

**Not With a Bang, But a Whimper:
Explaining Organizational Failures**

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Abstract

This manuscript uses an ideal stereotypical approach to examine the process of the organizational failures. Private sector stereotypes of government organizations are used to generate hypotheses about when public organizations fail. The hypotheses are tested using 1000 school districts in Texas. In direct contrast to the hypotheses the extent of bureaucracy is not related to failures. The only consistent results are that failures are linked to multiple goals and more difficult tasks.

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Organizations satisfice (Simon 1947). When faced with problems, they try alternatives marginally different from current activities and determine whether or not the situation improves. Organizations act, therefore, in a series of trial and error moves. This decision-making process virtually guarantees that all large-scale formal organizations make mistakes. Although the process of failure is crucial to a satisficing decision process, the public administration literature pays little attention to organizational failures and then usually only with case study data (Poveda 1990; Binkin 1976). Because we believe that studying a system's failures provides more crucial information about how the system operates and its capabilities than studying a system's successes, this paper takes an explicit multi-organizational look at the phenomenon of organizational failures. Our concern is not macro-failures (the collapse and demise of the organization) simply because organizations like comatose patients can be kept on life support indefinitely (e.g., the Selective Service System). Rather our concern is micro-failures, the failure to produce the outputs requested by political sovereigns. Unlike macro-failures which are relatively rare, micro-failures should occur with sufficient frequency to allow systematic study.

The study proceeds in several steps. First, we will introduce a way to view public organization failures by using logic from the mythology of the private sector. Second, this approach will generate a series of testable hypotheses about the micro-failures of organizations. Third, a data set on public schools will be introduced that can be used to test these hypotheses, and specific measures will be introduced. Fourth, the hypotheses will be examined using a pooled time series analysis of more than 1000 public organizations over a 4 year time period.

Finally, the implications of this research for the study of organizations will be discussed.

Organizations: An Ideal Stereotypical Approach

Max Weber (1946) introduced the “ideal typical” approach to bureaucracy. He described an ideal rational organization and proposed that analysis proceed by comparing reality to that standard. Our approach is similar, but we use the stereotypes applied to public and private organizations. We make no claims that these ideal stereotypes describe real world organizations, only that they provide a contrasting rationale that will generate some interesting hypotheses. The key stereotype is of the rational, profit-maximizing private organization situated in a system of pure competition. A ruthless market thus provides a process for weeding out failing organizations and rewarding those that make correct decisions. In contrast the ideal stereotypical government organization does not maximize profits and holds a monopoly over the provision of services (Downs 1967). The literature on private sector organizations provides most of the logic for an ideal stereotypical approach to organizational failures.

When discussing the term “organizational failures,” management scholars typically point to events that seriously affect the competitive position or very existence of an organization. One set of observers (Miles and Snow 1994) suggest that some failures result when organizations’ incorrectly respond or fail to respond to changes in their external environments, such as shifts in preferences for a particular good or service. The slow reaction of International Business Machines to the shift from mainframe to personal computers is a well-known example of this problem (Miles and Snow 1994, 74).¹ Factors internal to an organization can be equally influential in contributing to organizational failures. The decision to diversify operations into areas outside of an organization’s core competencies is commonly cited as a strategy that can

lead to organizational failures. A notable instance of an organization extending itself beyond its core competencies was AT&T's decision to move beyond the realm of telecommunications and enter the computer industry through its purchase of National Cash Register.²

Whether their origins are internal or external, small failures in private sector firms can potentially lead to even bigger failures, such as loss of market share, dramatic declines in the value of a corporation's stock, or even bankruptcy. In light of these potential outcomes, the concept of organizational failures seems to have little relevance to stereotypical public sector organizations. Public sector organizations generally do not have to worry about protecting market share because they are monopoly providers. State drivers license bureaus, for instance, have no natural competitors.³ As monopoly providers supported by means of public funding, the threat of bankruptcy is not a pressing concern for stereotypical public sector organizations either.⁴ One reason why scholars of public administration have paid little attention to the concept of organizational failures is that "macro-failures" are rare to nonexistent in the public sector (but see Kaufman 1976). Misinterpreting market conditions or extending an organization's mission beyond its core competencies can literally lead to the dissolution of a corporation. While macro-failures like these are common in the private sector, they are perceived as rare in the stereotypical public sector.

