely to have been trained and prepared by the exiting manager, and while they have some level of independence, they are still entrenched in the organizational culture. An inside hire would signify a desire for conformity and continuity, while an external hire would signify a desire for change, be it short-term, long-term, or both. A glance at the hypothetical graphs presented earlier provide visual context for this hypothesis. Thus:

Hypothesis Three: The effect of succession is greater if the new manager is an external hire. The short term effect is more negative while the long term effect is more positive.

Logically then, an organization that sees managerial turnover more often is likely to see continually low performance, not necessarily because it keeps replacing a bad manager with a bad manager (although that may be the case), but the more likely explanation is because it is not allowing the new manager to affect performance. For instance, the new manager is not able to develop the network or hierarchical relationships which reduce the costs associated with meeting the goals established by the organization. If the organization has a “quick trigger” when it comes to replacing managers, all aspects of managerial ability are hindered, and performance will be consistently lower than organizations with relative stability. Thus,

Hypothesis Four: Frequent succession events with have a negative effect on organizational performance.

The next hypothesis is related directly to the motives of the replacement manager. Organizations change managers for two primary reasons; either the incumbent was lost via his or her own volition, or performance was poor. In the first scenario, the motives of the replacement manager are likely to reflect the incumbent manager, as the organization would desire as little disruption to performance as possible. The simplest way for an organization to accomplish this is by promoting the new manager from within the hierarchical structure. The incumbent is likely to be greatly involved in the selection of the replacement manager, and will be expected to choose a replacement whose motives differ little from his own. This course of action will greatly decrease the transaction costs associated with the succession event. Conversely, if performance is poor, the motives of the replacement manager are likely to be quite different from the incumbent manager as the organization is looking for a regime change to "right the ship." Again, the assumption is that new manager is better than the old one. Thus, the replacement manager is likely to be recruited from outside of the hierarchical structure, bringing a different set of skills and attributes to the organization. As was hypothesized, any succession event will disrupt the normal flow of operations and lead to a decrease in performance. External replacement of management will require more time to recover from the shock of the succession event than an internal promotion. Thus,

Hypothesis Five: Organizations that promote replacement managers from within the hierarchy will see quicker recovery than organizations that recruit from outside the hierarchy.

It stands, then, that if organizations look to reduce the time of recovery from the succession shock by internal promotion, then the experience of the replacement manager is also a useful strategy in moderating the impact of succession on performance. Managers with experience in the roles they are expected to fill will be able to reduce the costs associated with repairing relationships and reestablishing order, as well as reducing the time necessary for "on the job training." The skill set associated with experience will likely further minimize the effect of the succession event. Thus, *Hypothesis Six: The experience of the replacement manager will have a moderating effect on the change, thus reducing the amount of time needed to recover from the shock of a succession event.*

Finally, the implications of succession on the network and the reestablishment of the network must be considered. Networking is becoming an integral component of studies of public management (Agranoff and McGuire, 2003; Bogason and Toonen, 1998; Bressers, O'Toole, and Richardson, 1995; Goldsmith and Eggers, 2004; Klijn, 1996; Mandell, 2001; Meier and O'Toole, 2005; Milward and Provan, 2000; O'Toole, 1997; Peterson and O'Toole, 2001; Rhodes, 1997).[17] As both the geo-centric and ego-centric network literatures have shown, networks are prime components in public management, both theoretically and practically. Understanding the structural design of a network allows for the assessment of interorganizational relationships and how they evolve in the public sector (Isset and Provan 2005). Small-N studies such as McGuire (2002) and Provan and Milward (1995) are valid measures of networks, just as the large-N studies of Meier and O'Toole are. Both geo-centric and ego-centric studies agree that networks are informal structures that are fluidly aligned, thus, must be carefully

[17] The string of authors included is but a small sample of the works on networking and public management, and most, if not all of these authors have written a tremendous amount on this subject. The research literature on networks is ever-expanding, particularly in terms of structural analysis, or geo-centric networks the primarily are promoted by Milward and Provan, and the ego-centric networks of Meier and O'Toole (2005). This analysis views networks as ego-centric. Designing the structure of the network is a valuable contribution to the literature, however, for this analysis, I view networks more as managerial tool, and as such, how they are exploited or buffered from the manager's view is of central concern. Structural design is not relevant to this discussion other than to say that managers have a network, and somehow each node in that network is directly related to them in some way that may or may not be able to influence performance.

managed. Network disruptions are likely to interrupt the balance of the network, which requires managers to potentially change their management strategy with the network.

It is clear from O'Toole and Meier (2003) that a system shock such as managerial succession will affect the behavior of the replacement manager in terms of dealing with environmental relationships, or networks. As time is a zero-sum game, the time the replacement manager spends networking relative to his other functions is likely to increase, as network relations will have to be solidified if the change came from within, or developed if the change was external. This will divert attention from the manager's ability to devote that previously allocated time to performance directly, causing performance to decrease initially. However, the initial investment in the network will compensate for the low short-term performance with higher long-term performance, at a lower cost to the manager. Thus,

Hypothesis Seven: Managerial succession causes an increase in time spent networking, causing performance to go down.

Hypothesis Eight: External replacement managers will spend more time networking than managers replaced from within.

Hypothesis Nine: New managers that network more are more likely to affect performance at a faster rate.

These hypotheses will provide a greater understanding of the role of managers in organizational performance, specifically in the context of managerial change.

Measuring Key Variables

Performance in public organizations is an oft-debated subject. As Anthony Downs says, few public organizations have any “direct way of evaluating their outputs in relation to the cost of the inputs used to make them” (1967, 30). This is true in the effort to study management and performance from a quantitative perspective. What constitutes “performance?” Is it a balanced budget? Is it more positive feedback than negative feedback from the public or interest groups? Or is it something more concrete, such as a certain value on standardized test scores, or a certain number of indigenous species saved? Performance may be something even more abstract, such as promoting democratic values of equity, efficiency, accountability, or responsiveness. Defining pubic organizational performance poses many problems, indeed.

Performance indicators in the public sector can be particularly juxtaposed. For example, in a police department, is performance increasing as more criminals are jailed, signifying more aggressive investigative work by the Boys in Blue? Couldn’t a decrease in jailed prisoners signify more aggressive community involvement and a greater presence by the police officer on the beat, resulting in fewer crimes? Obviously, measuring performance in public organizations is never as clear-cut as we would like it to be.

One explanation for unclear performance indicators is the very nature of public organizations. Designed to implement public goods and services as designated by democratically elected representatives, the motivation of public organizations differs from private one. One motivation for private organizations is profit margins. It is unlikely that there is a single business in the private sector not interested in increasing its profit margin. On the contrary, public organizations have such a wide array of motivations, ranging from providing milk and cheese to poverty-stricken mothers to ensuring the legitimacy of our mattresses, that defining a uniform performance indicator over the range of public organizations is impossible. Furthermore, due to the lack of a “bottom-line” that is prevalent and explains performance in the private sector, the public sector is left to manufacture performance indicators from loose, often vague, legislative mandates. This leads to multiple problems. First, legislative mandates vary widely from one public agency to another, thus comparing across agencies is nearly impossible. Second, vague mandates leads to wide discretion in the application of the rules, which has clear implications in a democratic system. Finally, performance indicators often lack consistency, not only across organization, but over time as well. Even though performance indicators are varied, vague, and inconsistent, the one “bottom line” that all public bureaucracies have is *administrative responsibility*. The American constitutional system demands responsibility from its administrations, thus, as Kettl and Fessler argue, “Government does indeed have a bottom line; it is administrative responsibility, not only for administering programs efficiently but also for ensuring that both the process and its results are accountable to elected officials and, ultimately, to the people” (Kettl and Fessler 2005, 2).

For example, the Texas Commissioner of Education and the State Board of Education mandate that “The mission of the Texas Education Agency is to provide leadership, guidance, and resources to help schools meet the educational needs of all students" (Texas Education Agency Mission and Responsibility 2006). This mission statement provides those managing Texas public schools vague direction in terms of measuring performance. Indeed, placing a numeric value on the "educational needs" of the children of Texas is difficult, but the methodology outlined below will help to develop objective performance measures to test the impact of school superintendents, and hopefully, can be generalized to other public managers.

Summary

Managerial succession affects public organizational performance. I have laid out a theory of managerial succession that helps explain first, how managerial succession relates to organizational performance, and second how management matters.

Managerial succession should affect organizational performance both in the immediate future and over a long period of time. A host of factors can have an effect on the magnitude of the affect on performance. The theory outlines factors such as where the replacement manager comes from, the structure of the organization, and the frequency with which organizations change managers. There are also a host of control variables that will affect performance. Some of these include the experience of the replacement manager and the time spent in and contact with the network.

Indeed, recognizing that managerial succession can and does influence organizational performance has normative implications, as well. Namely, when *should* public organizations change managers, and how should they go about picking replacements? These are valuable questions and will merit discussion, as we shall see in the concluding chapter of this dissertation. This theory of managerial succession has implications for the study of management generally, and will, with any luck, add to our understanding of public managers as more than simply budget maximizers, as Niskanen (1971) argues, or oversight mechanisms, but an invaluable institution within bureaucracy that can and does influence performance.

CHAPTER III

THE EFFECTS OF MANAGERIAL SUCCESSION ON ORGANIZATIONAL PERFORMANCE: TEXAS SCHOOL DISTRICTS

As Chapter II demonstrated, scholarship on public management has existed, and will continue to exist, relative to organizational performance (Barnard 1939, Brudney, O'Toole, and Rainey 2000, Nicholson-Crotty and O'Toole 2004, Rainey 2003). Case studies of specific managers or a single organization have been extremely valuable as foundations for understanding the complex interrelations between managers and performance. Building on these case studies, a more rigorous attempt at empirical, quantitative studies is starting to permeate the study of public administration. For example, studies have now examined how performance is influenced by networks (O'Toole and Meier 1999, Provan and Milward 1995, Milward and Provan 1998), strategy (Boyne and Walker 2004), and governance (Lynn, Heinrich, and Hill 2001). Despite the recent surge in quantitative studies of public management, one issue that has not been explored is the extent to which organizational performance is affected when top management is changed. Studying the effect of managerial succession on organizational performance from a large-N perspective will assist in building the growing body of public management scholarship by allowing for more generalizability and by contextualizing evidence on single organizations.[18]

[18] Portions of this chapter appear in the *Journal of Public Administration Research and Theory* 15:4, 2005. There have however, been substantive changes to the empirical analysis as well as the theoretical construction.

This chapter begins with a brief re-visitation of the theory of succession outlined in the Chapter II, followed by an empirical test of the hypotheses presented. The empirical tests in this chapter lead us to conclude that managerial succession has a small, but significant influence on organizational performance.

Theory of Managerial Succession

There is little public administration literature looking specifically at how managerial succession affects organizational performance. Numerous scholars have addressed managerial change in some form. McGregor (1974) and Nigro and Meier (1975) study the issue of mobility of career bureaucrats through the civil service organization. Goodman (1982) views managerial change as elusive, something that cannot be clearly or accurately tested. O'Toole and Meier (2003) look at organizational stability, but do not explicitly address the impacts of managerial change. They argue that organizational stability leads to more efficient functioning. In short, the research questions in this paper are not expressly addressed in any of these bodies of literature.

The primary work available on the effects of managerial succession on organizational performance is Boyne and Dahya (2002). The premise of the theoretical model they develop is that "the motives of chief executives, the means at their disposal and the opportunities available" (2002, 179) are the primary independent variables that affect performance when management is changed. Boyne and Dahya provide the theoretical groundwork for succession studies; however, their model is limited in its ability to explain the long-term ramifications of change. The theory posited here divides the study of managerial succession into short-term and long-term effects on performance; however, a brief discussion of the Boyne and Dahya model is necessary to establish the basis for the effect of succession on performance.

Boyne/Dahya Model

Boyne and Dahya's theory of managerial succession (2002) claims that managerial succession affects organizational performance. Their theory consists of three elements: means, motives and opportunities.

Boyne and Dahya identify *means* as power, personal characteristics, and managerial "fit." The official, or formal powers, afforded a public manager are often vague and vary widely across organizations. Boyne and Dahya cite Morphet (1993, iii) as follows: "The way in which this role [the chief executive's job] is performed rests far more heavily on the personality and charisma of the postholder than any legal or traditional rights."[19] Travers *et al.* (1997) also argue that autonomy is fundamental to managers accomplishing their goals. These views of charismatic and non-traditional leadership imply that top managers have the potential to influence performance based primarily on their priorities. In the absence of (or non-recognition of) formal powers, Boyne and Dahya argue, managerial skill or style may play an important role in determining organizational outcomes (see also Canella and Monroe, 1997; Conger and Kanungo, 1987).

[19] Morphet is in clear contradiction to Weber's legal-rational bureaucracy, which is rules-based and builds authority not on charisma and personality but on legal authority. This will be discussed in detail in the following chapter.

Autonomy and charisma however, are difficult concepts to operationalize, but they can be thought of in terms of relationships. Managers cannot function in an organizational vacuum. They must rely on their skill and charisma to develop organize and develop relationships with others, both within and outside the organization. The more skilled managers are at this relationship building, or "networking," the more likely they are to use their power to influence performance. Thus, Boyne and Dahya's conception of means can be operationalized as managing the network.

While Boyne and Dahya's characterization of *means* is a useful one and my operationalization of it as networking will be employed in this analysis, I would add to the definition a discussion on resources. Clearly, resources ought to be considered as components of a manager's ability to accomplish his or tasks. For example, a district with better teachers, more teachers, and more funding for the students should be able to outperform a district with lesser means. It stands, then, that means are not only as Boyne and Dahya describe as autonomy and the means to make decisions, but actual fiduciary means as well. A collection of these two items will make up the concept of *means* throughout this analysis.

The *motives* are akin to managerial style. Boyne and Dahya (2002) distinguish between motives of pragmatism, altruism, and egoism. Pragmatists have no personal motives. They exist to do the will of the organization, interpreted as the preferences of its political principals. New managers with pragmatic motives are strong believers in the politics-administration dichotomy; that the bureaucracy exists as the neutral, functioning arm of politicians. Altruists are primarily interested in promoting public welfare. They have a great sense of duty to the clients whom they serve. Finally, managers may be egoists who, as suggested by public choice theory, are primarily selfish (Boyne 1998).[20] Should this trichotomy of motives somehow determine organizational performance? If we believe that managers matter, then we hark back to the discussion of insider versus outsider replacement. If the motives of the prior manager were altruistic, and the motives of replacement manager are altruistic, then it is unlikely that we will see much of change in organizational performance. However, if for example the motives of the prior manager were altruistic and the motives of the replacement manager egoistic, then it stands that the difference in the motives of the manager would impact his or her priorities, which will, in turn, affect performance. Furthermore, we might be able to predict to some degree, the outcomes based on where the replacement manager comes from. Recall that the graphs in chapter II show the hypothetical outcome of an outside hire of the replacement manager. I argued that outside hires, barring retirement or voluntary removal, are likely due to some desire of a change in organizational regime. What better way to change the regime than to replace the manager with a manager with different motives? Conversely, were the manager to come from inside the hierarchy, the motives of the new manager would likely be very similar to the prior manager as the prior manager likely had a hand in “raising” and grooming the replacement manager. Thus, the difference between the motives of the new manager and the old manager should have a significant influence on organizational performance.

[20] For a more exhaustive treatment of public choice theory, see also Buchanan and Tollison (1972), Musgrave (1959), Olson (1971), and Samuelson (1954).

