Coordination, Collaboration, and Culture: Local Economic Development in a Time of Networks

Gregg G. Guetschow
Western Michigan University

Follow this and additional works at: https://scholarworks.wmich.edu/dissertations

Part of the Public Affairs, Public Policy and Public Administration Commons

Recommended Citation
https://scholarworks.wmich.edu/dissertations/869
COORDINATION, COLLABORATION, AND CULTURE: LOCAL ECONOMIC DEVELOPMENT IN A TIME OF NETWORKS

by

Gregg G. Guetschow

A Dissertation Submitted to the Faculty of The Graduate College in partial fulfillment of the requirements for the Degree of Doctor of Philosophy School of Public Affairs and Administration

Western Michigan University Kalamazoo, Michigan August 2007
COORDINATION, COLLABORATION, AND CULTURE: LOCAL ECONOMIC DEVELOPMENT IN A TIME OF NETWORKS

Gregg G. Guetschow, Ph.D.
Western Michigan University, 2007

Social coordination takes form in accordance with three pure types: markets, hierarchies, and networks. The research that is the subject of this dissertation explored coordination through interorganizational networks involved in policy implementation. Of specific interest was the decision on the part of network participants to cooperate with other network participants to undertake implementation tasks. Conventional models of decision-making do not account for the interdependent and strategic nature of these interactions. To address this gap in understanding, a model of decision-making was developed. Central to this model are the influences of political, organizational, and professional culture and focal effects directing network actors toward, or away from, cooperation. A qualitative methodology was pursued that utilized multiple case studies of actors involved in local economic development activities. Data obtained through interviews with economic development actors offered little support for the proposed decision-making model. Analysis of the interview data in light of the assumptions upon which the decision-making model was based highlighted the role of interpersonal networks in economic development and the importance of the political process in coordinating economic development organizations within a community.
ACKNOWLEDGEMENTS

My introduction to game theory, and perhaps the event that spurred my interest in cooperation, occurred in 1970 when my high school history teacher used my class and that of a fellow instructor to conduct an experiment which I now recognize to have been a repeated prisoners’ dilemma. I was the lone advocate for pursuing a cooperative strategy that I believed would maximize payoffs for the duration of the experiment. Alas, my classmates chose an alternate strategy—the equilibrium for the game—that yielded lower payoffs. The decision to conduct that experiment sowed the seeds that bore fruit in this dissertation. I wish to thank my teacher, Mr. Jim Bump, for that decision.

One inexperienced in the cultivation of a dissertation profits from the guidance of those that are more knowledgeable. Each of the members of my committee contributed to this document in special ways for which I am sincerely appreciative. Dr. J. Kevin Corder provided helpful suggestions regarding game theory at critical stages in the development of the proposal and the final draft. Dr. Matthew Mingus’ comments concerning networks and his detailed reading of the proposal and the final draft were essential in shaping the final product. Much credit is due as well to Dr. James Visser, my committee chairman. I asked him to serve in this role because I believed that he would be demanding. He did not disappoint me, as multiple drafts of the proposal and this document attest. The focus and precision of the research design and the presentation of the information are due to his guidance. I am indebted to all three of these gentlemen.
While much of the work of growing a dissertation is a solitary pursuit, it is never really done alone. I wish to thank my wife, Sue, for her support and encouragement through the years since the beginning of the doctoral program and especially during those times near the very end when I despaired of ever getting to the harvest. She never doubted that I would finish what I had started. Here is the evidence of her faith in me.

Gregg G. Guetschow
# TABLE OF CONTENTS

**ACKNOWLEDGEMENTS** ........................................................................................................ ii

**LIST OF TABLES** ........................................................................................................ viii

**LIST OF FIGURES** ........................................................................................................ ix

**CHAPTER**

1. **INTRODUCTION** ..................................................................................................... 1

   - Social Coordination and Networks ........................................................................ 1
   - Interdependent Decision-Making Model ............................................................. 5
   - Economic Development ...................................................................................... 8
   - Game Elements .................................................................................................. 12
   - Infinitely Repeated Game .................................................................................. 13
   - The Role of Culture .......................................................................................... 14
   - Model Simplification ...................................................................................... 18
   - Model Elaboration ............................................................................................ 24
   - Model Limitations ............................................................................................. 28
   - Research Questions .......................................................................................... 30

2. **LITERATURE REVIEW** .......................................................................................... 32

   - Networks ........................................................................................................ 32
   - Definitions ........................................................................................................ 32
   - Networks in Practice ........................................................................................ 36
   - Policy Implementation Networks ..................................................................... 39
Table of Contents—Continued

CHAPTER

Governance.................................................................................................................. 40
  Definitions.................................................................................................................. 40
  European and American Contexts.......................................................................... 41
  Governance and Relationships............................................................................... 44
Game Theory.................................................................................................................. 46
  Decision-Making...................................................................................................... 47
  Game Theory Overview.......................................................................................... 48
  Game Theory Traditions....................................................................................... 52
Culture............................................................................................................................ 56
  Political Culture....................................................................................................... 58
  Organizational Culture........................................................................................... 61
  Professional Culture............................................................................................... 62
3. METHODOLOGY..................................................................................................... 65
  Multiple Case Study Design.................................................................................. 65
    Case Selection........................................................................................................ 67
    Economic Development Activity.......................................................................... 68
    Capacity.................................................................................................................. 70
    Case Variety.......................................................................................................... 72
Data Collection............................................................................................................ 75
  Documents............................................................................................................... 75
Table of Contents—Continued

CHAPTER

Interviewing ........................................................................................................ 76
Data Interpretation.................................................................................................. 80

4. FINDINGS ........................................................................................................ 82

Community Profiles .......................................................................................... 82
Westown ............................................................................................................ 82
Premiere ............................................................................................................ 83
Riverton ............................................................................................................. 84
Lakeside ............................................................................................................. 85
Thermopolis ....................................................................................................... 87
Centralia ............................................................................................................ 88
Jamesburg .......................................................................................................... 89

Community Type ................................................................................................ 90
Coordination ....................................................................................................... 93

Research Questions .......................................................................................... 94
Culture ................................................................................................................ 94
Focal-Point Effects ............................................................................................ 110
Payoffs ............................................................................................................... 112

5. ANALYSIS AND DISCUSSION .................................................................... 115

Assumptions ...................................................................................................... 115

1: Economic Development Actors Are Self-Interested ............................... 115
Table of Contents—Continued

CHAPTER

2: Economic Development Is a Repeated Game ................. 117
3: Economic Development Is a Wicked Problem ................. 120
4: Interorganizational Networks Are Important ................... 122
5: Other Decision Models Do Not Fit Economic Development .. 126
6: Focal-Point Effects Are All in the Past ............................ 128
7: Economic Development Implementation Was the Issue of Importance ......................................................... 129

Coordination, Collaboration, and Culture ............................. 133

REFERENCES ........................................................................... 139

APPENDICES

A. Game Theory Glossary .......................................................... 151
B. Census Bureau Definitions ................................................. 154
C. Interview Protocol – Key Informant ..................................... 158
D. Interview Protocol – Participant Actor ............................... 161
E. HSIRB Approval Letter ......................................................... 165
LIST OF TABLES

1. Characteristics of Populations of Michigan Home Rule Cities Before and After Exclusion Based on Commercial and Industrial Activity .......... 70

2. Population Characteristics of Cities by Classification and City Type .......... 73

3. Case Study Cities ............................................................................................. 74
# LIST OF FIGURES

1. Dynamic, two-actor model of interdependent decision-making showing the influence of culture, focal-point effects, payoffs, and actions chosen by other actors on the decision to cooperate. ........................................... 23

2. Prisoner’s Dilemma game payoffs. ................................................................ 50

3. Stag Hunt game payoffs. ............................................................................... 52

4. Types of organizations based on whether outcomes or outputs are observed. .................................................................................................................. 131
CHAPTER 1

INTRODUCTION

Social Coordination and Networks

In his second discourse, *On the Origin of Inequality*, Jean-Jacques Rousseau (1754/1987) presents the following argument:

Taught by experience that the love of well-being is the sole motive of human actions, he found himself in a position to distinguish the rare occasions when common interest should make him count on the assistance of his fellowmen, and those even rarer occasions when competition ought to make him distrust them. In the first case, he united with them in a herd, or at most in some sort of free association, that obligated no one and that lasted only as long as the passing need that formed it. In the second case, everyone sought to obtain his own advantage, either by overt force, if he believed he could, or by cleverness and cunning, if he felt himself to be the weaker.

This is how men could imperceptibly acquire some crude idea of mutual commitments and of the advantages to be had in fulfilling them, but only insofar as present and perceptible interests could require it, since foresight meant nothing to them and far from concerning themselves about a distant future, they did not even give a thought to the next day. Were it a matter of catching a deer, everyone was quite aware that he must faithfully keep to his post in order to achieve this purpose; but if a hare happened to pass within reach of one of them, no doubt he would have pursued it without giving it a second thought, and, having obtained his prey, he cared very little about causing his companions to miss theirs. (pp. 61-62)

Rousseau’s argument is based on his conjectures regarding the behavior of human beings in the state of nature and the basis for establishing civilization. One might well disagree with his characterization of such humans as solitary individuals with limited societal connections. The story of the deer hunt, however, illustrates a challenge that certainly can be found in modern society: the means by which coordination is realized in order to achieve greater benefits for all participants in an activity.
Robert Putnam (1993), in his seminal study of democracy in modern Italy, identified this same challenge and found two different responses. In the north of Italy, there was a tradition of cooperation that persisted over a long period of time and to which could be attributed significant economic advancement as individuals relied upon social institutions that fostered arrangements that would provide mutual benefit. In the south of Italy, on the other hand, no such tradition existed and, in fact, a history of suspicion of one’s neighbors tended to make the exercise of social capital the more difficult. As a consequence, the south tended to be less well off than the north economically.

Modern humans’ social coordination follows three pure types. The market provides for coordination in accordance with Adam Smith’s invisible hand when large numbers of individuals or organizations rationally pursue their own self-interest. Hierarchy provides for organization with higher levels exerting authority over those in lower levels of the organizational structure, and is well suited to organizing for joint action when market mechanisms might not be appropriate. Both these forms of coordination have been extensively studied.

Between these two types is found the third: networks. As a pure type, networks are distinguished from markets by the relatively few participant individuals or organizations that seek to coordinate their relations. They are distinguished from hierarchies by the absence of recognized authority exercised by one network participant over another.

A distinction may also be made among these three forms of social coordination based on the nature of the personal interactions that take place within them. Network
interactions involve collaboration. Those of hierarchies are based on control. Markets are characterized by competition.

Networks can be found within and among the private, public, and nonprofit sectors of the economy. They can exist among individuals or organizations. They can be vertical in nature connecting, for example, a federal bureau, a state agency, and a local government department. In such a setting, one might well find that coordination can be characterized by principal-agent relationships along with their attendant problems, such as shirking and the need for monitoring (Kettl, 1993).

Networks can also be characterized as horizontal, connecting agencies across several departments, fostering coordination among private sector producers of similar products, or providing for communication among all the human service providers within a given community. Horizontal networks involved in policy implementation at the community level are the subject of the research reported in this paper.

As will be indicated below, there are many aspects to social coordination through networks that are of interest to public administration researchers. Defining the nature of network relationships, evaluating the success of policy implementation through networks, and considering the implications for democracy of the increased use of networks for service delivery are all worthwhile topics. That networks exist for policy implementation in the public sector gives rise to a fundamental question: How do community actors decide to participate in interorganizational networks for the purpose of policy implementation? Answering this and related questions is the purpose of the proposed research.
As Rousseau (1754/1987) and Putnam (1993) both indicate, coordination among interested parties is not automatic. Despite benefits that can be identified in cooperation, individuals choose to pursue their self-interest, sometimes sacrificing apparent gain that would result from joining with others in a coordinated action. Understanding the reasons why such decisions are made is of value not only in characterizing the nature of coordination in networks but also in informing network actors so that they might be more effective in organizing such coordination. This research, then, addresses the interests of both scholars and practitioners.

It does so by placing the subject of networks within the larger context of governance. Current discussions regarding governance are concerned with the manner in which government programs and policies are implemented through alternative means including networks. While the manner in which decisions are made within public hierarchies has been the subject of much research, it is less clear that the foundational decision in interorganizational networks—Shall I cooperate with others?—can be answered within the same theoretical traditions. As is noted below, a number of researchers cite the role of trust in the formation and maintenance of networks. It will be argued that an interdependent, strategic perspective of conflict and cooperation, by addressing the effects of self-interest and culture, provides a better basis for understanding the interactive decision-making among real and potential interorganizational network actors.

A model of such decision-making is presented below that was the subject of field testing in a community setting by case studies involving actors engaged in local economic development activities. What was of interest was the refining of the model
based on the case studies so that it would be sufficiently robust as to encompass a wide range of horizontal interorganizational network interactions.

As is shown in Chapter 2, there is some ambiguity with regard to the meaning of “networks.” For the purposes of this research, the focus has been on those networks characterized by regular, repeated patterns of contacts between organizations organized around the performance of specific tasks. Accordingly, social networks, characterized by less formal contacts between individuals, are not incorporated into the model.

The significance of this research into decision-making in interorganizational network settings is in the distinct role that such decision-making plays with regard to the network itself. As with other forms of social coordination, decision-making—the choosing among available alternative actions—determines what results from that coordination. More is achieved, however, from decision-making in networks. Because decisions in networks are fundamentally decisions to cooperate with other network actors, the very existence of networks and their capacity to provide for interdependent action on the part of constituent actors is a function of the decision itself. Understanding the factors that determine how such decisions are made helps to illustrate the effectiveness of networks in public policy implementation and the capacity of society to depend on them for coordinating actions addressing societal needs.

**Interdependent Decision-Making Model**

A game approach provides the basis for constructing a simplified model of processes used in interdependent decision-making in interorganizational networks. The proposed model borrows concepts from the field of game theory, described more fully in
the next chapter. (A glossary of terms relevant to an understanding of game theory is found in Appendix A.)

The simplicity of the Prisoners’ Dilemma, Stag Hunt and other one-shot, two-person games belies the value of using game theory concepts to analyze strategic interactions among parties. Gates and Hume (1997) note that the utility of game theory modeling is in the rigor and precision that it brings to the analysis of the subject of concern. The rigor is obtained through the application of a structured game; the precision comes from the identification of the relevant actors and the strategies and payoffs available to them. Kollock (1998), for example, drew on this precision by using game theory to model social dilemmas, circumstances in which individually rational actions lead to results that are collectively irrational.

Fewer examples are noted in which decision-making within interorganizational networks is considered from the perspective of game theory. O’Toole (1997, 2000) cites only a few in his discussion of the topic. In addition, Putnam (1993) briefly analyzes aspects of collective action problems in social networks through the use of game theory. Peters (1998a) notes similarities to repeated games in suggesting an iterative decision-making process in organizational coordination: “Everything else being equal I would expect co-ordination processes to be more effective when each event represents one in a continuing series of interactions” (p. 305).

The model developed here does not adhere strictly to classical game theory analysis. Instead, it borrows concepts from game theory that are relevant to decision-making in environments in which individuals must consider the actions of others when making choices. The model sacrifices rigor and precision in favor of a perspective of
decision-making that accounts for limitations of human rationality. In this respect it is similar to the approach advocated by Koppenjan and Klijn (2004) for use in the analysis of network interactions. They suggest that this approach might be thought of as a qualitative game to distinguish it from classical, or quantitative, game theoretic approaches.

For Koppenjan and Klijn (2004), networks “are more or less stable patterns of social relations between mutually dependent actors, which form around policy problems and/or clusters of means and which are formed, maintained and changed through a series of games” (pp. 69-70). They are a response to dealing with uncertainties associated with wicked problems (Rittel & Webber, 1973) when more traditional responses seem inappropriate or ineffective. These uncertainties are of three types. Substantive uncertainty stems from the nature of the problem itself. Strategic uncertainty results from incomplete information about the actions that others involved with the problem are likely to take. Institutional uncertainty is a function of the variety of backgrounds of the individuals or organizations concerned with the problem.

The game approach used by Koppenjan and Klijn (2004) focuses on actors, strategies and arenas. Actors can be individuals, groups, and organizations involved with the problems. Strategies are “actions or intentions for actions aimed at influencing (the behaviour of) other parties, the content of problem formulations and/or the solutions considered, or the development of the problem solving process” (p. 47). Arenas are the fields or contexts within which interactions take place. Three other elements, described more fully below, are added to the proposed model: payoffs, focal-point effects, and culture.
**Economic Development**

To be effective in providing a useful perspective on strategic and interactive processes, the model should clarify how coordination occurs among interdependent actors. The starting point for the model must be the selection of a subject area for consideration. This ensures that the model is applicable at least to that subject area. The ultimate value of the model, however, will be found in the ability to generalize from that subject area to others of a like nature.

Local economic development provides a field of study that is well-suited to decision-making model development in an interorganizational network environment. While having both horizontal and vertical dimensions, it is the former that is of interest in this analysis in that it is more likely to avoid principal-agent relationships. Economic development also provides sufficient complexity to meet the test of being a wicked problem, a condition expected to provide the impetus for network formation.

Agranoff and McGuire (2003) note that “nearly everything a city does is economic development” (p. 22). A narrower view of the subject is used in this research. Economic development describes programs, activities, and processes undertaken for the purpose of improving the economic opportunities available to residents of an area through the expansion of employment opportunities or the retention of existing jobs and/or for the purpose of creating an environment that attracts private investment. Economic development encompasses activities as varied as marketing, development of industrial sites, recruitment of retail businesses, provision of loans, job training, and so forth. While such activities are undertaken at various geographic levels, the research uses as its area of interest those activities occurring at the community level.
The received wisdom on local economic development suggests that cooperation on the part of the parties involved in the process should lead to better outcomes for all community participants. The logic of this assumption reflects the wide range of tasks that constitute a comprehensive economic development program. Reese and Rosenfeld (2002), for example, identify nearly 50 economic development techniques employed by communities. For any single entity to undertake all such tasks could prove to be costly, particularly for smaller enterprises with more limited resources. It would make sense for local groups to cooperate in the provision of economic development services, sharing in the fruits of their coordinated labors while benefiting from reduced cost for each entity.

