

Rhys Andrews
George A. Boyne
Richard M. Walker
Cardiff University

Organizational Performance

Strategy Content and Organizational Performance: An Empirical Analysis

Rhys Andrews is a research associate in the Centre for Local and Regional Government at the School of City and Regional Planning, Cardiff University. His research interests are strategy, civil participation, and the performance of public organizations.
E-mail: andrewsr@cardiff.ac.uk.

George A. Boyne is a professor of public-sector management in the Business School at Cardiff University. He is also a member of the Centre for Local and Regional Government Research. His research focuses on the determinants of performance in public organizations.
E-mail: boyne@cardiff.ac.uk.

Richard M. Walker is an associate professor in the Centre for Urban Planning and Environmental Management at the University of Hong Kong and a professor of public management in the School of City and Regional Planning at Cardiff University. His research focuses on the determinants of performance in public organizations, management reform, and institutional change in China's public services.
E-mail: rwalker@hkucc.hku.hk.

This study presents the first empirical test of the proposition that strategy content is a key determinant of organizational performance in the public sector. Strategy content comprises two dimensions: strategic stance (the extent to which an organization is a prospector, defender, or reactor) and strategic actions (the relative emphasis on changes in markets, services, revenues, external relationships, and internal characteristics). Data were drawn from a multiple-informant survey of 119 English local authorities. Measures of strategy content are included in a multivariate model of interauthority variations in performance. The statistical results show that strategy content matters. Organizational performance is positively associated with a prospector stance and negatively with a reactor stance. Furthermore, local authorities that seek new markets for their services are more likely to perform well. These results suggest that measures of strategy content must be included in valid theoretical and empirical models of organizational performance in the public sector.

Questions have always been posed about the performance of public organizations. These questions often emerge from crises in service provision (e.g., child-protection scandals) or celebrations of success (e.g., school-achievement rates, the response of emergency services to disasters). However, these examples, like much of the academic literature on public-service performance, are single-case-study illustrations. They do not provide the systematic evidence necessary to advance the science or practice of public administration. The absence of such evidence has arisen partly from a lack of attention to the issue of performance among public administration academics and from a lack of relevant data. In recent years, more systematic information on the performance of public organizations has become available, and a literature on this topic is now emerging (Boyne 2003; Kelly and Swindell 2002). The results of empirical studies suggest that although environmental constraints are important, managers in public organizations have ample power to influence performance (Meier and O'Toole 2001, 2002).

A core managerial function is to shape strategy content, which can be defined as the patterns of service provision that are selected and implemented. Some scholars have argued this is a central influence on public-service performance (Boschken 1988; Boyne, Martin, and Walker 2004; Nutt and Backoff 1995; Wechsler and Backoff 1987). However, no systematic empirical evidence exists on the validity of this proposition. By contrast, many studies of private organizations contend and demonstrate that strategy content matters (Ketchen, Thomas, and McDaniel 1996; Miles and Snow 1978; Slater and Olson 2001). This article provides the first empirical test of the relationship between strategy content and performance in public organizations.

The article is structured as follows: In the next section, we define the concept of strategy content. Hypotheses on the relationship between strategy content and performance are then presented. Next, we discuss our methods and measures and interpret our statistical findings, which are based on a large-scale, multiple-informant survey of 119 English local authorities.

Strategy Content

Boyne and Walker (2004) present a model that conceptualizes strategy content in the public sector at two levels. First, *strategic stance* is the broad way in which an organization seeks to maintain or improve its performance. This level of strategy is relatively enduring and unlikely to change substantially in the short term (Zajac and Shortell 1989). A broad range of management research supports this contention. For example, the literature on population ecology argues that structure and overall approach are set when an organization is established (Hannan and Freeman 1977), and a range of evidence indicates that organizations are relatively inert. Once routines are established, they are difficult to change (Amburgey, Kelly, and Barnett 1993; Barnett and Freeman 2001). The second level of strategy comprises the specific steps that an organization takes to operationalize its stance. These *strategic actions* are more likely to change in the short term

(Fox-Wolfgramm, Boal, and Hunt 1998). Together, stance and actions constitute an organization's *strategy content*. The concept of strategy content refers to how organizations actually behave, in contrast to strategies that are merely rhetorical or intended but unrealized.