The *opportunities* of new leaders can be defined in terms of internal and external constraints on the strategies they adopt. Internal constraints can be conceptualized as the preferences of political principals and their expectations for the manager. For example, internal constraints can be related to the budget, or hiring and firing preferences, over which the manager has little control. The legal and socioeconomic environment in which the manager finds him-or herself defines external constraints, many of which are also outside the control of top managers. However, as Boyne and Dahya argue, “a new chief executive may be able to reinterpret the environment in a way that provides more scope for improving organizational performance” (2002, 191). Viewing the environment with “fresh eyes” may allow a new manager to exploit the environment, and thereby influence performance.

The Boyne and Dahya model can only provide us very general guidelines, however. The effects of managerial succession are more than just means, motives and opportunities. In order to further explain the effects of managerial succession on performance, I reiterate that succession events affect performance in two distinct ways: first, the immediate effect on managerial succession on performance is negative, and second, over time, the effect of a succession event will weaken as the replacement manager begins to rebuild hierarchical and network relations, driving performance in a positive direction. Furthermore, where the replacement manager comes from and how much experience he or she has are important factors contributing to organizational performance.

Data and Methods

In the public sector, performance is typically measured in terms of accomplishing goals established by the manager or the manager's superiors. Senior executives are pulled in different directions by the competing values of different stakeholders, including- the governing body under which they serve, the elected officials to whom they report, and the public at large. Goals are also constantly shifting over time.[21] With goals shifting and no single indicator to describe performance in the public sector, it is preferred to test a model of executive succession on a set of organizations that have similar structures and objectives; organizations that have the same performance indicator across all of its organizational units. Thus I will use Texas school districts and their superintendents as the focus of this analysis. The data were collected from a survey administered through the Texas Educational Excellence Project (TEEP) and the Project for Equity, Representation, and Governance (PERG) at Texas A&M University. The survey was sent to all of the district superintendents in the state of Texas. All of the other data were gathered from the Texas Education Agency. The time series is from 1995-1999. The units of analysis here are school districts. The manager in question is the district superintendent. The superintendent, as the primary appointed figure in the school district, is responsible to the public and the political principals (school board and legislators) for the performance of the district.

Texas operates a fairly decentralized school system as most authority lies in the

[21] See Chun and Rainey (2005) for an exhaustive treatment of goal ambiguity.

local districts with some intervention from the state. The state has set basic accountability guidelines, and how the districts choose to implement them is left to their discretion. School districts are also special districts, which sets them apart from other bureaucracies as it allows them to levy their own taxes, giving them even more discretion as they are not completely reliant on the legislature for their budget. That freedom from legislative control allows the superintendent to create a regime conducive to his motives or goals. For example, the superintendent has some discretion to hire subordinates (principals, vice-principals, and teachers) who best reflect his goals, and more importantly, best able to enforce his directives. Also, the superintendent can have differing levels of interaction with others in the external environment without always having to get permission from or justify the interaction to the legislature. All of these factors can influence performance. If the superintendent is perceived as being effective or efficient (or both) the citizens are likely to grant him more authority, or at the very least, not take authority away. Thus, the decentralized nature of school districts should amplify the influence of the superintendents and their impact on performance.

School district decentralization filters down to personnel and curriculum decisions, as well. Districts can make all of their own personnel and curriculum decisions. In most federal bureaucracies and, to some degree, in state bureaucracies, bureaucrats adhere to the General Schedule (GS) or some state derivation thereof. The GS sets regulations on who can be hired, how much they can be paid, and it also provides a job description for each category in the Schedule. The Civil Service and the GS provide very little decision-making authority for the top level managers to set salary, distribute bonuses, negotiate contracts, or recruit the "best and the brightest." School districts, generally, do not adhere to the state or federal General Schedule, and thus it is more likely that the superintendent can influence these aspects of performance, although the superintendent is subject to the limits of licensing laws.[22] Thus, local autonomy makes school districts an excellent organization for studying the impacts of management.

How can superintendents influence performance? Superintendents report only to one political principal, namely, the local school board. By virtue of sitting atop the hierarchy, they are able to hire, train, and motivate mid-level managers, such as principals and assistant principals. They are also able to establish, foster, and tend to relations outside of the hierarchy, namely networks. Networks are a highly personal endeavor, and something the superintendent has some control over. Finally, superintendents can adopt and implement educational reforms that best reflect their managerial philosophy. All of these functions attribute to "managing" the organization, thus, provide a uniquely rich field in which to test managerial succession. Thus, superintendents' ability to influence performance is widespread.

Students, up through 2003, participated in a standardized test every year. The results of this test, the Texas Assessment of Academic Skills, or TAAS, are highly

[22] There are exceptions to every rule, of course. In school districts that are under federal authority, i.e., schools on Indian reservations, the teachers are classified and paid via the Federal General Schedule. However, as the number of Indian educators is a very small fraction of the overall educational workforce (BIA operates 61 schools and contracts to 123 others to be operated via Native American tribes (www. Biaeducationjobs.com)), and as Texas has no schools operated on or by Indian reservations, in this study, the point is moot.

salient to the district, superintendent, and public in general. The results are published in local newspapers, and many superintendents are judged, not only by the school board, but also implicitly by the community, on the outcomes of this test, in effect, holding them accountable for the outcomes of the exams. The data available offer a valuable start for studying the questions associated with managerial change, and provides a vehicle through which we can determine if top managers matter.

In Texas there are approximately 1000 public school districts. These districts provide a great laboratory for the study of public organizations across time as they have similar structure and goals, and are easily comparable. The unit of analysis is the school district. The manager in question is the district superintendent. As the primary spokesperson for the district, the superintendent bears great responsibility, and fulfills many of the roles that would qualify him or her as “a top-level manager.”

A survey was sent to each of the superintendents in 1999, which serves as the primary data source for this analysis. The performance data come from the Texas Education Association, and were pooled for 5 years, providing a time series dataset with 5 years of performance data.

To test the hypotheses, I use traditional OLS multiple regression analysis, employing a fixed effects model to account for variation over time. This should help to ensure that any results are not the product of general trends or other unknown factors that are shifting the regression line over time.

Hypotheses

In order to address the effects of managerial succession we must break it into the immediate, short-term effect and ultimate, long-term effect. I argue that managerial change has a negative impact on performance in the short-term. Boyne and Dahya do not provide us with a theoretical basis for such a claim; however, it can be justified on the basis of the literature and theory presented in the prior chapters. According to the O'Toole/Meier (1999) model of public management, organizations must decide among three tasks when allocating managerial resources.[23] They are the manager's contribution to the internal structure and stability of the organization, the manager's efforts in exploiting the environmental conditions, and the manager's attempt to buffer against environmental shocks. The O'Toole/Meier model predicts that a change in any or all of these managerial contributions will influence performance. In the model, M_1, or the manager's contribution to the internal structure, implies a relationship with the organizational hierarchy. It takes time for a relatively static, entrenched bureaucracy to adapt to new managers and their strategies. When a manager is changed and a replacement is instituted, the hierarchical structure will take some time to adapt to the new mode of leadership. Thus, the relationship between the bureaucrat and manager changes, leading to instability and a decrease in performance.

[23] The O'Toole and Meier (1999 and 2000) general model of management is as follows: $O_t = \beta_1 (H + M_1) O_{t-1} + \beta_2 (X_t / H)(M_3 / M_4) + \varepsilon_t$ where O is some measure of outcome; H is a measure of hierarchy; M is a measure of management that is divided into three parts; and X is a vector of environmental forces. β_1 and β_2 are estimable parameters and ε_t is an error term.

M_3, or the exploitation condition, follows a similar pattern. Managers can exert a significant amount of energy in fostering relationships with the community outside of their organizations. In other words, networking externally can be an important function of managing an organization. Network building of this sort is a highly personal endeavor, and once a manager leaves the setting, the M_3 term's contribution to performance will most likely become smaller, implying that changing managers will have a negative impact on the relationships developed between the organization and the set of external actors. The same stands true for M_4, or environmental buffering. New managers would have to spend more time and energy buffering against environmental shocks because they do not have their own network structure in place to buffer for them. These several forms of managerial influence are not explored directly in the current analysis. Rather, a consideration of them leads to an expectation of negative impacts on performance following a managerial succession event. Still, while some networked relations can be damaged with the loss of the old manager, a new superintendent who is promoted internally will already have a set of known external actors in place by virtue of previous ties to the organizations. This line of reasoning leads to my first two hypotheses:

Hypothesis One: A change in management will have a negative effect on organizational performance.

Hypothesis Two: The negative effect of succession is greater if the new manager is an external hire.

Also, some managers will be better at building and fostering relationships than others due in part to their managerial experience. The learning curve for a new manager, we can predict, is much sharper than the curve for a new manager with prior managerial experience, affecting the new manager's ability to influence performance. This rationale leads to the third hypothesis:

Hypothesis Three: The negative effect of succession is mitigated by the experience of the replacement manager.

The fourth hypothesis is related to the long-term implications of change. O'Toole and Meier (2003) argue that stability, an out-of-fashion concept in organizational theory, is a fundamental aspect of public organizations. As organizational management becomes more stable, internal and external organizational relationships will become more stable as well. This stability will reduce the external transaction costs of managers, allowing them to focus more on improving performance. Again, if we assume the organization hired a better manager than the one it replaced, then over time, after the new manager has had time to stabilize in the environment and the hierarchy, organizational performance improves. Thus,

Hypothesis Four: The further an organization gets from a managerial succession event, the greater the likelihood that the organization's performance will become more positive.

Finally, I refer back to the discussion of networking. A network, as defined by Meier and O'Toole (2003), is "a pattern of two or more units, in which not all major components are encompassed within a single hierarchical array." As a result, managers may be able to reduce their transaction costs by acting in conjunction with other "units." Interaction with other units in the networked environment (both private and public units) allows managers to have more resources at their disposal, either political or financial. Thus, we are led to the following hypothesis:

Hypothesis Five: New managers that network more are more likely to improve performance.

Finally, the model assumes that *opportunities* are fundamental in determining the performance of the organization. Opportunities are defined in terms of constraints; "whether new chief executives have the opportunity to influence organizational performance will depend on the constraints that they face" (Boyne and Dahya 2002, 191). Internal constraints include hierarchical, political, and cultural factors. External constraints are factors such as legal, social, and constituent constraints. The constraint variables in this analysis are a mix of internal and external. The list includes: the percentage of minority students in the district, the percentage of low-income students as external, or social constraints; and the percentage of non-certified teachers in the district as a hierarchical constraint facing the superintendent.

Hence, managerial succession has an affect when the new manager is hired with a new motive and outlook, and can function within and manipulate the constraints on organizational strategy. In terms of an empirical application, a mathematical model might look like this:

$$\Delta 0_t = \beta_1 + \beta_2 \text{ (Motives)} + \beta_3 \text{ (Means)} + \beta_4 \text{ (Constraints)} + \beta_5 \text{ (Change)} + \varepsilon_t$$

Where:

O = Performance (change in TAAS pass rates)
Motives = Internal versus External Hire
Means = Autonomy, or Networking ability and Resources[24]
Constraints = List of external and internal constraints
Change = Managerial change
β =Some estimable parameter
ε_t = Error

Dependent Variables

The results of the TAAS test are used to represent organizational performance. Organizational performance is a politically constructed output that is designed to fulfill the demands of stakeholders. In this case, the political constructor of the pass rates is the State Board of Education at the behest of the legislature. This test is administered in every district in Texas on a consistent and predictable timetable (at the time of the survey, it was administered to 3rd, 5th, 7th, 8th, and 10th graders, statewide). The TAAS test is also a highly salient issue with the public. The overall district scores are published in the local newspapers; and the superintendent, as the chief administrator for the district, will generally be responsible for the results. Performance on this statewide test is one of the primary indicators of the effect of a new superintendent, thus the TAAS pass rate will be the primary dependent variable in this study. Since the data set covers five years, with around 1000 districts, the number of observations in the short-term

[24] Resources in the model are teacher salary, student/teacher ratio, and revenue/pupil.

model is 5213. However, data on the network variables is not available for all districts, leaving a sample size of 2534. In testing for long-term effects, note that there is a significant number of districts that had no change during the test period. Since this test is designed to measure the effects of succession over the long-term, it excludes those districts with no change, resulting in a sample size of 542.

Other performance indicators are the percentage of students who score above 1110 on the SAT, as well as the percentage of students who take advanced placement classes, dropout rates, and attendance rates. These performance indicators help to identify some of the goals, or motives, of the superintendents.

Independent Variables

The hypotheses argue that managerial succession has a short term as well as a long term effect on organizational performance. Consequently, the time between each year, or the immediate change, is the primary short term independent variable for the Texas dataset. This variable is dichotomous, coded as a zero if the calendar rolled over and there was no change in management, or coded as a one if there was managerial succession. The independent variable for the long-term analysis is recovery time, or years from the time of the succession event to the end of the study. The rest of this section will provide an in-depth explanation of the independent variables, beginning the short-term change variable.

I created a dummy variable called “managerial change” for any school district that had a superintendent change any time during the five years of the test period (1995-

1999). The change was determined by the "years in current position" question on the survey (Texas Educational Excellence Project First Superintendent Survey, 1999). The variable was coded as a 1 if there was change in a given year, 0 if no change. Any district with a value here of greater than 5 years (as 5 years is the length of the test period) was coded as a "no change" district. The managerial change variable is the variable that is of primary concern in the short-term analysis. This measure tells you if there was one change in the organization, but no more.

In order to test the long-term effect of change, I have created a variable for districts that had a superintendent change called the "recovery" variable. The recovery variable is an ordinal value representing the number of years that have passed from the change in superintendent to the end of the test period. More explicitly, if the managerial change occurred in 1998, the recovery variable is coded as 1, 1997 as 2, 1996 as 3 and 1995 as 4. It is hypothesized that the farther removed the organization is from change, the more positive the results will be, or the less likely that managerial succession will have a negative effect on performance.

Included in the model are a number of controls and constraints associated with superintendent behavior in a school district. First, the constraint variables are the percentage of Black students in the district, the percentage of Hispanic students, and the percentage of low-income students. These variables are standard predictors of organizational performance that exist outside of the direct control of the superintendent. The education policy literature has routinely shown that these variables are consistent predictors of performance (Burtless 1996; Jencks and Phillips 1998). They are also issues that superintendents must deal with, and must be controlled for. As a hierarchical constraint, I include in the model a measure of the percentage of non-certified teachers in the district. Districts with a greater number of non-certified teachers may struggle in terms of TAAS performance.

Other variables related to the means of the manager are resources. Monetary resources such as money to spend on the children and the teachers, and non-monetary resources such as the number of teachers in the school should soften the shock of a succession event. In an attempt to control for school wealth and to provide some consistency across analyses in this dissertation, I include in the both the short-term and the long-term models teacher salary, student/teacher ratio, and revenue per pupil.

To test the hypotheses dealing with the effects of internal versus external replacement, I distinguish between managerial promotion from within the hierarchy and recruitment from outside the hierarchy. A dummy variable called “external change” measures whether or not the replacement superintendent was recruited from outside the hierarchy. Taking the number of years of service in their current job and subtracting that value from their total years of service in the district can determine this. If that number was greater than zero (0), then I can assume that the superintendent was promoted from within the organization. If the number was less than or equal to zero (0) I can assume that he or she was recruited from outside of the organization.