There is a problem with this rationale, however. The assumption that provides for the normative appeal of interorganizational provision of economic development services—that engaging in such activities yields enhanced community economic well-being at a lower cost for individual participants—is without a solid foundation. Bartik (W. E. Upjohn Institute, 2002) has concluded that little effort is made to evaluate the success of economic development programs. Similarly, Schneider (1992) states, “there is evidence that . . . pro-growth policies have had (at best) only a marginal effect on the location decisions of firms” (p. 215). Feiock, Jeong, and Kim (2003) write:

> Evaluations of economic development programs report some success in attracting new firms and investment but these efforts often do not substantially improve employment opportunities in a community. . . . This raises a question: Why do so many cities aggressively pursue development programs despite their failure to generate jobs? (p. 618)

> It would seem that such programs are undertaken because participants receive payoffs that reflect other interests in the economic development process. Rubin (1988/1999) found that economic development practitioners were cynical about the
benefits of their work as far as its impact on the economies of their communities. As a reaction to the complexity of their work environment, however, they could define their work as a response to demands or requests of businesses. He determined that “working to actualize these requests provides the practitioner with a checklist of activities that replaces the broad, undefinable task of promoting economic development with a set of concrete sequential steps” (p. 264) and noted:

Both ego and, perhaps, maintaining their jobs require visible successes. . . . Accordingly, these practitioners require ways of claiming credit for visible outcomes. . . . What is implied is that economic development practitioners will push localities to make concessions so that they can show some progress in their work. (p. 275)

Rubin and Rubin (1987) have shown that, perhaps from desperation, poorer cities spend more on economic development programs while receiving few benefits. They suggest that this results from a “garbage can” model of decision-making in which “the solution that gets adopted need not be the optimal one, or even a satisficing one, but rather the one that happens to be available to those making decisions” (p. 56). Offering incentives, then, is the solution available to these officials. Even though local officials can do little to influence employment in their cities, providing incentives and publicizing those decisions has the effect of appearing to take action to address the problem. Rubin and Rubin conclude that providing these incentives is a symbolic action that, despite its cost, can have significant political value for these officials. Edelman (1967) described these symbolic aspects of politics, noting that for most people, politics is a “passing parade of abstract symbols” (p. 5). The majority participates in the political process largely as spectators. While elites benefit from politics through the receipt of tangible benefits, the masses of citizens largely receive symbols. The provision of economic
development incentives is a symbol, then, through which local officials derive the benefit of maintaining their positions by demonstrating to the public that government is doing something to improve local economic conditions.

In their comparison of council-manager and mayor-council governments, Feiock et al. (2003) found that “income had an inverse relationship with the use of each of the development strategies in mayor-council cities” (p. 621) and concluded that “council-manager government constrains administrative officials’ opportunistic behavior by substituting low-power bureaucratic incentives for high-power electoral incentives” (p. 623). Wolman, Ford, and Hill (1994) have shown that cities that are perceived as economic development successes do not, in fact, show improvement in the economic well-being of residents. They hypothesize that high-profile downtown redevelopment projects create an image of success but no actual benefits to the economy.

Even this somewhat cynical analysis of economic development would seem to suggest that there are reasons for economic development actors always to cooperate. Without regard for the results of economic development activities, cooperating to engage in them should result in lower costs to achieve those results. Evidence suggests that this is not always the case. Agranoff and McGuire (2003) have developed a typology of cities and their economic development strategies based on evidence of collaborative activity and collaborative strategy, but note that not all cities choose to engage in collaboration.

Consider the example of a city government and a nonprofit economic development organization. The former must approve the granting of tax abatements for a new industry while the latter is involved in recruiting new industries to the community. Existing policies and past practice have given the director of the economic development
organization reason to believe that he can count on the city government to grant an
abatement for the maximum allowable number of years for any industry that is attracted
to the community. In bringing such an industry, however, the city’s community
development director determines that the nature of the business conducted by the industry
is likely to result in a significant demand on the community’s waste water treatment
system and recommends against the granting of the abatement. In this instance, then,
differing concerns have led to conflict that, in effect, has the economic development
organization’s director hunting stag while the community development director decides
to hunt hare.

Even in the absence of such an obvious conflict, it is not automatically given that
parties will cooperate. Due to the cost of undertaking economic development initiatives,
it might well be desirable to indicate a willingness to cooperate while actually pursuing
alternative strategies. For example, it is far cheaper to promise to upgrade the water
system so as to provide higher system pressures to meet commercial customer demands
than to actually do so. Decision-makers might enjoy the rewards of both appearing
cooperative while keeping water rates to existing customers at lower levels.

**Game Elements**

**Actors**

For the purposes of the proposed model, actors are individuals, as distinct from
groups or organizations, involved in economic development within the local community.
The positions of these individuals might vary from community to community. Typically,
however, one would expect to find individuals associated with city government such as
the city manager, planning director, community development director, economic
development director, and downtown development authority director involved. Other organizations play a role in economic development as well. Chambers of commerce, community or area-wide economic development nonprofit organizations, regional planning organizations, and the like can all be expected to have employees dedicated, in whole or in part, to economic development functions.

**Strategies**

Koppenjan and Klijn (2004) identify five types of strategies involved in policy games: go-alone; conflictual; avoidance; cooperative; and facilitating. Since the primary purpose of the research is not to explore in detail the strategies actors pursue, strategies that might be considered cooperative or facilitating will be referred to as the former. All other strategies will be referred to as noncooperative.

**Arenas**

There are a variety of arenas or contexts within which local economic development networks might be found. These include downtown development, industrial development, and retail development which are primarily concerned with job creation, quality of life and community image and promotion issues. In much the same way that different communities have different organizations involved in various aspects of economic development, there is also variety in the arenas within which the activity takes place. In general, little effort has been made from a model standpoint to distinguish among these arenas or to show the manner in which they are distinct or overlap.

**Infinitely Repeated Game**

The games depicted in Figures 2 and 3 in the next chapter are one-shot games. With regard to the structure of local economic development it seems likely that this game
is one that is infinitely repeated. That is, the actors can be expected to have repeated interactions without a foreseeable time in the future when such interactions will terminate. Such a setting could be expected to favor the development of cooperative relationships.

The dynamic nature of the infinitely repeated game offers opportunities to consider the factors that influence decision-making in an interorganizational setting. The learning that occurs in this setting, then, relates to the acquisition of information necessary to the process of updating prior information in order to apply Bayes’s Rule. It is unreasonable to expect, however, that that information is solely a function of the decisions of the players in particular instances and ignores other information. Players might well signal their intentions with regard to actions. The reputations of players based on their behavior in other settings can be expected to influence the assignment of probabilities. Decision-making style, position tenure, and the like all might have an impact. Further, as decisions are made, players are better equipped to determine the payoffs that players realize by their actions.

The Role of Culture

The literature on networks in the field of public administration proposes that a mechanism that gives rise to the choice to cooperate is trust (Agranoff & McGuire, 2001; Gulati & Gargiulo, 1999; Lowndes & Skelcher, 1998; Mandell, 1999b; Painter, Isaac-Henry & Rouse, 1997). It seems reasonable that trust among participants is beneficial to sustaining ongoing network relationships. It is far less clear how trust could exist at the beginning of such relationships. Agranoff and McGuire note that the literature also
highlights the importance of “common purpose, mutual dependency, resource availability, catalytic actors, and managerial ability” (p. 312).

Provan and Milward (2001) suggest that another factor is the far more significant determinant: “It is important to recognize that individual agencies and their managers are still motivated partly by self-interest. For organizations considering becoming part of a network, the relevant question is, how can network involvement benefit my agency? (p. 420).”

How, then, does the self-interested individual arrive at a decision to join other self-interested individuals in a cooperative undertaking? Why do some individuals choose to cooperate while others do not? Game theorists believe that certain elements in the play of games with multiple equilibria will tend to focus the attention of participants on particular outcomes. These focal-point effects (Schelling, 1960/1980) include such factors such as the status quo, pre-play communication and cultural traditions. In games of multiple equilibria, however, focal-point effects could direct players toward more than one equilibrium. Myerson (1991) states:

When different factors tend to focus attention on different equilibria, the question of which equilibrium would be focused on and played by real individuals in a given situation can be answered only with reference to the psychology of human perception and the cultural background of the players. From a game theoretic perspective, cultural norms can be defined to be the rules that a society uses to determine focal equilibria in game situations. (p. 113)

This conception of the role of focal points unites two competing views of human motivation. J. Q. Wilson (1993/1997) considers each of these views incomplete: “To believers in culture, ‘man is social’; to students of self-interest, ‘man is an animal.’ To me, ‘man is a social animal . . .” (pp. 122-123). E. O. Wilson (1998/1999) takes a somewhat similar view, seeing a link between genes and culture: “What we inherit are
neurobiological traits that cause us to see the world in a particular way and to learn certain behaviors in preference to other behaviors” (p. 163). Balkin (1998) states, “Our tools of [cultural] understanding simultaneously enable and limit our understanding, empower us and have power over us” (p. 3). From this perspective, Myerson’s (1991) distinction between the psychology of human perception and culture might not be precise. Kertzer (1988), in evaluating the work of cognitive psychologists, concludes, “Behavior is mediated by cognitive constructs. The constructs are similar to what many anthropologists mean by culture, an integrated body of symbols that structure experience” (p. 79).

Because the concept is so broad, Myerson’s (1991) reference to societal cultural norms is not particularly helpful in answering why, within a given society and in the setting for which the interdependent decision-making model is proposed, different equilibria might be selected in different circumstances. Further, it is not clear that culture always functions as a focal-point effect guiding actors to choosing a particular equilibrium. Koppenjan and Klijn (2004) contrast rational choice theories of human behavior such as game theory with institutional theories. The latter, they note, “provide a supra-individual explanation for the behaviour of actors. This is not to say that individual behaviour is irrelevant, but that this behaviour is influenced by the institutional conditions in which it occurs” (p. 74). “Institutional theories focus on how institutions regulate behaviour” (p. 75). Culture is one of the mechanisms through which that behavior is regulated.

As indicated above, institutional uncertainty is among the factors associated with wicked problems that give rise to the operation of networks. Variations in cultural
influences can be expected to contribute to this uncertainty. As a consequence, it is not clear that in all instances culture will function as a focal-point effect leading to cooperation.

The preceding discussion of culture offers a perspective in which the patterns of behavior of individuals in groups can be examined to identify the norms, values, beliefs, and expectations of those groups that influence actors in their choice to cooperate. In doing so, a conscious choice is made not to pursue other sources of motivation such as individual psychology or cognitive processes. Further, the model restricts its examination of cultural sources to three that are believed most relevant to the public administrator actors engaged in decision-making with regard to economic development: political, organizational, and professional.

Actors engaged in economic development activities come from varied occupational backgrounds: city management, community development, economic development, planning, and business, among others. While some of these fit typical definitions of professions that might have specialized education and training and accepted standards of professional practice, it is not the case that all do. Consequently, it is to be expected that the influence of professional or occupational culture will vary from individual to individual.

In his solution for games of incomplete information, Harsanyi (1967) provides for participants to be of particular types that are selected with certain probabilities from a universe of possible types. A given participant in a game will have limited information about the types of the other participants, leading to uncertainty with regard to the attributes, and hence the possible actions, of other participants.
For the purposes of this model, it is assumed that the types of the individuals involved are a function of attributes related to local political culture, organizational cultural, and the professional ethos of the individual participants. Each of these cultural elements in turn reflects the respective norms, values, beliefs, and expectations of that element. An individual might be reasonably certain of his or her own type based on the influences of these three culture elements; that individual will have incomplete information about how these cultural attributes influence the types of other participants.

Model Simplification

The lack of complete information with regard to participants’ types is complicated by the range of possible choices that the combination of these three attributes allows. This complexity presents the problem that Simon (1957) identified in his criticism of game theory and statistical decision theory: that the boundedness of human rationality does not permit participants in the decision-making environment to exercise nearly the level of rationality that the models based on these disciplines require. The model, then, needs to be simplified if it is to offer a reasonable approximation of the actual environment of interdependent decision-making.

This simplification can begin by recognizing that the range of outcomes resulting from each of the three cultural attributes of a participant’s type can be reduced to three that are of interest in this model: an inclination toward cooperation, an inclination against cooperation, and neutrality toward cooperation. The overall tendency with regard to cooperation is derived from combining the effects of this tendency within each of the cultural influences on the individual participant. The participant will be certain of his own type with regard to the issue of cooperation; he will be less certain of others’ types but
will assess the probability that others will be inclined toward cooperation. This assessment will likely reflect communication and other signals among participants and the history of prior interactions. While this simplification falls short of the type of analysis expected of Bayesian players, it is consistent with the level of rationality suggested by Simon (1955) and the approach that boundedly-rational players could be expected to use.

The utility of cooperation to the individual participant that is reflected in the cultural attributes that comprise the participant’s type is not the same as the utility to the individual in an interdependent decision-making setting. This utility is a function of the participant’s type and the actions that the individual takes in relation to the types and actions of other participants. It is easy to conceive of a significant number of possible decisions that face interdependent actors involved in the implementation of economic development policies. Fundamentally, however, these various decisions are choices about whether or not such policies will be pursued independent of other actors or in collaboration with other actors. The model can be simplified again, then, by recognizing that the number of actions available to participants in a situation involving social coordination is two: to cooperate or not.

That the range of combinations of types and actions has been significantly reduced in this simplified model does not mean that the decision on the part of individual participants to cooperate with others has been rendered less complex. This simplified model is intended merely to reflect the decision context within which the actor with bounded rationality operates. The decision of each actor in the game to cooperate or not involves a calculation as to whether other actors’ types will incline them toward
cooperation. This calculation is influenced by each actor’s recognition that all other actors are engaged in the same calculation.

It is easy to comprehend that the uncertainty that surrounds the decision to cooperate in an interdependent setting will exist in the first round of a repeated game. But the action that actors take in that round can be expected to reveal their types. This revelation lessens the uncertainty with regard to future actions these actors will take but it does not eliminate it. Some uncertainty will continue to exist. Among the reasons for this is the fact that cultural influences, while relatively constant, are not immune to modification. Lane (1992) has proposed a model of rational adaptive choice in which the success of actions by a group either reinforces the beliefs that are a part of the political culture or brings about modifications in those beliefs that give rise to different actions. The same might be expected with any of the three cultural elements. Similarly, Olberding (2002) has proposed that fostering cooperation among local governments for the purpose of engaging in regional economic development efforts might be influenced by environmental factors such as the closure of a major employer or the adoption of a more regional lifestyle on the part of local residents. External influences might again be expected to have an impact on the beliefs of participants involved in interdependent decision-making.

The payoffs to participants in each round of a repeated game are an important factor to take into account. Let us adopt Simon’s (1955) simplification and assume that an actor’s utility is +1 if the actor cooperates and all others do likewise, 0 if the actor does not cooperate regardless of what others do, and –1 if the actor cooperates and the others do not. The positive payoff associated with mutual cooperation only pertains to the
extent that such an action is not the status quo. Continuing to cooperate to the same extent (i.e., repeating the same action in the same circumstances) is unlikely to yield additional benefits to the participant. Cooperation has become the expected norm. Additional payoffs accrue to participants only to the extent that they enlarge upon cooperative relationships.

Such an approach, however, might well be an oversimplification that reflects a generally positive societal view of cooperation. It fails to take into consideration the actor’s type and the relationship between type and action. This failure, while it facilitates analysis by making all actors risk neutral, diminishes the utility of the model in representing reality. Consider the actor whose culture favors noncooperation. For such an actor, it is unlikely that the payoff for cooperation is positive. It might well be the opposite, since if payoffs for cooperation were always positive then it is unlikely that a cultural bias against cooperation would be sustained over time.

In considering payoffs, then, one must take into consideration both the action that was taken and whether that action was consistent with the actor’s type. The payoff for an action consistent with an actor’s type is likely to be different than the payoff for an action contrary to an actor’s type. This is not to suggest, however, that a payoff cannot be positive if it reflects an action against type. If that were the case, then determining payoffs would require only knowledge of whether an action was consistent with the actor’s type. For the same reason as the analysis in the preceding discussion was rejected as an oversimplification, so too must such an approach be abandoned. It would lead to situations in which the actor’s type would be immune to the effects of cultural change
brought about by the actions that actors take. This could only occur if culture were immutable, something that is known not to be the case.

The significance of this for the analysis of the interdependent decision environment, both for participant actors and outside observers, is the increase in the uncertainty of the payoffs in any particular situation. As a reflection of this uncertainty, it is appropriate to simply the structure of the payoffs such that they can be expressed as merely +, 0, and -.

To this point, the model has not addressed the impact of more than two actors. It is likely that in economic development initiatives even in small communities there will be more than two potential participants in interdependent decision-making. It is reasonable to assume that benefits will accrue to all those who cooperate, so long as there are at least two cooperating actors, even if there are some participants who refuse to cooperate. The choice of differing equilibria is not stable, however, but this instability disappears in subsequent stages of the game when the cooperative coalition and the non-cooperative actors again receive payoffs of 0 for the status quo equilibrium.

A graphic representation of the model is presented in Figure 1. It uses as its starting point the model developed by Lane (1992) and extends it to account for the interdependent nature of decision-making characteristic of game theory. For the sake of ease in presentation, a two-person form of the model is shown. This model can be expanded to an \( n \)-person form; such an expansion increases the interconnections among actors at the point at which actors assign probability to other actors’ types.
Figure 1. Dynamic, two-actor model of interdependent decision-making showing the influence of culture, focal-point effects, payoffs, and actions chosen by other actors on the decision to cooperate. Payoffs are not precisely quantified; instead, they are shown as positive, negative, or none.
Model Elaboration

Actors determine the desirability of particular outcomes based on three general criteria: 1) how cultural factors affect the likelihood to favor cooperation; 2) how cultural factors influence the response to focal-point effects; and 3) the actions expected of other actors. The interplay of these criteria and actors’ actions determines their payoffs. In the first round of play of a game, the model assumes that an actor will have substantially complete information about the political, organizational, and professional cultural influences that form the actor’s type (or, at the least, will become aware of this information through payoffs in the early rounds of repeated interactions). Information about these same influences on other actors will be incomplete. The actor will also have knowledge of those environmental factors that represent focal-point effects. The actor will know that other actors are similarly aware of the focal-point effects but information about how the culture of the other actors causes them to interpret and respond to those factors will likewise be incomplete.