Strategic Stance

The strategic stance dimension of our classification is based on Miles and Snow's (1978) typology and includes prospectors, defenders, and reactors. At a conceptual level, these categories appear to cover the major organizational responses to new circumstances: innovate (prospector), consolidate (defender), or wait for instructions (reactor). We also propose that organizations may display a variety of strategies: They are likely to be part prospector, part defender, and part reactor, reflecting the complexity of organizational strategy.

Prospectors display the key attributes of innovative organizations: They are likely to be pioneers, leaders in the field, and perhaps innovation award winners. As Miles and Snow state, they are organizations that "almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends" (1978, 29). The characteristics of a public-sector prospector include being proactive, taking risks, and making rapid organizational responses to new circumstances (Boschken 1988; Downs 1967). Defenders do not strive to be leaders in the field but instead are late adopters of innovations once they have been tried and tested. They take a conservative view of new product development and focus on a narrow range of services, their core activities, to retain their existing portfolio of activities and protect their share of the public budget from attacks by predatory organizations. Defenders, Miles and Snow argue, "devote primary attention to improving the efficiency of their existing operations" (1978, 29).

In contrast to prospectors and defenders, reactors have no consistent substantive stance. Although managers in reactor organizations frequently perceive change and uncertainty, they lack a coherent strategy because the organization "seldom makes adjustment of any sort until forced to do so by environmental pressures" (Miles and Snow 1978, 29). Indeed, a reactor stance has been equated with an absence of strategy (Inkpen and Chaudhury 1995). Reactors, therefore, are likely to have a formal stance imposed by external agencies, such as regulators. Even if a reactor is instructed to behave like a prospector, it may lack the culture and expertise to successfully adopt this strategy.

Strategic Action

The second dimension of strategy is based on five specific types of action that organizations may use to operationalize their stance. These actions concern changes in markets, services, revenues, the external

organization, and the internal organization. The first three strategic actions reflect Porter's (1980) typology of strategy content. This typology has been extended to capture the constraints that public organizations may face in altering markets, services, or revenues. The strategic challenge for many public managers is to find better ways to deliver existing services in a fixed market with limited revenues. Thus, strategy may focus disproportionately on the organizational arrangements for service provision by altering external relationships or internal characteristics (Boyne and Walker 2004).

Though the strategic actions of public agencies may be constrained because they cannot independently choose their own markets, they may be able to seek market entry or exit. A market can be defined geographically or through the characteristics of the users. Changes in markets occur when opportunities arise to provide existing services to new groups of citizens. Conversely, a public agency can change its market by withdrawing from a particular geographical area or by no longer serving a specific group of users. Many examples exist of public organizations that have made such changes. For example, the emergence of diseases such as HIV/AIDS requires health agencies to move into new markets (Pettigrew, Ferlie, and McKee 1992). Other examples include public agencies providing their current services to new users in different geographical areas (Osborne 1998), which might be achieved through takeovers or mergers (Walker and Jeanes 2001).

Public organizations may also be constrained in the services they can provide (e.g., by legislation). Nevertheless, changes in needs or user expectations may lead public organizations to provide new services to existing users or to withdraw services. Examples cited in the literature include public housing landlords' diversification into social welfare services, the provision of multiple skills development and job services to the unemployed, and responses to user needs for services that cut across traditional service boundaries and client groups, such as community safety, public health, sustainability, and regeneration (Borins 1998, 2000; Enticott et al. 2002; Osborne 1998; Walker and Jeanes 2001).

A major strategic task for public organizations is ensuring they have sufficient revenues to maintain or expand services. This type of strategic action might include raising extra income from fees, government grants, or charitable donations (Moon and deLeon 2001; Moore 2000). Stevens and McGowan's (1983) study of 90 U.S. local governments identified four budget-expansion strategies available to public agencies: seek external revenue, increase internal revenue, seek additional state aid and authority, and allow the state to pay for high-cost items. Strategic actions that focus

on internal organization are extensive and widely documented in the literature. They cover variables such as structure, culture, processes, leadership, and a variety of metrics for improvement (Berry 1994; Boyne and Dahya 2002; de Lancer Julnes and Holzer 2001; Douglas and Judge 2001; Westphal, Gulait, and Shortell 1997). Strategies for external organization refer to the network or partnerships through which many public agencies provide services (Provan and Milward 1995). Academics have devoted much attention to such arrangements, which include collaboration, consortia or joint ventures, and outsourcing services to private or nonprofit providers (Bardach 1998; Bevir and O'Brien 2001; Boyne 1998; Huxham 2000; Kickert, Klijn, and Koppenjan 1997; Lowndes and Skelcher 1998; Meier and O'Toole 2001; Provan and Milward 2001; Wistow et al. 1992).