The external change variable is not enough to capture the full meaning of change via internal promotion or change via external hire. To get the clearest picture of the effects of internal change or external change, I go back to the theory presented here and the manager's ability to develop and foster relationships. This relationship building, or networking, is requisite to the success of the manager, so the inclusion of networking as an independent variable seems justified. It was constructed as a composite of the frequencies of managerial interaction with five different network management actors, created using factor analysis (Meier and O'Toole, 2003). Interactions with the five environmental actors--school board members, local business leaders, other school superintendents, state legislators, and the Texas Education Agency all loaded positively on the first factor. The factor analysis produced an eigenvalue of 2.07. Only the first factor was significant. The survey asked the superintendents how often they interacted with the environmental actors, scaled from zero to five; five being the highest level of interaction (daily) and zero being the lowest level of interaction (never). As Meier and O'Toole (2003) argue, those with more frequent interaction with the environmental actors are likely to have a management style more conducive to networking. Networking, then, as a strategic managerial tool, will be uniquely implemented among replacement superintendents, and we would expect to see more network management associated with short-term performance. Conversely, we would expect to see negative network management associated with long-term performance.

To control for the experience of the superintendent, I created a dummy variable, named "experience," which is ranked 1 if the new managers had prior experience and zero if they had no prior experience. If a manager enters a new organization as a first time manager, he or she will have a greater learning curve than those managers that come into the new organization with experience. We would predict that new managers with prior experience would still have a negative impact on short-term performance, however, that impact will be less than new managers with no experience.

I interact the network variable with the managerial change variable, creating the “network*change” variable. This interaction tests the effect of managerial change and networking together on TAAS pass rates. I also interact the external change variable with the networking variable to create the “network*external hire” variable which tests the implications of internal versus external hire and its effect on the network in relation to TAAS pass rates.

Finally, in order to test the effect of managerial succession over the long-term, it is necessary to compare those districts with managerial change to those with no managerial change. I created a dummy variable called “succession,” which is coded as zero for all districts with no managerial change, and coded as a one for the 542 districts that had some long-term change. The dependent variable in this final analysis is the district TAAS pass rates. This test will allow for a comparison of all the districts (change districts to no-change districts irrespective of short-term or long-term designation) to determine if the act of changing superintendents makes a difference to performance.

Results

The results of the short-term analysis present an interesting dilemma. First, the managerial change variable is consistently in the predicted direction; however, it is statistically insignificant, implying that the effect of a succession event is not necessarily felt in the following year.[25] Yet, the external hire variable is negative and statistically significant in the short-term model, implying that replacing superintendents from outside of the hierarchy has a negative short-term effect on performance (see table on page 71). However, when external hire is interacted with networking (which is insignificant) it loses significance. Furthermore, two of the three resource variables are significant. Of the three, only revenue per pupil is insignificant. Both teacher salary, which is positive, and student/teacher ratio, which is negative, are significant in all three models.[26]

The short-term model confirms, then, that two of the conditions in place to reduce the impact of a succession event are significant and in the predicted direction. They are the opportunities afforded the replacement manager, or the percentage of black and Hispanic students and percentage of non-certified teachers, and the motives of the replacement manager, or the external hire condition. Interestingly, the means available, at least in terms of networking does not significantly affect the new manager's ability to influence performance. However, if we consider means to be the resources available to the manager in both monetary and non-monetary terms, we see that all but revenue per pupil is significant. Thus, while the shock (X_t in the O'Toole/Meier model) of a succession event itself is not significant in the short-term model except when the

[25] When testing for collinearity, I found that the mean variance inflation factor (VIF) = 1.80, signifying essentially no collinearity. The highest VIF was only 2.64 for the percentage of Hispanics in the district.
[26] One interesting finding here is that when the analysis is run with the pass rates for black students only, the change variable is negative and significant. While I have posited no theoretical expectation for managerial succession impacting one group more than another, the result is consistent with some of the work of Meier and O'Toole suggesting the organizational stability matters more for disadvantaged students.

replacement manager is hired externally, the motives and opportunities of the managers are.

Again, of interest in the short-term are the constraint variables. All of the relationships were negative and significant, but the size of the coefficients would imply that they had little substantive effect. We see, then, that the control variables associated with this model affect, if ever so slightly, organizational performance. Furthermore, of the interactions posited, none of them are significant. Most of this is likely due to the non-impact of networking on short-term performance. Thus, in terms of explaining short-term impacts on performance, executive succession itself is not as important as where the replacement manager comes from.

The tables on pages 75 through 82 show the results for the other dependent variables in the short-term analysis, namely dropout rates (page 75), students in AP classes (page 77), percent daily attendance (page 79) and scoring above 1110 on the SAT (page 81). In all tests, we see roughly the same pattern. Never does the change variable come up significant, thus we are left to accept the null hypothesis of change having no effect on short-term performance. Also of note is that with dropout rates as the dependent variable, external hire is again significant, but this time it is positive as opposed to negative (page 75). Along the same line, with attendance as the dependent variable (page 79), external hire is negative and significant, as was the case in the all-pass analysis. External hire was insignificant on both the AP class analysis and the SAT analysis. In all of the short-term analyses, at least two of the three resource variables were significant. Consistent with the original short-term analysis (page 71) neither the networking variable nor the experience variable were statistically significant in any of the other models.

However, as time passes, the relationship between change and performance shifts from a negative relationship to a positive relationship (see page 73). The recovery variable presents strong evidence that, holding all else constant, executive succession will increase TAAS pass rate change by around 6 points, controlling for the influence of time. This finding is highly significant and allows us to accept hypothesis four, namely the further an organization gets from a succession event, the more of an impact change has on performance because it has allowed the organization time to conform and adapt to the new regime. Stated differently, these data support the claim that managerial succession does in fact lead to better long-term organizational performance. Interestingly, the sign and significance of the control variables, for the most part, do not change from the short-term to the long-term model. The resource variables however do drop out of significance. Also of interest is the outcome of the external hire variable, which loses significance. This implies that, as time goes by, it does not seem to matter much where the replacement manager comes from, nor what his or her resources are like, as long as the manager is given time to implement the new regime. Furthermore, the prior experience of the replacement manager has no substantive effect on change in organizational performance. Once again, we see that networking has essentially no impact on organizational performance in districts with succession events.

To get a complete picture of the long-term effects of organizational performance, I compare districts that had no change in managers to districts with managerial change.

The table on page 73 provides us insight to only those districts which experienced a succession event. The table on page 83 splits the districts into two groups; those with a succession event, and those without a succession event. Unlike the short-term model, those districts that had a change were coded as a one for all years, versus those that had no change, coded as a zero. Over time, the full sample shows that "succession" districts performed better than districts that had no change. Districts with no change were relatively stagnant, with a mean increase in the pass rate of around 4 percent over the four-year period, while change districts saw a mean pass rate change of around 9 percent. Overall, the pass rate for districts with change is about 6 points better than districts with no change, holding all else constant, which implies that changing managers has some positive influence on performance. Thus, over time, districts with managerial succession saw a general rise in pass rates compared to districts with no change in superintendent.

Conclusion

What can be concluded from this application of a model of managerial succession? One conclusion that can be made is that it is clear that managerial change matters. Furthermore, managerial succession has an effect on organizational performance. Meier and O'Toole (2003) have shown that networking is an important activity of public managers. However, in terms of succession, networking does not prove to be statistically significant. This is quite surprising given the likelihood that managers would need to foster new relationships both within the hierarchy as well as in the external environment, irrespective of whether they were hired from the inside or the outside. It appears that, when the shock of a managerial change is introduced, the motives of the manager and the opportunities available are more pressing than dealing with the network.

Another conclusion to be drawn is related to the rationality of managerial succession. I argued in the theory that if short-term change led to poor performance, then aside from quitting or retirements, why would any rational organization ever change managers? One might argue that the if an agency is under political fire due to poor performance, then changing managers were only prove to stoke the fire. However, the theory argued that organizations are likely to absorb short-term loss for long-term gain. The tests in this analysis confirm that theory. When the change districts were compared with the non-change districts, the change districts showed a sharper increase in test scores than did the non-change districts. Thus, change and patience pays off. These data cannot address what happens with multiple managerial changes, but that question will be addressed in chapter VI. Clearly, organizations, when given time to recover from a succession event, yield positive performance.

Is managerial change good or bad for performance? The results of this analysis imply that changing managers does not affect the following year's performance, as Tables 3.1-3.6 show. Furthermore, Table 3.1 implies that as long as the replacement manager comes from within the hierarchical structure, succession matters. By contrast, if the new manager is hired externally, performance the following year is likely to drop, which not only adds to the pressure of the new manager, but could also affect political considerations for the organization as well. Conversely, what we learn from Table 3.2 is an argument for patience. The longer an organization can stay with a new manager, the more likely it is to see better results. In short, I find evidence that top managers make a difference.

Table 3.1
The Short-Term Effect of Managerial Succession on Student Pass Rates

Dependent Variable: All Student Pass Rates	Model 1	Model 2	Model 3
Managerial Change	-.485 (1.60)	-.378 (1.25)	-.371 (1.23)
Lagged Pass Rate	.724** (65.36)	.736** (65.33)	.736** (65.30)
% Black Students	-.063** (5.51)	-.062** (5.56)	-.062** (5.51)
% Hispanic Students	-.041** (5.81)	-.041** (5.97)	-.041** (5.93)
% Low-Income Students	-.010 (1.08)	-.005 (0.59)	-.006 (0.62)
% Non-Certified Teachers	-.084** (3.54)	-.079** (3.31)	-.078** (3.31)
Networking		.158 (1.55)	.117 (1.04)
Managerial Experience		-.118 (0.16)	.221 (0.27)
External Hire		-1.77** (5.89)	-.007 (0.00)
Network*External Hire			.242 (0.90)
Experience*External Hire			-1.80 (0.98)
Teacher Salary	.0003** (6.41)	.0003** (7.13)	.0003** (7.09)
Student/Teacher Ratio	-.117* (1.90)	-.111* (1.82)	-.111* (1.82)
Revenue/Pupil	-.0002 (1.52)	-.0001 (1.27)	-.0001 (1.29)
Constant	19.24** (11.96)	17.21** (9.48)	16.94** (9.17)

Table 3.1 continued

Dependent Variable: All Students Pass Rates	Model 1	Model 2	Model 3
Observations	2534	2534	2534
R-squared	.8086	.8115	.8116
Adjusted R-squared	.8080	.8106	.8105

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

Table 3.2
The Long-Term Effect of Managerial Succession on Student Pass Rates

Dependent Variable-All Student Pass Rates	Model 1	Model 2	Model 3
Recovery	6.25**	6.26**	6.26**
	(21.60)	(21.61)	(21.52)
Lagged Pass Rate	.737**	.739**	.739**
	(5.40)	(5.10)	(5.09)
% Black Students	-.105**	-.103**	-.102**
	(4.07)	(3.96)	(3.94)
% Hispanic Students	-.047**	-.045**	-.045**
	(2.60)	(2.49)	(2.49)
% Low-Income Students	.075**	.076**	.076**
	(2.79)	(2.83)	(2.83)
% Non-Certified Teachers	-.031	-.029	-.027
	(0.50)	(0.47)	(0.45)
Networking		-.352	-.217
		(1.38)	(0.69)
Managerial Experience		-1.33	-1.39
		(1.12)	(0.98)
External Hire		.324	-.008
		(0.41)	(0.00)
Network*External Hire			-.407
			(0.98)
Experience*External Hire			.354
			(0.14)
Teacher Salary	.0000	.0003	.0000
	(0.42)	(1.12)	(0.32)
Student/Teacher Ratio	.106	.101	.093
	(0.55)	(0.52)	(0.48)
Revenue/Pupil	-.0003	-.0003	-.0004
	(1.50)	(1.52)	(1.55)
Constant	10.26*	11.44*	11.36*
	(1.80)	(1.93)	(1.89)

Table 3.2 continued

Dependent Variable: All Students Pass Rates	Model 1	Model 2	Model 3
Observations	541	541	541
R-squared	.5372	.5403	.5408
Adjusted R-squared	.5267	.5272	.5259
F-Test	23.84**	14.54**	14.23**

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

Table 3.3
The Short-Term Effect of Managerial Succession on Dropout Rates

Dependent Variable: All Student Pass Rates	Model 1	Model 2	Model 3
Managerial Change	-.066 (1.12)	-.073 (1.23)	-.074 (1.24)
Lagged Pass Rate	-.026** (12.09)	-.027** (12.25)	-.027** (12.25)
% Black Students	.008** (3.49)	.008** (3.50)	.008** (3.48)
% Hispanic Students	.004** (2.55)	.004** (2.60)	.004** (2.59)
% Low-Income Students	.004** (2.44)	.004** (2.26)	.004** (2.25)
% Non-Certified Teachers	.007 (1.51)	.007 (1.43)	.006 (1.44)
Networking		-.008 (0.41)	-.010 (0.45)
Managerial Experience		.229 (1.59)	.196 (1.22)
External Hire		.115* (1.94)	-.046 (0.13)
Network*External Hire			.008 (0.15)
Experience*External Hire			-.165 (0.45)
Teacher Salary	.00003** (5.02)	.00004** (4.81)	.00004** (4.81)
Student/Teacher Ratio	.001 (0.10)	.001 (0.11)	.001 (0.11)
Revenue/Pupil	-.0001** (5.33)	-.0001** (5.37)	-.0001** (5.36)
Constant	1.87** (5.89)	1.77** (4.91)	1.81** (4.91)

Table 3.3 continued

Dependent Variable: All Students Pass Rates	Model 1	Model 2	Model 3
Observations	2514	2514	2514
R-squared	.1858	.1878	.1879
Adjusted R-squared	.1829	.1839	.1834

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

Table 3.4
The Short-Term Effect of Managerial Succession on Percentage of Students in Gifted and Talented Classes

Dependent Variable: All Student Pass Rates	Model 1	Model 2	Model 3
Managerial Change	.202 (0.98)	.199 (0.97)	.201 (0.98)
Lagged Pass Rate	.041** (6.54)	.041** (5.34)	.041** (5.32)
% Black Students	-.005 (0.68)	-.005 (0.78)	-.005 (0.77)
% Hispanic Students	-.005 (1.12)	-.005 (1.11)	-.005 (1.08)
% Low-Income Students	.012** (2.00)	.012* (1.94)	.012* (1.91)
% Non-Certified Teachers	-.015 (0.94)	-.015 (0.90)	-.014 (0.88)
Networking		.195** (2.79)	.159** (2.07)
Managerial Experience		.057 (0.12)	.106 (0.19)
External Hire		-.101 (0.49)	.200 (0.16)
Network*External Hire			.203 (1.12)
Experience*External Hire			-.340 (0.21)
Teacher Salary	-.00009** (2.99)	-.00009** (2.85)	.00009** (2.88)
Student/Teacher Ratio	.129** (3.11)	.128** (3.08)	.128** (3.08)
Revenue/Pupil	.0003** (3.71)	-.0003** (3.67)	-.0002** (3.66)
Constant	3.80** (3.49)	3.72** (3.01)	3.73** (2.96)

Table 3.4 continued

Dependent Variable: All Students Pass Rates	Model 1	Model 2	Model 3
Observations	2534	2534	2534
R-squared	.0245	.0277	.0282
Adjusted R-squared	.0211	.0231	.0228

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

Table 3.5
The Short-Term Effect of Managerial Succession on Percent Daily Attendance