In short, the actor will be aware of his/her inclination to cooperate but will be uncertain as to other actors’ inclination to cooperate. The actor, in the course of play, prior to any actions, must assign to other actors a probability that they will cooperate. Consider, then, two actors, one who represents a private economic development organization and the other representing local government. Both are similarly influenced by the community’s culture. They are influenced differently, however by the culture of their respective organizations. The economic development agency is likely to consider encouraging new business development its priority. For local government, however, the investment of time and financial resources in such activities diminishes resources
available for traditional governmental functions that might be of more immediate concern to citizens. Further, if the actor from the economic development organization is a professional in that field or has been in the position a long time, his professional ethos is likely to differ markedly from that of the local government’s city manager.

Similarly, consider the case of elected chief executives of neighboring communities who are considering cooperation to secure a new development. While they might demonstrate similar approaches to that task because of similar expectations of their positions, the cultures of their respective organizations might be quite dissimilar. That of one government might favor cooperation because it serves to advance an interest in economizing in the delivery of services while the other organization might favor independence in its pursuit of a distinct identity.

While the structure of the model assumes a lack of knowledge regarding the possible actions of other actors, this seems unlikely to be the case for many economic development scenarios. First, it is reasonable to believe that there will be communication among actors that will indicate the probability of cooperation. Further, it is unlikely that all actors will choose their actions simultaneously. Despite these factors, however, uncertainty regarding actions will remain. Actors will be influenced by their cultures with regard to whether or not they will act first or delay until other actors have chosen.

What are the strategies that these actors employ? They are expected to be a function of the payoffs that each actor seeks from the particular circumstance. Achieving the desired payoff clearly should compel actors to pursue strategies intended to accomplish that objective. It is worth considering, however, that actors might be unaware of the strategies necessary to accomplish specific payoffs. Further, it is the characteristic
of the model that the strategy pursued must take into account the strategy expected to be employed by others.

To determine what those strategies are, actors will engage in communication with one another with the expectation that they will receive an indication of the strategies that others will use. In addition, the history of relations among actors might offer clues as to how actors will behave in a particular circumstance. Knowledge of the strategies employed in the past will enable an actor to determine the probability that similar strategies will be employed in the future.

Actions taken in earlier rounds will enable updating the probability of actors cooperating in a subsequent round but this knowledge will not eliminate the incompleteness of this information. The payoffs actors receive in completed rounds will have the effect of reinforcing or modifying cultural influences actors face. Further, other focal-point effects will have an impact on the actions selected. What is the impact of a fiscal crisis on the desire of community officials to offer economic development incentives? Does a recent history of job loss influence positively or negatively the willingness to devote energy and resources to attracting new jobs? If a plant that has closed was a past recipient of tax abatements, will actors be more or less willing to offer similar incentives in the future?

The variety of factors considered as focal points can make determining appropriate strategies for actors a particular challenge. New influences are likely to diminish the reliability of previous actions as a predictor of future actions. On the other hand, the function of the focal-point effect is to eliminate some of this doubt on the part of actors by directing their attention to a more limited set of actions or a single action.
That is, working within the particular cultural environment of the actors, the focal-point effect eliminates the “noisiness” of the game by focusing the actors’ attention on a particular solution. Whether any given focal event can have that result, however, is determined by how that focal event is interpreted within the culture frame of reference of each actor.

It is reasonable to expect that the actions that actors take in response to a given focal event will influence responses to other focal events so long as they can be seen as analogous to the original event. That is, if the actor is likely to interpret a new focal event as being like the original one, it is expected that the actor will resort to the same action, if that action resulted in a positive payoff. When a focal event is perceived as significantly different from the original focal event, or when the actions in response to focal events come to be seen as ineffective, the actor can be expected to pursue alternative actions.

Payoffs are difficult to determine in advance in a complex game. Utility for an actor will be a function in part of whether the actor has acted in accordance with his/her type. In addition, however, payoffs will reflect rewards after the fact in terms of the response by other external to the play of the game.

It is for this reason, then, that the argument can be made in favor of either all actors cooperating or all actors not cooperating as the equilibria for the game. Since all actors reflect the influence of the same local political culture, any actor whose actions are inconsistent with those of other actors is likely to receive payoffs reflecting the interpretation that he/she is acting against type. There is no positive reward for standing apart from the crowd.
Such a situation is likely to give rise to coalitions or to actions that fall between cooperation and non-cooperation. These actions, however, fall outside of the equilibria for the game and, therefore, are unlikely to be chosen except in the expectation that other actors will likewise choose the same action. Only in the aberrant case of actors who are unconcerned with the interpretation of unilateral action will the alternative be seen.

**Model Limitations**

While it has the utility of providing a simplification of reality associated with game theoretic models, the model presented in Figure 1 lacks the mathematical precision to predict solution concepts. In this respect, then, it falls short of the rigor associated with classical game theory.

This lack of rigor is a function in part of the uncertainty associated with various aspects of the model. O’Toole (1996) noted the problem of uncertainty in rational choice modeling of implementation networks and highlighted the following sources: lack of knowledge of participants’ preferences; the large number of participants in interorganizational settings and the number of actions available to them; the complexity of the network structure; problems associated with monitoring and enforcement; the nature of the links between actors and the circumstances leading to interdependence; and the extent to which there are connections among strategic interactions. “Uncertainty, in short, poses challenges from a number of directions to the potentially powerful idea of rational choice analyses of implementation networks” (p. 248). He observes:

Considering interorganizational implementation from the perspective of rational choice is not futile. Rather, less formal analyses offer potential utility, especially in terms of management practice. Although it is not possible in most interesting cases to deduce rigorously modeled predictions regarding actual implementation settings, the concepts of rational choice provide leverage to scholars of network management as well as to managers themselves. (O’Toole, 1996, p. 259)
While the model fails to satisfy the classical conception of a game, it employs game theory concepts and elements to provide the basis for exploring the extent to which actors are influenced by cultural elements in their decision to participate in interorganizational networks. The means of exploring the role of culture in these networks is described in Chapter 3.

The model as described presents at least two problems. One of the attractions of classical game theory is the mathematical rigor that it brings to the analysis of strategic interactions and, thus, the predicative capability that such a rigorous model offers. Attempting to quantify myriad factors that might influence the decision-making process for an arena as complex as local economic development is unreasonable. Any model must be understood as a simplification of reality to be used for analytical purposes without expecting that it can be applied without qualification to real situations. Recognizing all of the factors that might influence strategies and payoffs on the part of economic development actors would make the model unwieldy. Failing to do so, however, leaves gaps that might affect the ability to apply the model.

Far more serious a problem is the assumption that economic development actors are Bayes-rational players. It is likely that few if any chamber of commerce executives calculate probabilities based on Bayes’s Rule before making decisions involving their strategies in dealing with other local economic development actors. Simon’s (1955) critique of classical conceptions of rational decision making seems applicable:

My first empirical proposition is that there is a complete lack of evidence that, in actual human choice situations of any complexity, these computations can be, or are in fact, performed. The introspective evidence is certainly clear enough, but we cannot, of course rule out the possibility that the unconscious is a better decision-maker than the conscious. Nevertheless, in the absence of evidence that
the classical concepts do describe the decision-making process, it seems reasonable to examine the possibility that the actual process is quite different from the ones the rules describe. (p. 104)

While the model has value as a simplification of reality, then, it needs to be informed by real experiences of real actors in real situations. For much the same reason that Simon (1955) believed that individuals, when facing a decision involving Nature, must use alternatives to a rational, comprehensive analysis, so, too, must interdependent decision makers apply decision rules-of-thumb to the process of determining the appropriate responses to specific actions on the part of other actors in the economic development process. Conventional decision-making could consider the likelihood of achieving the desired end. Interdependent decision-makers must consider the likelihood of establishing relationships involving repeated interactions with the same or different actors. The short-hand approaches that are used as real world substitutes for the application of Bayes’s Rule are to be the subject of field research. In other words, how do actors behave in these interdependent decision settings?

Research Questions

The research that is the subject of this dissertation addressed the following questions:

- How does culture—political, organizational, and professional—influence the decision of local economic development network participants to cooperate (or not) in the performance of economic development activities?
- How do focal-point effects influence the decision of local economic development network participants to cooperate (or not) in the performance of economic development activities?
• How do payoffs local economic development network participants receive for cooperating (or failing to cooperate) reinforce cultural biases for or against cooperation?

It was not assumed that answering these three questions would address in a comprehensive way all aspects of the fundamental issue of individual motivation and how it influences the decision to participate in interorganizational networks for the purpose of policy implementation. Rather, these questions address key components—culture, focal-point effects, and payoffs—of an interdependent decision-making model and its application to the field of local economic development.

The model that has been described above reflects the work of other scholars and in particular those that have considered interdependent decision-making within the traditions of game theory. The model had not been informed, however, by data obtained through the examination of the role of culture and focal point effects on cooperation in a local horizontal network setting. The model’s utility as a simplification of reality is severely limited, then, since it reflects assumptions about actors’ behavior rather than actual data. This research was intended to fill this information gap and permit the modification of the model so that it reflects the experiences of, rather than assumptions about, actors’ behavior.
CHAPTER 2

LITERATURE REVIEW

The intellectual framework for the research described herein rests upon four pillars: networks, governance, game theory, and culture. Each of these subject areas is described in turn below.

Networks

A review of the literature of public administration and other disciplines indicates that scholars find that social coordination takes form generally in accordance with three pure types: hierarchies, markets, and networks (Agranoff & McGuire, 1998; Agranoff & McGuire, 2001; Bjork & Johansson, 2001; Lowndes and Skelcher, 1998; O’Toole, 1997; Painter et al., 1997; Rhodes, 1997; White, 2000). Peters (1998a) sees these three types as differing responses to the problem of coordination. Bogason and Toonen (1998) position networks “between states and markets” (p. 205). Considine and Lewis (1999), in their study of Australian public officials, found that their behaviors aligned along three types of organizations: procedural; market-corporate, and network.

Definitions

Various definitions of the concept of network are used to describe this phenomenon: “organizational interconnectedness for associating with others who hold similar interests, in order to develop and access ideas, information, support, and other resources that enable network members to improve what they are doing . . . or achieve a
goal” (Kurtz, 1998, p. 57); “multiorganizational arrangements for solving problems that cannot be achieved, or achieved easily, by single organizations” (Agranoff & McGuire, 2001, p. 296); “structures of interdependence involving multiple organizations or parts thereof, where one unit is not merely the formal subordinate of the others in some larger hierarchical arrangement” (O’Toole, 1997, p. 45); and “social structures that permit interorganizational interactions of exchange, concerted action and joint production” (Agranoff & McGuire, 1999, p. 20).

Within the public administration literature, perspectives of networks are related to their history in either policy studies or organizational studies (Considine & Lewis, 1999). Peters (1998b) writes, “The concept of networks actually grew out of the more restricted concepts of interest group politics in the United States” (p. 22). Rhodes and Marsh (1992) describe a typology of policy networks ranging from the smaller, more focused policy community to the larger, more loosely structured issue network that includes professional networks, intergovernmental networks, and producer networks.

Mingus (2001) criticizes this typology for, among other reasons, its inapplicability to network implementation issues. Attempts to distinguish among network forms involved in program implementation generally focus on how tightly coupled organizations are and/or the degree of formality in the network. Brinkerhoff (1999) distinguishes between formalized network mechanisms that “appear to be more appropriate for networks whose objectives focus on service delivery” (p. 140) and informal or ad hoc mechanisms “more suited to networks with initially more diffuse objectives, or where the ultimate path of the network is not initially clear” (p. 140). Kettl (2000) notes that networks are “sometimes formally constructed through contracts and
other legal agreements and sometimes informally drawn through pragmatic working relationships” (p. 494). Agranoff (2006) adopts this distinction as well, referring to networks as chartered or nonchartered.

Mandell (1999a, 1999b, 2001) and Keast, Mandell, Brown and Woolcock (2004) have attempted to bring some order to the discussion of these interorganizational relationships by contrasting networking, networks and network structures. Networking “is a common term that refers to people making connections with each other” (Keast et al., 2004, p. 364). “This is a critical step in being able to accomplish individual efforts through establishing contacts with key people” (Mandell, 1999b, p. 5).

Networks and network structures range along a continuum characterized by the degree of formality in linkages and the strength of the commitment to collaboration. Networks are established when networking becomes more formalized. “Networks may involve simultaneous action by a number of different actors, but each of these actions represents the actions of independently operating organizations” (Mandell, 1999b, p. 7).

Keast et al. (2004) describe the genesis of network structures:

Network structures [italics omitted] occur when working separately—even while maintaining links with each other—is not enough. . . . A network structure forms when these people realize they (and the organizations they represent) are only one small piece of the total picture. It is a recognition that only by coming together to actively work on accomplishing a broad, common mission will goals be accomplished. (p. 364)

Mandell (1999a) writes that a network structure “consists of public, private and not-for-profit organizations and/or individuals in an active, organized collaboration to accomplish some agreed upon purpose or purposes” (p. 44). Network structures “are distinguished from public-private partnerships or alliances because they are not based on contractual relationships” (p. 44) but rather are “based on exchanges which rely on
interpersonal relationships” (p. 44). She notes that network structures lack the hierarchy or traditional organizations and rely on “‘mind set’ or commitment” (p. 45) to achieve coordination. Mandell (1994) refers to this as program rationale.

This attempt to make sense of the myriad definitions of networks, while creating the foundation for a research agenda centered on network structures, does not offer quite the specificity for other network forms one might hope. While Mandell (2001) refers to organizational units as network members, a usage adopted by McGuire (2002), Mandell (1999b) and Keast et al. (2004), on the other hand, refer to both individuals and organizations as members of network structures. Further, the degree of formality required of networks is unclear. Mandell (1994) cites Chisolm’s (1989) study of the San Francisco Bay area transit system as an example of a network characterized by informal relations, but Mandell (1999b) and Keast et al. cite the same study as an example of the formality required for networks.

The use of the term networking appears to introduce social network theory from sociology into the discussion of interorganizational networks. Newman (2003) describes a social network as “a set of people or groups of people with some pattern of contacts or interactions between them” (p. 174) and cites examples of social networks based on friendship, marriage, and work relationships. One type of social network identified by Newman is collaboration networks, which are “typically affiliation networks in which participants collaborate in groups or one kind or another, and links between pairs of individuals are established by common group membership” (p. 175).

Agranoff (2006) is careful to exclude social networks from the arena of interorganizational networks. McGuire (2002), however, in discussing network
management, appears to blend the two, indicating, “In keeping with recent public administration research, I do not define networks as purely sociological phenomena” (p. 600). Berry et al. (2004), in reviewing networks in the research traditions of sociology, political science, and public management, advocate incorporating social network analysis into public management scholarship.

Relying on social network theory, Thurmaier and Wood (2002) use the term “network” to refer to interlocal agreements in describing relationships among governments in the Kansas City Metropolitan Area, indicating that these agreements are “a subset of public management networks” (p. 585):

A local government can be involved in many dyadic relationships with other local governments. Each of the other local governments, in turn, can be involved in dyadic relationships with other local governments. Together, the set of dyadic relations forms a macro-level social structure that comprises a set of actors in a social network. (p. 587)

Lowndes and Skelcher (1998), however, discourage the easy use of the term for such relationships:

Partnerships are associated with a variety of forms of social co-ordination—including network, hierarchy and market. The failure to distinguish between partnerships as organizational manifestations and the modes of social co-ordination that accompany them has constrained theoretical development and empirical investigation of this important field. (p. 314)

Networks in Practice

Whether networks are a distinct organizational form has been questioned by Bogason and Toonen (1998) who raise the possibility that networks represent merely a new paradigm in describing aspects of traditional organization, a different way “of looking at and analyzing traditional government and public sector structures” (p. 205).
Peters (1998b) reflects a similar view by raising the question of whether networks are a metaphor or a model.

Agranoff and McGuire (1998) have determined that “researchers are solidly building the case that networks are the norm in public management” (p. 88). Kettle (2000) writes that “since the maturation of traditional administrative theory in the 1930s, interorganizational networks have been steadily growing in importance, and they show no sign of facing away” (p. 494). White (2000) notes:

Commentators have said that there has been an effort to shift the balance between government and society towards sharing tasks and responsibilities and towards doing things together instead of doing them alone. The shift is a reaction to changes to society and government that can be seen as one of copying [sic] with the growing dynamics, complexity and diversity within society. This shift, alongside the present concern for governance, has brought about a growth in a number of organizational forms. (p. 243)

In using the science of complexity, White (2000) seeks to resolve the conundrum presented by Bogason and Toonen (1998):

Thinking in terms of complexity, on the other hand, sees structures as a manifestation of an underlying process. The entire web of relationships is intrinsically dynamic. Thus organizational complexity can be associated with a web of interrelationships of actors or within and between organizations. Processes to use to help these organizations achieve effective governance would need to be able to absorb the dynamic, complex and diverse characteristic work of these organizations. (p. 248)

What seems clear, however, regardless of the manner in which “networks” is used, is that it serves the primary purpose of addressing problems associated with information exchange and uncertainty. “Network management is based on information rather than authority. The network manager seeks to achieve cooperation among actors while minimizing and removing informational and interactional blockages to the cooperation” (McGuire, 2002, p. 603).
While Peters (1998a) sees networks as a response to the problem of coordination, Agranoff and McGuire (1998) indicate that “networks are not merely mechanisms for coordination; they are arrangements for solving interorganizational problems that cannot be achieved by single organizations” (p. 70). In much the same way that individuals form organizations for the purpose of overcoming the limits of rationality, so too do networks overcome the limits of organizational rationality. Painter et al. (1997) found that “the sum total of the changes at the local level is to make the environment more problematic so that it is unlikely that any organization will now possess the resources, skills and knowledge to operate effectively on their [sic] own” (p. 231). Whether networks are informal and so involve primarily information exchange among participants that yields enhancements in organizational performance or whether new organizations are formed to link these individual organizations, the results are the same.