The five types of strategic action cover the three broad categories of behavior that are available to organizations: change the environment (move to a different market or shift the balance between existing markets), change the relationship with an existing environment (by altering services, revenues, or external structure), or change the organization itself (through modifications to internal structure).

Hypotheses on Strategy Content and Performance

Strategic Stance

The central contention of Miles and Snow's (1978) model of strategy—that prospectors and defenders perform better than reactors—is supported by studies of private firms (Conant, Mokwa, and Varadarajan 1990; Hawes and Crittenden 1984; Shortell and Zajac 1990; Woodside, Sullivan, and Trappey 1999). However, a reactor stance is not always associated with poor performance. Snow and Hrebiniak's (1980) study of four industries confirmed Miles and Snow's primary hypothesis, except in the case of highly regulated industries, in which reactors outperformed prospectors and defenders. This finding may have implications for the relative effectiveness of different strategies in the public sector. A reactor stance may be a deliberate and positive choice in a public-sector environment that values responsiveness to the shifting demands of external stakeholders, especially if strategy content is routinely imposed by regulatory agencies (Bozeman and Straussman 1990; Nutt and Backoff 1993; Rainey 1997). Prospectors may be perceived as excessively eager to take risks, and defenders may be seen as reluctant to respond to pressures for change. Reactors, unconstrained by a fixed strategic posture, may be more pliable and ready to please their political superiors. Thus, in principle, a reactor stance is the best fit with the political circumstances that shape perceptions of organizational performance in the public sector (Rainey and Steinbauer 1999).

Miles and Snow (1978) maintain there are no performance differences between prospectors and defenders, a view that is supported by the findings of Slater and Olson (2001). However, the evidence on the relative performance of prospectors and defenders is neither comprehensive nor conclusive. Evans and Green's (2000) study of Chapter 11 bankruptcy notes that prospectors are more likely to achieve business turnaround than defenders. Hambrick (1983) concludes that prospectors outperform defenders on market share changes, but this pattern is reversed for return on investment. Zajac and Shortell's (1989) analysis of U.S. hospitals found that the performance of defenders fell behind other generic strategy types when the environment called for a more proactive approach. Woodside, Sullivan, and Trappey's (1999) analysis concludes that prospectors outperform defenders, which, in turn, outperform reactors.

In sum, there is broad but mixed support for Miles and Snow's model of strategy and performance in the private sector. The application of this model to the public sector leads us to the following hypotheses:

H1: A prospector stance is positively related to organizational performance.

H2: Prospectors outperform defenders and reactors.

H3: A defender stance is positively related to organizational performance.

H4: Defenders outperform reactors.

H5: A reactor stance is negatively related to organizational performance.

The distinctive political context of public organizations, especially the existence of extensive mechanisms for oversight and regulation, leads to a sixth hypothesis that contradicts H5:

H6: A reactor stance is positively related to organizational performance.

Strategic Actions

Many studies support the notion that changes in strategic actions, the second dimension of strategy content, can lead to higher levels of performance. Research on the private sector, case studies of public organizations, and a limited number of empirical studies of public agencies have found performance gains from changing markets or services (Damanpour and Evan 1984; Damanpour, Szabat, and Evan 1989; Subramanian and Nilakanta 1996). The balance of evidence on the determinants of public-service improvement indicates there is also moderate support for the argument that extra financial resources leads to higher performance (Boyne 2003).

The range of internal organizational actions that may be pursued by public agencies is extensive. The findings of a limited number of empirical studies on culture, leadership, and human resource management support the view that performance can be improved by internal organizational change (Brewer and Selden 2000; Meier and O'Toole 2002; Ostroff 1992; Zigarelli 1996). The evidence implies "that managerial variables make a difference to service performance" (Boyne 2003, 385). Furthermore, research on private organizations substantiates the view that a lack of focus on organizational arrangements is associated with poorer performance (Roberts and Amit 2003). Two groups of external organizational variables can be identified: competition and cooperation. Empirical studies suggest that competition has weak effects on performance (Boyne 1998; D'Aunno, Hooijberg, and Munson 1991; Meier and O'Toole 2001; Zanzig 1997), but that the effects of cooperation are positive and significant (Meier and O'Toole 2003; O'Toole and Meier 2004).