Dependent Variable: All Student Pass Rates	Model 1	Model 2	Model 3
Managerial Change	.011 (0.26)	.023 (0.55)	.024 (.056)
Lagged Pass Rate	.027** (17.41)	.028** (17.93)	.028** (17.94)
% Black Students	-.003* (1.87)	-.003* (1.79)	-.003** (1.78)
% Hispanic Students	.005** (5.45)	.005** (5.37)	.005** (5.38)
% Low-Income Students	-.009** (7.38)	-.009** (6.94)	-.009** (6.96)
% Non-Certified Teachers	-.016** (4.86)	-.015** (4.71)	-.016** (4.71)
Networking		-.018 (1.27)	-.022 (1.38)
Managerial Experience		-.003 (0.03)	.009 (0.08)
External Hire		-.178** (4.19)	-.108 (0.42)
Network*External Hire			.021 (0.55)
Experience*External Hire			-.072 (0.27)
Teacher Salary	.00008** (12.44)	-.00008** (11.91)	-.00008** (11.92)
Student/Teacher Ratio	-.078** (9.06)	-.077** (8.96)	-.078** (8.96)
Revenue/Pupil	.00006** (4.24)	.00006** (4.49)	.0006** (4.28)
Constant	97.60** (429.97)	97.37** (378.70)	97.36** (371.92)

Table 3.5 continued

Dependent Variable: All Students Pass Rates	Model 1	Model 2	Model 3
Observations	2534	2534	2534
R-squared	.3164	.3214	.3215
Adjusted R-squared	.3139	.3182	.3178

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

Table 3.6
The Short-Term Effect of Managerial Succession on Percentage of Students Who Scored above the 1110 criterion on the SAT

Dependent Variable: All Student Pass Rates	Model 1	Model 2	Model 3
Managerial Change	-.526 (0.91)	-.554 (0.96)	-.565 (0.98)
Lagged Pass Rate	.232** (10.72)	.228** (10.28)	.228** (10.24)
% Black Students	.054** (2.47)	.052** (2.40)	.051** (2.36)
% Hispanic Students	.034** (2.40)	.034** (2.43)	.034** (2.44)
% Low-Income Students	-.209** (10.91)	-.212** (10.97)	-.212** (10.99)
% Non-Certified Teachers	-.041 (0.87)	-.040 (0.86)	-.039 (0.86)
Networking		.302 (1.54)	.248 (1.15)
Managerial Experience		-1.05 (0.76)	-1.71 (1.12)
External Hire		.329 (0.56)	-.313 (0.88)
Network*External Hire			.293 (0.56)
Experience*External Hire			3.55 (0.98)
Teacher Salary	.0007** (7.26)	.0007** (7.19)	.0007** (7.20)
Student/Teacher Ratio	-.049 (0.34)	-.065 (0.45)	-.069 (0.45)
Revenue/Pupil	-.0004* (1.80)	-.0004** (1.92)	-.0004** (1.94)
Constant	-8.51** (2.55)	-6.69* (1.79)	-5.92 (1.56)

Table 3.6 continued

Dependent Variable: All Students Pass Rates	Model 1	Model 2	Model 3
Observations	2416	2416	2416
R-squared	.2914	.2923	.2987
Adjusted R-squared	.2914	.2888	.2886

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

Table 3.7
Long-Term Effects of Change on Districts with Managerial Change vs. Districts with No Change in Management

DV: Long-term Pass Rate Change	Model 1
Succession	6.18** (.349)
Lagged Dependent Var.	-.242** (.018)
% Black Students	-.044** (.014)
% Hispanic Students	-.025** (.008)
% Low Income	.003 (.012)
% Non-Certified Teachers	-.064* (.034)
Networking	.142 (.145)
Experience	-.672 (1.06)
Constant	23.42** (1.90)
N	2021
F-test	14.14**
Adjusted R-Squared	.2331

Note-Standard Errors in Parentheses
**=Significant at the .05 level
*=Significant at the .10 level

CHAPTER IV

EXECUTIVE SUCCESSION AND THE INFLUENCE OF HIERARCHY: HOW THE BRITISH FARE

Work division is the foundation of organization;
indeed, the reason for organization.
Luther Gulick, 1937

In the previous chapter, the theoretical discussion and the empirical analysis showed evidence that public management and management succession does indeed, have a small, albeit significant effect on organizational performance. That empirical work however, is restricted to only one type of organization, namely school districts. While school districts provide an excellent laboratory for empirical studies, they are limited in one aspect that may be skewing our view of the impact managers have on performance. School districts, as independent authorities, are all generally structured the same; they are relatively flat hierarchies. We see that in flat hierarchies, managers influence performance, but what about vertical or rigid hierarchies? Could it be the *structure* of the organization that in part, determines if the manager can truly influence performance?

In this analysis, we will test the same theory of public managerial succession, namely, that succession affects performance, but will test it using a much more rigid hierarchy, with public education authorities in Great Britain. The British bureaucracy differs from the US bureaucracy in two key ways. The British system is more hierarchical, decreasing each manager's span of control, and the system is more rigid, removing discretion from the manager's position. I link these differences to organizational performance by looking at the theoretical expectations of Gulick's (1937) notion of span of control and Weber's (1946) ideal-type bureaucracy, particularly as it relates to managerial succession.

Hierarchy

Hierarchy permeates nearly every aspect of our public and private lives. The public schools that our children attend are hierarchical. The organization that manufactures the vehicles we drive is hierarchical. Indeed, even our own nuclear family unit is a hierarchy![27] Thus, recognizing the role of hierarchy in analyzing the role of public management is fundamental to a discussion of performance. A great many works have been penned and many scholars have opined on the relative merits of hierarchy in an attempt to determine its utility and necessity. Arguments range from Weber (1946) and Taylor (1911) to Coase (1937 and 1960) and Miller (1992). Taylor, the father of scientific management, viewed hierarchy as a means for dealing with the mechanistic problems of organizational controls. Hierarchy and management are used as the system of rewards and punishment used for shaping subordinate behavior. Coase, on the other hand, viewed the firm as a mechanism for encouraging the entrepreneurial spirit. He claims that hierarchical direction, not voluntaristic market transactions, secure the

[27] Notice that the reference to the nuclear family as hierarchical is gender-neutral. In my family, for example, even though I sit atop the hierarchy, my perch is akin to that of the British monarch, where I yield mostly ceremonial authority. My dear wife allows for this scenario because she manages and manipulates the affairs of the family without much concern of intrusion from me. It is also likely that I'm the figurehead because of my strikingly good looks.

existence of the firm. The vast majority of scholarship on hierarchies, however, agrees that its functions are to reduce uncertainty and increase control. His argument is that negotiating prices for every transaction is too costly to the firm, thus the hierarchy and entrepreneurs within it reduce those costs. Miller (1992) views organizations as two separate entities; first as incentive systems that reward selfish employees for working toward organizational goals, and second as organic systems which succeed through leadership. As he attempts to reconcile these competing camps, he argues that both approaches are needed to understand hierarchies.

Indeed, hierarchy may be defined utilizing Miller's (1992, 16) definition as, "the asymmetric and incompletely defined authority of one actor to direct the activities of another within certain bounds." Miller's definition captures the application of hierarchy in public organizations as applied to performance, as this study of managerial succession implies, and indeed, hopes to test, namely how one actor can influence another in an attempt to affect organizational performance. Furthermore, speaking more esoterically, how do varying degrees of hierarchy affect an actor's ability to influence another actor? Clearly, managers are constrained to some extent by their environment, and we generally assume that some degree of managerial skill or ability will overcome those constraints. But what if it can't? What if organizational structure is so constraining that managerial skill is hindered by the environment? This is precisely why a test of managers in like organizations with vastly different hierarchical rules is germane to any examination of managerial effects.

Span of Control

The term, “span of control” is related to the organization or structure of relationships between superiors and subordinates (Gulick, 1937). The more subordinates a manager oversees, the wider the span of control. As the span of control widens, superiors must delegate some decision-making authority to subordinates in order to free themselves of the informational bog that comes with large organizations. Delegation of authority, while significantly reducing the costs of information gathering down the hierarchy, significantly decreases the superior’s ability to oversee and influence all aspects of performance.

On the other hand, a narrow span of control should result in more direct authority. With fewer subordinates, the manager should be more likely to be able to influence the behavior of their subordinates. For example, it is easier to monitor the behavior of subordinates as oversight costs are lower due simply to the lack of subordinates needing to be overseen. Furthermore, information asymmetry will be reduced. With a narrow span of control, it is not as necessary for the superior to delegate information or decision-making authority to subordinates. Because the superior retains most of the managerial authority in situations with a narrow span, the subordinates are easier to control. The expectation then, is this increase in managerial control results in more of the organization’s functions becoming dependent on each individual manager. By extension, we would then predict that each change in manager would cause a shift in the organization’s performance.

This would lead to the expectation that managerial succession would matter more in the British system than in the US. However, the increase in hierarchical structure (decreased span of control) is also paired with an increasingly value-free bureaucracy. (Coxall and Robins 1994). Of course, this leads to dramatically different expectations. If bureaucrats, and more importantly, managers work in a system that promotes a culture of cog-like technocrats, we would not expect individual managers to matter much as value free implementation implies adherence to rules and a lack of "leadership" in terms of innovation and individuality in the carrying out of managerial duties. Indeed, Coxall and Robins (1994) note that the context of British politics promotes Weber's notion of authority as legal-rational, or in other words, authority to do one's job rests in the belief in rules and laws sanctioned by democratic government. This view is in opposition to the notion that some American scholars might consider to be the charismatic leadership, to coin another of Weber's "types" of authority, which permeates good managers in the US context.[28] This would lead us to very different expectations about the effect of managerial succession. In a legal-rational system, changing managers should not significantly affect performance.

Because the British system is both more rigid and more hierarchical, this analysis will consider how these differences affect the relationship between succession and performance. First, I offer a review of the British system, and then discuss the two

[28] The scholars that I refer to are Robert Behn (1991, 1988) and those that adhere to the notion that individual characteristics make good leaders. This is different from arguing that management affects organizational performance. There does not need to be the normative qualification attached to management that is attached to good, charismatic leadership, or the "best practices" literature that we find in many studies of management.

bodies of literature that offer these competing expectations. I then test for the effect of managerial succession using data from the UK local education authorities.

British Government 101

Because I expect the majority of people reading this to be less familiar with the UK system, I will offer a brief review of aspects of British government that are important for this analysis. The United Kingdom is a parliamentary democracy, as well as a constitutional monarchy in which the ministers of the Crown govern in the name of the Sovereign. The Parliament functions as the supreme authority in government and law making. The Queen, as the monarch, is the head of the executive and judiciary, as well as commander-in-chief of the British Royal Forces and supreme governor of the Church of England. She holds little influence in Parliament, aside from the ability to dissolve it, at the behest of the Prime Minister.[29] The Queen's role, then, is primarily the Head of State, although officially she is still the Head of the Government. The central government functions without a constitution. Rather, it is governed via statute law, common law, and conventions. Legislative authority and power is centered in the House of Commons, specifically with the Prime Minister, who is chosen by the majority party and appointed by the Queen as the head of the functioning government.

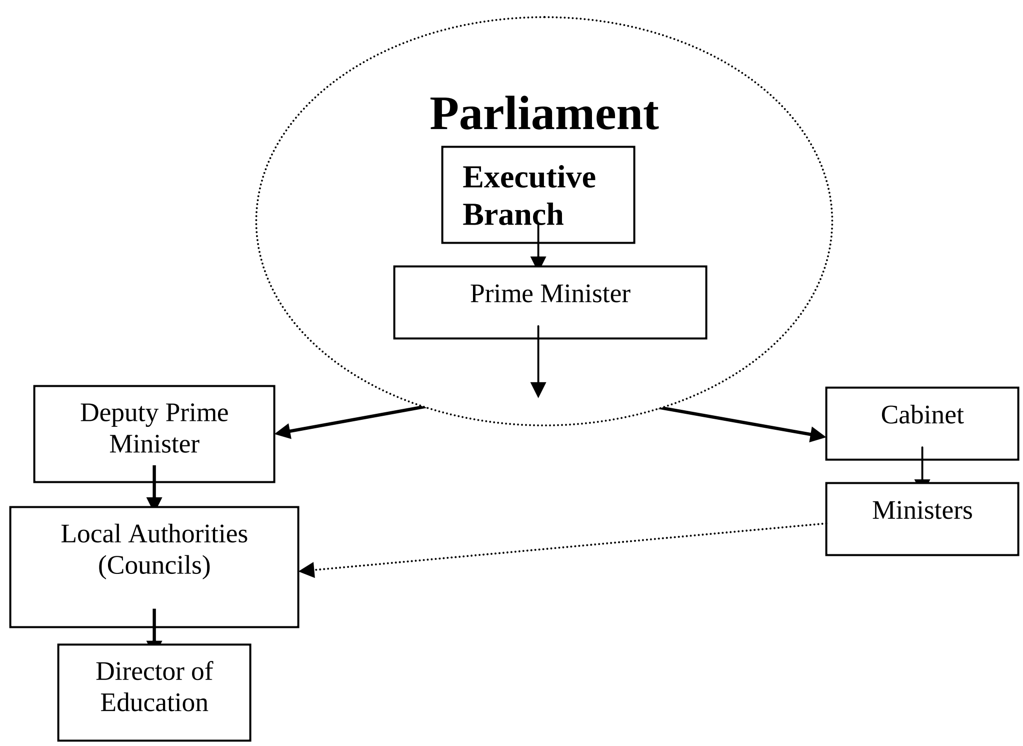
The bureaucratic structure in the United Kingdom is close to an example of true hierarchy. The Prime Minister is the head of government. He or she chooses a cabinet

[29] This power is unlikely to be exercised as the Prime Minister is head of the majority party.

of about 20 members. Members are chosen from the majority party and may or may not have a particular specialization in the department for which they are tapped. This appointee to the cabinet is referred to as the Minister, for example, the Minister of Education or the Minister of Defense. The Minister oversees the actions of the Department Secretary. Career bureaucrats traditionally fill these positions.

As depicted in Figure 4.1, the link between local authorities and the central government is through the Office of the Deputy Prime Minister, who is responsible for housing, planning, regional and local government, and fire service (The Municipal Yearbook 2000).

Figure 4.1
United Kingdom Government Structure



In the United Kingdom, where the data for this analysis originate, the local governments are organized into three councils. First, the County Councils are responsible for the following areas of government-strategic planning, highways, traffic, social services, education, libraries, fires, refuse disposal and consumer protection. The second council of government, the District Councils, (which works in tandem with the County Council) is responsible for local planning, housing, environmental health, cemeteries and crematoria, leisure services and parks, tourism, and electoral registration. The third and final council is the London and Metropolitan councils, which are unitary and run all of the services in those particular areas (The Municipal Yearbook 2000).

Ultimate decision-making authority rests on the elected councils. The elected councils, whether they are County or District councils, are the principals, who work within a committee structure. In principle, all major policy decisions and actions are made in committee (with recommendations going to the full council), which includes the appointment of Directors of Education.

Funding for each local authority (and department in that authority) is designated by Parliament through central grants. With the exception of the Council Tax, (which is primarily a property tax and can be capped by the Central government) local authorities are not at liberty to levy taxes, or have any other means of raising funds for public education. Their fiduciary responsibility, and hence, accountability, is to Parliament, centralizing the authority and discretion of the local Director of Education.

