

Differences in Management Innovation Between Council-Manager and Mayor-Council Cities

By

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Local governments have long been considered laboratories for experimenting with governmental reforms. Reforms first attempted and refined at the local level often become the standard used by other governments (Gabris, Grenell, Ihrke and Katz 2000). Scholars such as Gabris and Golembiewski (1996) argue that local governments are more apt to innovate than state and federal governments because of their small size and their capacity to make decisions quickly and decisively. Political economists make essentially the same argument in their essays about the benefits of metropolitan governance. These scholars (e.g., Bickers and Williams 2001; Oakerson 1999) suggest there are particular benefits offered to citizens that are derived from metropolitan regions being governed by numerous local governments with overlapping jurisdictions.

Local governments are under increasing pressure to do more with less. Economic considerations such as tax revolts, skyrocketing employee pensions and health care costs, and diminishing aid from state and federal governments continue to challenge local governments to experiment. Yet economic pressures are not the only factors contributing to local government innovation. We feel that both administrative and political leadership play an equal role in bringing about innovation at this level of government.

Innovation may be brought about by a number of economic and political factors. However, innovation in and of itself does not guarantee success. We contend that the implementation of managerial reforms may be as important as the mere adoption of such reforms. Therefore, it is important to examine the perceptions of the success or failure of these reforms based on those who are asked to carry them out.

Innovation in local government can take on numerous forms, but some of the more recent incarnations include privatization of government services (Savas 1987), public-private partnerships (Rosenau 2000), instilling quality in government (Swiss 1992; Bosner 1992; Ingraham 1995), reinventing government (Osborne & Gaebler 1992), and reengineering processes (Hammer and Champy 1993; Ihrke 2000; Ihrke, Rabidoux, and Gabris 2000). Other innovations in local government include treating the citizen as a customer (Denhardt 2000), implementing formal strategic planning technologies (Bryson 1995), and instilling a profit-oriented focus (Savas 1987). Many of these innovations may or may not be considered those that are developed by policy boards, but rather by administrators working for policy boards.

The “who” in who develops policy may not be as important as the “how” in how those policies are implemented. Research by Ihrke and Lombardo (1999) suggests that the most important factor in determining how successful city councils are in representing constituent interests is the evaluation of how well those very councils do in delivering programs and services. These researchers argue that at least at the local level, the evaluation of governmental effectiveness has as much to do with how well policies are implemented as it does with the specifics of those policies and who worked to develop them.

While we know that local governments are likely to engage in innovation, we do not necessarily know what contributes to the perceived success or failure of those innovations. The central focus of this chapter is to explore the factors that contribute to managerial innovation in local government. In particular, this study attempts to examine

how administrative leadership and local governing board behavior serve as intervening variables affecting the perceived success of these reforms.

In this chapter we explore the evaluative perceptions of local government department heads with regard to success or failure of governmental reforms. The data for this study come from a survey of local government department heads working for Wisconsin municipalities (N=57) with populations greater than 10,000.

Literature and Hypotheses

The challenges faced by local governments in the deficit centered years during the 1970s and 1980s are well documented. Local governments were faced with increasing budget shortfalls due to factors such as decreasing intergovernmental revenues from the federal and state governments. It was also during these years that central cities faced major shortfalls in property tax revenues due to the flight of middle-class residents moving to suburban communities. Those who were left in central cities were the least able to pay for municipal services and municipalities were forced to act, mainly by cutting programs and services to citizens.

The 1970s and 1980s were also years in which American industry faced increasing competition from foreign manufacturers. The American auto and electronics industries were particularly vulnerable during this time. During this same period, observers of governments also became critical of governmental waste. Stories of exorbitantly priced toilets and hammers filled the newspapers.

Scholarly works critical of inefficiencies in government were also published during the late 1980s and early 1990s. One of the more popular works was Peters and Waterman's (1982) *In Search of Excellence*, where the authors highlighted companies

that have transformed themselves through various innovations to meet customer needs and preferences. Local governments in the 1980s also began experimenting with the privatization of a number of city services as a means for reducing costs and instilling competition (Savas 1987). An emphasis on quality also characterized this era, as illustrated by the popularity of Total Quality Management, a management paradigm first developed by Edwards Demming (1986). Osborne and Gaebler's (1992) reinventing government initiatives also caught on when President Bill Clinton signed on to the National Performance Review (NPR) under the leadership of Vice President Al Gore. Hammer and Champy (1993) received a good deal of attention as well with the publication of their book, *Reengineering the Corporation*. These authors challenged public and private organizations to examine their process systems used to develop products and services as a means of cutting down on inefficiencies.