While the idea of "macro-failures" is of limited use for studying the performance public sector organizations, we argue that organizational failures do occur in the public sector, but most often take the form of "micro-failures." We define micro-failures as consistent patterns of poor organizational performance for extended periods of time. Micro-failures are less likely to occur in stereotypical private sector firms because market forces typically do not allow firms to operate

at sub-optimal levels for long periods of time.⁵ The situation is different for public sector organizations. Since the essential nature and monopoly status of many public sector organizations prevents their dissolution, these organizations can remain in existence at sub-optimal levels for long periods of time. For example, a police force is an essential organization that a city cannot simply disband even if it has consistently done a poor job solving crimes. While a restaurant such as McDonald's might lose market share if its service is slow or its employees are rude to customers, a state driver's license bureau would likely feel few ill effects from engaging in such practices (Wilson 1989, 113).⁶

Our focus in this study is on patterns of sub-optimal performance in public schools. Public schools provide an ideal setting for studying organizational micro-failures because they are frequently criticized as organizations that function in a near monopoly environment yet still produce consistently poor results (Chubb and Moe 1990). Public schools are also the most common type of public bureaucracy, and the largest employer of public servants. Even if they are not typical public organizations, they are common ones so that findings on these organizations are likely to have some generalizability. In assessing organizational failures in public schools, our focus is on why some school districts consistently exhibit poor performance in managing three key problems: absences, student retention, and dropouts. We use pooled time series to analyze the factors that contribute to organizational micro-failures using data from a set of Texas school districts, covering the years 1995 to 1998.

Micro-Failures in Public Sector Organizations: An Ideal Stereotypical View

In discussing the distinctions between public and private organizations, Rainey (1997) cautions that even though much research has been done on this topic, definitive conclusions

about differences between public and private organizations are few in number. Nonetheless, the ideal stereotypical approach suggests some fundamental differences between public and private sector organizations that make the occurrence of micro-failures much more likely in public sector organizations.

In a sense, the argument we are making concerning organizational failures is an elaboration of some well known claims about factors that harm the performance of public bureaucracies. Scholars of public administration have long argued that a variety of structural differences between public and private sector organizations do not permit public agencies to carry out their duties as effectively as private sector organizations can (Goodsell 1983; Wilson 1989). Some of the most common claims concerning the unique difficulties faced by public organizations include:

1. Public organizations lack (or have limited control over) the resources necessary to address key tasks.
2. Public organizations are often charged with addressing competing goals, thus preventing the concentration of scarce organizational resources on one core problem.
3. Public organizations are too bureaucratized.
4. In public organizations, weak incentive structures, such as low salaries, result in low employee morale and lead to poor organizational performance.

Because these claims about the unique difficulties of public organizations are well known, we will not spend a great deal of time reviewing each one. Our primary goal in this study is to introduce some novel approaches for examining these claims about the performance of public organizations.

First, studies on the factors that cause public sector organizations to perform poorly have been largely descriptive in nature. For example, in assessing the difficulties public sector organizations face in carrying out their tasks, Goodsell (1983) and Wilson (1989) rely on case study evidence from a wide variety of public bureaucracies. A limitation of this approach is that selectively sampling from a large number of diverse public organizations stacks the deck in favor of finding anecdotes that support particular claims about the difficulties public sector organizations face in carrying out their tasks. Rather than selectively picking the best organizations and organizational settings to support specific arguments about the difficulties public organizations face in carrying out their work, we test a series of hypotheses while limiting our focus to one organizational setting (i.e., public schools).

Aside from being case-study oriented, research on public organizations' performance has paid little attention to developing empirical measures of the key concepts alleged to cause poor organizational performance. For example, the tendency for public organizations to address competing goals is one common explanation for poor performance (Rainey 1997). Although a well-known proposition, almost no effort has been devoted to develop empirical indicators of organizational goals and then systematically assess whether goal conflict affects performance (but see Meier, Wrinkle and Polinard 1999; Bohte and Meier 2000). In testing the above hypotheses about constraints that shape the performance of public sector organizations, we develop operational measures of the key concepts (such as goal conflict) at the heart of these hypotheses and examine the impact these constraints have on operational measures of organizational performance.