British Politics

Winston Churchill said, “We have the strongest Parliament in the world. We have the oldest, the most famous, the most secure, and the most serviceable monarchy in the world. King and Parliament both rest safely and solidly upon the will of the people expressed by free and fair election on the basis of universal suffrage. Thus, the system has long worked harmoniously, both in peace and in war” (address to the House of Commons, 1945 [Wright 2003]). Indeed, Churchill is accurate in his description of British government. The British legislative structure of representative government vis-à-vis Parliament and the Monarchy has solid roots and lends itself to a convenient discussion of hierarchical relationships, in that it does not cumber itself with the checks-and-balance system we are so familiar with in the United States. The structure of “Crown-in-Parliament” government that Britain employs is an arrangement that is top-down rather than bottom-up, allowing the government to govern (Wright 2003). Surely, it is an executive-dominated political system. The degree of Britain’s top-down polity makes it unusual among modern democracies. According to Wright (2003), top-down, or unified politics provides the shortest link between the represented and the representative, and he argues that the British believe this system is the best in terms of representative and bureaucratic accountability. [30] The top-down relationship is important in this study as we compare the federal system in the United States with the Parliamentary system in the United Kingdom.

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[30] Wright (2003) asserts that the top-down polity is one of Britain’s defining political characteristics. If Wright is correct (he provides no evidence for this assertion, however), then Britain is an excellent contradiction to the U.S. system of federalism and bottom-up politics.

The federal system, or fragmented system that the United States operates under, is a constitutionally mandated system with constitutional checks and institutional powers, often leading to deliberate and sometimes, fractious politics. Political problems are often slow in being resolved, if they are resolved at all. It is not so in the United Kingdom. With all of the decision-making authority concentrated in the legislative body, namely Parliament, the majority party can have its way, making policy without any check on its validity or constitutionality (which would be impossible as the U.K. has no written constitution). The rule of law is grounded in the tradition of common law and judiciary independence as the protectors of liberty. While some might fear corruption or tyranny under such a regime, others might claim the government is, indeed, more responsive to the citizenry than regimes with checks and balances. The British refer to their system of centralized and concentrated power as "strong government" (Coxall and Robins 1994; Wright 2003).

British Local Government

British local governments, or "authorities," are designated by geography and/or population. They are akin in that respect to city governments, but differ in that they have little or no revenue-generating authority.

Understanding the local government structure in the United Kingdom requires some understanding of the perceived role of the local governments with relation to the national government. Local government in the UK can be perceived in one of two ways. The first perception of British local authorities is that they are the functioning arm of the national government (Stewart 2000). The role of the local authority is seen as an agent, providing goods and services at the behest of the national government. Stewart claims that, “Because there is no written constitution, local authorities derive their position solely from legislation. They have been set up by statute and could be abolished by statute…These conditions support an assumption of hierarchy in the relationship (2000, 90-91).”[31] The opposite perception of the local authorities is that they are seen as political institutions in and of themselves for local choice. In the latter case, the local authority should be afforded considerably more autonomy and decision-making authority in terms of both the influence of local managers as well as the ability to levy and spend local taxes than in the former case as they are making localized policy decisions (Stewart 2000).

Most scholars now believe, however, that the pendulum has swung back in the direction of local authorities as agents for the national government, and it is under this assumption that we outline the structure and duties of local authorities. By defining the structure and duties of British local authorities in the rigid hierarchy within which they operate, we are able to determine if the impact of managers on organizational performance is a function of managerial manipulation of the structure and environment, as the Texas school district model implies, or whether managerial impact is minimized by a highly centralized organizational structure.

[31] The one caveat to Stewart’s assertion on the legitimacy of local authorities is that the Labor government ratified the European Charter of Local Self-Government, stating, “the principle of local self-government shall be recognized in domestic legislation, and where practicable in the constitution” (Council of Europe, 1985, Article 2). Notwithstanding the signing of the Charter, Stewart is adamant that because there is no written constitution, there is no formal foundations for local authorities.

Local government in the United Kingdom functions through a committee structure. Committees are derived of members of the unitary or county council, who govern and legislate at the local level. There is no separate executive, such as a mayor, that you see in the United States local government context.[32] All executive business is conducted through the council and the committees. Committees oversee the actions of the chief officers, who are responsible for departmental performance.

The nitty-gritty workings of local authorities have rested with the professional principal (Stewart 2000). For example, lawyers filled all of the local clerk positions, professional engineers fill the engineering positions, and professional educators fill the education positions, and so forth. The British model of professionalism argues that professionalism is a source of stability in knowledge that is required to implement legislation (Robson 1931). Professionals bring expertise and certification, standards, and safeguards associated with professional memberships. They bring legitimacy to bureaucracy.

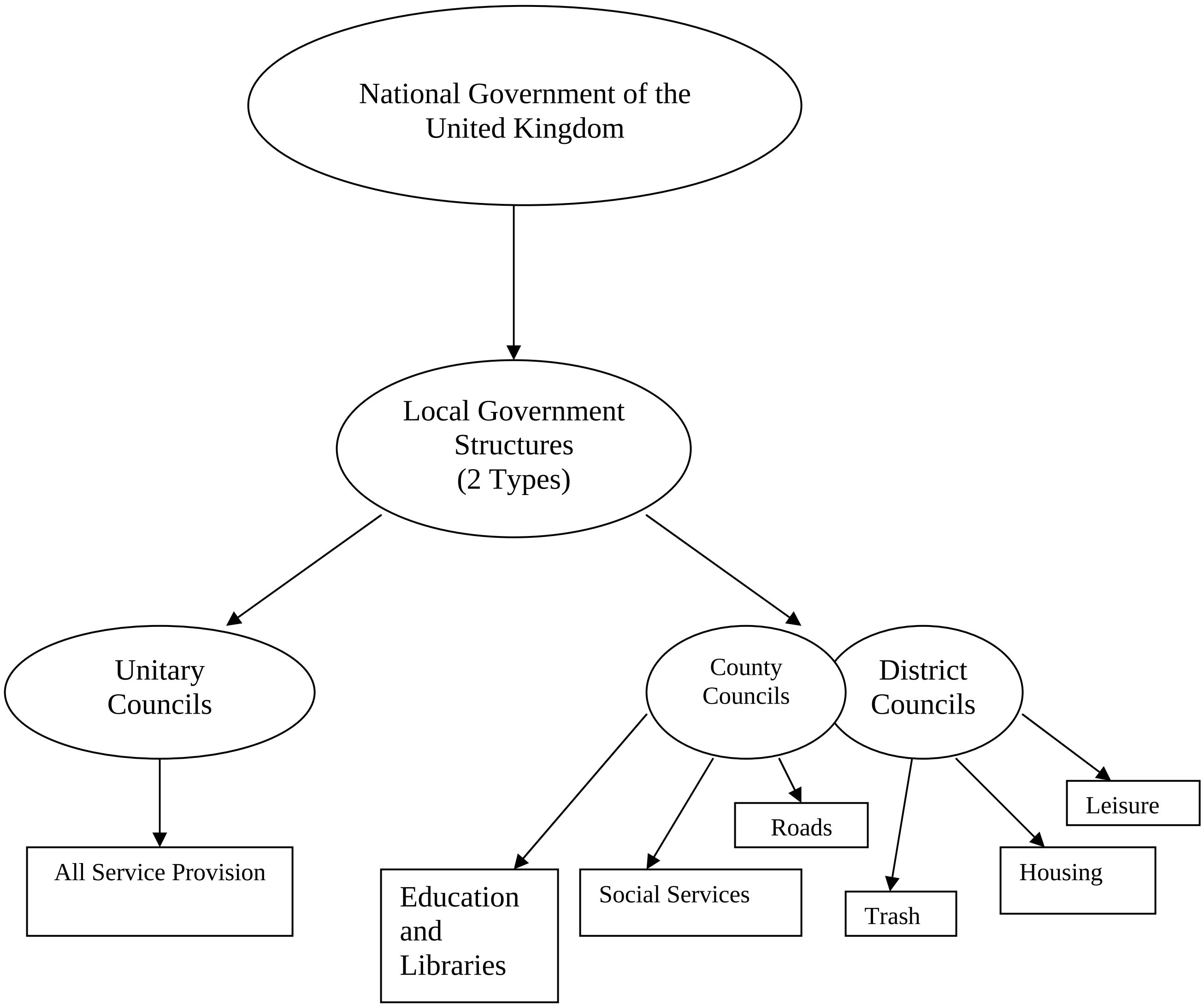
Local authorities are divided into departments responsible for the provision of services. At the head of each department is a chief officer. The chief officer is the department's voice. He or she is responsible for reporting to the council and committees, as well as to be the face to the outside world (Stewart 2000). In a sense, the chief officer holds a very powerful position in local and national government, and prior to the 1974 and 1975 reforms, was afforded quite a bit of autonomy. It is easy to see

[32] In some British cities, mayors and lord mayors do exist, but they are an artifact of bygone systems and are now largely a ceremonial position in nature with no formal decision-making authority (Coxall and Robins, 1994).

that, at the time of the reforms, power needed to be centralized because of the very nature of the local authority; the lack of checks on individual power by these chief officers. Longer-tenured officers were gaining more and more power and becoming more autonomous in their decision-making. The reforms of 1974-1975 centralized authority at the national level. Centralizing authority reduced the autonomy of long-tenured chief officers, which allowed for standardization of service provision across local authorities, so that for example, county councils in all local authorities are responsible for education and libraries as opposed for education and libraries to be under the purview of county councils in some authorities and district councils in others. (See Figure 4.2.)

In short, British local government can be summed up as follows: “Local authorities have been organized for direct control of services, enforced by organizational hierarchies, seeking uniformity of policy and practice” (Stewart 2000, 48). Local authorities in the Parliamentary system of Britain appear to be a dependent arm of the central government that resemble more the bureaucratic structure in the United States rather than the autonomous self-governing units of states, counties and cities. Indeed, the rigid hierarchy of the British system affords a much different structure than the loose hierarchy of the U.S. system, which will surely have an effect on the chief executive’s ability to influence performance.

Figure 4.2
Local Government in the United Kingdom



Theoretical Expectations

Two competing theories in the literature emerge of the influence of hierarchy on managers' ability to influence organizational performance. The first theory stems from Luther Gulick's (1937) notion of span of control and the second is the Weberian approach (1946). These competing theories of hierarchical influence can lead to dissenting views of managerial effect on organizational performance.

Span of control argues that increasing the hierarchical structure reduces the span of control (Gulick, 1937; Meier and Bohte, 2000 and 2003; Hammond, 1990; Woodward, 1980; Holden, Pederson, and Germane, 1968; Hood and Dunshire, 1981; Carzo and Yanouzas, 1969; Brehm and Gates, 1997). Gulick's classic theory is based on efficiency; its two prime elements are differentiation of function and coordination of responsibility. Meier and Bohte (2000) add, "Span of control dictates that superiors should oversee a limited number of subordinates rather than a large number of subordinates. Monitoring and mentoring the work of subordinates is a less daunting task when the number of subordinates is small, but becomes more difficult when superiors are charged with overseeing a large number of individuals" (Meier and Bohte 2000, 116). A narrow span of control increases the amount of influence the superior can have on the subordinate, thus increasing the effect of the manager on the performance of the organization. In other words, narrow spans of control increase the monitoring capabilities of the superior and decreases subordinate shirking (Brehm and Gates 1997). The expectation, then, is that managerial succession in this hierarchical framework would affect the performance of the organization.

Conversely, Weber's notion of bureaucracy as an impersonal structure designed to maximize efficiency and "the vital interest of everyone concerned" (Weber 1946, 229), led Blau and Meyer (1971) to imply that increasing the levels in the hierarchy leads to bureaucratic values, standard operating procedures, and cultural norms, each of which are designed to reduce the discretion of any individual in the hierarchy, effectively making them interchangeable cogs in the organizational wheel. Indeed, Weber's treatment of the position of the official in a bureaucracy introduces many of the notions that would insinuate a minimization of individuality and unique managerial strategy in the bureaucracy. Weber says, "Entrance into an office…is considered an acceptance of a specific obligation of faithful management I return for a secure existence. It is decisive for the specific nature of modern loyalty to an office that, in the pure type, it does not establish relationship to a *person*, like the vassal's or disciple's faith in feudal or in patrimonial relations of authority. Modern loyalty is devoted to impersonal and functional purposes" (1946, 199). Weber can not be clearer on his concept of the position of the official in that its authority and individuality is subsumed into the office, not the individual. It would stand then, that in a traditional tall hierarchy that managers may not be able to influence performance. Weber himself argued that obedience by subordinates rests on the legitimacy of the system of authority. "The official duty…is fixed by rationally established norms, by enactments, decrees, and regulations, in such a manner that the legitimacy of the authority becomes the legality of the general rule, which is purposely thought out, enacted, and announced with formal correctness" (Weber 1946, 299). If, as Weber argues, that bureaucracies are designed to be impersonal and authority is housed in the formal rules and regulations, and Blau and Meyer’s argument of increasing levels of hierarchy reduce discretion, then it stands that in Weber’s conceptualization of a bureaucracy, individual managers, or any actor within the bureaucracy, would have little overall impact indeed.

Clearly, Weber’s ideal-type bureaucracy with its rational-legal authority provides managers with little ability to influence performance vis-à-vis personal strengths or abilities. In fact, Robert Merton, in his classic essay, “Bureaucratic Structure and Personality,” goes so far as to argue that, “Authority, the power of control which derives from an acknowledged status, *inheres in the office and not in the particular person* who performs the official role” (1957, 195) [Italics added]. We are likely to see little, if any, affect on performance when managers in this hierarchical framework are replaced, as the majority of the autonomy is housed in the top levels of the hierarchy and the organizational structure, if we believe Merton and Weber. This does not allow for discretion.

Juxtaposed against the span of control argument, in the discretion argument based on Weber’s model, shirking would be greater for two reason; because the hierarchical structure , thus managerial control and influence would be less. The likelihood of a succession event having any significant impact in such a structure would be small, indeed.

This chapter intends to test the validity of these arguments to determine if management and structure are related, and if management matters at all. We have seen in prior tests that managers influence performance, and managerial succession affects performance. Many of those tests have been constrained to a flaccid hierarchy (school districts), while this treatment will approach the question using a similar organization with similar goals, albeit a different organizational structure. I employ public education authorities in Great Britain, which are rich in hierarchy as they reach all the way to the central government.

Hypotheses

As specified throughout the previous discussion, this paper will test two hypotheses:

Hypothesis One: Due to the hierarchical nature of the education system and the decreased span of control, managerial succession should lead to a shift in organizational performance.

Hypothesis Two: Because of the Weberian-like norms held by bureaucrats in the UK, succession events should have little disruptive effect on educational performance.

These hypotheses, of course, present a no-lose situation as they offer opposing views, but are sequentially designed to test the notion of structure and management. Clearly, from hypothesis one, structure would advance the manager's ability to influence the agency's performance. Conversely, hypothesis two would surely indicate that structure would hinder managerial influence. If hypothesis two proves to be substantiated, it may be necessary for us to explore our concept of management more thoroughly.

Data and Methods

Unlike the autonomy that Texas school superintendents enjoy, British directors of education are mired deep within an organizational hierarchy. While both British school districts and Texas school districts are public agencies, the context surrounding each is quite different. The dataset to be employed is from British local education authorities. While the United States has a highly decentralized system of government, the British system is decidedly centralized, and the school authorities are no different. By including the British data we are able to compare managers from flat systems (U.S. superintendents) to those from hierarchical systems (British directors of education). The time series in this dataset is 1996-2001. The units of analysis are British local education authorities (LEAs) (the equivalent to a district in the U.S.). The managers are the Directors of Education. See page 108 for descriptive statistics.