In sum, prior research leads to the following hypotheses on strategic action:

H7: Change in markets is positively related to organizational performance.

H8: Change in services is positively related to organizational performance.

H9: Extra revenues are positively related to organizational performance.

H10: Internal organizational actions are positively related to organizational performance.

H11: Collaboration with external organizations is positively related to organizational performance.

Environmental Constraints

It would be naive to argue that strategy content alone affects the performance of public organizations. Our final two hypotheses reflect the view that the different environmental conditions experienced by public organizations influence their relative success (Pettigrew, Ferlie, and McKee 1992; Thompson 1967).

The primary purpose of public services is to respond to service needs (Doyal and Gough 1991). However, the extent to which public organizations are able to meet service needs is likely to decline as these needs become greater. Organizations that confront a greater quantity of needs are likely to find it more difficult to provide a sufficient quantity and quality of services per client. In addition, performance is likely to be constrained by variations in service needs. If citizens have largely homogeneous characteristics (e.g., mostly white middle class), it may be relatively straightforward to elicit their preferences and to provide a "standardized" service that corresponds closely with

their needs. By contrast, it may be more difficult to meet the needs of a highly diverse population (reflected, for example, by many different ethnic groups). First, a greater effort is required to identify the preferences of different groups; second, it is necessary to provide a greater variety of services to meet their requirements. This, in turn, makes the achievement of high levels of performance more demanding. Our hypotheses on the impact of environmental constraints are as follows:

H12: The quantity of service need is negatively related to organizational performance.

H13: The diversity of service need is negatively related to organizational performance.

Methods and Measures

Performance

An index of performance has recently been calculated for all major English local authorities (London boroughs, metropolitan boroughs, unitary authorities, and county councils) by the U.K. Audit Commission (2002b). This index, the Comprehensive Performance Assessment (CPA), classifies the performance of authorities according to five categories (poor, weak, fair, good, and excellent). The overall CPA scores are derived from judgments about a local authority's core service performance (CSP) and its ability to improve. These two variables are then combined to produce an overall score. The dependent variable for our empirical analysis is the CSP score. Appendix A provides a detailed discussion of how the Audit Commission created this index. The range of scores varies by organizational type. Therefore, to ensure that overall performance scores would be comparable across all authorities, the percentage of the maximum possible CSP result for each council was calculated. The mean CSP score is 65.83 percent (minimum 36.67 percent, maximum 88.33 percent).

Strategic Stance and Action

Prior research on strategy content has suffered from two main weaknesses. First, survey respondents are typically forced to choose between mutually exclusive strategic categories and place their organization in one box (Snow and Hrebiniak 1980; Slater and Olson 2001; Zajac and Shortell 1989). This approach is inconsistent with evidence that suggests organizations simultaneously pursue a mix of (perhaps contradictory) strategies (Bowman and Ambrosini 1997a; Whittington et al. 1999). Second, almost all prior research has relied on single (usually chief executive officer) informants. Empirical research suggests that chief executives tend to provide information on strategic aspirations rather than actual strategies and overlook the range of different perceptions of strategy within organizations (Bowman and Ambrosini 1997b; Walker and Enticott 2004). These methodological

limitations may be one explanation for the mixed evidence on strategic stance and performance in the extant literature. To address these weaknesses, we surveyed multiple informants in each organization and used Likert scales to assess the location of organizations on different dimensions of strategy content.

Data on strategy content were drawn from a survey of English local authorities. The survey instrument was piloted in 17 authorities that are representative of geographical location and functional type (Enticott 2003). E-mail addresses were collected from participating authorities, and questionnaires were delivered as an Excel file attached to an e-mail message. The electronic questionnaires were self-coding and converted to NCSS format for analysis. Informants had eight weeks to answer the questions within the file, save it, and return it by e-mail. During the survey period, three reminders were sent to informants who had not yet completed the questionnaire.¹

To capture the complexity of organizations, our multiple-informant data were collected from staff at the corporate and service level in each organization. Corporate officers and service managers were selected because the attitudes of these positions have been found to differ (Aiken and Hage 1968; Payne and Mansfield 1973; Walker and Enticott 2004).² To overcome the sample-bias problem faced in surveying a higher proportion of informants from one organizational level, two echelons were used.³ In each authority, questionnaires were sent to up to three corporate informants and four managers in each of the seven services covered by the CPA. A maximum of 30 questionnaires were sent to an authority, and the maximum number of responses received was 23.