Hypotheses about Constraints on Public Organizations

Stereotype 1. Public sector organizations address more tasks than private sector organizations. H1. Organizational failures will be positively correlated with task diversity.

Public sector organizations are generally forced to manage more tasks and address more goals than those in the private sector (Goodsell 1983; Rainey 1997; Wilson 1989). Ideal stereotypical corporations are largely concerned with concrete and consistent goals such as increasing market share and profits. The mandates that create public agencies result from compromise among political leaders, meaning that an agency can be torn between pursuing multiple, inconsistent goals from the moment it is created (Goodsell 1983, 62). Regulatory agencies, for example, are often charged with the conflicting goals of promoting a particular industry while regulating its practices at the same time.

Public schools have myriad goals—literacy, critical thinking, employment training, preparation of democratic citizens, etc. Goal conflict such as producing high scores on standardized achievement tests while also preventing dropouts prevent the concentration of scarce institutional resources on one core task. Often pressured by public officials for improvements in student performance on standardized skills tests, teachers and school administrators also must combat problems such as teen pregnancy, drug use, and gangs in hopes of keeping students in school. Micro-failures are likely to occur in this scenario because schools may lack sufficient resources to deal with both problems, thus leading to a long-term situation where neither problem gets all the attention it requires.

Another form of task diversity involves the clientele public schools must serve. Private sector firms typically have a great deal of flexibility in determining which markets and clients they serve (see Chubb and Moe 1990). In contrast, universal service is the norm in many public

bureaucracies, and the officials running these organizations typically have little say in determining which markets or groups they will serve. Public schools, especially those in urban settings, often serve heterogenous student groups made up of low-income, African-American, and Hispanic children. Educational problems such as dropouts and an inability to perform well on standardized tests are especially prevalent among low-income and minority groups (Jencks and Phillips 1998). In districts where disadvantaged students comprise a large proportion of the student body, poor performance may result because the norm of universal service provision dictates that public schools cannot simply ignore those students mostly likely to exhibit poor performance.

We use several variables to measure task diversity (and thus goal conflict) across school districts. To tap into the conflicting tasks of promoting high academic performance and managing dropouts, we include average district performance scores on standardized achievement tests, measured at one and two year lags. Political officials and the media carefully scrutinize district performance on these standardized tests, and a trend of poor performance may force school districts to neglect problems such as dropouts and student retention in favor of raising test scores. Our second measures of task diversity focus on client diversity. Three variables are included here: percent African-American, percent Hispanic, and percent low-income students per district.

Stereotype 2. Public sector organizations have less control over resource allocations than private sector organizations. H2. Organizational resources will be negatively correlated with organizational failures. Public organizations are at a distinct disadvantage to private sector counterparts when it comes to obtaining resources to support their operations.

Actors external to public organizations typically make decisions concerning the level of resources that the organizations receive (Wamsley and Zald 1973). Congress and the president determine appropriation levels for federal regulatory agencies. State and local governments place limits on the amount of money public schools can raise through taxes. While corporations can raise prices if production costs rise, public organizations normally have little control over setting or raising prices.

Although a great deal of controversy exists over the extent to which resources shape student performance (Hanushek 1986, 1996; Hedges and Greenwald 1996), few would argue with the proposition that public schools have limited control over the level of resources they receive. As a result of their dependence on external actors, public schools may receive inadequate resource allocations for managing their core tasks. As noted earlier, the problem of having little control over resource allocations is compounded when too few resources are chasing too many problems. We used two variables, instructional expenditures per pupil and average class size (students per teacher), as resource indicators for each school district.

Stereotype 3. Public Sector Organizations are more bureaucratized than their counterparts in the private sector. H3. Bureaucracy is positively correlated with organizational failures. One of the most commonly leveled criticisms against ideal stereotypical public sector organizations is that they are too bureaucratized. Greater goal diversity in public sector organizations is often labeled as the root cause of high levels of bureaucracy (Rainey 1997, 75; Wilson 1989, 133). Since public sector organizations are charged with addressing many goals, high levels of bureaucracy are needed to monitor whether these goals are being achieved. Both the public and political officials demand that public agencies be held

accountable for their performance. Accountability systems generate redtape and, therefore, bureaucracy (Downs 1967). As Wilson suggests (1989, 133), “government bureaucracies are more ‘bureaucratic’ than industrial ones in large part because we – the people and our political representatives – insist that they be.”