Dependent Variables

The data include five performance indicators, representing what the British education system has designated as important measures of student progress and success. Students in the UK are administered topical exams in grade 11 that are used to determine which students qualify for college[33] (also termed "six form"). Each exam is graded on a scale where all minimally passing scores range from A to G, with a C score considered

[33] College (or six-form) refers to the two years between compulsory school years (through grade 11) and entering a university.

to be the threshold for a reasonable level of subject mastery. Students who score A-C on five of these exams are considered by the British system to be “college-ready.”

The analysis includes the percentage of the students in grade 11 (all of whom take these exams) who reached the college-ready threshold, as previously defined. Also included are two low-end achievement measures: the percentage of tested students who scored A-G (minimal pass) on at least five exams and the percentage of tested students who failed all exams.

The education system in the UK has also begun to crack down on absenteeism, levying larger fines and even jail time for truancy. Because the UK education system has deemed attendance important, we also include this in our analysis. The measure included here is the percentage of classes missed at the LEA level.

Independent Variables

For the British data, the independent variables are similar to the Texas school district data, namely, managerial succession. The exception is that we can only analyze the short term affect as the control variables for any long-term analysis are not available. In an attempt to remain consistent, I tried to develop independent variables and controls that would mirror those in the Texas school district study.

The independent variable of interest is managerial succession. The original data reported the name of each director of education for each LEA for each year. Change was coded as a “1” if the LEA’s director was replaced in the previous year. For example, a change in director in 1996 would be linked to the 1997 outcomes. The change was only noted for the year in which the change occurred.

Unfortunately, the UK's Department of Education and Skills does not have as rich data as does the US Department of Education, which led to some limitation in the ability to control for LEA characteristics. In an attempt to control for LEA wealth, I include measures of per pupil expenditures and student-teacher ratios. Also included as a control variable is a measure of LEA size -- total number of students -- calculated by combining the student/teacher ratio the number of full-time equivalent teachers.

Methodology

These data are analyzed the same way the data in the other chapters are analyzed, namely, using fixed-effect least squares analysis, controlling for the variation that can be attributed to yearly fluctuations. Controlling for yearly fluctuations results in more conservative estimates, but I felt it was necessary in this analysis. I also ran these numbers with a lagged dependent variable, but did not include these results, a decision that will be discussed later.

Results

Using the findings to answer the basic question, "Does managerial succession affect organizational outcomes in the UK?" produces strong support for saying no. With all five performance indicators, the change variable is insignificant. In fact, the average t-score for the change variable is 0.59, a far cry from the conventionally-accepted level of 1.96 (see tables 4.2 and 4.3). As mentioned above, running the data with a lagged dependent variable in the model also produces five insignificant coefficients. Just to be absolutely sure, a third test was run, offering the change variable its best chance at achieving significance by taking out the fixed effects, and, although we saw a small jump in the t-scores, all five indicators were once again insignificant. In the end, we have no reason to support rejecting the null hypothesis.

The control variables proved to be even more disappointing that was expected. The R-squares range from .02 to .34, with an average of .20. Although this gives some idea that the models are picking up something, a good portion of that can be attributed to the fixed effects. Per pupil expenditures were negative and significant for three performance indicators, which was not expected given that this measure is one of the most reliable (and always positive) predicators of student achievement in the US. For the other two indicators, the expenditures measure is positive and significant, though substantively quite small. The student/teacher ratio, which should be negatively related to performance, is insignificant for four indicators, and positive and significant for one other. Finally, the measure of LEA produced no significant findings.

Conclusion

One of the few findings that offer a consistent story across performance indicators is that managerial change does not seem to affect educational performance in the UK. Although the increase in hierarchy leads to the expectation that managers to have more of an effect, the rigid structure and culture of the British bureaucracy seems to “trump” any effects that a reduced span of control might bring. Changing LEA directors does not seem to affect educational performance either for the most salient policy outcomes (college-readiness, attendance) nor the relatively ignored ones (minimal passes, average points) (see Tables 4.1, 4.2 and 4.3).

This leads to a number of questions concerning the literature on public management. In the quest to answer the question “Does management matter?” to what extent have we only asked if management matters in the US? Forbes and Lynn (2005) and Hill and Lynn (2004) do meta-analyses of US and non-US, or what they term “international” public management studies and find that while most international studies are investigating similar problems, they approach the research design in a much more linear fashion while the American research is predominantly from a governance perspective.[34] Are these differences substantive differences in theory-building in public management? What if a system is designed so that managers cannot make a difference?

There is an alternative hypothesis to explain the impact of management in the British organizations. It is conceivable that it is not the structure, per se, that is influencing the results, but that organizational survival is one plausible explanation. The British bureaucracy has been in existence for a very long time, thus, the bureaucracy is, in a sense, become very routine, or fixed, and has potentially reached a level of “the ideal manager.” In other words, the British bureaucracy, over time, has honed and refined the position of public manager to the point of nearly reaching its ideal stage.

[34] Hill and Lynn (2004) evaluate over 800 American empirical studies to determine the nature of the research design they employ, while Forbes and Lynn (2005) evaluate 193 American and international publications to draw the conclusions that I stated in the text.

Indeed, if we think of it in terms of a nonlinear curve where managerial skill has an "ideal" capacity, we can hypothesize that the British bureaucracy has very nearly reached that ideal type based primarily upon the notion that they have had a lot of time to develop their ideal manager. The bureaucracy can then change managers in and out of this role without much disruption, as the role is well established and managers are likely being trained to fit into that role. The US system is still in the process of developing the "ideal manager" and as such, is on the upward slope of the curve. Thus, while the American bureaucracy is in the process of developing its "ideal manager" there is greater variation in organizational outcomes as multiple managerial types are defining their roles. Over a very long period of time, the US bureaucracy can reach this ideal skill level, at which point, managerial succession in the US context would likely mirror that of the British. I do not intend to test this hypothesis here, but to present it as an alternative and an avenue for future research.

Regarding the question of public management, more specifically managerial succession, we can see that a very different bureaucratic regime resulted both in unexpected findings and interesting new questions for research. The literature on managerial succession and the tests of public management theories in other contexts offer two fruitful avenues for new research.

Table 4.1
Descriptive Statistics: Education

Variable	Mean	Min.	Max.	Std. Dev.
Percentage Considered College Ready	44.84	21	77	8.90
Percentage with Minimum Pass on 5 Exams	88.41	77	100	4.36
Percentage Failing All GSCE Exams	5.90	0	20	2.64
Average Score on Exams	3629	2480	5280	29.91
Percentage of Classes Missed (Unauthorized)	1.31	0	4	.066
Per Pupil Spending	3634.13	2990	5730	539.38
Student/Teacher Ratio	16.92	8.4	24	1.21
Total Students	55049.67	225	325653	43808.31

Table 4.2
Testing the Effect of Managerial Succession on High-End Performance

	College-Ready	**Average Points**
Managerial Change	-0.348 (0.34)[35]	-18.040 (0.39)
Per Pupil Funding	-0.006 (7.93)	-0.254 (7.11)
Student/Teacher Ratio	0.065 (0.14)	8.134 (0.39)
Total Students	0.013 (1.43)	0.443 (1.10)
Constant	67.634 (7.28)	4383.46 (10.36)
Observations	410	410
R-squared	0.19	0.34
Adjusted R-squared		

[35] T-scores reported in parentheses.

Table 4.3
Testing the Effect of Managerial Succession on Low-End Performance

	Minimum Pass	**No Pass**	**Attendance**
Managerial Change	-0.374	0.170	-0.053
	(0.81)	(0.60)	(0.81)
Per Pupil Funding	-0.003	0.000	0.001
	(7.33)	(1.69)	(12.47)
Student/Teacher Ratio	0.169	-0.139	0.057
	(0.81)	(1.09)	(1.94)
Total Students	0.000	-0.001	0.000
	(0.04)	(0.27)	(0.10)
Constant	95.835	6.276	-1.912
	(22.84)	(2.45)	(3.23)
Observations	410	410	410
R-squared	0.16	0.02	0.30
Adjusted R-squared			

CHAPTER V

THE EFFECT OF FREQUENT MANAGERIAL TURNOVER ON ORGANIZATIONAL PERFORMANCE: A STUDY OF PROFESSIONAL BASEBALL MANAGERS

Managing is getting paid for home runs someone else hit.
Casey Stengel, 1890-1975

Introduction

This chapter analyzes a manager's contribution to the organization, particularly in terms of uncertainty related to managerial succession. I test data compiled from baseball teams over a 24-year period in order to determine what effect managerial succession has on organizational performance, and if the *frequency* of succession events affects the performance of the organization.

This chapter builds upon the theory of managerial succession by testing the frequency of executive succession. As I explained in the previous chapters, the relatively few years of data available for both the Texas school district data and the British school district data do not provide ample time to test organizations that have multiple succession events over time. Is there a "grace period" in which a new manager is allowed to fledge along before the organization makes another managerial change? Do organizations that change managers more often suffer lower performance, or are frequent changes invigorating to the line workers? Is stability, as O'Toole and Meier

(2003) argue, one of the defining and desirable characteristics of bureaucratic organizations? This chapter sets out to answer these questions by using data from Major League Baseball, from 1979-2003.

The analysis in this chapter differs from the other two analyses in two distinct ways. First, and most obvious, baseball managers are not public managers. However, public managers and baseball managers really aren't that different (Grusky 1963; Gamson and Scotch 1964; Allen, Panian, and Lotz 1979). Both are charged with producing results that are above the expected norm with the resources they have. Generally speaking, baseball players sign contracts with owners, independent of on-the-field managers. Civil servants have rights and protections that exist regardless of who manages them. Furthermore, neither baseball managers nor public managers have unilateral authority to fire their subordinates. In both baseball and the public sector, managers are in part hired and fired by the results of their subordinates. In both cases certain managers tend to be more sought after than others are.

Second, the tests using the baseball data are only addressing issues of internal management. This is an important distinction, particularly in terms of the ability, or inability, to test for networking. Much of the earlier analysis in this dissertation has centered on the influence of network on performance. Although the empirical analysis provides little evidence that networking is affected as a consequence of succession, or that networking helps to soften the blow, it is still a theoretically viable discussion. However, a theory of baseball managers and networking differs slightly from the theory of public managers and networking. In other words, baseball managers are not likely to rely on other managers, professional organizations, and community elites to influence their performance; these duties are likely to be more applicable at the general manager, or appointed official-level. The general manager of a baseball organization is traditionally responsible for filling the seats in the stadium, working television and radio relations, as well dealing with professional organizations such as the players' union and the umpires' union. A test for the effects of networks on influencing performance, then, is not theoretically appropriate or necessary for this analysis. This chapter will focus solely on the effect of succession on the new manager's influence on the internal structure, or the runs scored by the team and the number of games the team wins.

Management Literature

Most of the management literature has been discussed previously in the dissertation; however, I will add a few brief comments here. The study of public managers is not new. Wilson said in 1887, "It is the object of administrative study to discover, first, what government can properly and successfully do, and, secondly, how it can do these proper things with the utmost possible efficiency and at the least possible cost either of money or of energy" (1887,197). Wilson establishes early in the study of public administration the importance of management and the role it plays in governmental provision of services. Wilson, Weber and Taylor all insinuate that organizations are rational in the sense that they are rules-driven and predictable. Taylor further describes organizations as having the potential to efficiently produce the product. Managing them, it can be argued, is a rational, machine-like task. As theories on organizational management evolve however, the rational management theory has evolved into more non-rational, fluid management, suggesting that managers have discretion in the way they supervise their organization (Morgan, 1998; Denhardt, 2000). The less rigid view of management gives managers the opportunity to be more responsive in their provision of services. It is important to the organization as well as to society as a whole that the government develops ways to provide services effectively and efficiently. Jreisat says, "The capacity of a society to manage its public policies and programs, not only effectively and efficiently but also fairly and creatively, defines most fundamental characteristics of such a society" (1997, 191).

Justification

The primary concern of this chapter is to test the impact of managers on the organizational performance, particularly in the context of change. While other chapters have addressed aspects such as short and long-term effects and organizational constraints on performance, this chapter will look specifically at the frequency of executive succession and its effects on performance. The time frame required to run an analysis of multiple succession events in multiple organizations over time requires a database that exceeds the ability of either the Texas school data or the British school data. As such, I rely on data from Major League Baseball managers and organizations. The data covers a span of 24 years, from 1979-2003, with 26 teams, providing 650 observable years. While I am aware that baseball managers are not public servants, the baseball metaphor and sports in general is often used when discussing management and managers. Although baseball is a complex, private sector entity, my intent is to test a manger's contribution to performance in the event of managerial turnover, and the use of baseball numbers can be readily generalized to both the private and public sectors.

This study is not the first attempt to use baseball (or other sports) as a conduit for the application of public managerial questions. Grusky (1963) used baseball managers to explain the affects of managerial succession on organizational effectiveness. He explains, "Baseball teams and, in fact, most professional sports clubs offer the research advantages of public records of team personnel and team performance" (1963, 22). This advantage is great in the public sector because, if the goal is to most effectively test a manager's contribution to his or her organization, it is vital to employ data that can be compared over long periods of time and against other organizations with the same goals. "The structure of baseball organizations is such that ultimate responsibility for the performance of the team is almost always fixed on one position, that of field manager. At the same time, official authority is generally concentrated in this position" (Grusky 1963). While it may not be fair to the field manager to have all of the responsibility on him, this observation fits in comfortably with the research question that I am trying to answer; do organizations that have frequent changes in management see more negative results in performance?

Kahn (1993) argues that managers must make hundreds of decisions each game, most having to do with player performance. He compares this to other sectors by saying, "Managers must also monitor the players' performance, just as business executives must in general monitor the performance of their subordinates" (1993, 532). Kahn's argument correlates well with the knowledge that decision-making is not an experience that focuses on the final moment, but a process of complex decisions made over a period of time (Simon 1960). But is there more to the process than just monitoring performance? If managing an organization were nothing more than organizational monitoring, organizational performance would essentially be random, with managers making basically no impact. Change in performance indicators as a function of managerial change would be unlikely. Kahn (1993) points out that successful managers understand the strengths and weaknesses of their players, and know how and when to exploit and protect them. Successful managers find ways to control for those strengths and weaknesses of their players, as well as the strengths and weaknesses of their opponents. For example, in the 2002 World Series, Mike Scioscia, manager of the Angels, chose to protect against the strength of Giants slugger Barry Bonds by walking him on nearly half of his plate appearances (13 walks and 17 official at-bats). On the other hand, he chose to exploit Bonds' relatively weak mobility in the outfield by allowing base runners to take extra bases when the ball went into left field. Scioscia, while taking some of the fun out of the World Series for Barry Bonds, was making managerial decisions that he felt (and consequently turned out to be true) would put his team in the best position to win[36] (This concept is discussed in greater detail in the Runs Created section later in the paper.) This example reiterates the point that managers in baseball have many of the same duties and are put into many of the same positions to influence the performance of

[36] As it turns out, the Anaheim Angels did win the 2002 World Series by a count of four games to three, in one of the most exciting World Series in quite some time.

their organization as managers in the public sector.

One reason I felt that it was important to quantitatively test the frequency of executive succession and its effects on organizational performance was an observation that I made in the initial stages of this project. I noticed baseball has a fairly static pool of managers that teams draw from, and even though a manager gets fired (or released) from one team, another team traditionally picks him up. I looked at the managerial history of three managers during the 24-year test period, all of which had the perception of being successful and all of which were paid well for their reputation as “great” managers (see Figure 5.1). They are; Lou Piniella, Tony LaRussa, and Joe Torre. Piniella and LaRussa each managed three teams during the test period, while Torre managed four. I calculated each team’s winning percentage while the manager was there and while he was not.