Data were collected during the summer of 2001 from all English local authorities. The sample consisted of 386 authorities and 4,184 informants. Eighty-one percent of authorities replied (314) and a 56 percent response rate was achieved from individual informants (2,355). This analysis was conducted on 119 authorities with 1,245 informants. The *N* is lower because CPA results were available for only 119 of the authorities that replied to the survey.

Single-item measures were used for each aspect of strategy content in this analysis (see table 1).⁴ The prospector stance was operationalized through a measure of innovation; this is central to Miles and Snow's (1978) definition, which includes risk taking and proactive responses to changes in the external environment. To explore the extent to which English local authorities display defender characteristics, focusing on tried and tested strategies in an existing market, informants were asked whether their approach to service delivery focused on their "core business." Reactors were expected to await instructions on how to respond to environmental change. The major source of external pressure in English local authorities is currently the auditors and inspectorates deployed by central government (there is at least one inspectorate for each service) (Boyne, Day, and Walker 2002). If an inspector concludes that a service is performing poorly or that management arrangements are inappropriate, his or her decisions can have a substantial and immediate impact on the local authority—on a number of occasions, this has resulted in the removal of senior officers and reversals in organizational action. Similarly, the role of the auditor has expanded beyond financial management to include the auditing of information systems and management arrangements. Therefore, we asked informants about the extent to

Table 1 Measures, Means, Minimums, and Maximums of the Independent Variables

Variable	Measure	Mean	Min	Max
Prospector	The service or authority is at the forefront of innovative approaches.	5.02	3.30	6.50
Defender	Focusing on core business areas is a major part of our approach.	5.61	2.86	7.00
Reactor	Pressures from auditors and inspectors are important in driving performance improvement.	4.89	2.67	6.33
Changes in markets	Providing existing services to new users is a major part of our approach.	5.16	3.00	6.67
Changes in services	Providing new services to existing users is a major part of our approach.	5.35	3.40	6.50
Seeking revenues	Developing new ways of raising income is a major part of our strategy.	5.01	2.71	7.00
External organization	The service or authority welcomes private-sector involvement and partnership with others.	4.36	1.86	6.50
Internal organization	New approaches to improvement (e.g., EFQM, reengineering, charter marks) are a major part of our approach.	5.84	3.40	6.25
Quantity of service need	Index of Multiple Deprivation	27.39	4.89	58.22
Diversity of service need	Index of ethnic diversity	2437.58	372.71	8452.82

which auditors and inspectors affected their approaches to service improvement.

Changes in markets and services were measured directly by asking informants about the extent of these strategic actions in their organizations. Seeking revenues was operationalized by asking informants whether their organizations were exploring new ways of raising income. Our measure of external organizational change focuses on collaborative arrangements, particularly partnerships with private and other organizations. A single measure of the adoption of internal organizational changes that are intended to lead to higher performance is difficult to identify. A useful proxy is the extent to which organizations have adopted approaches to improvement that include a range of management processes—for example, EFQM (European Foundation for Quality Management) is a total quality management program that covers leadership, culture, people, and structure.

Moderate positive relationships were identified between some measures of stance and action. A prospector stance was positively correlated with four strategic actions (change markets, .299; change services, .388; external organization, .180; internal organization, .287). In other words, prospecting behavior is typically expressed in a variety of ways. By contrast, a reactor stance was not correlated with any actions, implying that this strategy is not operationalized in a distinctive way. A defender stance correlated with two specific actions (seeking revenues, .219, and external organization, .233),⁵ but not with a change in markets or services, which is consistent with a focus on existing functions.