Prominent advocates of school choice (Chubb and Moe 1990) argue that public schools perform poorly due to expansive centralized bureaucracies that limit the discretion of teachers to propose and implement innovative solutions to educational problems.⁷ Aside from the argument that bureaucracy stifles the creativity of teachers and reduces their morale, high levels of bureaucracy are also alleged to hurt student performance because a large bureaucracy might mean that too many positions are devoted to supervision and not enough devoted to the core task of teaching.

Two district-level bureaucracy variables were included in the study. The first variable is the number of central office bureaucrats per 100 students. The second is the number of campus-level bureaucrats per 100 students.

Stereotype 4. Public organizations have a difficult time competing for qualified employees because of limits on salaries and other incentives. H4. Lack of incentives will be positively correlated with organizational failures. Research on this stereotypical proposition is mixed. On the one hand, some evidence suggests that individuals are attracted to public sector employment by non-monetary incentives, such as the challenging nature of the work in question, or the desire to engage in public service (Rainey 1997, 215). On the other hand, substantial pay differentials often exist between the public and private sectors, and the rigidity of pay grades in public personnel systems may dissuade talented individuals from seeking work in public sector

organizations. In the ideal stereotypical world, lower pay scales mean less qualified employees.

Aside from competing against the private sector for skilled employees, public organizations often must compete against themselves for skilled workers. This is especially true in the case of public schools. Substantial differentials in the salary levels of suburban and inner-city public schools are common. For instance, Kozol (1991, 69) found that pay differentials for teachers Chicago's inner-city schools and suburban schools were often as high as twenty-thousand dollars, making it difficult for inner-city schools to attract and keep talented young teachers (see also Hanushek and Pace 1995). Districts with high average teacher salaries can presumably attract better teachers than those with low average teacher salaries. As teacher quality improves, student performance should also improve.

Because teachers' salaries would have to be compared to private sector salaries (which are not available at this level of aggregation on an annual basis) and discounted for inflation, we use two indirect indicators of inadequate salaries. The first measure of how employees react to incentive structures is teacher turnover. All other things being equal, high salaries and strong incentive structures will likely result in less teacher turnover than environments where low salaries and weak incentive structures are present. Our second indicator of inadequate incentive structures across the school districts is the district's budget surplus as a percentage of total spending. Districts with larger budget surpluses should be able to aggressively compete for the best teachers.

Data and Methods

An ideal environment to examine these questions is Texas school districts. Texas maintains a data system that contains a wide variety of "failure" measures for their more than

1000 school districts. Although we make no claims that our findings also apply to other educational bureaucracies, Texas is an extremely diverse state with a wide range of school districts from small rural districts to major urban districts, from homogeneous districts to those with substantial enrollments of Anglo, African-American and Latino students. The diversity of the organizations gives us some confidence that our findings are not the result of a limited set of organizations. Because our interest is in how organizations experience micro-failures, the level of analysis will be the organization, that is, the school district. Our units of analysis are the universe of school districts in Texas. Data are available for four years from 1995 through 1998; we pool these data resulting in a total of 4172 cases. Missing data on specific items reduces this number by small amounts in individual regressions.

Pooled models frequently are affected by problems of serial correlation and heteroscedasticity. To control for serial correlation, we include a set of three dummy variables in the model. Residual scatter plots revealed a generally homoscedastic pattern relative to each independent variable.⁸

School districts can fail their students in three ways—absenteeism, retentions, and dropouts. Students who are not in school obviously cannot learn. We use data reported to the state department of education on average student attendance and transform this into a measure of absenteeism. The measure is the percentage of students who are absent from school on any given day. The measure has a mean of 4.1% with a standard deviation of 1.0.