The popularity of these and other works published during this era has led to a renewed interest amongst scholars and practitioners on economy and efficiency in governmental service provision. On the surface, the level of innovation emanating from governmental organization seems to be at its highest in a number of decades. The question becomes: What explains the relative success or failure of these reforms?

We argue that positive perceptions of managerial innovations are largely a function of the perceived credibility of administrative leaders (Gabris, Grenell, Ihrke and Katz 2000), as well as the level of conflict on city councils, an argument first articulated in the works of James Svara (1990; 1995). We further argue that perceptions of innovative success are a function of the effectiveness of the relationship between city council members and administrative staff. Generally, we argue the more local administrators are perceived as

credible leaders (Gabris and Ihrke 1996; Kouzes and Posner 1988, 1995), the better governing board members are able to manage board conflict (Svara 1990), and the more positive the nature of the relationship between board and staff, the more likely managerial innovations will be perceived as successful by key local government actors. We specifically explore a number of hypothesized relationships between managerial innovation and leader credibility, board member relations, and board-staff relations that will be outlined next.

James Kouzes and Barry Posner (1988) have identified five broad practices and ten basic commitments of leaders who have been identified by their followers as exhibiting credibility. These practices and commitments are listed in Figure 1.

Figure 1. Kouzes' and Posner's Practices and Commitments of Credible Leadership.

CHALLENGING THE PROCESS

1. Search for opportunities
2. Experiment and take risks

INSPIRING A SHARED VISION

1. Envision the future
2. Enlist others

ENABLING OTHERS TO ACT

1. Foster collaboration and trust
2. Strengthen others

MODELING THE WAY

1. Set the example
2. Plan small wins

ENCOURAGE THE HEART

1. Recognize individual contribution
2. Celebrate accomplishments

Essentially, these authors argue that when leaders practice these behaviors and carry out these commitments, their followers tend to believe they are credible. Credibility, in turn,

leads to what the authors describe as the ability on the part of leaders to get extraordinary things done in organizations.

Research studies indicate that leadership credibility makes a difference in terms of both individual and organizational outcomes. For example, Gabris and Ihrke (1996) and Ihrke (1996) have found a significant relationship between the credibility of leaders and subordinate burnout. In a small study of Illinois local governments, Gabris, Grenell, Ihrke, and Kaatz (2000) found a significant relationship between leadership credibility of CAOS (i.e., mayors or city managers) and city council conflict. Their study indicates that as department head perceptions of CAO credibility increase, perceptions of city council conflict decrease. We therefore hypothesize that department heads that perceive their administrators to be high in leadership credibility will perceive managerial innovations to be more successful than those department heads who perceive their administrators to be low in leadership credibility.

A number of studies have explored the effects of city council conflict on the behavior of city managers, most of which have been based upon the seminal work of James Svara who argues that city conflict on city councils leads to poor decision making for local governments. For example, James Kaatz, P. Edward French, and Hazel Prentiss-Cooper (1999) find in their research a significant relationship between city council conflict, job burnout, and city manager turnover. James Kaatz (1996) also found a stronger relationship between assertive managerial behavior and turnover than between city council conflict and turnover. Ruth Dehoog and Gordon Whitaker (1990) found in their study of Florida cities that city managers who left their positions “experienced considerable frustration with council conflict” (p. 161). Dennis Barber (1988) found that

approximately 9 percent of the city managers in his study left their positions to escape a negative work environment. Using data from the 1991 Municipal Form of Government Survey, published by the International City/County Management Association, Tari Renner and Victor DeSantis (1994) found that mayoral and city council member stability in office lead to increased job stability for city managers.

In this study we argue that city council conflict is significantly related to department head perceptions of managerial innovation. Too much conflict on councils can be time consuming for managers to deal with, which can ultimately affect their ability to innovate administratively. Highly burnt-out managers are unlikely to innovate, and department heads will likely pick up on the feelings and perceptions of their managers and respond accordingly. Conflict on city councils is likely to limit the perceived effectiveness of managerial innovations. Based on the research that has been done on city council conflict, we hypothesize that as conflict increases, department head perceptions of the success of managerial innovation decreases.