Environmental Constraints⁶

The average ward score on the Index of Multiple Deprivation (U.K. Office of the Deputy Prime Minister 2000a) was used as a measure of the quantity of service needs. This deprivation score is the standard population-weighted measure of deprivation in England used by central government. It provides an overview of the different domains of deprivation (e.g., income, employment, and health).⁷ To measure diversity, we developed a Herfindahl index by squaring the proportion of each ethnic group within a local authority (taken from the 2001 census; see U.K. Office for National Statistics 2003) and then subtracting the sum of the squares of these proportions from 10,000. The measure gives a proxy for fractionalization within a local authority area; a high level of ethnic diversity is reflected in a high score on the index.

Results

The empirical evidence produced by testing the model of strategy content and performance is summarized in table 2. The model provides a satisfactory level of statistical explanation ($r^2 = .32$). A substantial part of

the explanation of variations in performance is provided by the external constraint variables. The coefficients for deprivation and diversity were both negative and significant, thereby supporting hypotheses 12 and 13. The results also show that several of the measures of strategy content contributed significantly to the level of statistical explanation.⁸

The coefficients for the strategic stance variables support hypotheses 1, 2, 4, and 5. The prospector variable had the predicted positive relationship with organizational performance, which is consistent with the view that innovation is associated with public-service success. Indeed, a prospector stance added as much as 12 percent to the performance of the public agencies studied here. Moreover, prospectors are likely to perform better than defenders or reactors. The defender variable had no significant impact on performance, which contradicts hypothesis 3. Thus, an efficiency strategy that aims to improve the delivery of existing services is not associated with higher performance, perhaps because organizations that adopt this strategy are not sufficiently responsive to new needs. Nevertheless, a defender stance is better than a reactor stance because the latter is negatively related to performance. This result supports hypothesis 5 rather than hypothesis 6. There is no evidence that a reactor stance fits the political context of public organizations. Thus, as in the private sector, a reactor stance is the “lemon” of strategic orientations—a reactor stance could result in decline in performance of up to 7 percent.

If a reactor stance is bad for service performance, however, it may be good for other dimensions of performance in the public sector. A reactor, unconstrained by a fixed strategic posture, may help a public organization to achieve its accountability

Table 2 Regression Results

	Unstandardized coefficients	t
Constant	61.177	4.386***
Prospector	4.397	2.896**
Defender	-0.537	.540
Reactor	-2.205	-1.789†
Change market	2.346	2.225*
Change service	.609	.518
Seek revenues	-.984	-1.106
External organization	.444	.454
Internal organization	.205	.205
Diversity	-.001	-1.939†
Deprivation	-.205	-3.108**
F = 5.207***		

r^2 .325; adjusted r^2 .263

† $p < .1$; * $p < .05$; ** $p < .01$; *** $p < .001$.

N = 119

requirements as it seeks to meet the shifting demands of external stakeholders. The proposition that a pliable public agency may be well suited to meet the political circumstances faced by public organizations requires empirical investigation.

Only one of the hypotheses for strategic action is supported by the empirical results. Organizations that move into new markets by identifying and serving new users are more likely to perform well. This can be seen as the most radical and innovative of the five strategic actions that we have identified, and it is consistent with the positive sign on the prospector variable. However, the “change markets” variable was significant even when strategic stance was held constant. This implies that organizations that are generally defenders or reactors can improve their performance through this strategic action. By contrast, no significant performance effects followed from actions concerning services and revenues or external and internal organization. It seems that once a general stance has been adopted, these specific actions neither reinforce nor counteract its performance effects. To explore this issue directly, we tested a series of interaction terms that contained each stance variable in combination with each action variable (e.g., prospector x change services). The level of statistical explanation was not significantly improved by any of these modifications to the basic model. Thus, the results imply the two dimensions of strategy content influence performance independently rather than jointly.

We also explored whether the relationship between strategy and performance is reinforced by the extent of organizational consensus on stance and actions (Bourgeois 1980). Consensus was measured by the level of agreement among respondents within a local authority in their descriptions of the organization’s strategic orientation. However, interaction terms that combined each measure of stance or action with the relevant measure of consensus produced no significant improvement in the level of statistical explanation.

In sum, the evidence strongly suggests that strategy content makes a difference to the performance of public organizations. A prospector stance is associated with organizational success, a defender stance is neutral, and a reactor stance is associated with organizational failure. Furthermore, once a general stance is adopted, the specific actions that are taken to operationalize it have only weak effects on performance. This initial evidence suggests the key to service improvement is the big picture of strategic orientation rather than the pixels of strategic operationalization. In this sense, the key dimension of strategy content may be akin to the concept of organizational culture: Stance is partly about how an organization sees itself and what it is attempting to achieve rather than the specific small steps that are taken to realize its goals.