Gulati and Gargiulo (1999) note the view that “organizations create ties to manage uncertain environments” (p. 1440). This environment is an outcome of social change that calls for alternative organizational structures. Agranoff and McGuire (2001) characterize bureaucracy as “the signature organizational form during the industrial age” (p. 319). In the information age, on the other hand, work spans organizational and geographic boundaries and its coordination more complex than that for which hierarchy is well suited. “An organization based on individuation, dispersed power, and unification is necessary; the network is that form” (p. 319).

This manner of organizing might well find its most effective application in addressing so-called wicked problems or wicked issues. Rittel and Webber (1973) “use the term ‘wicked’ in a meaning akin to that of ‘malignant’ (in contrast to ‘benign’) or
‘vicious’ (like a circle) or ‘tricky’ (like a leprechaun) or ‘aggressive’ (like a lion, in contrast to the docility of a lamb)” (p. 160). They state:

As distinguished from problems in the natural sciences, which are definable and separable and may have solutions that are findable, the problems of governmental planning—and especially those of social or policy planning—are ill-defined; and they rely upon elusive political judgment for resolution. (Not “solution.” Social problems are never solved. At best they are only re-solved—over and over again.) (p. 160)

Lowndes and Skelcher (1998) identify the “complexity and intransigence of the ‘wicked issues’… facing government” (p. 315) as one of the rationales of the development of multi-organizational partnerships. O’Toole (1997) notes that a fundamental characteristic of hierarchy is the capability to accomplish complex tasks by dividing them into “small, relatively independent components that can be treated separately” (p. 46). Non-traditional organizational forms might be better suited to addressing “challenges that cannot be handled by dividing them up into simple pieces in isolation from each other” (p. 46).

Policy Implementation Networks

A focus on the process of accomplishing tasks permits a distinction between policy implementation networks and the range of others that can be included within the descriptions above. O’Toole, Hanf, and Hupe (1997) describe implementation networks as a type of policy network and note that:

One difference between the use of networks in the management of implementation compared with other phases of the policy process lies in the fact that during the implementation phase the tasks to be performed—oriented as they are to more specific objectives or problem-solving activities—will tend to be more narrow and concrete. (p. 137)

O’Toole (2000) defines policy implementation as “what develops between the establishment of an apparent intention on the part of government to do something, or to
stop something, and the ultimate impact in the world of action” (p. 266). Regarding implementation networks, he notes:

Clearly a multiactor approach to understanding implementation offers a shift from the standard world presented in conventional organizational theory. The former presents the pressing issue of how to concert action in the absence of operational authority and across institutional lines. (p. 266)

In considering interorganizational policy implementation, O’Toole and Montjoy (1984) highlighted the challenge of fostering cooperation and found that “interorganizational problems are caused, in part, by the lack of attention to and incentives for coordination among organizations. Olberding (2002) found that norms of cooperation were important in the initial formation of regional partnerships for economic development, although they were less significant in determining partnership structure and processes.

Exemplifying the network approach to policy implementation, Blair (2000) cites examples from the state of Nebraska linking the general process of devolution to local economic development practices that foster use of non-traditional management methods such as the new public management. He notes that local governments retain responsibility for reporting to the state regarding community activities but indicates that “a number of governments and mixture of private and nonprofit organizations cooperate in a network structure to deliver the benefits of economic development policy” (p. 522).

Governance

Definitions

Any consideration of networks or other forms for providing for social coordination must be considered in the light of current discussions regarding governance.
In present usage in the public administration literature, it would seem that the term “governance” is intended to distinguish methods and structures employed in the delivery of public services from traditional administrative methods employed through hierarchical, bureaucratic organizational structures. Bjork and Johansson (2001) observe that “the term governance is used, generally speaking, to reflect that the conditions for governing society have changed” (p. 2). Rhodes (1997) writes:

In current use governance stands for a change in the meaning of government, referring to: a new process of governing; or a changed condition of ordered rule; or the new method by which society is governed. Inevitably, there are several contending meanings for the term. It refers to, for example, the minimal state; corporate governance; the new public management; and “good governance.” (p. xi)

The present interest in governance is not necessarily reflective of recent innovations in the production and delivery of public services. As Peters and Pierre (1998) note, “the debate over governance may simply be the academic community catching up with the reality of the public sector in the contemporary world” (p. 240).

“Governance” is distinguished from conventional conceptions of “government” and carries differing implications depending upon geographic context. One perspective of the distinction between the two terms is conveyed by Savitch and Vogel (2000): “Whereas government is vertical and firmly institutionalized, governance is horizontal and flexible. Whereas government is formal and directed from above, governance is informal and self-regulating” (p. 161).

European and American Contexts

In discussions regarding public enterprises in Europe, references to governance are generally taken to mean an alternative to government in which formerly governmental functions are performed by nongovernmental entities. In the United States, on the other
hand, perhaps owing to its federal system, governance connotes alternatives to traditional hierarchical organizations through which government services are provided.

In its European context, a discussion of “governance without government” (Kettl, 2000; Peters & Pierre, 1998) is a meaningful way of conveying the sense that programs and services formerly provided by government bureaucracies are now more likely to involve the for-profit and nonprofit sectors. Governance is seen as “the ‘third way,’ a way between the market and the state” (Bjork and Johansson, 2001, p. 2). In this context, describing governance as reflective of network models is particularly appropriate (Peters & Pierre, 1998). The various aspects of the governance debate, when considered in total, “amount to a prescription for steering society through less direct means and weakening the power of the State to control policy” (Peters & Pierre, 1998, p. 225). This is clearly an outgrowth of recent emphasis on neo-classical economics and reflects theorizing on topics such as public choice and the new public management. Peters and Pierre state:

The emerging forms of governance we see in several of the advanced western democracies should be conceived of as alternative models of the pursuit of collective interest (Peters, 1996). Thus governance is essentially a political theory—insofar as it describes a certain type of exchange between the state and the society—whereas [new public management] is an organizational theory. (p. 232)

In examining European local government, Pierre (1999) equates the difference between government and governance to the distinction between institution and process. He argues that urban governance be understood as the coordination of public and private interests. While institutions reflect “different systems of values, norms, beliefs and practices” (p.375), governance encompasses “processes of regulation, coordination, and control” (p. 376). He warns against considering these processes outside their institutional framework. “Focusing strictly on governance entails risks of conceptual
oversimplification and reductionism. If governance, loosely defined, refers to any public-private exchange, then soon everything becomes governance” (p. 376).

Some of these same characteristics are evident on the American scene as well but discussions regarding governance take on influences unique to the historical traditions of the administrative state. The “stateless” origins of United States government (Peters & Pierre, 1998; Stillman, 1999) and its federal system have contributed to a tendency toward a less than unified approach to the delivery of public services. Current theorizing with regard to American governance, then, reflects this lack of unity. Its present recognition is perhaps reflective of experimentation in addressing increasingly complex issues but is also likely due to a greater decentralization of government functions and the greater use of for-profit and non-profit providers in service provision. In this respect, similarities with Europe are evident. Comparisons between European and American governance are limited, however, by distinct institutional and historical factors. “The very absence of a strong state tradition in the United States appears to make moving to the fully networked model of governance less likely” (Peters & Pierre, p. 238). This observation notwithstanding, Peters and Pierre find that the American federal system permits “greater latitude in governing and management” (p. 239) among state and local governments.

This latitude has been found in the use of intergovernmental mechanisms to coordinate service delivery, a trend evident in current considerations of sub-state regionalism (Hamilton, 2000, 2002; Savitch & Vogel, 2000; Thurmaier & Wood, 2002). Savitch and Vogel (2000) note that governance:

conveys the notion that existing institutions can be harnessed in new ways, that cooperation can be carried out on a fluid and voluntary basis among localities, and
that people can best regulate themselves through horizontally linked organizations. Governance also recognizes that localities can provide public services without necessarily producing them. (p. 161)

The implications of alternative forms of governance for local governments, whether or not they are involved in regionalism initiatives, is noted by Kettl (2000) in his discussion of the meaning of welfare reform initiatives during the Clinton presidency:

Welfare reform marks the maturation of a generation-long trend that fundamentally transformed community governance. It is a trend with great political attraction: It wires local nongovernmental groups directly into the service system, and it allows government to increase its reach without increasing its size. It spreads administrative responsibility, and hence political risk. It provides a way to tailor broad programs to community needs. (p. 493)

The newness of these discussions about governance prevents identification of a theory of governance and, more appropriately, results in theories of governance (Pierre, 1999) and the consideration of multiple forms through which government functions are carried out.

Governance and Relationships

Efforts to make sense of this experimentation can obscure the organic nature of American governance. Considine and Lewis (1999) note that “less attention has been given to the way ordinary officials reshape their roles in these times of significant structural change” (p. 468). In examining this issue, they have found that the work of public officials is affected by the organizational structures and systems resulting from public sector reform initiatives. Further, inter-agency relations within a particular program area show evidence of “contending strategies” (p. 475). Feldman and Khademian (2002) extend this perspective:

Another way to think about these [governance] structures, however, is as relationships. Each structure, at its core, is a relationship involving a public manager and other participants in the governing process. . . . Managers operate in
a myriad of such relationship structures to develop processes for making
decisions, implementing policy, and identifying public priorities in the first place;
these relationships give form, pose constraints, or present opportunities for the
way public policy is pursued. (p. 542)

By focusing on the nature of the relationships in which public managers are
involved, Feldman and Khademian (2002) find that distinctions may be drawn between
their conception of the role of the public manager in governance and that provided for
under the principal-agent theory of governance. They suggest that governance structures
are “dynamic relationships that are influenced by the decisions and actions of public
managers” (p. 544). Governance, then, is conceptualized as “multiple and reciprocal
relationships that constrain and enable actions taken in a policy arena” (p. 551).

Pierre (1999) warns against too easy a conceptualization of the processes through
which governance structures, or institutions, reflect the choices of institutional actors:

This leads to the question of whether cities proactively choose a particular
governance model or whether these models are artifacts of external dependencies
and tensions within the city administration. What is at issue here is the role of
local government in governance. . . . [T]he structuring of governance—the
inclusion or exclusion of different actors and the selection of instruments—is not
value neutral but is embedded in, and sustains, political values above and beyond
urban partisan division. (p. 390)

To sum up the impressions derived from this review of the literature leads to the
suggestion that interorganizational networks represent a model for the delivery of public
services within the larger context of experimentation with such forms that is termed
“governance.” That there are non-traditional (i.e., non-hierarchical and non-market)
organizational means through which such services are provided begs the question as to
the tools that organizational decision-makers use in operating within such a setting.

In addressing this issue, Kickert, Klijn, and Koppenjan (1997a) note distinctions
between public management and governance:
All kinds of actors are involved in governance, if only because government does not perform all the governing itself. A wide variety of actions from different actors has consequences for governance. . . . Public management differs from governance in that it focuses on the consciously and deliberately undertaken actions of public actors to influence societal process (or policy process). Therefore, public management is governance, but not all governance is public management. (p. 2)

To attempt to utilize public management principles and practices to understand decision-making and resultant actions within interorganizational networks likely misses some of the influences on this process. Of particular interest is the decision as to whether or not to cooperate with other community organizations in service delivery. More appropriately, given the role for individual actors in structuring such service delivery systems, how do individual actors make interdependent decisions with regard to coordinating actions through networks?

This question is addressed in part in comments by Peters (1998a):

Interorganizational theory appears to argue that the repeated interactions define the existence of a network. Hierarchies or even markets are able to allocate resources in a single interaction, but for networks to form there must be some repetition and stability. In this sense the network analysis approaches some versions of institutional theory in arguing for the need to institutionalize a pattern of relationship that can then define mutual expectations and mutual dependence. (pp. 305-306)

Game Theory

There remains a tendency, whether discussing governance generally or networks in particular, to examine the phenomenon from the perspective of the primary government actor or actors, regardless of the inevitable involvement of actors from other sectors in the process of governing. Perhaps owing to this tendency, there are a number of examples in the literature on interorganizational networks that attempt to comprehend the
management of such networks from the perspective of traditional, or modified, public administration processes. Kickert, Klijn, and Koppenjan (1997b) devote a book to the topic of network management and Agranoff and McGuire (2001) ask whether there exists a PODSCORB equivalent for network management. O’Toole et al. (1997) argue that “it does not make sense to speak of “the network manager” (p. 140), but continue:

There may at times be someone or some subgroup of actors trying to bring together a set of individual actors who will support and be able to move towards resolution of a particular problem or will work to implement a certain policy or programme. (p. 140)

Grafting newer forms of organizing for provision of public services onto traditional notions of public administration can distract attention from the relevant issues of the interactive nature of these personal relationships. Even if considered solely or predominantly from the perspective of the public actor, the practice of administration must reflect the role of other actors, some of whom might not share a public administration background or ethos.

**Decision-Making**

Of particular interest, then, is the manner in which decisions are made within the context of interorganizational networks. Traditional perspectives from public administration posit a single individual or organization concerned with determining the appropriate response to the particular circumstances at hand. The public administration literature concerns itself with means of describing the manner in which the process of making a decision is undertaken. These approaches to decisions, however, are premised upon a single actor (whether individual or organization) against Nature; that is, all circumstances outside the individual or the organization.
These models of decision-making might well be appropriate to hierarchical forms of social coordination, whether they are public or private. The nature of interorganizational networks, however, leads one to consider whether such models are appropriate to an environment characterized both by the presence of wicked problems and by the participation of multiple actors all concerned with addressing such problems. If the nature of networks is such that decisions on the part of an individual actor may not be considered authoritative or decisive for all participant actors, then it is worth considering whether other approaches to decision-making that focus on the interdependent nature of the actors involved might not be more appropriate (Simon & Associates, 1986).

**Game Theory Overview**

A significant body of literature on the interaction of interdependent actors is found within the field of game theory. (A glossary of terms relevant to an understanding of game theory is found in Appendix A.) The principles of game theory were originally elucidated with regard to the mathematical analysis of strategies employed by players of parlor games. That the theory references games makes its subject appear more frivolous than is actually the case. From the perspective of game theory, a game “involves situations in which individuals are aware that their actions affect one another” (Gates & Humes, 1997, p. 1). A game “is a specification of the strategies each of several ‘players’ have [sic], the order in which players choose strategies, the information players have, and how players rate the desirability (‘utility’) of resulting outcomes” (Camerer, 2004, p. 374).
The recognition of the application of game theory to a broader range of social situations expanded in 1944 with the publication of *Theory of Games and Economic Behavior* by John Von Neumann and Oskar Morgenstern. This book and similar early treatments of the topic were concerned with cooperative games, in which binding contracts are possible, and zero sum games, in which one player’s gain is equivalent to another player’s loss. While this literature was of value during Cold War era considerations of the nuclear arms race, it would be of limited applicability to many of the situations in which actors in interorganizational networks are involved.

The applicability of game theory was significantly enlarged by the work of John Nash in the early 1950s. In his doctoral dissertation, Nash established the foundation of noncooperative game theory by demonstrating the existence of equilibria in games. He showed that every noncooperative game has at least one equilibrium, a point at which no player could improve his payoff through a unilateral move. All of game theory today stems from this early work by Von Neumann and Morgenstern and Nash.

**Prisoners’ Dilemma**

In game theory, interdependent interactions are modeled through the use of a variety of games that vary depending upon factors such as available strategies and payoffs to participants. The best known of these games is the Prisoners’ Dilemma. Two criminals are arrested. The evidence available to authorities is sufficient to convict each of them of a petty crime carrying a penalty of one year in jail. While they are held in separate cells from which they cannot communicate with one another, a deal is proposed. If one cooperates by implicating his partner in a more serious crime that they are believed to have committed, the partner will go to prison for 10 years while the one who
cooperated will go free. If both implicate their partners, they will both go to prison for 5 years.

The Prisoners’ Dilemma can be presented in the following matrix, Figure 2, also known as the strategic form of the game. It presents the players in the game, the strategies available to each of them and the payoffs, in this case presented as the number of years in jail. By convention, the payoff for the row players is presented first in each cell of the matrix followed by the payoff for the column player.

If the prisoners cooperate with one another and remain silent, they will each go to jail for a year. This is not an equilibrium point, however, since by individual action, each of them may improve his position by defecting from cooperation and implicating his partner, resulting in no time spent in jail.

<table>
<thead>
<tr>
<th></th>
<th>Cooperate</th>
<th>Defect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperate</td>
<td>1,1</td>
<td>10,0</td>
</tr>
<tr>
<td>Defect</td>
<td>0,10</td>
<td>5,5</td>
</tr>
</tbody>
</table>

*Figure 2.* Prisoner’s Dilemma game payoffs. The payoff for the row player is the first number in each pair. The equilibrium strategy in this game is when both players defect.

In classical game theory, the rationality of the actors is a key feature. In the Prisoners’ Dilemma example, it is assumed that each of the players knows the game that is being played, knows the strategies available to both players, and knows the payoffs to both players. What is more, it is assumed that each player knows that the other player
knows these things, that the other player knows that the first player knows that the other player knows, and so forth.

Since it is well known that there is no honor among thieves, and because the prisoners cannot communicate with one another, each prisoner can assume that the other will defect since that is the action that leads to freedom. Both know this, however, so both defect, leading to prison terms that are far longer than if both had remained silent. This is the equilibrium point in the Prisoners’ Dilemma. From that position, neither prisoner may unilaterally improve his payoff. This is not the Pareto optimal solution for the prisoners since the payoffs are inferior to those that might be realized had the parties cooperated. Nevertheless, it is the equilibrium for this particular game.

That actors involved in interdependent decision-making might take actions that collectively result in less-than-optimal outcomes seems inconsistent with traditional public administration perspectives on planning and decision-making in which optimal, or at least acceptable, results are the goal. Because actors in network settings might well be affected by, and must take into account, actions by others beyond his control, however, game theory has value in characterizing this approach to social coordination.