Legislative officials have become increasingly reliant on the expertise of administrators, a trend that has been well documented in the 20th Century (e.g., Mosher 1982; Stillman 1996). City councils serve as legislative bodies for local governments. Department heads, whether under the direction of mayors or city managers, are asked to interact regularly with council members. The oversight responsibilities of city councils require them to receive regular updates from department heads as to what they are doing within their respective domains. Interaction between department heads and council members is thus by design.

City councils have been known to intervene into the affairs of department heads, particularly since department heads are directly responsible for providing local government services. Council members represent constituents through various means, including what political scientists have coined as “casework.” Casework involves responding to complaints and inquiries from citizens who are concerned about issues such as water bills, missed garbage collection, and police protection. Oftentimes council members will directly contact department heads to inquire about these and other situations. At times, these contacts can be divisive as department heads may feel council members are intervening in their affairs.

The oversight and casework responsibilities of city councils can lead to strained relationships between council members and department heads. When city council inquires into the performance of department heads becomes invasive, relations can deteriorate between these local government officials. When this situation arises, it is also likely that relations between the council and the CEO have diminished since department heads are directly responsible to CEOs. It is highly unlikely that the department head will perceive the CEO as effective since they may feel they are unable to do their jobs due to city council interference. Therefore, we hypothesize that as city council relations with department heads decrease, so will department head perceptions of the effectiveness of managerial innovation.

We test these assertions, as well as a number of others relating to managerial innovation using data from a survey of department heads working for municipalities in Wisconsin.

Data and Method

The data for this study were collected in the summer of 1998 via a survey mailed to department heads working in Wisconsin municipalities (N=57) with populations greater than 10,000.¹ A total of 561 surveys were mailed to department heads, of which 183 were completed and returned for a response rate of 32.6%. However, at least one department head from 55 of the 57 cities responded to the survey, thus making for a revised response rate of 96.5%. The survey consisted of a series of statements relating to various local government administrative innovations, CAO leadership skills, and policy board (city council) attributes. The respondents expressed their relative agreement with each individual statement using a 5 point Likert scale, with a 1 representing “strong intense disagreement” and a 5 representing “strong, intense agreement”.

We examine the department heads’ evaluations of leadership credibility, internal policy board conflict, and board-administration relations on the effectiveness of various managerial innovations. We hypothesize that perceptions of greater leadership credibility and more cooperative relations between the board and the administrative staff will be viewed as leading to more successful managerial innovations, in the opinion of the department heads. We also propose that greater levels of board conflict will limit the perceived effectiveness of administrative innovations. The specific innovations that we examine are efforts to employ a profit-oriented focus, efforts to treat the citizen as a customer, and efforts to employ formal strategic planning techniques. Stated formally, the specific hypotheses we examine are as follows:

¹ The city of Milwaukee was excluded from this study due to the size and complexity of its political structure.

H1. The perceived success of managerial innovations is **positively** related to the perceived credibility/effectiveness of the city manager/mayor.

H2. The perceived success of managerial innovations is **negatively** related to the level of conflict on the policy board.

H3. The perceived success of managerial innovations is **positively** related to the effectiveness of the relationship between the policy board and the administration.

To devise the variables to be examined in the above hypotheses, indices were created by grouping department head responses to several statements that related to a particular measure of interest for this study, for example, leadership credibility. The responses to the grouped statements were then averaged to create that particular index. Indices were created for attributes that are perceived to influence the success of managerial innovations: leadership credibility, policy board conflict, and board-administration relations. Indices were also developed to proxy for two of the specific innovations examined in this study: treating the citizen as a customer, and employing formal strategic planning techniques. A single variable was used to measure efforts to instill a profit-oriented focus in local government.

To illustrate, leadership credibility was measured using an index developed by Gabris and Mitchell (1991). The index is an equally-weighted average of the department head's responses to eight statements relating to leadership skills and attributes, including, for example, "the CEO clearly communicates the purpose and rationale behind new programs and reforms in a way that wins employee acceptance and board approval," and "the CEO follows through on promises regarding changes and reforms he/she expects others to carry out." The alpha reliability coefficient for the leadership credibility index was .91, thus indicating a high degree of internal consistency. The other indices were

created in a similar fashion, with each index developed from the responses to 3-6 related statements.^{2,3} The alpha reliability coefficients for these indices ranged from a low of .66 for the “citizen as customer” index, to a high of .89 for the “formal planning” index.