Conclusion

In this article, we presented the first empirical test of strategy content and performance in the public sector. Our statistical results, based on an analysis of English local governments, show that strategy content matters. Organizational performance is positively associated with a prospector stance and negatively associated with a reactor stance. Local authorities that seek new markets for their services are also more likely to perform well. This suggests the route to high levels of organizational performance is partly based on a strategy of innovation and continuous searching of the external environment for new markets. By contrast, organizations that adopt a defender stance are likely to face a rocky path to service improvement, and a reactor stance is likely to result in performance that lags that of both defenders and prospectors.

This study has enhanced research methods on strategy content by using multiple informants. The voices of leaders and followers are reflected in our measures of strategy content, whereas past studies relied only on the views of managerial elites. Nevertheless, this is only the first test of the relationship between strategy content and organizational performance and has a number of limitations.

First, this study was based on cross-sectional survey data and gives a snapshot of the relationship between strategy content and performance. As longitudinal data on organizational performance become available, the analysis should be extended over time to examine lagged effects on performance. The theoretical evidence suggests that routines, once established, are set; given that our findings point toward a hierarchy, we would expect that once a prospector, always a prospector and higher performer. However, it is necessary to test whether strategy content is exogenous to past performance.

Second, our parsimonious model contained only one measure for each aspect of strategic stance and strategic action. A wider set of measures may reveal stronger links with performance. Third, we have examined only one set of public organizations in a specific time period. Further research is needed to explore whether the impact of strategy content varies across institutional contexts.

Despite these limitations, our statistical results provide a new piece in the jigsaw puzzle of organizational performance in the public sector. The evidence supports the conclusion that strategy content plays an important role in theorizing and explaining the relative success or failure of public-service providers. Moreover, the evidence implies that public managers can make a significant difference in service standards through the strategies they follow.

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Notes

1. There were no statistical differences between early and late informants.
2. Corporate officers include chief executive officers and corporate policy directors. Service officers include chief officers (e.g., directors of social services, directors of waste management) and service managers (e.g., head of school organization and planning, head of business efficiency, head of benefits and revenues) who are frontline supervisory officers.
3. Analysis of informants' responses to the survey items revealed variation on four of the eight measures: Service officers reported higher mean scores for defender and change services, and corporate officers reported higher mean scores for seeking revenues and external organization (*t* tests were significant at the .05 level). The aggregation method used here is designed to capture this variation. Data were aggregated by summing the mean scores for corporate officers and service officers. The two means were then added and divided by two to achieve an organization-level mean.
4. Single-item reliability has been shown to compare favorably with indices or multiple measures in the psychology and management literatures. Studies reporting significant correlations between single-item and multiple measures above .70 have examined issues of human resource management and organizational effectiveness (Gardner and Cummings 1998; Nagy 2002; Wanous and Hudy 2001)
5. All correlations are significant at the .05 level.
6. The English local government system is centralized. For example, there are no variations in legislation across authorities, and all policies that are developed are implemented at a national level. Given these circumstances, our focus on environmental constraints emphasizes quantity and diversity of service need.
7. The Index of Multiple Deprivation (IMD) provides an index of deprivation for each local authority in England, Scotland, and Wales. The IMD is derived from ward-level data (a ward is an electoral district that returns politicians within each local authority). The IMD is calculated from

six separate domains of deprivation: income; employment; health deprivation and disability; education, skills, and training; housing; and geographical access to services. In total, there are 33 indicators; the number varies between each domain (income has the largest number at nine and housing has the least at three). The six domains are calculated for each ward. The local authority level index is calculated by standardizing the data (ranking), creating a common distribution (exponential transformation), and weighting each domain (income, 25 percent; employment, 25 percent; health deprivation and disability, 15 percent; education, skills, and training, 15 percent; geographical access to services, 10 percent; and housing, 10 percent). For further details, see the U.K. Office of the Deputy Prime Minister (2000a), or the full report can be accessed at www.odpm.gov.uk.

8. The model was run without the two environmental constraints variables to isolate the effect of the strategy content variables. This model produced an r^2 of 0.219 and an adjusted r^2 of 0.163.