The field of game theory is much broader than the consideration of the Prisoners’ Dilemma would indicate. In addition to distinguishing between zero sum and non-zero sum games and cooperative and noncooperative games, the analysis distinguishes between 2-person and \( n \)-person games, between games of imperfect information and games of incomplete information, between one-shot and repeated games, and so forth.
**Stag Hunt Game**

Stag Hunt is an example of a game with multiple equilibria. It is called an assurance game because “a person would be willing to cooperate as long as that person were assured that the partner would cooperate as well” (Kollock, 1998, p. 186). It is based on a suggestion from Rousseau (1754/1987), highlighted in Chapter 1, that individuals must cooperate to hunt a deer but an individual acting alone will be able only to take a rabbit. As the following matrix indicates, there are two equilibria in the stag hunt game: when both players cooperate to hunt the stag or when they both hunt rabbits individually. While the latter is an equilibrium position, however, it is not Pareto optimal since the players might improve their payoffs by cooperating to hunt the stag.

<table>
<thead>
<tr>
<th>Hunter 1</th>
<th>Stag</th>
<th>Hare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stag</td>
<td>2,2</td>
<td>0,1</td>
</tr>
<tr>
<td>Hare</td>
<td>1,0</td>
<td>1,1</td>
</tr>
</tbody>
</table>

*Figure 3.* Stag Hunt game payoffs. The payoff for the row player is the first number in each pair. There are two equilibria in this game: when both players hunt stag and when both players hunt hare.

**Game Theory Traditions**

In addition to the tradition of classical game theory, researchers may approach game theory from the perspective of evolutionary game theory, adaptive learning models, and behavioral game theory. A distinguishing feature of the various alternative approaches to game theory is the amount of rationality the players are assumed to possess. As noted above, classical game theory assumes high levels of rationality. On the
other end of the spectrum, evolutionary game theory does not require rationality at all and instead finds strategies driven by replicator dynamics that will result in evolutionarily stable strategies. (See Katz, 2000, pp. 269-339.) In lieu of rational individuals playing games to their conclusion, evolutionary game theory bases its approach on large populations of individuals. Gintis (2000) notes:

Classical game theory describes socially and temporally isolated encounters, while evolutionary game theory describes macro-social behavioural regularities. The actors in classical game theory are payoff maximizers whose identity remains fixed during the course of play. By contrast, in evolutionary game theory, the players are constantly changing, and the central actor is a replicator—an entity having some means of making approximately accurate copies of itself. The replicator can be a gene, a species, a strategy, a belief, a technique, a convention, or a more general institutional or cultural form. (p. 300)

Axelrod (1984), in the much cited The Evolution of Cooperation, notes that “the evolutionary approach is based on a simple principle: whatever is successful is likely to appear more often in the future” (p. 169). Through the use of computer simulations running competing strategies in finitely repeated 2-person Prisoners’ Dilemma games, he demonstrated that the most effective strategy employed was a simple tit-for-tat strategy. The player would initially cooperate and then repeat whatever strategy was employed by the opponent in the previous move. The results of these simulations led Axelrod to the following conclusion:

Since the Prisoner’s Dilemma is so common in everything from personal relations to international relations, it would be useful to know how best to act when in this type of setting. However, . . . there is no one best strategy to use. What is best depends in part on what the other player is likely to be doing. Further, what the other is likely to be doing may well depend on what the player expects you to do. (p. 27)
Young (1998) offers an adaptive learning model of game theory that seeks to provide a middle ground between the hyper-rational actors assumed by classical game theory and the non-rational participants in evolutionary games. He writes:

I postulate a world in which people base their decisions on limited data, use simple predictive models and sometimes do unexplained or even foolish things. Over time, such simple adaptive learning processes can converge to quite complex equilibrium patterns of behavior. Indeed a surprising number of classical solution concepts in game theory can be recovered via this route. (p. xi)

Young (1998) bases his work on that of Thomas Schelling who “showed how micro decisions by many individuals evolve into recognizable patterns of macro behavior” (p. xii). He contrasts this approach with that of evolutionary game theorists with their reliance on evolutionarily stable strategies. His adaptive learning model posits an alternative conception of equilibrium that he calls stochastic stability, reflecting the capacity of a system to withstand “persistent random shocks” (p. xii) as compared to the isolated shocks more characteristic of evolutionarily stable strategies. Like evolutionary game theorists, Young is concerned with macro behaviors and relies not upon single actors playing a game to its conclusion but on individual actors drawn randomly from a large pool of possible actors. These actors “are not perfectly rational and fully informed about the world in which they live. They base their decisions on fragmentary information, they have incomplete models of the process they are engaged in, and they may not be especially forward looking” (p. 6). From this beginning, Young demonstrates how societal conventions may evolve from “the uncoordinated actions of many individuals” (p. 144). He concludes by noting:

When an interaction occurs over and over again and involves a changing cast of characters, a feedback loop is established whereby past experiences of some agents shape the current expectations of other agents. This process yields predictable patterns of equilibrium and disequilibrium behavior that can be
Behavioral game theory provides an alternative means of addressing the limited rationality of players by accounting for actual decisions made by game participants. By way of example, consider a game in which an individual wins by coming closest to guessing the average number between 1 and 100 that will be selected by all other players of the game. For the rational player, it is not enough to simply determine the average of the guesses. He must also assume that all other players will be determining the average and base their decisions on what others decide, thus driving the average lower. After a sufficient number of iterations of this process, all players will conclude that the only rational answer to this problem is zero.

In actual experiments, however, players do not select zero. They proceed through several steps of iterative thinking, but eventually get to a point at which they reach the limits of their mental capacity to pursue this line of reasoning. Likewise, in other experiments, results do not yield the equilibria that classical game theory suggests, but alternatives that reflect other factors participants bring to the game. Camerer (2003) provides a comprehensive survey of results of game theory experiments indicating that real people, or at least the real college students that tend to be the subjects in such experiments, do not behave strictly in accordance with the predictions of classical game theory models.

These alternatives to classical game theory attempt to address the social and psychological limits of the rationality of actors involved in strategic interactions. Classical game theory, while developing models based on completely rational actors, also concerned itself with addressing the boundedness of rationality. A class of games that
presented a problem for game theorists were those of incomplete information. A game is a game of incomplete information if the players’ strategies and payoffs are not common knowledge or if uncertainty exists concerning them. That is, some players possess private information. Game theorists were unable to find satisfactory solutions to such games until Harsanyi (1967) demonstrated that these games might be reconceptualized as games of imperfect information played by actors employing Bayes’s rule in assigning conditional probability to information about which uncertainty existed.

Despite the progress made in game theory to address concerns with regard to the limits to the rationality of participants, those desirous of using a game-theoretic approach to modeling network decision-making processes might be advised to remain mindful of Simon’s (1957) critique of the approach taken in classical game theory and statistical decision theory:

It is wrong in precisely the same way that classical economic theory is wrong—in assuming that rational choice is a choice among objectively given alternatives with objectively given consequences that reflect accurately all the complexities of the real world. It is wrong, in short, in ignoring the principle of bounded rationality, in seeking to erect a theory of human choice on the unrealistic assumption of virtual omniscience and unlimited computational power. (p. 202)

**Culture**

Wildavsky (1987) believes that the economic rationality at the foundation of game theory does not adequately explain the origin of preferences because economic models of human behavior take preferences as given. He proposes explaining this behavior through what he terms cultural rationality. He states, “An act is culturally rational . . . if it supports one’s way of life” (p. 6). Lane (1992) addresses a possible criticism of the concept of cultural rationality—that its use provides a mechanism through
which everything can be considered rational—by offering a perspective “which emphasizes the specific content of various political cultures (plural), and shows how these specific norms and beliefs can be described and used to predict specific behavior patterns” (p. 365). Orren (1988) expands upon this perspective when he observes, “Political research over the last thirty years suggest that self-interest, group identifications, and ideological goals all [italics added] influence thought and action significantly” (p. 24).

Wildavsky’s (1987) definition of culture—“shared values legitimating different patterns of social practices” (p. 5)—is far from universally accepted. Kroeber and Kluckhohn (1952) undertook an exhaustive survey of the word culture since its first use in an anthropological context in 1871. They found 164 different definitions. From their point of view, culture is a logical construct that is “based upon the study of behavior and behavioral products. It returns to behavior and behavioral products in that the concept of culture makes more behavior intelligible and, to an appreciable extent, makes possible predictions about behavior in particular areas” (p. 189). At the time of their writing, the consensus of social scientists was that:

Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; cultural systems may, on the one hand be considered as products of action, on the other as conditioning elements of further action. (p. 181)

The existence of this consensus did not preclude the subsequent development of other definitions of culture, Schein (2004) discovered, nor did it prevent his proposing another:
The culture of a group can now be defined as a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems [italics omitted]. (p. 17)

Schein’s (2004) definition “does not include overt behavior patterns’ (p. 19), a characteristic that distinguishes it from that given by Kroeber and Kluckhohn (1952). This apparent discrepancy is clarified by Schein (1996b) when he notes, “Overt behavior alone [italics added] cannot be used to decipher culture because situational contingencies often make us behave in a manner that is inconsistent with our deeper values and assumptions” (p. 11).

The definitions are similar in their emphasis on patterns, that culture is a characteristic of the social life of individuals, that it is a product of the history of the group, and that it reflects things that the group values. Schein (2004) identifies three levels of culture: underlying assumptions; espoused beliefs and values; and artifacts. The first two may be seen as corresponding to the implicit and explicit patterns noted by Kroeber and Kluckhohn.

**Political Culture**

For Wildavsky (1987), political culture is expressed through the political institutions that people create. He states, “Put plainly, people decide for or against existing authority. They construct their culture in the process of decision making. Their continuing reinforcement, modification, and rejection of existing power relationships teaches them what to prefer” (p. 5). He offers the proposition that there is a limited number of political cultures and describes a typology with four cultures. Lane (1992)
believes that this typology is too narrow but observes that political culture does demonstrate orderly patterns.

The political culture that characterizes a community is the pattern of “political attitudes and behavior of individuals and groups” (Almond & Verba, 1963/1989, pp. 30-31) that is observed there. Some authors have chosen to use the term civic culture to refer to local political culture so as to distinguish it from national political culture. While this follows the language of Almond and Verba, their use of the term was normative in character or at least descriptive of political culture in which the individual was not merely a subject of political institutions but acted as a participant in the political process.

The characteristics of political culture that make it civic have been summarized by Rice and Sumberg (1997) and Rice and Arnett (2001), who have followed Putnam (1993) in organizing these characteristics into four categories. The first of these is civic engagement, citizens’ concern for the common good. Second, there is evidence of egalitarianism on the part of citizens so that others are treated as political equals with similar rights and responsibilities in society. Third, citizens demonstrate trust of and tolerance toward their fellow citizens. Finally, voluntary associations play a significant role, creating the means for cooperation among citizens.

In distinguishing between political culture and civic culture, Reese and Rosenfeld (2002) describe the latter as “both a broader and more focused concept” (p. 41) than the former. Its breadth is characterized by its incorporating “patterns of understanding and community behavior” (p. 41). Civic culture’s focus, however, “relates specifically to local rather than national political arenas; refers more specifically to the life of a community and, thus, denotes the patterns or way of life in a local community” (p. 41).
Reese and Rosenfeld (2002) noted that local political, or civic, culture:

Serves as a penumbra, its attributes and components defining what issues are problems, what solutions are possible, how decisions are made, and who is involved in decision making. Local civic cultures embody shared visions—past present and future—and are the essence of the local community. Civic culture shapes everything from governmental institutions to governing regimes and to the policies employed. (p. 18)

Civic culture is a part of what Zjiderveld (1998) refers to as the “symbolic infrastructure of the city” (p.20). He identifies it and economic culture as central components of urbanity or urban culture. His use of the term culture encompasses the traditional concepts of meanings, values and norms, “the totality of the ways of thinking, feeling and acting of the members of a group” (p. 22), and the members’ “shared sense of identity” (p. 23).

In their study of local economic development, Reese and Rosenfeld (2002) adopt the four components of urban civic culture proposed by Banfield and Wilson (1963):

1. The appropriate forms of civic action: the strategies or avenues through which aspirations and activities can be accomplished . . .
2. Expectations about the likelihood of change, the set of problems and solutions deemed to be acceptable for the political agenda.
3. Appropriate tactics for emerging interest groups: how new groups learn from established interests to gain access to the system . . .
4. The balance between the internal forces of conflict and community: the balance between “complementary” interests and shared identity and the conflict that occurs as the natural result of different demands among groups and interests. (pp. 59-60)

Lane (1992) reviews the use of political culture both in terms of the definition and usage of the phrase as well as at the methodological level. She concludes that “a major difficulty in achieving a clear overview of the field of political culture has been the fundamental failure to settle on an operational definition of the internal structure of political culture, that is, of the variables of which it is composed” (p. 363). She proposes
incorporating formal models of political culture into models of decision-making and
suggests that such an approach could address what she perceives as the “conceptual
weakness (indeed failure) of rational-choice theory” (p. 364). She writes:

From this perspective, then, political culture would refer not to a single
classificatory scheme (traditional, civic, etc.) but to an approach or method
analyzing, for a given group, its basic beliefs, in order to develop a model of those
beliefs and their interrelations. A political culture model would be defined as a
complex structure of logically linked belief variables, shared by most of a group’s
members, about what motivates people; . . . who should get what, when, and how;
what roles each person is allowed or forced to assume; and how, overall the group
is to be organized. (pp. 354-355)

Organizational Culture

Hendry (1999) suggests that organizational culture cannot be separated from
societal culture generally. His argument is based on the influence of competing
organizational norms on the form that organizations take to accomplish work. He sees
two competing value systems–markets and hierarchies–between which organizations
choose as to the manner in which they structure themselves. He notes, however, that
changes in society generally are bringing forth advocates for a third form: the network
organization. While he does not see networks as a novel form, likening them to classic
market organizations, he observes that organizations are considering hybrids of market
and hierarchical organizations as a means of addressing contemporary challenges.

Focusing more on the internal activities of organizations rather than on the
manner in which they are structured, Handy (1993) classifies organizational culture into
four types. The defining characteristic of the power culture is the central source of power
or authority in the organization. The role culture “is often stereotyped as bureaucracy” (p.
185), “works by logic and rationality” (p. 185), and emphasizes the use of rules and
procedures. The task culture has a job or project orientation and is “appropriate where
flexibility and sensitivity to the market or environment are important” (p. 188). The fourth form, the person culture, is rare. This organization exists for the benefit of the members of the organization itself.

Both conceptions of culture in organizations suggest that there are norms and beliefs characteristic of organizations that influence the manner in which these organizations relate to their environment. Of interest, then, is the manner in which these norms and beliefs influence actors’ interactions with representatives of other organizations engaged in similar work.

Professional Culture

Finally, professional, or occupational, culture is seen as influential in decision-making generally (Schein, 2004; 1996a; 1996b) and with regard to economic development in particular (Feiock et al., 2003; Rubin, 1988/1999). Schein (2004) states, “If an occupation involves an intense period of education and apprenticeship, there will certainly be a shared learning of attitudes, norms, and values that eventually will become taken-for-granted assumptions for members of those occupations” (p. 20).

“Professions and organizations are alternative ways of institutionalizing values . . . and expertise” (Bell, 1985, p. 21). Bell notes the potential for conflicts between the duty of a professional to his or her employing organizations and the allegiance to the profession itself. This is particularly significant when those professionals have policy roles. “Insofar as organizations combine technical policymaking functions in the same officials, organizations strengthen the authority of professional values in the process of acquiring technical expertise” (p. 22).
Wilson (1989) found that professional norms were influential in policy implementation. In his analysis of decision-making in the Federal Trade Commission Office of Evaluation, he noted that neither the laws governing the Commission’s enforcement activities nor agencies policies provided much guidance as to which case should be pursued. “What does tell the employees of the FTC what to do is, to a significant degree, the professional norms that they have learned and the career opportunities those professions hold out to them” (p. 59). He defines as professionals those members of occupational groups that, in addition to the specialized training that they receive and their groups’ promulgation of a code of conduct, demonstrate through their behavior allegiance to that occupational group. “In a bureaucracy, professionals are those employees who receive some significant portion of their incentives from organized groups of fellow practitioners located outside the agency” (p. 60).

Schein (1996a, 1996b) has identified three cultures of management within organizations. The operator culture comprises line managers and workers concerned with the production work of the organization. The engineering culture includes those with specialized training and experience whose primary focus is on technology and related issues. The third culture is that of the executives, the CEOs and those immediately below them in the hierarchy. Their primary area of interest is those issues that relate to the survival of the organization.

In his case study of networks of agencies involved in environmental protection in California, Thomas (2003) found a somewhat similar breakdown in cultural types. He observed that “for public officials, cooperation is a practical and rational solution to certain kinds of problems, but to understand why it is rational we must first understand
how they interpret the world” (p. 3). He found that the cultural influences of community, organization, and profession varied depending upon the actors’ occupations. Line managers valued autonomy for the stability that it afforded their agencies. Professionals “split their loyalty between agency and profession” (p. 27). Field staff tended to identify more with the communities in which they were located the longer they lived in them.
CHAPTER 3

METHODOLOGY

Multiple Case Study Design

Determining the applicability of the model developed in Chapter 1 to actual practice and accounting for variances from the model required an exploration of decision-making in interorganizational networks. Multiple case studies of economic development coordination in several Michigan cities were undertaken for the purpose of comparing actual practice to the theoretical model.

The case study methodology is found within the qualitative research tradition. Creswell (1998) defines qualitative research as follows:

Qualitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyzes words, reports detailed views of informants, and conducts the study in a natural setting. (p. 15)

The nature of the research question, the desire to explore a topic, and the need for a detailed perspective of the subject of interest are among the reasons that Creswell (1998) offers for the use of qualitative research. He defines a case study as “an exploration of a ‘bounded system’ or a case (or multiple cases) over time through detailed, in-depth data collection involving multiple sources of information rich in context” (p. 61). Creswell contrasts ethnography and case study by noting that the former focuses on a cultural system and the latter on a system that is “bounded by time and place” (p. 61). Yin (2003) distinguishes between case studies and ethnography or grounded theory on the basis of the place of theory development. The design of case
study research forces the researcher to engage in preliminary theory development that is avoided in the other two methodologies. Yin writes, “For case studies, theory development as part of the design phase is essential, whether the ensuing case study’s purpose is to develop or test theory” (p. 28).