The results were surprising. We find great variation in the winning percentage of the teams and managers when we compare the data. One of the most striking findings is that in three of the four cases in which the manager was employed for three years or less, their winning percentage was lower than the teams’ aggregate winning percentages. Looking at each manager individually, we start with Lou Piniella. Both the Reds and the Mariners increased their performance (winning percentage) significantly under Piniella’s tenure, raising the team average from .435 to .538 with the Mariners, while the short time he was with the Yankees his percentage was down. Piniella won the 1990 World Series with the Cincinnati Reds. Torre was essentially a failure until he got to the New York Yankees. The Braves, Mets and Cardinals were more successful without him.

While with the Yankees, however, he has been wildly successful, winning multiple World Series titles and boasting a ridiculously high .602 winning percentage. Tony LaRussa's record was surprising. The White Sox were better off without him, but just barely. Oakland and St. Louis have benefited greatly from his management. His 1989 Oakland team won the World Series and his teams finished in first place in the division four out of the eight years he managed during the test period. These findings led me to ask if, in the aggregate, managers impact their organization's performance, particularly because of the diversity in performance we see with the teams as the rotated management.

Figure 5.1
Managerial Tenure

	Lou Piniella	**Without Piniella**
Cincinnati*	1990-1992 = .525	1979-1989, 1993-2003 = .503
New York (Yankees)	1986-1988 = .537	1979-1985, 1989-2003= .569
Seattle	1993-2002 = .538	1979-1992 = .435

*World Series 1990

	Tony LaRussa	**Without LaRussa**
Chicago (White Sox)	1979-1986 = .506	1987-2003 = .510
Oakland*	1986-1995 = .540	1979-1985, 1996-2003 = .503
St. Louis	1996-2003 = .532	1979-1995 = .514

*World Series 1989

Figure 5.1 Continued

	Joe Torre	**Without Torre**
New York Mets	1979-1981 = .399	1982-2003 = .512
Atlanta	1982-1984 = .529	1979-1981, 1985-2003 = .533
St. Louis	1990-1995 = .478	1979-1989, 1996-2003 = .532
New York Yankees*	1996-2003 = .608	1979-1995 = .532

*World Series 1996, 1998-2000

Hypotheses

This chapter will build upon the two previous empirical chapters in an attempt to answer the question of frequency and stability. How do organizations perform when they have frequent managerial turnover compared to organizations that have a more stable management? This question is best analyzed using the baseball dataset, as it provides 24 years and 26 teams that can be studied.

Again, Boyne and Dahya (2002) argue that changing managers will have an affect on the performance of an organization. Thus far, I have articulated in this dissertation that the immediate effect will be negative. We would predict to see, as we saw in chapter IV and what we expected to see in chapter V, that managerial succession in baseball managers will have a small but significant, negative consequence on performance. Furthermore, if organizations continue to replace top managers without allowing for some transition period in which all of the previously-articulated relationships can be forged and regimes can be adapted, performance is likely to continue to be below predicted values. We predict this is the case for both runs scored and team winning percentage. Thus;

Hypothesis One: Change in baseball managers will affect the performance (runs scored) of the team they manage.

Hypothesis Two: Frequent managerial succession will have significant, negative effect on organizational performance.

Hypothesis Three: Change in baseball managers also affects the winning percentage of their team.

Hypothesis Four: Frequent managerial succession will have significant, negative effects on winning percentage.

Data and Methods

Finally, this dissertation presents an analysis of Major League Baseball managers. The data sets in the previous two chapters provide a reasonable measure for the effects of change, particularly short and long-term, but they do not allow enough time to test the "frequency" hypothesis. Thus, the third data set to be employed here includes 26 Major League Baseball teams over a twenty-four year period, 1979-2003. Major League Baseball field managers are surprisingly similar to public managers in almost all aspects of their jobs. For example, both public managers and baseball managers are charged with producing results that are above the expected norm with the resources they have. Generally speaking, baseball managers have no control over hiring and firing of players, or contract negotiations. Baseball players sign contracts with owners, independent of on-the-field managers. Civil servants have rights and protections that exist regardless of who manages them. In both baseball and the public sector, managers are in part hired and fired by their ability to manage their subordinates to successful ends. In both cases certain managers tend to be more sought after than others.

Dependent Variables

In order to have a data set that is as consistent and comprehensive as possible, I used a twenty four-year time period of major league baseball statistics, which ran from 1979-2003. The manager in this data set is the field manager. The units of analysis are the teams. To test these hypotheses, I employed two distinct dependent variables. Baseball provides clear performance indicators; scoring runs and wins. The first deals with how each individual on the team performs. The second deals with how the organization or team as a whole performs. Runs scored is the raw number of runs scored by each player on the team, aggregated to the team level. Runs scored over the entire test period ranges from 329 by the Toronto Blue Jays in 1981 to 1009 by the Cleveland Indians in 1999. The winning percentage is a percentage of games won of the number of games played, and as is standard practice in baseball, is reported in decimal form, and ranges from .265 (2003 Detroit Tigers) to .716 (2001 Seattle Mariners).

Independent Variables

The primary independent variables in the baseball data are again, whether or not there was a change in management. The other variable of interest is the frequency with which the organization turned over managers. This variable is an ordinal value from three (fewest succession events, Los Angeles, Pittsburgh, and St. Louis) to eleven (most succession events compliments of the Chicago Cubs). To test for nonlinear effects I squared the frequency variable. The control variables include individual player and manager performance indicators (Player of the Year and Manager of the Year) from both leagues and a predictive variable called Runs Created, which controls for the individuality of each player on the team by predicting the players' average career outputs and aggregating to the team level. This allows us to compare the actual performance of the team to the predicted performance of the team, arguing that variation in the predicted runs scored and actual runs scored can be attributed to the manager, all things being equal. The following is an in depth explanation of each variable.

In order to win games, teams must outscore their opponents. Hitters are not responsible for roster changes or calling pitches. Managers are. Ultimately hitters are responsible for scoring runs. Bill James (1988) has developed a method for determining how much effort a manager ought to be able to get out of his team. This measure is called the "Runs Created" (RC) measure. Where it is the responsibility of the individual player to score runs, this measure comprehensively predicts if a team performs up to the level they should, given the players they have.

The Runs Created method offers a way to control for the players on the team, and the general manager's influence on salary, contracts, etc. James' method controls for players that a team has by comparing the players' total RC to the team's actual outputs. For example, it would hardly be fair to compare the free-spending Los Angeles Dodgers of 1988 ($15.2 million combined salaries) to the 1988 Minnesota Twins ($8 million combined salaries). However, if each team is compared to itself, we see that the difference between the predicted runs for the Dodgers and the actual runs was 38 runs in the positive direction, while the Twins under-produced by 26 runs. Factoring in all of the different ways a player can contribute to the scoring of runs is a reflection on how effective the manager is in outscoring the opposition, in other words, managing his players.

James's method considers some of the factors that managers have real control over, namely, sacrifice bunts, stolen base attempts, and total at-bats. The Runs Created statistic is:

RC= (H+BB+HBP-CS-GIDP)*(TB+ (.26(BB-IBB+HBP)) + (.52(SH+SF+SB)))/

AB+BB+HBP+SH+SF).

Where

- H= Hits
- BB= Walks
- HBP= Hit By Pitch
- CS= Caught Stealing
- GDIP= Grounded Into Double Play
- TB= Total Bases
- IBB= Intentional Walks
- SH= Sacrifice Hits
- SF= Sacrifice Fly
- SB= Stolen Base
- AB= At Bat

If a player is to be judged on his ability to score runs, it is incomplete to only look at batting average and on-base percentages. The Runs Created formula looks at additional aspects of hitting that aid a player's ability to score runs. The first term, (H+BB+HBP-CS-GIDP), includes the traditional pieces for figuring offensive output, or an adjustment to the on-base percentage. Simply put, the first term factors the number of times a player gets on base subtracted from the number of times he gets himself or somebody else off. The second term is where much of the meat of the formula is included. The total bases term, (TB+(.26(BB-IBB+HBP)))+(.52(SH+SF+SB)), factors other ways that managers can put players on base and position them to score runs. This considers intentional walks as well as sacrifices, in other words, moving runners through the bases. It also includes the standard figure for the league batting average (.260). The total bases term incorporates the slugging percentage into the Runs Created formula. The final term, (AB+BB+HBP+SH+SF), is an adjustment to the on-base percentage of the hitter. Presumably, if the manager can get the players to score more runs than they are predicted to score, that is, whether the team's actual runs exceed the calculated RC, then the manager has had an impact on the team. Conversely, if actual RC is less than the predicted RC, then we can argue that the manager has had a negative influence on performance. They are still affecting performance.

The model that I will use to test this hypothesis is:

$$RS_t = \alpha_1 + \beta_1 MC_1 + \beta_2 FC_2 + \beta_3 RC_3 + \beta_4 MQ_4 + \beta_5 MVP_5 + \beta_6 MOY_6 + \varepsilon_t$$

Where

RS = Runs Scored
MC = Managerial Change
FC = Frequency of Managerial Change
MQ = Runs Scored-Runs Created
MVP = Most Valuable Player (two/year)
MoY = Manager of the Year (two/year)
ε = Error Term
β = Some estimable parameter

Because no such data set exists, I developed my own. The data are organized chronologically by teams, with lagged dependent variables to account for time. Runs Scored is the dependent variable and is analogous to organizational outputs. Teams set performance standards that will reflect wins. Scoring runs is the most obvious and easily measurable performance indicator that leads to wins. Not all teams set the playoffs as performance indicators. If this was the performance standard the industry expected, then only 8 of 32 teams per year would have achieved their performance standards. No, a reasonable indicator for the purposes of this test is using the number of runs scored as one dependent variable, as we know that you must score more runs than your opponents in order to win. The independent variables are managerial change (MC), frequency of managerial change, and the lagged dependent variable associated with the time (see page 130). I use an autoregressive model to test the data in order to determine the influence of succession on runs scored.

The second test determined a manager's impact on the organization by incorporating scoring runs and how these runs relate to amassing wins. A team can be expected to win more games if that team can score more runs than it gives up. Thus, I will use this hypothesis to test a manager's ability to get his team to outscore the opponents. I measure this concept in the same manner that I test the "Runs" concept. Bill James (1988) again provides a formula that tests the concept of predicting a team's winning percentage. He refers to it as the "Offensive Winning Percentage" or OWP. The breakdown is as follows:

1. Figure runs created per game
2. Divide that number by the league average (LA) of runs/game
3. Square the result
4. Divide that figure by one plus itself

The equation looks like this:

((RC/game)/(LA/runs/game))^2/1+((RC/game)/(LA/runs/game))^2

This equation will give the Offensive Winning Percentage of each team for each year, which is a predicted value, similar to the Runs Created value. This predicted value could then be compared against the actual winning percentage of the team to determine if producing more runs per game will lead to a better winning percentage. If the manager can get his team to win more games by outscoring their opponents by a wider margin than was predicted, then it can be argued that the manager is indeed affecting the outcomes of the organization.

The model is as follows:

$$WP_t = \alpha_1 + \beta_1 MC_1 + \beta_2 FC_2 + \beta_3 MQWP_3 + \beta_4 MVP4 + \beta_5 MOY_5 + \varepsilon_t$$

Where

WP = Winning Percentage of the Team
MC = Managerial Change
FC = Frequency of Managerial Change
MQWP = Winning Percentage – Offensive Winning Percentage
RC = Runs Created
ε = Error Term

β = Some estimable parameter

Results

In testing the first model using time-series data, the relationship between performance and managerial succession is unclear. When including a lagged dependent variable, in both the runs scored and the winning percentage model, the findings are insignificant, mirroring what we saw in the Texas and the British models. Also, with respect to both runs scored and winning percentage, the managerial quality term was positive and significant. This result implies that when controlling for the many factors that influence the scoring of runs and winning percentage, managers have the ability to influence performance. This is an important finding in that it establishes the basic logic of succession. If managers did not influence the year-to-year performance of the organization, what logic would we see in managerial change affecting performance?

Interestingly, the test of frequency yielded positive and significant results. This was an unexpected result as the theory argues that more succession would lead to lower performance. On average, there were nearly seven managerial changes per team during the twenty five year test period (mean score of 6.88). This result seems to contradict the hypothesis of frequent change leading to lower performance, both in runs scored and winning percentage. In fact, the implication from the analysis is that organizations with more change over longer periods have better performance, after controlling for the down year following the change. This is, indeed, a counter-intuitive empirical result. The explanation seems to lie in the nonlinear relationship between performance and turnover.

I squared the frequency of change value to test in order to test for nonlinearity and found the result to be negative and significant in the runs scored model, confirming the theoretical expectation of frequent changes, albeit not exactly how the theory was laid out. This result implies a point of diminishing returns. Some turnover in top management will lead to better results, but you can have too much of a good thing. After a time, you reach a point of diminishing returns, and the performance of the organization begins again to drop. Interestingly, the result did not hold for the winning percentage model as it was negative but insignificant.

The results of the Manager of the Year from each league and each league's Most Valuable Player were significant and in the predicted direction. Teams with Managers of the Year could generate more runs per season and raise their winning percentage, and teams with the Most Valuable Player generate more runs on average as well as raise their winning percentage. Only five times out of forty eight awards did the Manager of the Year *not* manage that team the year before. They were Billy Martin (Oakland, 1980), Hal Lanier (Houston, 1986), and Dusty Baker (San Francisco, 1993) and Joe Torre (New York Yankees, 1996) and Tony Perez (2003). Clearly then managers tend to perform better when they have developed some stability with their teams, lending support for the theory of managerial succession in terms of frequency.[37]

[37] However, not all of the variance is predicted by the OWP term. There may be other factors that were not within the scope of this study. These factors could be, but are not limited to the fact that some games are blowouts while others are one-run affairs, and if a particular team loses the one-run games but wins the blowouts, it is possible to have a negative MQ score and still have a winning record. For example the 1979 Cleveland Indians gave up 51 more runs than they scored yet they still finished a game over .500.

Conclusion

The findings presented in this chapter mirror the findings in the other two chapters relative to short-term managerial change, in that there is no evidence of implications on performance in the year following a succession event. In other words, this aspect of the empirical analysis does not support the theory of managerial succession. It is clear that managers make a difference on the actual performance of the organization however. The "runs scored" measure and the "offensive winning percentage" measure, when compared together give a very good indication of the value of the manager to the team (see Table 5.1). We also see that frequent managerial change has a nonlinear relationship with performance. Organizationally speaking, it can be argued, some change is to be desired; however this relationship is not necessarily linear. This examination of baseball managers implies that too much change leads to a drop in performance, and even the savviest of managers cannot overcome this dilemma. The nonlinear affect of frequent change is evident in this analysis (see Tables 5.2 and 5.3).

The results suggest that managers do more than simply monitor the work behavior of their subordinates. They have a direct effect on their organization. Using baseball numbers to determine this managerial/organizational relationship allows for research in an environment where there are multiple organizations (teams) with the same performance indicators (wins and runs).

I am implicitly giving the manager credit for the performance of players that may come from a player's personal desire, external motivating factors (salary bonuses, trips to the All-Star game, commercial contracts to name a few), or the effects of other coaches (Kahn, 1993). There is also the concept of "team chemistry" which is extremely difficult to measure, but most definitely has some impact on the outcome of the organization.[38] These same types of concerns exist in the public sector, however, and are concerns that public managers are likely to deal with (well, maybe not commercial contracts or All-Star games, although non-monetary awards and recognition are an important motivating factor for public servants (Hill 2005a)).