The second micro-failure is student retentions. Students who do not do acceptable work are retained in grade for a second year. Retentions apply only to the first eight school grades since advancement at the high school level is based on individual course credits rather than an

overall assessment of grade performance. The measure is the sum of the percentages of students retained in each of the eight grades. The mean is 15.4% with a standard deviation of 16.1, the measure is skewed positively.⁹

Finally, the most serious failure investigated here is dropping out of school. Dropout data are generally subject to massive underreporting simply because school districts often have no idea whether students who fail to return to school have actually dropped out. We measure dropouts indirectly. By comparing the number of juniors in year 1 with the number of seniors in year 2 and adjusting for the overall growth in enrollments, one can get an estimate of the number of school dropouts between the junior and senior years. We estimate dropouts between the four high school classes (fresh to sophomores, etc) as well as the students who begin the year as seniors and do not graduate that year. This is likely to be an overestimate of dropouts but appears to have greater face validity than official dropout figures which are recognized to be far too low. The dropout measure had a mean of 25.2% with a standard deviation of 34.4.

Findings

Absenteeism

The regression results for absenteeism appear in Table 1. The hypothesis about goal conflict/diversity and micro-failures receives reasonable support. Three of five relationships are significant in the predicted direction. Districts with lower test scores (both years) and more black students also have higher absenteeism rates. The Latino student percentage is also significant but in the wrong direction.

[Table 1 About here]

The hypothesis about the negative relationships between resources and micro-failures

receives mixed support. The relationship between overall resources spent for instruction and absenteeism is insignificant, but the class size relationship is significant in the predicted direction. The class size relationship is one of the strongest in Table 1. Districts with larger classes also have higher absenteeism rates.

The hypothesis for bureaucracy suggested that bureaucracy would produce additional micro-failures. Campus level bureaucracy is positively associated with higher absenteeism rates, but the coefficient is extremely small. Central office bureaucracy is not associated with absenteeism. These findings are consistent with recent work that suggests organizations augment their administrative capacity when faced with problems (such as absenteeism) that need to be solved.

Finally, the competitive disadvantages hypothesis also receives mixed support. Higher levels of teacher turnover are associated with more student absenteeism but insignificantly. The budget surplus, however, was negatively associated with more absenteeism rather than less.

Class Failures

The regression equation for class retention appears in table 2. The overall predictive ability of the model in this case must be characterized as weak. The ideal stereotypical model of public organization does not produce strong findings. The findings for goal conflict/task diversity are the strongest. High test scores are associated with fewer class retentions. Similarly, retentions also increase in organizations with more low income and more black students. The Latino student relationship was insignificant.

[Table 2 About Here]

Resources again matter. Although spending per student on instruction was unrelated to

students retained in grade, the relationship for class size was strongly linked to retention. All other things being equal, a one student increase in class size is associated with .7 percentage points fewer class retentions. Neither bureaucracy hypothesis is supported by the data; the relationships were both statistically insignificant. The competitive disadvantage hypotheses are also not supported by these results; whatever is the cause of student retention, inadequate resources does not appear to be it (The turnover relationship is in the wrong direction).

Dropouts

The disappointing results of the retention model are countered somewhat by more consistent results in the dropouts model (see Table 3). The goal conflict/task diversity variables perform consistently; all five variables are significant in the predicted direction. Organizations with greater goal conflict/task diversity also experience a larger number of micro-failures.

[Table 3 About here]

Again resources committed to instruction sometimes matter. Larger classes are associated with more dropouts but so are larger expenditures. Bureaucracy, neither central office nor campus, is significantly associated with higher dropout rates, contrary to the stereotypical model but consistent with recent field research. Finally, competitive disadvantages again show mixed results. Surplus funds matter in the predicted direction, but teacher turnover does not.

The generally mixed results of Tables 1, 2, and 3 suggests a reassessment focusing on the independent variables and individual indicators. Overall the strongest support in the models was for the goal conflict/task diversity hypothesis. Eleven of the 15 relationships were significant in the correct direction; only one relationship was significant in the wrong direction. These findings suggest that task diversity and the accompanying goal conflict influence the micro-failures of

public organizations.

The resources measures generate very mixed findings. Class size is always significant in the correct direction. Resources committed to classroom instruction, however, are unrelated to absenteeism and retentions and positively linked to dropouts. Perhaps the weak relationships for instructional resources reflect variation in costs of educational inputs and, thus, the relationship is spurious. The competitive disadvantage variables may also be picking up this mixed resources relationship. In two cases, surplus funds were associated with fewer organizational failures. Teacher turnover never matters in the predicted direction.