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Appendix: Audit Commission Methodology for the Core Service Performance Score

The core service performance (CSP) score embraces all the main areas of local government activity—education, social care, planning, waste management, housing, library and leisure, and benefits, together with the “management of resources.” The Audit Commission gives each service a score from 1 (lowest) to 4 (highest). These scores are derived from a mixture of performance indicators, the results of inspection of services, and service plans and standards. All the data used by the Commission are in the public domain.

For three of the services (benefits, education, and social services), the methodology for obtaining the CSP score relied on existing measurement systems, which were converted to Audit Commission categories. Education scores were translated from the Office for Standards in Education’s performance profile star system (0 stars = 1, 1 star = 2, 2 stars = 3, and 3 stars = 4). For social services, the Social Service Inspectorate’s performance ranks, which are based on the average score for the judgments of services for children and adults, were converted thus: not serving people well = 1, serving some people well = 2, serving most people well = 3, yes—serving people well = 4. The Benefits Fraud Inspectorate uses a combination of self-assessment, inspection judgments, and evidence from performance indicators to assess local authorities’

performance against their key performance standards. The Commission translated these scores thus: up to 39 percent = 1, 40 percent–59 percent = 2, 60 percent–79 percent = 3, and 80 percent and above = 4.

The score for the remaining three service areas and management of resources was calculated by the Audit Commission from Best Value Performance Indicators from 2000–01 and 2001–02, inspection reports, and service plans and standards data. The performance indicators were taken from the Best Value Performance Indicators, which every authority is obliged to provide to central government on an annual basis (ODPM 1999, 2000b). These indicators cover key dimensions of performance (Boyne 2002): quantity of outputs (e.g., number of exclusions from primary school, number of home helps for the elderly), quality of outputs, (e.g., number of cyclists killed, serious injuries on highways), formal effectiveness, (e.g., average school passes at 16, percentage of rent collected from council housing tenants), efficiency (e.g., cost per benefit claimed), and consumer satisfaction (e.g., satisfaction with waste collection, users satisfied with theaters and concert halls). These data were audited prior to publication.

Local government services are inspected by the Audit Commission. The Commission makes judgments on the performance of the service and the likelihood that the service can make improvements. The CSP draws on the performance judgment. Inspectors use a scale of 1 (lowest) to 4 (highest) to judge the performance of a service based on performance indicators, internal improvement plans, field visits, and other documentation (these inspection reports are published on the Audit Commission's Web site, www.audit-commission.gov.uk). The final piece of evidence used by the Commission to derive the CSP score are statutory plans, which are assessed against the criteria of the service's relevant central government department.

Weighting systems were used by the Commission to derive the CSP score. These are sometimes complex because they have to compensate for the absence of data in some services for some councils. The notable example here is inspection reports. Environmental services, which include transport, waste, and planning, can be used to illustrate the process. Best Value Performance Indicators, inspection reports, and service plans are used to judge how good the service is. When no inspection had taken place prior to the CPA process, the authority was inspected during 2002 on one of the three subservice areas. When inspection had taken place in transport, for example, the inspection result accounted for 50 percent of the evidence, Best Value Performance Indicators 30 percent, and the Local Transport Plan 20 percent. Where more than one inspection had taken place in a subservice area, the average inspection score was taken. When there was no inspection, Best Value Performance Indicators account for 60 percent and the Local Transport Plan 40 percent. Different weightings were used in waste and planning. The three subservices carry different weights in counties, metropolitan boroughs, unitary authorities, and London boroughs, reflecting the varying responsibility of each organizational type. The weighted data are then converted to the 1–4 scoring system.

Following the calculation of the CSP score for each service, the Audit Commission weighted services when deriving the overall authority score. The weights used at this stage reflected the relative importance and budget of each service. On average, education and social services account for two-thirds of a council's budget and are the most visible services. They were given the highest weighting of 4. For environment and housing, the weight was 2, and for libraries and leisure, benefits, and management of resources, the weight was 1. The Commission then combined these weights with the performance score (1–4) for each service to calculate the CSP. The CSP ranges from a minimum score of 15 (12 in the case of county councils that do not provide either housing or benefits) to a maximum of 60 (48 for county councils).

For further details, visit www.audit-commission.gov.uk or see Audit Commission (2002a, 2002b).