A case study, according to Yin (2003), is an empirical inquiry that “investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (p. 13). The phenomenon of interest with regard to the proposed research is interdependent decision-making and the context is interorganizational policy implementation networks. As was noted above, the model suggests the manner in which the decision to cooperate in a network setting differs from decision-making appropriate to markets or hierarchies. The case study, then, is an appropriate methodology for such an inquiry.

Yin (2003) provides a justification for using the case study methodology for research of the type that is the subject of this paper: “In general, case studies are the preferred strategy when ‘how’ or ‘why’ questions are being posed, when the investigator has little control over events, and when the focus in on a contemporary phenomenon within some real-life context” (p. 1). He notes that the case study “is used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena” (p. 1).

It might be argued that other research strategies, such as an experiment or a survey, might have been equally applicable to this research. The rationale for using the case study is based on the need to understand the process of decision-making on the part of multiple actors within the same bounded system. In testing the theoretical model of
interdependent decision-making, there was a need to examine decision-making within the specific context of interactions involving particular actors and organizations. The case study methodology is justified based on the inability to assure that appropriate contextual information can be obtained through any other method.

Yin (2003) addresses concerns regarding generalization from case studies, an issue of relevance given the small number of cases proposed for inclusion in this research and the narrow field of local economic development from which those cases are drawn. Yin distinguishes between analytical generalization and statistical generalization and notes that “case studies . . . are generalizable to theoretical propositions and not to populations or universes” (p. 10). Because the purpose of the case studies was to test and refine a model of interdependent decision-making, the case study was appropriate with regard to this approach to generalization.

Case studies can be based on single-case or multiple-case designs (Yin, 2003). A multiple-case design was selected in order to address what Yin terms replication logic, which he contrasts with sampling logic. Replication logic enables the selection of cases in an effort to achieve similar results or to achieve different results but within the theoretical framework of the research. For the proposed research, multiple cases were selected for the latter purpose in that it was assumed that both decisions to cooperate and to not cooperate are addressed within the logic of the model.

Case Selection

The cases for study were selected from Michigan home rule cities. The selection of a single state’s cities is warranted for two reasons. First, such a selection would reduce the influence of state-to-state differences in the manner in which the economic
development activities are conducted at the local level and insure comparability in the range of tools available to cities and other local entities. Second, while there is state involvement in economic development activities, much of the impetus for the broad range of such initiatives comes from the local level and is implemented through tools such as industrial park development, downtown development authorities, tax abatements and the like.

Home rule cities were selected over other forms of local government in Michigan for the purpose of establishing a threshold level of governmental organization that should be associated with the capacity for governmental involvement in economic development. The exclusion of villages and townships from the population likely eliminated from consideration units of government with capacity for and involvement in economic development activities. Many villages are small in population and resources and many townships are rural and provide minimal levels of governmental services. Their inclusion in the population from which the sample was drawn would have added needlessly to the work of identifying suitable case study communities.

**Economic Development Activity**

Not all home rule cities were suitable for inclusion in the sample from which the case studies will be drawn. Two issues were of concern. The first was the willingness of the community to undertake economic development activity. Some bedroom suburbs, for example, might have little interest in attracting industrial jobs and might lack an identifiable central business district. Some history of commercial and/or industrial activity in the city is an important indicator of the possible presence of interorganizational networks. A proxy for such activity is the amount of commercial and
industrial tax base in a community. Data regarding the 2003 state equalized valuation for commercial, industrial, and personal property were obtained from the Michigan State Tax Commission web site for all 264 home rule cities. These data were used to calculate the percentage of total state equalized valuation that were represented by combined commercial, industrial, and personal property. Excluded from the sample were those cities for which the commercial, industrial, and personal property valuations were more than one standard deviation above or below the mean for the population.

The exclusion of cities with a small percentage of such valuations has been addressed above. The decision to exclude cities with a large percentage of commercial, industrial, and personal property valuation was based on concern for avoiding communities in which commercial or industrial interests are dominant. Where these interests predominate, it is reasonable to expect that decision-making on the part of local officials might not reflect the full range of factors that would be found in other communities. In other words, the design sought to eliminate those communities that would reflect a “company town” culture that prevents true choice on the part of local decision-makers.

Excluding these cities helped to assure that those that were selected for case study analysis were generally reflective of the majority of communities. The decision to focus on “average” communities clustered about the mean was made for the same reason as selecting only a single state’s cities for study. The concept of interest is the way in which cultural factors serve to create a focal-point effect that determines whether or not there is an inclination toward cooperation. The inclusion of a larger variety of economic circumstances within the population from which sample communities are drawn could
have introduced factors that, while interesting in terms of local decision-making, were not relevant to the model.

The characteristics of the communities before and after exclusion based on percentage of state equalized valuation represented by commercial, industrial and personal property valuations are shown in Table 1.

Table 1.

*Characteristics of Populations of Michigan Home Rule Cities Before and After Exclusion Based on Commercial and Industrial Activity*

<table>
<thead>
<tr>
<th></th>
<th>No.</th>
<th>% Business State Equalized Valuation</th>
<th>Stand. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Min.</td>
<td>Max.</td>
<td>Mean</td>
</tr>
<tr>
<td>Before Exclusion</td>
<td>264</td>
<td>1%</td>
<td>89%</td>
</tr>
<tr>
<td>After Exclusion</td>
<td>180</td>
<td>21%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Capacity

The willingness of a community to engage in economic development does not mean there is a capacity to do so. McGuire, Rubin, Agranoff, and Richards (1994) state that “nowhere is the issue of insufficient development capacity more prevalent than in rural and other small communities” (p. 426). Accordingly, population was used as a proxy for development capacity. Concerns existed on both ends of the population spectrum. Small communities might lack sufficient capacity for the municipal government to be involved in economic development activities. Larger cities, on the other hand, might have such capacity that they are able to dominate all economic development activities, demonstrating little of the impetus for interorganizational coordination and
decision-making that is the subject of interest. Accordingly, both the smallest and largest cities were excluded from the study.

It might be argued that it was inappropriate to exclude smaller cities on the assumption that their municipal government would lack development capacity. The community might well demonstrate development capacity in the form of county government programs and initiatives on the part of the chamber of commerce or a private, nonprofit development organization that could operate independent of local government. That is true to a point but it must be recognized that the granting of tax abatements, the use of tax increment financing, and the establishment of downtown development authorities all require the involvement of the local governmental unit.

Because of the presence of many small cities and one very large city in the state, the distribution of cities by population is not normal. The logarithm of population was used, therefore, for the purpose of excluding cities, with any city whose population was more than two standard deviations above or below the mean removed.

Unlike the issues discussed above with regard to business investment in an “average” community, the concern with the development capacity of cities warranted excluding only those that are true outliers. The availability and use of development capacity in a community will reflect political and organizational cultural influences that were of interest in this study. Accordingly, including within the population the potential for significant variability, while excluding some for the reasons noted above, helped to assure that those communities selected for study had the potential to reflect these cultural differences.
Of the 180 communities resulting from selecting those within one standard deviation of the mean for business investment, 9 were outliers based on the population criterion. Not surprisingly, none of these were small communities; those without sufficient development capacity to generate business investment were eliminated in the earlier filtering procedure. The population from which study communities was drawn, then, was 171 communities.

Case Variety

Table 2 shows the classification of these communities by the Census Bureau following the 2000 census. This classification is based on Bureau definitions that permit distinguishing among three types of communities: metropolitan; micropolitan and other. Metropolitan and micropolitan communities differ from others by virtue of their being located in areas comprised of a county or counties that contain an urbanized area or urban cluster of at least 10,000 population. To be considered metropolitan the urbanized area must have a population of at least 50,000 persons. Distinctions are also made between principal cities and others. Definitions for terms used in this classification system are found at Appendix B.

Cities were selected at random from each of the groups identified in this matrix. Such a method does not yield a sample that is representative of the population nor does it assure that the sample reflects variation in cultural types, particularly with regard to political culture. This limitation might affect the ability to generalize from the sample to the population as a whole in terms of the range of potential cultural types. It does not, however, affect the ability to test and modify the model developed above. The utility of the model is its characterization of the dynamic nature of cultural influences on the
decision to cooperate. This aspect of the model is independent of cultural types and can be expected to operate in roughly the same manner regardless of the particular cultural types present in any specific community or network setting.

Table 2.

*Population Characteristics of Cities by Classification and City Type*

<table>
<thead>
<tr>
<th>Classification</th>
<th>Type</th>
<th>No.</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan</td>
<td>Principal</td>
<td>15</td>
<td>11,168</td>
<td>82,111</td>
<td>43,838</td>
<td>23,894</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>Other</td>
<td>90</td>
<td>815</td>
<td>86,602</td>
<td>12,460</td>
<td>15,263</td>
</tr>
<tr>
<td>Micropolitan</td>
<td>Principal</td>
<td>12</td>
<td>7010</td>
<td>25,946</td>
<td>14,665</td>
<td>5552</td>
</tr>
<tr>
<td>Micropolitan</td>
<td>Other</td>
<td>24</td>
<td>875</td>
<td>9131</td>
<td>3425</td>
<td>2274</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>30</td>
<td>993</td>
<td>8357</td>
<td>3362</td>
<td>2249</td>
</tr>
</tbody>
</table>

Selecting one city from each of the five groups, however, might have limited the potential for including high-capacity cities in the sample. This was especially problematic for metropolitan areas. As the descriptive statistics in Table 2 show, population varies widely across the two groups of metropolitan cities. The risk in using a random selection method is that only low-population, low-capacity cities would be selected and the model, then, would fail to account for unique features of high-population, high-capacity communities.

This limitation was addressed by selecting one city each from the micropolitan-principal, micropolitan-other and other categories and two cities each from the metropolitan-principal and metropolitan-other categories. For the metropolitan-principal
category, one city was selected from the eight cities below the mean for this category and one from the seven cities above the mean. For the metropolitan-other category, one city was selected from the 64 cities below the mean and one city from the 26 cities above the mean.

These seven cities were compared with lists of cities maintained by the Michigan Economic Development Corporation and the Michigan Chamber of Commerce to determine the presence of economic development organizations or chambers of commerce serving the community. Cities without one or the other were replaced by randomly selecting another city from remaining cities. In the same manner, cities were replaced when there was an inability to arrange suitable interviews. Table 3 shows the cities for which data were collected. Names of communities are altered to maintain confidentiality of interview subjects.

Table 3.

*Case Study Cities*

<table>
<thead>
<tr>
<th>Category</th>
<th>Principal</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Large</td>
<td>Centralia</td>
<td>Thermopolis</td>
</tr>
<tr>
<td>Metropolitan Small</td>
<td>Lakeside</td>
<td>Jamesburg</td>
</tr>
<tr>
<td>Micropolitan</td>
<td>Premiere</td>
<td>Westown</td>
</tr>
<tr>
<td>Other</td>
<td>Riverton</td>
<td></td>
</tr>
</tbody>
</table>

While the focus in this methodology was on cities, it was not assumed that selected city governments were active participants in interorganizational networks, as
Agranoff and McGuire (2003) have found. Rather, cities provide the context or environment within which various community-based organizations decide whether or not to coordinate economic development activities. In addition to city governments and their planning, community development, and economic development departments, it was expected that Chambers of Commerce, economic development agencies, county governments, community colleges, and other organizations played roles in some aspects of economic development.

Data Collection

The data for this research were collected primarily through interviews, a process described more fully below. Other data were collected to provide information about the context of economic development in the communities selected for study.

Documents

Data were obtained from documents produced during the preceding five years such as newspaper articles, brochures, annual reports and the like. These documents were obtained from or reviewed at local libraries and the offices of local government, the downtown development authority, the chamber of commerce, and other organizations involved in economic development activities in the community.

The initial review of these documents focused on obtaining general impressions about the conduct of economic development in each community. A further examination of the documents was undertaken to highlight cultural characteristics of the communities and organizations involved, particularly with regard to cooperation or the lack thereof.
Interviewing

The principal data for these case studies were collected via interviews conducted with individuals in the selected cities who are involved in economic development activities. These individuals were identified by contacting key persons in city government, the chamber of commerce, and other recognized organizations. In general, these individuals were involved in chamber of commerce work and economic or community development. No individuals from organizations involved exclusively in tourism or workforce development were interviewed. In addition, efforts were made during interviews to identify one or more key informants, individuals who were knowledgeable observers of the economic development scene in each community but who were not current participants.

Rubin and Rubin (1995) draw a distinction between cultural interviews and topical interviews. The former are concerned with the “norms, values, understandings, and taken-for-granted rules of behavior of a group or a society” (p. 28). In contrast, topical interviews focus on “a particular event or process, and are concerned with what happened, when, and why” (p. 28). The nature of this research did not readily permit the selection of one approach over the other. On the one hand, cultural elements, and their contribution to the focal-point effect, are important to an understanding of how network participants choose whether or not to cooperate with one another. On the other hand, the process of forming such relationships takes place within the context of particular economic development events, an understanding of which might be important to characterizing the rationale behind the choice of whether or not to cooperate.
As important as comprehending particular events or processes is, it is the cultural foundations of the behaviors that are involved in those events or processes that is of particular interest. Rubin and Rubin (1995) note that culture “is about making choices and being constrained not to make other choices according to underlying norms and expectations” (p. 170). Cultural studies “ask how norms and values affect particular behaviors of concern to others” (p. 173). Testing the model of interdependent decision-making developed above required explaining the role of cultural attributes in influencing the choices that individuals make in network settings.

The significance of distinguishing between these cultural interviews and topical interviews lies in the approach that is taken in interviewing network participants. In the topical interview, “the researcher is generally looking for detailed factual information” (Rubin & Rubin, 1995, p. 29) and “plays a more active role in directing the questioning and in keeping the conversation on a specific topic” (p. 29). For cultural interviews, however, the researcher elicits stories and narratives from which can be inferred norms and values applicable in the particular setting. The interview process was designed to accomplish principally the latter objective. A total of twenty-seven interviews were conducted between September 2006 and April 2007.

Interviews followed a protocol—including as Appendix C for key informants and Appendix D for participant actors—that included a number of standard, open-ended questions intended to elicit information about decision-making on the part of key actors and the cultural influences that affected the behaviors and actions of these actors. Interview questions were designed so as to ask explicitly about norms, values, beliefs, and expectations as well as to learn this same information through examples and stories.
With regard to the latter, interview participants were requested to offer stories of success and failure and to explain why these were considered to be successes or failures. Follow-up questions were used throughout the interview process to gain as complete an understanding as possible of how various cultural factors were influential in the economic development process.

Interviews were conducted with between two and five individuals in each community. Gaining an understanding of the factors influencing the choice of whether or not to cooperate with one another was dependent on a frank and open discussion on the part of interviewees. To facilitate such a discussion, interviewees were assured of the confidentiality of the interviews, that the names of interviewees and their communities would not be used in the dissertation, and that other information would be presented in such a way as to prevent identification of comments with particular individuals or communities.

With the permission of interviewees, the interviews were tape-recorded. Interviews were transcribed and coded using qualitative data analysis software. Key terms used in coding were those related to cooperation, conflict, payoffs, culture, expectations and the like. Of particular importance were those terms that indicate cultural norms, values, beliefs, and expectations.

Focusing on norms, values, beliefs, and expectations is not an arbitrary choice. As was noted in Chapter 2, there is no single definition of culture that is used by researchers and, perhaps as a consequence, there is no agreed upon list of cultural elements. By way of example, and with no intent to imply a comprehensive or exhaustive survey, these lists can include norms (Handy, 1993; Rubin & Rubin, 1995; Schein, 2004), values (Kroeber
& Kluckhohn, 1952; Schein, 2004), beliefs (Handy, 1993; Rubin & Rubin, 1995),
eXpectations (Rubin & Rubin, 1995), ideas (Kroeber & Kluckhohn, 1952), rules (Rubin
& Rubin, 1995), assumptions (Schein, 1996b; 2004), artifacts (Kroeber & Kluckhohn,
1952; Schein, 2004), and rituals (Schein, 2004). When reference is made to these
elements, there is often no definition given.

The choice to focus on certain elements requires the exclusion of others. The
design of the research did not seek information specifically about artifacts, rules, or
rituals. While on occasion interview subjects were asked, or volunteered information
about, ideas (for example., the meaning of community or economic development), this
was not the primary focus of the interviews. Instead, information was sought about those
cultural elements that were believed to be influential in the choice of cooperative or
noncooperative behavior. These were norms, values, beliefs, and expectations. So as not
to repeat the practice of other scholars, the following meanings are given: Norms are
customary and accepted way of doing things; values are those things that are held to be
good and the converse; beliefs are those things that are held to be true and the converse;
and expectations are circumstances in which specific actions are assumed to occur.

The interviews were structured to seek an understanding of the cultural context
for economic development decision-makers by exploring three cultural realms that were
believed to be significant: the political, the organizational, and the professional. In
probing for information about political culture, the desire was to seek a description of the
forces within the community that influenced the work of economic development. The
expectations of citizens, elected officials, and key stakeholder groups were of particular
significance. It was believed that organizational culture would similarly influence
economic development activities for interviewees by establishing goals and limitations that would represent boundaries within which the individual worked. Finally, the norms and beliefs associated with the professional group to which the interview subject belonged (i.e., community developer, city manager, chamber of commerce director, etc.) were investigated to learn how educational background and affiliation with peers affected the way in which he or she performed his or her job.

Data Interpretation

Interpretation of the data was approached in two ways. First, data from across all interviews were analyzed to gain an understanding of the role that cultural elements play in influencing cooperation or conflict in network settings. Second, the same data were examined on a community-by-community basis to examine how cooperation and conflict were addressed within the context of particular events and settings in these places. The primary focus of this portion of the analysis was on how culture and culture change influence actors’ behaviors and actions.

The data were interpreted in light of the proposed model. Of particular interest was the impact of cultural elements in focusing actors’ attention on cooperation and, in those instances in which cooperation is not evident, how culture influences resistance to, or impedes movement toward, cooperation.

Using language from game theory, the model tested through this research has equilibria for both cooperation and non-cooperation. The question of concern was how in a given situation or context actors come to focus on one or the other of these equilibria. It was conceivable that in certain of the situations that were explored, one of the actors is a
focal arbitrator (Myerson, 1991) whose suggestion in favor of cooperation is sufficient to cause other actors to adopt that option. The data, then, might be expected to explain why that individual performs that role in a particular context.