The bureaucracy relationships were generally *inconsistent* with the ideal stereotypical model of public organization. One significant relationship was found in the correct direction and that was relatively modest. The lack of findings is consistent with the literature (Goodsell 1983) and the empirical work (Meier, Wrinkle and Polinard 2000) that holds bureaucracy is a reaction to problems not a cause of them.

Tables 1, 2, and 3 presented the micro-failures results as if they were separate problems. Each of the micro-failures could actually be the start of the next set of micro-failures. To illustrate this possibility, the dropouts equation is reestimated in Table 4; but measures of absenteeism and retention are included in the table. Quite clearly, organizations that experience high dropout rates also experience greater absenteeism and greater retention rates. Small failures in one area can lead to larger failures in other areas,.

[Table 4 About Here]

Conclusion

This paper explored the nature of organization micro-failures, the inability to produce

valued outputs. Because micro-failures are likely to occur more frequently than macro-failures in the public section, only by focusing on micro-failures can sufficient cases be generated for systematic analysis. The paper also introduced the ideal stereotypical approach to theoretical analysis. Because the failure process has not been studied, we adapted the stereotypes of private sector organizations in contrast to those of public sector organizations to generate some testable hypotheses. This approach suggested that greater task diversity, inadequate resources, more bureaucracy, and the failure of incentives would all result in more micro-failures. Of these hypotheses, only the relationship between task diversity and micro-failures was consistent in all three cases. The relationship between task diversity and micro-failures suggests a key principle for policy design: policies will be less likely to fail if an organization can deal with a relatively homogeneous set of problems. Although the political process is unlikely to recognize this principle, it might accept the corollary that organizations facing diverse tasks need to be given additional support in other areas. This might not be resources, as the above findings suggest, but might be greater autonomy or the ability to deal with cases in heterogeneous ways.

The other relatively consistent finding was that for bureaucracy. An increase in bureaucracy was generally not associated with greater organizational failures. Despite its negative connotations in the general public, scholars have long recognized that bureaucracy is a neutral tool that can be adapted to serve a variety of ends. Bureaucracy helps integrate the diverse tasks the organization performs, it provides support for the technical core of the organization, and it generates the rules and structures necessary to maintain the organization. *The claim that bureaucracy is the cause of public sector failings received little support in this analysis.* Perhaps if more precise predictions can be generated about when bureaucracy is likely

to have a negative impact, bureaucracy might survive as a concept in the ideal stereotypical approach.

This was the first systematic examination of micro-failures in public organizations. It should not be the last. Micro-failures are an essentially aspect of the governance process. The extent of such failures and the determinants of such failures tell us a great deal about policy design. We also think that public organization micro-failures are in the long run associated with macro-failures of governance or in other words: This is the way the world ends, not with a bang but a whimper.

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Table 1. The Determinants of Absenteeism

Independent Variable	Slope	Standard Error	t
Goal Conflict/Task Diversity			
Test Scores (t-1)	-.0219	.0013	17.18
Test Scores (t-2)	-.0157	.0012	13.43
Black Student Percent	.0037	.0008	4.56
Latino Student Percent	-.0017	.0005	3.44
Low Income Students	.0008	.0007	1.08
Resources			
Instructional Funding	.0053*	.0165	.32
Class Size	.1252	.0056	22.49
Bureaucracy			
Central Office Bureaucrats	-.0054*	.0053	1.00
Campus Bureaucrats	.0151*	.0074	2.05
Competitive Disadvantages			
Fund Balance	-.0036	.0004	9.34
Teacher Turnover	.0020	.0011	1.85
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R Squared	.56		
F	382.04		
Standard Error	.41		
N	4149		

*Coefficient multiplied by 1000 to facilitate interpretation
Coefficients for individual year dummies not reported

Table 2. The Determinants of Class Failures

Independent Variable	Slope	Standard Error	t
Goal Conflict/Task Diversity			
Test Scores (t-1)	-.1540	.0225	6.84
Test Scores (t-2)	-.0322	.0211	1.52
Black Student Percent	.0407	.0132	3.10
Latino Student Percent	-.0110	.0082	1.35
Low Income Students	.0777	.0118	6.59
Resources			
Instructional Funding	.1415*	.2590	.55
Class Size	.7240	.0893	8.11
Bureaucracy			
Central Office Bureaucrats	.0931*	.0877	1.06
Campus Bureaucrats	.0064*	.1190	.05
Competitive Disadvantage			
Fund Balance	.0023	.0064	.36
Teacher Turnover	-.0824	.0177	4.66
<hr/>			
R Squared	.19		
F	69.34		
Standard Error	6.87		
N	4092		

*Coefficient multiplied by 1000 to facilitate interpretation
coefficients for individual year dummies not reported.