To test our hypotheses, multivariate regression analysis was employed. We first looked at department head assessments of managerial innovation in general, and we then considered their evaluations of specific managerial reforms such as treating the citizen as a customer. We regressed each of the managerial innovations on the factors that we believed would influence the perceived success or failure of the innovations, and examine the significance (and sign) of the coefficients.⁴

Results and Discussion

Before managerial reforms can be successful, administrators must first take actions to implement them. Therefore, we first looked at whether leadership credibility, board conflict, and board-administration relations are believed to influence CAO attempts to implement managerial reforms. We utilized these measures in a regression model, using as the dependent variable department head responses to the statement “This organization continually strives to practice the most recent state of the art management technologies”. The results are presented in Table 1, under “attempted innovations”. They indicate that of our three hypothesized determinants, the only significant factor is the leadership credibility (LCI) of the CAO. There is clear support for the argument that an effective leader at least attempts to employ the latest managerial reforms. However, there

² See Appendix for a complete listing of the specific statements used to create each index.

³ An index was originally created for the profit-oriented measure, based on the responses to 3 statements; however the alpha reliability coefficient was only .43. Therefore, we substituted the responses to one of the specific statements in place of the index. The regression results obtained from using this one statement are qualitatively identical to the results obtained from using the index, and the quantitative results are practically identical.

is no evidence that department heads believe that the policy board's internal or external relationships either help or hinder CAO attempts to implement managerial innovations.

[Table 1 about here]

It is not enough that a CAO merely attempt to implement managerial reforms; for an administration to successfully serve the public the innovations must be implemented successfully. We next looked at the perceived influence of leadership credibility, board conflict, and board-administration relations on the perceived success of managerial reforms in general. We used a regression model with the dependent variable measuring department head responses to the statement "On balance, the [managerial] reforms attempted by this organization can be described as 'highly successful'". The hypothesized predictors were again the indices measuring leadership credibility, board conflict, and board-administration relations. The results are presented in Table 1, under "reforms successful". The results indicate that of the three factors hypothesized to influence the success of reforms, again only leadership credibility is significant. These results suggest that the dominant influence on the adoption and successful implementation of managerial reforms is the credibility and effectiveness of the CAO as a leader. City council member relations amongst themselves or with the administrative staff do not appear to affect the adoption or effective implementation of managerial reforms in general.

We next examined the influence of leadership and board relations on specific types of managerial innovation. While our previous results indicated that policy board relationships did not significantly influence the success of managerial reforms in general, it is conceivable that its temperament, in both internal and staff relations, may affect the

⁴ Given our hypotheses, all of the tests are one-tailed.

success or failure of specific types of innovations. We therefore examine the relationships between department head evaluations of CAO leadership credibility, board conflict, board-administration relations, and the perceived success of several specific managerial innovations. The innovations that we considered here are efforts to employ a profit-oriented approach to providing services, efforts to treat the citizen as a customer, and efforts to employ formal strategic planning techniques. We regressed each of these managerial innovation indices on our three hypothesized influence measures. The results are presented in Table 2. To test our first stated hypothesis (H1), that the perceived success of managerial innovations are positively related to the perceived credibility of the administrative leader's effectiveness, we examined the coefficients on the LCI in each of the 3 models. The coefficients are positive and significant, in accordance with our first hypothesis, and with our original findings. There is consistent evidence that higher perceived leadership qualities are associated with higher levels of perceived success for all three types of managerial innovations examined. Department heads who believe that their CAOs are more credible and effective leaders also believe that their innovations are in turn more successful.