Even though baseball managers are not public managers, they maintain the same goal, namely, maximizing their outputs with the resources available. It seems reasonable given the empirical analysis that frequency of managerial change serves to strengthen the theory of managerial succession articulated throughout. Managers do affect the outcomes of the organization, and we see that managerial succession does indeed, have a nonlinear relationship with performance.

[38] I tend to agree, however, with Paul DePodesta, general manager for the Los Angeles Dodgers, when he said, "chemistry is a three-game win streak" when asked why he traded clubhouse and fan favorite Paul LoDuca to the Florida Marlins for Hee Sop Choi, Brad Penny and cash in 2005, which would allegedly disrupt the clubhouse chemistry at the time. Chemistry may not be measurable because chemistry may not exist.

Table 5.1
Descriptive Statistics: Baseball

Variable	Mean	Min	Max	Std. Dev.
Runs Scored	713.06	329	1009	108.02
Winning Percentage	0.502	0.265	0.716	0.069
Runs Created	714.64	326	1013	109.04
Offensive Winning Percentage	0.499	0.283	0.645	0.059
Managerial Change	0.313	0	1	0.464
Frequent Change	6.88	3	11	2.27
Frequent Change Squared	52.51	9	121	30.44
Managerial Quality (Runs)	-1.58	-83.36	75.22	23.70
Managerial Quality (Winning Percentage)	0.0024	-0.180	0.265	0.065

Table 5.2
Effect of Managerial Succession on Runs Scored and Winning Percentage

	Runs Scored	Winning Percentage
Lagged Dependent Variable	.495** (14.15)	.270** (9.98)
Managerial Change	2.59 (0.48)	.0004 (0.10)
Frequency of Change	2.35** (2.25)	.0023** (3.04)
MQ(RS-RC)	.440** (4.42)	.733** (21.33)
Most Valuable Player	34.08** (3.68)	.033** (4.96)
Manager of the Year	43.87** (4.73)	.042** (5.88)
Constant	338.47** (13.57)	.342** (23.44)
Observations	620	620
R-squared	.7350	.6347
Adjusted R-squared	.7220	.6167

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

Table 5.3
Effect of Managerial Succession on Runs Scored and Winning Percentage: Non-Linear Effects

	Runs Scored	Winning Percentage
Lagged Dependent Variable	.487** (13.91)	.270** (9.97)
Managerial Change	2.35 (0.43)	.0004 (0.10)
Frequency of Change	15.25** (2.50)	.002** (2.07)
Frequency of Change Squared	-.976** (2.14)	-9.43e-6 (0.07)
MQ(RS-RC)	.435** (4.39)	.733** (21.30)
Most Valuable Player	33.75** (3.65)	.034** (4.93)
Manager of the Year	44.45** (4.81)	.041** (5.82)
Constant	306.51** (10.57)	.342** (23.02)
Observations	620	620
R-squared	.7371	.6347
Adjusted R-squared	.7237	.6161

Note:
t-scores in parentheses
* Significant at the .10 level
** Significant at the .05 level

CHAPTER VI

CONCLUSION

I end this dissertation back where it started; addressing the questions posed in the introductory chapter. I asked the following questions as a springboard to the discussion of public managerial succession; what effect does changing managers have on organizational performance? What are the potential outcomes of managerial change, and do organizations even care? Are we convinced that managers matter at all, or are they merely interchangeable cogs of the organizational wheel, simply monitoring subordinates as they perform their standard operating procedures? I cannot answer whether or not organizations care, but as for the other questions, I can draw some conclusions. From the theoretical construct and the empirical analysis presented in this dissertation, we have come closer to understanding the nature and influence of management in public organizations. In this concluding chapter, I will address the questions above, make some concluding remarks relative to the empirical work, and draw some normative conclusions based on the empirical results and qualitative research employed.

Theoretical Summary

Organizational performance is a vital attribute of the study of public management. Managers, as the most visible members of the organization, are charged with the execution and implementation of laws and statutes passed by the political principals. The responsibility of overseeing performance (whether it be explicit or implicit) rests upon the shoulders of the public manager. Measuring performance in the public sector however, is, no doubt, challenging. In this dissertation, I have presented a theory that helps determine not only that *managers* matter, but that *management* matters, specifically managerial succession.

Simply stated, the theory posited in this dissertation is that managerial succession effects performance in public organizations. There are multiple facets to the theory that make it somewhat more complex, namely, the short-term implications of change, the long-term implications of change, the frequency at which managers are turned over, and the structure of the organization. It was impossible to address all of these facets of the theory with a single dataset, so I employed multiple datasets; Texas school districts, British Education Authorities, and Major League Baseball. All three of these sources of data yielded satisfactory analysis, rich in information for which to test my theory. Some of the results were as hypothesized, some were not. The following section will summarize the empirical analysis and draw concluding remarks based upon the empirical tests.

Summary of Empirical Results

The clearest conclusion that we can draw from this analysis of managerial succession is that indeed, in the context of the United States, managerial succession influences the performance of organizations. The results from both the Texas school district data and the Major League Baseball data suggest that managers do more than simply monitor the work behavior of their subordinates. They have a direct effect on their organization.   The second conclusion that can be drawn is that the first conclusion does not seem to stand in all cases. Surprisingly, in the British context, no evidence is found to reject the null hypothesis that succession has no relationship with performance.

From a short-term perspective, the empirical results from the Texas analysis seem to suggest that in the year following a succession event, there is no relationship between the change and performance. However, there is evidence that superintendents hired from outside the district have a negative effect on test scores, allowing us to accept the insider/outsider hypothesis, at least in the short-term. The long-term perspective is quite different. In those districts where change occurred, as time progressed, test scores improved, or those replacement managers with longer tenure in their new jobs had higher student performance. In addition, the external hire condition lost significance, suggesting that in the long run, it’s not so important where the manager comes from as long as that manager is given time to remain in the district. When determining the impact of change in all of the districts in Texas, we see that there is evidence that districts that had a succession event, overall, had better test scores than those that did not, suggesting that some innovation or invigoration of ideas or new blood is healthy, or at least related to performance.

In the baseball chapter, the empirical analysis showed that again, there was no evidence of an immediate short term negative effect on scoring runs and winning games. Interestingly, there was positive and significant relationship between performance and the frequency of change, disallowing us to accept the hypothesis that organizations, at least baseball teams that turn over managers more frequently will have consistently lower scores. It seems that the contrary is true; that more managerial turnover leads to higher performance. However, upon further examination there is evidence to suggest that the relationship between frequency of succession and negative performance may not be linear. Indeed, when we look at the model in a nonlinear fashion, the relationship between frequency and performance emerges, implying that some change may be healthy, but too much is related to negative performance.

Finally, a discussion of the empirical analysis of managerial succession in the UK leads us to the conclusion that there is no evidence to suggest a relationship between managerial succession and organizational performance, at least in terms of Local Education Authorities and student performance. Indeed, none of the British models presented evidence of a relationship. The implication here, based on the theoretical construction in chapter IV, is that political regimes that structure the bureaucracies as ideal-types, or legal-rational, or less inclined to support or indeed see individual characteristics of managers influence performance. At the very least, the empirical tests related to the British school authorities do not provide evidence to reject the null hypothesis of no change in performance.

Some Normative Thoughts Related to Public Management

Robert Behn argues that *good* public managers must fulfill eight responsibilities to be effective (1997, 3-4). They are:

1. Seek to achieve an important public purpose;

2. possess a clear definition of success, including benchmarks along the way;
3. have an overall strategy for achieving their purpose;
4. be analytical about everything;
5. pay attention to the details of implementation;
6. influence people by building coalitions, motivating individuals and teams, and creating a favorable climate of public opinion;
7. recognize and exploit their luck and, when they are not lucky, keep focused on the public purpose and grope their way toward it; and
8. leave the organization better than they found it.

Now, I do not know if Robert Behn's conception can be tested, or if these nuggets of advice are valuable, but Behn's conception of public management, while being laced with normative implications, provides guidance to the practicalities of managing public organizations. His work is valuable in the generation of hypotheses in "best-practices research. However, as Milward (1996) argues, "best-practice" research is not wrong, just very narrowly defined and equally narrow in its applicability. From a practical perspective, however, best-practice research is likely to be embraced. Admittedly, this dissertation is quantitative in nature, but there is a qualitative, normative aspect to public management that warrants attention here as well.

For example, the Director of the National Baseball Hall of Fame, Dale Petrosky recounts a story of Sparky Anderson, the long-time Hall of Fame manager of the Cincinnati Reds (Petrosky 2005). When he asked Pete Rose what made Sparky such a great manager, Rose said that he treated his superstars like superstars, and treated everyone else the same. As you know, the Cincinnati teams of the 70's were loaded with superstars of the magnitude of Pete Rose, Joe Morgan, Johnny Bench, Dave Concepcion, Tony Perez, and Ken Griffey, Sr.;[39] that's what made the "Big Red Machine" run. What we learn from this is the very individualistic characteristics that accompany management, namely, managerial skill. In this particular case, Sparky Anderson understood the ego and wisdom of his superstars enough to, on occasion, ask their opinions and consult with them on certain managerial strategies. We might even call it leadership.

Petrosky cites two other Hall of Fame managers that are widely considered to be "great" managers. First, he mentions Tommy Lasorda, of the Los Angeles Dodgers. Lasorda's managerial record with the Dodgers (the only team he managed) from 1976-1996 was 1599-1439 for an average of .526. He led his team to the National League pennant five times, with three World Series victories and was Manager of the Year in 1983 and 1988. In his 21 years of managing the Dodgers, he only had a losing record 6 times.

Petrosky's next example of great leadership among managers was Earl Weaver, the 18-year manager of the Baltimore Orioles. Weaver's career with the Orioles saw a winning percentage of .583, with 1480 wins to 1060 losses. Weaver had the ability to see potential in players. The most famous example was moving the upstart Cal Ripken, Jr.

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[39] Those on this list that are in the National Baseball Hall of Fame are Joe Morgan, Johnny Bench, and Tony Perez. Pete Rose, arguably the most celebrated member of the "Big Red Machine" holds 17 Major League and National League records, among them are the all-time hits record of 4256, most at-bats (14053), and holds the national record for longest hitting streak at 44 games (Major League hit streak is 61 games by Joe DiMaggio). Rose, however, is not in the Hall of Fame because he admitted that he bet on baseball while managing the Reds in the 80's, which led to a lifetime ban from baseball.

from 3rd base to shortstop.[40] Ripken was exclusively a 3rd baseman in his minor league playing days, but the move to short stop proved to be the right one, as Ripken went on to play 2632 consecutives games, eclipsing Lou Gehrig's seemingly unbeatable streak of 2130 in the 1920's and 30's. Ripken earned two Gold Gloves for fielding excellence and was the American League MVP twice and named to baseball's All-Century team in 1999. Weaver's Orioles won the World Series in 1970 and finished over .500 in every season but one. Are all of Ripken's accomplishments the product of Earl Weaver's decision to move him to shortstop? Probably not. Is all of the success of the Orioles a product of Weaver's managerial skill? Probably not. But his ability to recognize potential is one anecdotal trait which made Weaver great, according to Petrosky.

Petrosky's reference to these three Hall of Fame managers as great managers all accumulate to three things. They are motivators, they have enthusiasm related to their jobs, and they see and understand potential. Since these managers have left their teams, only the Reds have returned to win a World Series.

What does this discussion of three baseball managers have to do with public managers? Public management is about understanding and overseeing people. Kettl and Milward (1996, 1) say, "Public management matters, and it matters because the quality of public management shapes the performance of public organizations." Wilson

[40] Traditionally, shortstops had been small, fleet of foot athletes with exceptional fielding abilities but were liabilities at the plate, unable to hit for any power due to their miniscule size. Ripken, at 6'4" and over 200 pounds was a departure from the mold. Most of Weaver's contemporaries raised their eyebrows at such a move, but history has proven that the Ripken mold of shortstop is permeating the profession, as Alex Rodriguez of the New York Yankees, Miguel Tejada of the Baltimore Orioles, Derek Jeter of the Yankees, and Nomar Garciaparra when he was with the Red Sox stand as testimony. These are the highest paid shortstops, averaging over $16 million/year versus the other shortstops in the league that average roughly

provided us with its foundation. Gulick provided us the original framework for managing people. Lynn and his colleagues have attempted to put into a global perspective. Even as we attempt to theoretically and empirically strengthen our understanding of public management, we are cognizant that management comes back to managing people. Whether it's moving Ripken from third to shortstop, or a new superintendent in Longview, Texas hiring a new vice principal to better enforce discipline, public management scholarship is concerned, at the normative level, with individualism.

Potential for Future Research

The field of public management has been studied primarily in the context of hierarchy, but the reality is that a great deal of management occurs outside of the hierarchical structure in the environment (O'Toole 2000). This increased variability in managerial efforts requires more inclusive techniques in theorizing about public management and testing empirically falsifiable hypotheses. Part of this inclusiveness is strengthening the understanding of the role of structural context. I have attempted to present an analysis in this direction, but there is a tremendous amount of data that has yet to be collected and more theoretical discussion to be generated. In addition, international corroboration will also help build theory in public management. This is underway, to some extent, but as

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$2 million/year (baseball-reference.com, 2006), however they are by no means overtaking the traditional miniscule shortstop.

technology improves so does our ability to communicate with scholars with experiences in public management far different from our own.

Recall in the theoretical chapter of this dissertation I referenced three scenarios which could explain why organizations make the hiring decisions they do. They were: political factors, which is that organizations may choose a short-term candidate over a long-term candidate because political pressures demand immediate change in performance. Second, bureaucratic factors, which is that organizations may desire to redesign the long-term goals and direction of the organization and are willing to sacrifice short-term performance to reach there long-term goals. Third is reflective speculation, which is that the organization asks the following question—how were we doing vs. what are our options for replacement? This dissertation has only approached this discussion in terms of noting its importance, but an exploration and analysis of the three scenarios will likely provide a more complete understanding of how the managerial/organizational relationship operates.

A fourth avenue of future research in managerial succession is pushing the application of the theory to venues other than school districts, as the context surrounding school districts differs from other public bureaucracies. These four avenues of future research will likely bring us closer to really understanding the role of managerial succession in public organizations.

Final Thoughts

While I have attempted to create some generalizable results from the quantifiable evidence and empirical analysis presented in this dissertation, it is just as likely that “untestable” functions that Behn and other “best practice” advocates adhere to, like leadership and personal attributes, contribute to managerial skill, compounding the very real influence of managerial succession on organizational performance. Even with its shortcomings, I hope the analysis in this dissertation will contribute to the future of public management scholarship and debate.

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Publications

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Conference Papers

Hitting the Slopes: What Factors Affect the Efficiency of Networking? Presented at the 27th annual research conference of the Association for Public Policy Analysis and Management, Washington, D.C., November 2005.

Executive Succession and the Influence of Hierarchy: A Cross-National Approach. Presented at the 8th Bi-Annual Public Management Research Conference, School of Policy, Planning, and Development of the University of Southern California, September 2005.

How Low Can You Go? A Game Theoretic Approach to Managerial Succession. Presented as a poster at the annual meeting of the Midwest Political Science Association, Chicago, Ill, April 2005.

Managers' Impact on Organizational Performance: A Study of Professional Baseball Managers. Presented at the Sixteenth Cooperstown Symposium on Baseball and American Culture, Cooperstown, NY, June 2004.

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