In addition to the role of a focal arbitrator, however, there is the entire cultural context within which a given actor finds himself or herself. The choice of the case study method of research provides the opportunity to explore and elaborate this context within given decision situations as a means of identifying how culture influences the decision to cooperate. The data, then, were examined for the purpose of providing insights that inform the model. The primary focus in analyzing these data was to identify those norms, values, beliefs, and expectations that influence actors’ choices as to whether or not to cooperate with other actors.

Since the proposed model of interdependent decision-making is one in which culture acts as a focal-point effect, exploring how it works in this regard was intended to enhance the utility of the model for those interested in its application to policy implementation. As Myerson (1991) notes:

The focal-point effect defines both an essential limit on the ability of mathematical game theory to predict people’s behavior in real conflict situations and an important agenda for research in social psychology and cultural anthropology. It should not be surprising that game theory cannot provide a complete theory of human behavior without complementary theories from other disciplines. (pp. 113-114)
CHAPrer 4

FINDINGS

Community Profiles

Westown

Located in the Upper Peninsula near Michigan’s border with Wisconsin, Westown is home to fewer than 3,000 people in a county of 27,000. It features a main street business district a few blocks in length. Other commercial development has occurred on the outskirts of the city along the state highway. There are some small industries in the community but the majority of residents commute to larger cities nearby for employment.

Westown’s city manager is the primary actor involved in economic development activity in the community. He also serves as the director of the city’s downtown development authority. His efforts are supplemented by those of the director of a county-wide economic development organization.

The current structure of the economic development organization was established in 1999 or 2000. Prior to that time, industrial development, tourism, and chamber of commerce activities were each managed by a separate administrator reporting to distinct boards of directors. Following the departure of two of those administrators, operations were consolidated under a single head. Local governments pay the largest amounts of dues to the organization and their representatives serve on the board of directors.
Industrial development marketing assistance is provided to Westown through the economic development organization’s affiliation with the Upper Peninsula Economic Development Alliance, a voluntary association of economic development organizations that contribute funds for promotion and attraction purposes.

The area has shown a stable economic environment since the cessation of mining activities in the late 1940s and early 1950s. The primary economic development efforts in Westown are dedicated to reinforcing its identity as an attractive residential community with good schools and an attractive central business district. This is in part a reflection of the costs associated with developing infrastructure for industrial development, the sentiment of community residents in favor of such an approach, and an acknowledgement that, with its electric and cable television utilities to supplement the more traditional water and sewer, the city is less dependent upon tax revenues from industrial development.

Premiere

Owing to its historically strategic location in the eastern Upper Peninsula, Premiere is among Michigan’s oldest communities. Its economy reflects a mix of commercial and industrial employment for the city’s 14,000 residents, but economic stability traditionally has been dependent upon government jobs. Those lost to a military base closure in the 1980s have been recovered partially through the building of state prisons and, more recently, due to homeland security needs.

A combination of economic development tactics is employed by various public and nonprofit organizations in Premiere. The city’s efforts are divided between the economic development corporation, which is focused primarily on industrial
development, and the downtown development authority. The county-wide chamber of commerce has 400 members and is in the process of redefining its mission in the community. Other active organizations with somewhat narrower agendas include a convention and visitors bureau, a state university, and an Indian tribe. A recent conflict between the economic development corporation and the downtown development authority spurred the formation of a task force to develop a more coherent economic development strategy. Task force membership has been expanded to include the chamber of commerce and tribal representatives. In addition, the chamber of commerce director and others have been promoting the enterprise and entrepreneurship ideas of Dr. Ernesto Sirolli.

Riverton

Riverton, with a population a little above 5,000, is one of the small communities in the northern Lower Peninsula whose economies depend primarily upon tourism. Its location provides access to the Great Lakes, and one of the keystone projects growing out of a recent downtown planning effort was the development of marina facilities. Other efforts are focused on creating a quaint central business district environment comparable to that of more well-known communities in the region such as Petoskey and Harbor Springs.

The community is not content to rely solely on tourism, however, as a source of employment for its residents. Some industrial jobs have been recovered following the closure of a plant affiliated with a major corporation. During the time that interviews were being conducted in the community, efforts were being made to finalize an affiliation with a multi-county economic development organization that had developed a reputation
for success in facilitating the development of economic base jobs in the region. This affiliation was made possible by a change in leadership at the county level, with the election of two pro-development commissioners and the employment of a new county administrator. A reinvigorated county economic development corporation is chaired by the Riverton city manager. This affiliation was also strongly supported by the director of the Riverton chamber of commerce.

The decision to join with the multi-county economic development organization also means the duplication of some of the services provided by a regional planning organization that serves the same area.

The chamber’s primary economic development role reflects the tourism base of the local economy and involves managing festivals and community events. The Riverton city manager also serves as downtown development authority director.

Lakeside

Unlike the other six communities included in this research, Lakeside and its surrounding area have avoided most of the decline in manufacturing employment that has characterized Michigan in recent years. Although it continues to be perceived as a residential suburb of the neighboring community with which it shares core community status in the metropolitan statistical area, in fact it has seen significant industrial and commercial employment growth. A former township that was incorporated as a city in 1968, its available land resources have benefited the area by providing industrial park space to accommodate the growth needs of the region. In addition, its location adjacent to the intersection of two interstate highways has encouraged growth along a commercial corridor that has become home to shopping malls, restaurants, and “big box” retailers.
Despite this growth, Lakeside remains a preferred location for housing in the area. Its 2000 Census population was more than 22,000 and the city manager believes additional growth has occurred since then.

Local officials see continued commercial and industrial growth as essential to the future of city government. The city’s low millage rate is a remnant of its township origins, and state funding cutbacks are presenting challenges for the city in providing accustomed levels of local services. Residents have defeated ballot initiatives designed to raise that rate and some resistance to granting certain business tax abatements has become evident.

Despite its unilateral success, city leadership has adopted a regional perspective on issues of economic development. A former mayor was instrumental in adding Lakeside’s support to efforts to restructure county-wide development organizations so as to split chamber of commerce and industrial development functions into two distinct organizations. Lakeside contributes financially to the economic development organization. A major initiative of this organization is the redevelopment of the downtown area of the neighboring core community.

The city’s economic development efforts are a function of the community development department. In addition to traditional plan review functions, that department has responsibility for development of industrial park space. As a consequence of the reputation that Lakeside has developed, many developer contacts are made directly with the city rather than through the economic development organization.
**Thermopolis**

Thermopolis is located in southeast Michigan and is among the oldest cities in the state. It accommodates the needs of its 22,000 residents on four square miles of land, making it among the most densely populated of the state’s cities. Accordingly, it has little land available for new development. Many of its residents have depended upon employment in the automotive industry. A major state university is located within the city limits.

Much of the city’s economic development activity is focused on its downtown commercial areas. It is unique in having established two downtown development authorities. These organizations have collaborated in the hiring of a single director. One of the DDAs is organized around the traditional central business district. The second is focused on an older historical area. The latter has been the more successful of the two in terms of attracting both new investment and visitors, and this has resulted in the expression of some jealousy from business owners in the traditional downtown.

Because it is built out, city economic development efforts are oriented for the most part toward redevelopment. A major reuse project on the periphery of the traditional downtown has been underway for several years. The city assembled a number of parcels of land and has worked with two separate developers, both of which withdrew from the project before work commenced. The more recent of the two proposals was for a mixed-use development that would have included condominium housing, office and commercial uses.

County communities and organizations have ceded control over industrial development efforts to a relatively new economic development organization that recently
merged with a similar organization also serving the county. This new organization has been aggressive in marketing the region, branding it with the name of the best known of the county’s cities. This decision created some discord from other cities and did nothing to reduce the rivalry between Thermopolis and this city.

A distinctive feature of Thermopolis is the awareness on the part of city officials of the role that grass roots volunteerism plays in community life, including its economic life.

Centralia

The largest of the study cities with a population of nearly 80,000, Centralia has developed a structure for economic development that reflects both specialization and a complex mixture of public and nonprofit organizations. Those activities that fall under the greatest city control tend to be focused on neighborhood enterprise development and brownfield redevelopment. In addition, it provides tools that are used by other development organizations working in the city. The downtown development authority is used primarily for the functions it is permitted to exercise under the state enabling statute. Its operations have been melded into an umbrella organization, organized as a private, nonprofit corporation, that also includes arms devoted to land assembly and parking system management. Industrial attraction efforts for the county are the responsibility of another private, nonprofit entity that receives almost no public funds for its operations. Other organizations active in various aspects of economic development include the chamber of commerce, the local university and community college, neighborhood associations, and a community foundation.
The structure established for economic development reflects a couple of competing community interests. While public officials express the need for transparency in their operations, the nature of economic development work mitigates against publicizing activities in this arena. Perhaps owing to its perceived success, the public has acquiesced to the desires of the economic development organization for secrecy in its operations.

Having an active and aggressive independent economic development organization has permitted the public entities to pursue a strategy that is more clearly focused on community development. More precisely, their efforts have been directed toward projects intended to create a more attractive environment, particularly in the downtown, while also addressing challenges in some of the city’s needier neighborhoods.

The current structure for downtown development has been in place for many years, although it is not without its critics. By contrast, the area-wide economic development organization was formed only seven or eight years ago after a long history of failed attempts.

Jamesburg

Of the seven cities included in this study, Jamesburg is the one that has seen the most dramatic of economic reversals. A factory that had employed thousands of local residents closed in the mid-1980s, spurring an exodus of residents that resulted in a population decline of nearly 50% to its current 5,000. This event still influences community perspectives regarding economic development.

The Jamesburg city manager is the individual primarily responsible for economic development activity in the community. The city has contracted with the chamber of
commerce to administer its downtown development authority. Accordingly, these two organizations operate in tandem in promoting business interests, although the chamber perceives a somewhat broader interest in promoting the entire community. The boards of these organizations recently held their first joint meeting to insure effective coordination of activities.

Jamesburg is assisted in its economic development efforts by a regional economic development organization that is active in industrial attraction and expansion outside of the urban core of the county. In addition, the county community development department supplements and supports the efforts on the part of Jamesburg officials.

Community Type

The design of the multiple case study approach was intended to provide variety in types of cities so as to attempt to obtain data that might be as broadly representative of the range of home rules cities in Michigan as possible. As noted in Chapter 3, cities were randomly selected according to a classification system so that principal and other cities from metropolitan, micropolitan and other areas were included for study. While the population of cities ranges from 3,000 to 80,000, none of the cities would be considered large. Accordingly, all are dependent upon other organizations for carrying out some portion of the economic development activities with which they are involved. It is possible, then, to examine the data for differences according to community type and for commonalities that exist independent of community type with regard to factors relevant to the conduct of economic development in a cooperative manner.
Four of the cities—Centralia, Thermopolis, Lakeside, and Jamesburg—are metropolitan communities. Jamesburg stands apart from this group in character. It is found in a small metropolitan area and is far enough from the center of population that it is more like cities classified as micropolitan-other or other. The other three cities have the character typically associated with those located within more populous, urbanized regions but this similarity does not mean that they approach economic development in the same way. Centralia and Thermopolis are both older communities; redevelopment is a significant portion of the work that they do. For Centralia, downtown development is of considerable significance to the community’s identity. The DDA director referred to the central business district as the downtown for the entire region. For Thermopolis, a built-out community with limited land resources for industrial development, the downtown is a way of maintaining an identity distinct from the region’s principal city, and that is the principal focus of economic development work in the community. Lakeside has no downtown and relies on that of the other principal city in its region to provide that recognizable urban feature. It is also the community in which local officials expressed most clearly the interest in a regional perspective to economic and community development.

Premiere is the largest city in its region and lacks regional partners for economic development. While the county government operates an economic development corporation, its focus is on a single property outside the city, and there are few obvious reasons for the city EDC to collaborate with it. While the city manager indicates that organizations will work together on projects for which there is a definite goal in mind, it
appears that in general there has been a lack of cooperation among community
organizations, a situation that appears to be undergoing change.

The remaining three communities—Jamesburg, Riverton, and Westown—are the
smallest of those studied and would seem to have the most to gain from collaboration.
The primary economic development actor in each is the city manager. Reflecting the
challenge of economic development capacity in smaller communities, all three city
managers indicated that the responsibility for the range of management tasks made it
difficult to devote adequate time to economic development work. The responses to these
challenges have been varied, however. The Westown city manager has been a supporter
of regional efforts—“I like the regional approach myself” (Personal interview, October
26, 2006)—but devotes most of his attention to residential development and downtown
issues. The Riverton city manager has a close working relationship with the chamber of
commerce director and serves on the county economic development corporation board of
directors. In that role he has been a supporter of efforts by the county to join an existing
multi-county economic development organization. He and the chamber executive both
indicated that they are not proactive with regard to economic development, responding to
opportunities as they present themselves. Jamesburg’s city manager sees economic
development as a key part of her job and of great importance to a city still recovering
from a major plant closing twenty years earlier. She is aware of the resources available to
her through an area-wide economic development organization and the county community
development department. Her focus is on economic base jobs and restructuring the local
economy. Downtown development does not appear to be a part of her overall strategy,
leading to some friction with the downtown development authority director.
Coordination

The common theme among all seven of the communities related to the opportunity for coordination to improve the effectiveness of economic development efforts. Not all communities chose the same path, however, to achieve this coordination. Premiere had a long history of separate city and county economic development corporations but had only recently hired a downtown development authority director, eliminating EDC director and city manager involvement in the administration of DDA affairs. Westown and its neighboring communities chose, for fiscal reasons, to consolidate chamber, economic development, tourism, and brownfield redevelopment under a single administrator. Riverton’s city manager serves as chairman of the county EDC and the city had been receiving economic development services from a regional planning organization, but he supported the county’s decision to join an area-wide economic development organization. The area-wide economic development organization that services Thermopolis merged recently with a county-wide organization performing other economic development services. Perhaps most radical of all, Centralia abandoned a broad-based economic development coalition in favor of a privately-funded organization. An executive with the local community foundation observed, “They wanted their organization to be small in terms of board of directorship. They wanted to be business oriented. They didn’t want a bunch of politicians in it... [T]hey didn’t want government influence in it whatsoever” (Personal interview, April 2, 2007).

Administrators involved in economic development activities utilized informal methods to coordinate their work as well. The Premiere chamber of commerce director noted the ease with which she finds opportunities to communicate with other actors in the
community: “Because we’re a small community I think we’re all in service clubs together and things like that. We see each other and we can talk about things and really try to make things work jointly in that regard” (Personal interview, December 1, 2006). The Centralia economic development director stated, “I usually meet on a monthly basis with [area-wide economic development organization officials] and just chew over what’s going on” (Personal interview, February 2, 2007) and another actor said of his relationship with the director of an area-wide economic development organization, “we try to have lunch at least once or twice a month just to know what’s going on in all the areas” (Jamesburg’s county community development director, personal interview, April 17, 2007). The director of the Lakeside area chamber of commerce described the importance of these relationships in heading off problems with city officials:

We build relationships and we have relationships. So people can call me and talk to me. Even if I get too private sector, if I get too far to this side, I'll be called back to say, “Hey, we do have some ordinances here, and we still have to abide by the ordinances.” [Area-wide economic development organization] has monthly meetings with all the municipalities and I sit in on all of those and then some of our municipal people are involved in some of the chamber projects. There's pretty much ongoing communication so we can pick up the phone and talk to each other. (Personal interview, October 3, 2006)

Research Questions

Culture

The first research question (See Chapter 1.) was concerned with the impact that cultural influences from the political environment, the employing organization, and professional affiliations had on actors’ decisions to cooperate in the performance of economic development activities. Questions posed to interview subjects sought to elicit an understanding of the norms, values, beliefs, and expectations that represent the
cultural context within which the economic development actor works. It was proposed that the actor’s type with regard to cooperation would be influenced by these cultural attributes as would the actor’s response to focal-point effects. Of particular interest were those expressions of culture that related to growth and development matters or that would have an impact on regional approaches to development.

**Political Culture**

In as much as economic development was characterized as a wicked problem, it perhaps should be unsurprising that there is little in the way of a coherent expression of political cultural attributes that are associated with it. Actors typically stated that citizens either had no specific expectations with regard to economic development or that these expectations were expressed in such simplistic terms that they were of little importance in influencing actions taken by the actors. Several of these administrators indicated that public sentiment toward development could be summed up in one word: jobs. Riverton’s chamber of commerce director said, “I think people are still waiting for that next big plant to come in and try and solve everything,” (Personal interview, September 15, 2006). Similar statements were made in other communities.

Five of the seven study communities are older, established cities with limited opportunities for new development. In contrast, Lakeside was incorporated comparatively recently and has seen considerable development over its history. Additional land is available for development, and there is some tension felt by city officials involved in development in addressing citizen concerns about the loss of Lakeside’s remaining rural character while responding to a city commission that remains pro-development. A significant portion of the land in Westown is likely to remain undeveloped, according to
the city manager, due to the cost of extending utilities. He believes that Westown residents want to see job growth while retaining the city’s small town appeal. Often, perceptions of the city’s economic well-being are expressed in fairly basic ways: “My community specifically looks more at the empty buildings. If there's an empty warehouse, [if] there's an empty building, not so much even an empty lot, an empty storefront, they view that we are going downhill” (Westown city manager, personal interview, October 26, 2006).