[Table 2 about here]

To test our second hypothesis (H2), we looked at the coefficients on the policy board conflict index in the same regression equations. The only significant coefficient was in the model looking at the perceived success of formal planning techniques, thus only partially supporting our second hypothesis. Contrary to our conjecture, conflict among the board members does not influence the perceived success of efforts to privatize services, or efforts to treat the citizen as a customer. One explanation for this may be that

the implementation of formal strategic planning methodologies requires the ongoing, active participation of the policy board, in the same way that strategic planning in the private sector is a primary function of a corporation's board of directors. Internal disagreement among board members over the appropriate strategic path to follow may prevent the successful development and implementation of a coherent, consistent, and therefore successful, strategic plan. On the other hand, the successful development and implementation of profit-oriented and customer service efforts do not require much "hands on" participation by the policy board; the specific programs will be developed by the CAO and administrative staff. Therefore, the board's internal squabbles may have less impact on these managerial innovations.

To test our third hypothesis (H3), we examine coefficients on the policy board-administration relationship index in Table 2. All of the coefficients are positive and significant, supporting our contention that the better the relationships are between the board and the administrative staff, the more successful the managerial innovations are perceived to be.

From these results we can conclude that, according to the department heads, the mere adoption of managerial innovations in local government is not sufficient to ensure their success. Effective leadership in implementing the reforms substantially increases the likelihood that the innovations will be considered successful. In other words, CAOs need to do more than just "talk the talk," or adopt whichever managerial innovation is currently in fashion, and assume that its successful implementation is a foregone conclusion. They must also "walk the walk," or provide effective, credible leadership to ensure that the reform is considered to be successful. Additionally, the department heads

believe, based on their experiences, that a well-functioning relationship between the policy board and the administrative staff further contributes to the successful implementation of managerial innovations. However, for those innovations that do not require active, ongoing participation by the policy board, it does not appear that the department heads view board conflict to be a significant deterrent to the successful implementation of managerial innovation.

Conclusions

In this study we attempted to better understand the factors that aid or hinder managerial innovation in local government. Our findings indicate that the credibility of the CAO goes a long way in both adopting and successfully implementing general managerial reforms. Credible leadership helps to guide local governments toward innovation as well as in ensuring its success. These general findings provide support for those who have raised concerns about the lack of leadership in local government and what it might mean in the future as local governments are being asked to do more with less.

Leader credibility was also found to be important in determining the success or failure of specific managerial reforms, in this case implementing a profit-oriented focus in government, strategic planning, and efforts to treat the citizen as a customer. While credibility involves envisioning the future or inspiring others, two characteristics of Kouzes and Posner's leadership model, it also seems to involve following through with the implementation of new ideas and reforms, at least in terms of the perceptions of department heads directly accountable to CAOs in Wisconsin.

Conflict on city councils has received a great deal of attention in both newspapers and scholarly works. Divisiveness on city councils seems to be on the rise as more and more

interests are attempting to get their voices heard through their local representatives. As the country becomes more diverse, conflict may increase even more as minority groups will attempt to get their fair share of public goods. We thought conflict would filter down into the administrative ranks of local government organizations in a way that would hinder managerial innovation. We were only partially correct in this assertion as we found city council conflict to be unrelated to the adoption and implementation of general administrative reforms in government, and only negatively related to one specific reform – strategic planning. Thus it seems city council members tend to keep their personal differences to themselves and these differences do not seem to affect managerial innovation.

Our findings reveal no significant relationship between board-administrative relations and the adoption and implementation of general managerial reforms. Our study indicates that general innovation may very well remain within the domain of CAOs, and influenced little by the relations between city council members and administrators. In other words, general innovation starts with the leadership of the CAO, and may very well end there as well. However, our findings indicate that board-administrative relations make a significant difference in terms of specific managerial innovations.

Board-staff relations make a significant difference in terms of focusing on the bottom line (profit-oriented), emphasizing the needs of the customer, and strategically planning for the future. Congenial relations between board and staff seem to lead to more successful innovations in administration. These innovations have largely been borrowed from the private sector, and administrators may very well be influenced by council

members who have used them in the organizations for which they work in their regular jobs.

Our hope is that these findings will be of encouragement to those concerned about helping local governments rise to the standard of excellence. Leadership and board behavior do make a difference in terms of local government innovation. But our story is incomplete in that we have in no way uncovered all there is to know about innovation in local government. Future research should, for example, explore the relationship between local government finance and managerial innovation, as economic conditions will undoubtedly influence managerial behavior. Furthermore, other scholars may want to consider relationships between managerial innovation and factors such as government structure and interest group influence, to name a few.