Table 3. Determinants of Dropouts

Independent Variable	Slope	Standard Error	t
Goal Conflict/Task Diversity			
Test Scores (t-1)	-.1411	.0375	3.77
Test Scores (t-2)	-.2086	.0347	6.02
Black Student Percent	.6964	.0240	29.03
Latino Student Percent	.2598	.0148	17.52
Low Income Students	.0549	.0212	2.59
Resources			
Instructional Funding	5.7074*	.5083	11.23
Class Size	1.8143	.1619	11.21
Bureaucracy			
Central Office Bureaucrats	-.3518*	.1936	1.82
Campus Bureaucrats	.3969*	.2432	1.63
Competitive Disadvantage			
Fund Balance	-.0687*	.0113	6.10
Teacher Turnover	-.1336	.0309	4.33

R Squared	.47
F	266.42
Standard Error	12.62
N	4153

*Coefficient multiplied by 1000 to facilitate interpretation
coefficients for individual year dummies not reported.

Table 4. Dropouts: Part of the Organization Failures Process

Independent Variable	Slope	Standard Error	t
Goal Conflict/Task Diversity			
Test Scores (t-1)	.0464	.0365	1.27
Test Scores (t-2)	-.0756	.0333	2.27
Black Student Percent	.6532	.0230	28.44
Latino Student Percent	.2641	.0141	18.68
Low Income Students	.0449	.0209	2.21
Resources			
Instructional Funding	5.5034*	.4836	11.38
Class Size	.8599	.1558	5.52
Bureaucracy			
Central Office Bureaucrats	-.3611*	.1920	1.88
Campus Bureaucrats	.2732*	.2376	1.15
Competitive Disadvantage			
Fund Balance	-.0441	.0108	4.09
Teacher Turnover	-.1438	.0296	4.85
Absences	7.0787	.3054	23.18
Class Failures	.1031	.0149	6.93
R Squared	.53		
F	290.00		
Standard Error	12.04		
N	4153		

Biographical Statements

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Notes

1. A public sector example, albeit a successful one, of anticipating an environmental transition would be the Bureau of Alcohol, Tobacco and Firearms' shift from an agency that focused primarily on alcohol violations to one with an almost exclusive focus on gun law violations (see Martinek, Meier and Keiser 1998).
2. A public sector example might be the FBI's shift into drug law enforcement in the 1980s, a function the FBI resisted for several decades. The FBI leadership feared the corruption in drug law enforcement, and subsequent events proved this fear well founded (Meier 1994).
3. Potential competitors do exist, however. The function could easily be contracted out. The state of Oklahoma, for example, does contract out its automobile licensing function.
4. There are exceptions, of course, such as the Federal Home Loan Bank Board and the Savings and Loan Deposit Insurance Corporation.
5. Such private sector claims are correct only in the long run, witness the decline in market share of U.S. Steel from its founding to the present or General Motors from 1968 to the present.
6. If we were not taking an ideal-stereotypical approach, we would note that political pressures can be applied to all bureaucratic organizations. After all, public organizations are not closed systems, and political institutions have a variety of methods to encourage appropriate organizational behavior (see Wood and Waterman 1994).
7. Other work finds that bureaucracies are an effort to deal with problems and thus are not the limit to action that Chubb and Moe (1990) portray them to be (see Meier, Wrinkle and Polinard 2000).
8. An assessment of regression diagnostics revealed sufficient extreme values to distort the regression coefficients. To avoid this problem, the equations were estimated with Andrew's

(1974) sine approach to robust regression. This approach is effective with a wide range of nonGaussian distributions and, when data fit the assumptions of linear regression, produces estimates identical to ordinary least squares.

9. This figure means should be divided by 8 for an annual rate. That is, the average school district does not promote 1.93% of its students each year.