APPENDIX

Statements Comprising the Indices

Treating the Citizen as a Customer:

1. This organization has a clear and known emphasis on treating the citizen as customer.
2. The organization uses modern technologies for acquiring customer input such as customer surveys, focus groups, town meetings, or similar “formal” and systematic mechanisms.
3. Employees and board members of this organization have received special training in customer service.
4. This organization has attempted to implement a formal total quality management (TQM) program to enhance service quality.

$\alpha = .66$

Formal Planning Index

1. This organization has utilized more advanced strategic planning technology to frame its mission and priorities.
2. This organization has conducted stakeholder analysis and a thorough environmental analysis of its strengths, weaknesses, opportunities, and threats [SWAT analysis].
3. This organization has a clear, updated mission statement.
4. This organization engages in and utilizes regular goal setting sessions for the policy board.
5. This organization prioritizes goals annually, and plugs these goals into the budgetary process.
6. This organization has a strategic plan that includes both short-term and long-term issues.

$\alpha = .89$

Leadership Credibility Index (LCI)

1. The CAO (chief administrative officer) clearly communicates the purpose and rationale behind new programs and reforms in a way that wins employee acceptance and board approval.
2. The CAO actively works to communicate the organization's vision and mission to employees, and works hard to ensure they understand the rationale behind the vision and mission.
3. Developing a shared vision and set of core values is a fundamental objective of the CAO.
4. Employees feel they can trust this CAO, and feel comfortable putting their fate into the hands of this administrator.
5. When assigning projects and responsibilities, the CAO makes sure employees have sufficient power and authority to accomplish the assigned objectives.
6. The CAO practices what he/she preaches in terms of values, work effort, and reforms. He/she sets a good example for others to follow.
7. The CAO follows through on promises regarding changes and reforms he/she expects others to carry out.
8. The CAO actively seeks to reward, praise, and recognize high performance. The CAO lets employees know when they are doing well.

$\alpha = .91$

Policy Board Conflict

1. Conflict among some board members is high.
2. Sometimes, disagreements between board members get in the way of making decisions.
3. Disagreements between Board members or between Board members and the CAO often become personalized.
4. Some disagreements between Board members seem to go on forever.

$\alpha = .86$

Policy Board/Administration Relations

1. Communication between the Policy Board and administrative units/administrators is frequent and effective.
2. When the board makes decisions, administrators faithfully carry out the policy according to Board intentions.
3. On balance, the Board views its relationship with administrators as a team, rather than as a supervisor telling someone what to do.
4. Staff feels comfortable interacting with the Board, especially when giving it information that may be controversial or that it does not want to hear.

$\alpha = .79$

Table 1. Multiple Regression Analysis of the local government attempts to implement managerial reforms, and their success.

Parameter Estimates^a		
Dependent Variable:	“Attempted Innovations”^b	“Innovations Successful”^c
Independent Variable:		
Intercept	1.359*	.941
Leadership Credibility Index	.396***	.447***
Policy Board Conflict	-.100	.0141
Board-Administration Relations	.135	.152
Adjusted R ²	.163	.193
F-statistic	12.765***	15.322***
N	182	181

a. * $p < .025$, ** $p < .01$, *** $p < .001$; for one-tailed test of hypotheses

b. Dependent variable statement: “This organization continually strives to practice the most recent state of the art management technologies”.

c. Dependent variable statement: “On balance, the [managerial] reforms attempted by this organization can be described as ‘highly successful’”.

Table 2. Multiple Regression Analysis of the perceived influence of leadership credibility, board conflict, and board/administration relations on specific managerial innovations.

Dependent Variable:	Parameter Estimates^a		
	Profit-oriented^b	Customer Service-oriented^c	Strategic Planning-oriented^d
Independent Variable:			
Intercept	1.816**	1.794***	1.911***
LCI	.230**	.342***	.34***
Policy Board Conflict	-.0439	-.102	-.182*
Board-Admin. Relations	.223*	.171**	.190*
Adjusted R ²	.102	.301	.271
F-statistic	7.846***	26.989***	23.090***
N	182	182	179

a. * p < .025, ** p < .01, *** p < .001; for one-tailed test of hypotheses

b. Complete dependent variable statement: “This organization has succeeded in developing new programs and services that have generated self-supporting revenues”.

c. Customer Service Index

d. Strategic Planning Index

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