Similarly, other sources of political cultural influences such as elected officials, interest groups, or the media failed to exert significant influence on actors in the majority of communities. Exceptions to this were found in Premiere, in which a minority of city commissioners reflected negative attitudes toward economic development initiatives, and in Centralia, in which the interest of the media in economic development activities led to a heightened concern with transparency on the part of government officials in the conduct of the public business and also in the development of organizational structures that concealed some aspects of the economic development process. Neighborhood development groups in Centralia are close, and sometimes skeptical, observers of the development process, according to the economic development director:

You know, there’s this tug and pull, especially as it goes with economic development in downtown and the big [developers], because we’ve got very strong neighborhood groups, very strong. And then they see the dollars and the incentives that are going to big projects. They know that there is a billionaire out there that’s pouring some money into the downtown but at the same time getting some pretty substantial incentives. And so sometimes there is that friction, and really that is a balance that we have to come up with. (Personal interview, February 2, 2007)

Citizen attitudes toward development, perhaps because of their failure to express them in meaningful ways, appeared to exert little influence on the practices of
administrators. In Lakeside, developers are required to engage in discussions with residents about negative impacts of their development and work to mitigate these. In general, however, citizens are seen as ill-informed on the topic of economic development:

The people who are more involved, the people who are involved on a lot of the boards and the downtown development authority, planning commission, or other groups, understand that it is a little bit more difficult than wishing for it. Some of the general population that is out there probably has an unrealistic expectation. But you don't see it too often. You’re apt to see this is when it's been stirred up a little bit around election time. (Premiere economic development director, personal interview, November 30, 2006)

Thermopolis is the exception among the study communities. An engaged citizenry there, led in part by an active blogging group, has been involved in discussions about downtown development. Community organizers held a forum on the topic, inviting city administrators to attend only at the end of the planning process for the meeting. Neither the DDA director nor the community development director, both of whom are new to their positions, reflected negatively on the peripheral roles that they played. Both expressed respect for the efforts of grass roots groups in the city. The DDA director stated:

Among the community, when I talk to people, they just feel overall, in addition to the general tension that exists between public bodies and the community at large, there’s a distrust of what was being done [in downtown development]. They didn’t feel that they were being informed well enough with what was happening. They didn’t feel that transparency there. So this process I thought a very good way to have a third party come in, put on this event, . . . [and] invite local residents who are concerned and want to see good things happen downtown. (Personal interview, December 8, 2006)

There were few indications of political cultural attitudes toward regional approaches to development that would influence a city’s administrators’ willingness to work with area-wide economic development organizations. Lakeside officials noted the influence a former mayor had had in the establishment of such an organization and in
spurring the city’s involvement in regional initiatives. The director of the economic development organization serving Westown noted differences between elected officials’ and administrators’ attitudes toward regional approaches to development:

It's the elected officials that have the tendency of, “Well, I think that community has enough. We should be getting more in.” Or, “We want to be the leaders in economic development. They're getting all the press. We're not getting all the press.” You don't hear that from staff. (Personal interview, October 27, 2007)

Norms, Values, Beliefs, and Expectations. Several characteristics of the public life of the community influence actors with regard to their approach to economic development. Regionalism is one of these issues. Communities may be classified according to whether or not they have a regional perspective when undertaking this task. (Beliefs regarding regionalism are also reflected in organizational culture and will be addressed below.) The leadership in most communities has adopted a regional perspective through the formation of or affiliation with area-wide economic development organizations. Premiere is the lone exception.

A second dimension of political culture is the role of the citizenry and its representatives: i.e., media, interest groups, etc. As noted above, citizen expectations concerning the local economy are typically expressed in simplistic terms. Thermopolis is an exception, having an engaged citizenry that monitors government activities and volunteers to assist in areas that are important to its members. In Centralia, the interest of news media and neighborhood groups has resulted in an odd contrast in which public officials espouse transparency but tolerate the development of organizations that conceal activities. Most communities receive little citizen, interest group, or media attention regarding their economic development activities.
A possible third dimension of political culture concerns the appropriateness of public and nonprofit sector involvement in economic development. No variation is seen here, no doubt due to the manner in which study communities were selected.

One aspect of political culture evident in some communities was whom residents perceived as models or rivals. As has been noted, Thermopolis residents express some jealousy toward a neighboring community that is perceived as being more successful at promoting itself. Riverton’s downtown was contrasted with those of Petoskey and Harbor Springs and Premiere’s to that of Traverse City. These sentiments did not appear to influence significantly the actions of economic development actors, although the Premiere DDA director made the following observation:

A. Traverse City is referred to a lot. Everyone uses Traverse City as like the gold gem of the West Coast of Michigan. So a lot of times when we refer to stuff here in Premiere, [people say], “Well, why are you doing that?” We're like, “Well, we got that suggestion from Traverse City. This is what Traverse City is doing. So, we’re going to try it here.”

Q. Before you move off that point, how do people respond to that? Does that give it . . .

A. It gives it . . . It’s like credence. They'll be like, “Yeah, let's give that a try.” At the same time I'm very hesitant about doing that because, what makes Premiere Premiere is its culture . . . I personally don't want to be Traverse City. (Personal interview, November 30, 2006)

Organizational Culture

Comments concerning organizational culture and organizational expectations relative to economic development were diverse. Most focused on specific tasks or roles that actors played in the economic development process, but an executive with the community foundation in Centralia noted:

You can layer in everything that’s being done in the downtown under the theory that a strong downtown, a strong core downtown, is key to a strong central city. A strong central city is key to a strong county. And a strong county is key to a strong
region. So we kind of follow that path, that outline, that feel for what we do in the area of economic development. (Personal interview, April 2, 2007)

Governing bodies in Jamesburg and Westown relied upon their appointed administrators for direction as to the organizations’ involvement in economic development. The city manager in Riverton felt little pressure from his council to change a largely reactive approach to development, indicating that its members understood the other demands of his position. Other actors were able to express a clear sense of mission for their organizations. The community development director for Jamesburg’s county, for example, said:

When it comes to direct economic development activities, we focus our efforts really on two different things: one, direct business services, [i.e.,] retention, expansion of existing businesses, recruiting of new businesses; and, two, what I would call physical development projects, [i.e.,] infrastructure projects, assistance with municipal finance if there’s bond projects that need to be undertaken to help the community. (Personal interview, April 17, 2007)

The Lakeside area chamber of commerce director expressed a clear business advocacy role for her organization. Area-wide economic development organizations generally outlined specific tactics such as business retention and recruitment with which they are involved. City organizations, on the other hand, tended to view economic development within the larger context of the mission of their organizations, perceiving it as an element of the larger community development program with which they are involved.

It appeared that administrators in most organizations, even if they lacked clear economic development missions, understood the boundaries within which they worked. The Centralia economic development director indicated the charge from the city manager was to “bring the projects to fruition” (personal interview, February 2, 2007), but
delineated the specific areas within which his organization was expected to work and how those areas related to the work of other organizations in the community. The Lakeside community development director said, “A lot of it starts with the city council and what their expectations are and their reactions to different projects,” and further noted, “Even though times are tough, we don’t think real economic development is taking something from across the [city] border and bringing it here. Ultimately the area doesn’t gain” (personal interview, September 29, 2006).

As is to be expected, area-wide organizations tended to see their work from a regional perspective—“Regional economic development is the only way to go.” (Lakeside area chamber of commerce director, personal interview, October 3, 2006)—but few of the officials associated with other organizations expressed quite as definitive a view on the subject. On the other hand, there were few complaints about regionalism from city officials, although the Lakeside city manager noted, “What I’m referring to are the regional economic development organizations. I think they're helpful but, at the end of the day, I think we're doing as much for economic development in our own community as anyone else” (Personal interview, October 10, 2006).

Norms, Values, Beliefs, and Expectations. While community support for regional approaches to economic development was the norm, some variation in commitment was shown from the organizations within those communities. As expected, area-wide organizations espoused this value. City organizations were more mixed. Some city officials clearly saw the futures of their organizations tied to the health of the regional economy. Others took a narrower view.
Another dimension of organizational culture is the role of governing boards. In several city organizations, governing boards were seen as dependent upon professional staff for leadership in economic development. Lakeside is a hybrid in which professional expertise is valued but elected officials provide input on development proposals to guide staff. In several nonprofit development organizations, board members serve as a proxy for the community generally and are used to set development policies and legitimate the actions taken by the organization.

One key area of variation between the norms of organizations involved in economic development is whether they are process-oriented or project-oriented. The former would typically include area-wide economic development organizations and chambers of commerce that establish and maintain a variety of programs and services related to business retention, marketing and the like. Many administrators associated with cities, perhaps due to the diversity of tasks they are required to perform, tended to identify their work in terms of specific project needs to which they would respond.

A related expectation concerned whether actors identified their organizations as proactive or reactive with regard to economic development activities. The type of community did not appear to be a factor in whether one or the other behavior was in evidence.

In all organizations, economic development was valued positively, although there was evidence of emerging beliefs consistent with this value in favor of a broader community development approach. In two communities, sustainability was identified as a new value that was viewed positively.
Professional Culture

The professional background of most of the economic development actors was in one of three areas: business, planning and community development, or city management. There were few indications of the influence of these professions on the attitudes of administrators toward cooperation or regionalism. When asked, most said that professional affiliations had little or no impact on the way in which they performed their jobs. City managers indicated that they believed that economic development knowledge was a part of the skill set that they were expected to have and the Centralia economic development director, a former city manager, noted that city councils frequently look for economic development experience when recruiting a city manager. The Jamesburg city manager, who is serving for the first time in this role, came from an economic development background and had communicated a desire to be active in economic development when she was interviewed for the position.

Nearly all of those holding positions as DDA directors, community development directors, or directors of area-wide economic development organizations had been educated in planning and community development. Regardless of the mission of the organizations for which they worked, these individuals tended to view their jobs as involving more than economic development. Two of these actors expressed disdain for colleagues that tended to ignore the larger community development issues involved in economic development projects. The administrator for the economic development organization serving the county in which Lakeside is located noted a distinction between colleagues that understood the larger community development context of the work and those that approached economic development solely in terms of short-term economic
gains. The Premiere economic development director said, “From my perspective, master planning is sort of at the apex. It’s what the future is going to look like for this area. Economic development is simply one strategic area that’s implementing that plan” (Personal interview, November 30, 2006). The Centralia DDA director reflected a similar view when he stated, “I think downtown development is a little bit specialized in terms of quality of life type of issues. . . . I don’t see our sole purpose as job creation” (Personal interview, February 2, 2007).

Those with business backgrounds, the majority of whom were serving as chamber of commerce directors, demonstrated no specific orientation toward economic development that was attributable to that experience.

Many respondents identified professional affiliations as a source of information useful in performing their jobs and stated that they sought out opportunities for networking with colleagues in other communities. The Premiere chamber of commerce director, who had been in her position eight months at the time of the interview, described one of the results of professional training she had received shortly after having started her position:

So it was a great learning experience for me, because I’m talking to other people who have been in the chamber world for a long time. And our group coalesced so good. We just got along great. And we were just a tight organization. Before we even left that weeklong training, we already had a weblog set up and things to make sure that we could communicate. . . . So there’s that group there that I was able to really bond with and I’ve used a lot to give me some ideas about how to do things. (Personal interview, December 1, 2006)

There were no specific indications from the interviews that networking with peers influenced attitudes toward cooperation or regionalism. Those who were relatively new to their positions, however, were more likely to note the use of networking as a source of
information for problem-solving and decision-making. The downtown development
directors in Premiere and Thermopolis commented on the value of a listserv for idea
exchange among peers when addressing unfamiliar issues. The regional planner serving
Riverton said of her contacts with others involved in economic development, “Right now,
I’m looking to them more for guidance and experience” (Personal interview, September
22, 2006). The city manager in Jamesburg stated that she turned to other city managers
when seeking specific information about a subject: “I think probably the greatest resource
is when you’re dealing with your colleagues” (Personal interview, February 1, 2007).
That peer networks are used for contacts with more experienced professionals would
suggest that this is an important source of socialization for those new to their roles which
might be expected to influence, perhaps subtly, attitudes and behaviors toward
cooperation for economic development.

Peer networks remained important for those with more professional experience.
The Lakeside area chamber of commerce executive indicated that she sought information
from colleagues to address emerging issues such as multiculturalism. The Centralia
economic development director noted the value of learning that others are experiencing
the same challenges.

The clearest indication that professional networking tends to foster specific
expectations with regard to the performance of the job was found among those involved
in community development and economic development. The Lakeside community
development director reflected a perspective about economic development collaborations
when he said, “I’m less a regionalist than maybe some of my peers.” (Personal interview,
September 29, 2006) and noted that he differs from professional colleagues by
developing relationships with those in private companies who actually perform field work as opposed to CEOs. The director of the economic development organization serving Lakeside said of him, however, “We’re pretty much on the same wavelength. [He] and I share the same philosophy so we approach things the same way. . . . So, it’s real easy for us to work together” (Personal interview, November 10, 2006). The director of the economic development organization in the Westown area observed, “Normally in economic development, you don’t see results within a year. It’s a long-term investment. It’s developing relationships. It’s understanding the community” (Personal interview, October 27, 2006).

Norms, Values, Beliefs and Expectations. The norm of information sharing with professional colleagues was noted above. It appears that there is widespread support for collaboration with other economic development administrators in the local community, although in Premiere there seems to be a somewhat mixed record of such collaboration. Cooperation is discussed more fully below, but it is clear that this is viewed positively.

One significant belief in evidence among economic development actors relates to the client for the work that they perform. While one might expect that those associated with nonprofit economic development organizations or downtown development authorities would see their primary stakeholders as businesses, this was not the case. This comment from the president of the area-wide economic development organization serving Thermopolis reflects a typical perspective: “I think our primary stakeholders would be the communities, the citizenry of the communities that we serve” (Personal interview, March 22, 2007). Actors employed by city governments also spoke of serving the interests of their communities. In some cases, this was clearly meant to be the
residents of the city itself, but there were a number of indications that many had a broader perspective of the work that they do. Premiere’s economic development director said, “We basically take the attitude that we’re one big labor market so anything new either in the city or in the county is advantageous to the area” (Personal interview, November 30, 2006). Centralia’s economic development director saw the work that he does as important to the economic vitality of the state.

The manner in which information sharing, collaboration, and cooperation take place may all be viewed as falling within a general norm of social networking. This is examined more fully in the next chapter.

Cooperation

It was expected that an actor’s type with regard to the propensity to cooperate would be affected by cultural influences and so would show some variation among the various communities. This was not the case with regard to the relationships among administrators involved in economic development. The following is typical of the responses received with regard to cooperation:

Q. When you think about the people that you're involved with in economic development, specifically in the Riverton area, would you characterize that relationship as cooperative or competitive?
   A. Oh, it's cooperative. Why would it be competitive? (Riverton regional planner, personal interview, September 22, 2006)

Even in those instances in which there was some conflict with regard to the conduct of economic development activities, cooperation was clearly the expected behavior. One administrator described such a conflict:

There was recently a doctor who came to the EDC to purchase some land up by the airport to build a medical office building. We raised a big concern about that because we don't want to have our medical sector . . . split all throughout the city. From a smart planning perspective, we want it to be centralized in all the same
location. So we got into a little bit of an argument with the EDC about that, which led us to create this DDA-EDC task force so that all of our future goals and our plans are on the same table so that everyone knows what we want and what the EDC wants. (Premiere DDA director, personal interview, November 30, 2006)

One source of conflict affecting regional approaches to economic development noted in Lakeside, Riverton, and Westown was between the cities and adjacent townships. The legal structure of local government in Michigan makes annexation difficult and disagreements can arise when developments occur along borderline streets or when city utilities are required. The state legislature has responded to this challenge by passing legislation intended to facilitate cooperation among units of government. Despite a failure to cooperate in the past over development controls along a commercial corridor between Lakeside and an adjacent township, agreement was reached on standards for driveway cuts for new business locations.

A Riverton official described a development opportunity that was lost when city and township officials were unable to reach agreement under P.A. 425 of 1984, a law that permits jurisdictional transfers and tax base sharing between jurisdictions for economic development projects. A reluctance to enter into such agreements, which frequently provide for the annexation of township land to a city at the end of a specified period of time up to 50 years, was encountered in the Westown area as well:

Earlier this year I got a request by some businesses to have a seminar on 425 agreements. So I invited [Michigan State University professor] Lynn Harvey to come up here. . . . We invited all the municipalities. All the cities were excited about this. They think 425 agreements are the way to go. We invited the major property owners that owned the major pieces of property to come and hear this. . . [Township] almost pulled out of the [area-wide economic development organization] because we had that seminar, because they said, “You know, we’re opposed to 425 agreements, but you went ahead and had the seminar anyway.” (Westown area-wide economic development organization director, personal interview, October 27, 2006)
The reaction this issue led to discussions by area city managers as to the best response to the recalcitrance of township officials:

Sometimes they are very cooperative. Other times, they are acting like that big gorilla. So the 425 issue is a big, big craw for them. And I am actually trying to work around it with the other managers in the whole group saying, “Look it. Let's just come up with one common program. That way they're not pairing us off against you and you and you.” (Westown city manager, personal interview, October 26, 2006)

While rivalries and jealousy between cities were reported in some cases in addition to city-township conflicts, these had little apparent effect on the conduct of economic development activities by the administrators charged with this task. The director of the area-wide economic development organization serving Lakeside noted,

They sort of have a gentleman and lady's agreement that when we're here at [area-wide economic development organization], we're here for the purpose of economic development. We need to look out for what's best for the whole community. When we walk out of here, we may argue where that water line is going or should we really abandon the rail spur or should we do what-have-you. And they bring those differences into the boardroom, but once again it's more of an agreement that we have to put those aside sometimes and do what is the greater purpose. (Personal interview, November 10, 2006)

Reports of conflicts among communities were rare, however, and there were also few instances of conflicts between economic development actors. In all of the communities, the coordination of economic development tasks was the most apparent indication of cooperation. The community development director of the county in which Jamesburg is located noted that cooperation had improved over the last several years as organizations involved in economic development had found areas of specialization and concentrated on excelling at those. Premiere’s economic development director expressed a similar sentiment. Several individuals, in discussing the formation of the area-wide economic development organization and chamber of commerce serving Lakeside, noted
the desire to provide a comprehensive set of business recruitment and retention services while avoiding conflicts or overlaps.

Focal-Point Effects

The second research question expressed a desire to understand the role that focal events play in promoting cooperation among economic development actors. As was noted above, culture, addressed in the preceding section, can be seen as a focal-point effect in itself. The questions from the interview protocols, however, sought information concerning events or circumstances affecting the economic well-being of community residents.

Few communities had experienced recently specific events that focused the attention of actors on cooperation, although a number cited the loss of a major employer or the reduction or elimination of employment in a specific sector of the economy. In nearly all cases, these occurred twenty or more years earlier. There was no indication that these events had influenced actions with regard to economic development but, in nearly all cases, these events would have taken place before the actors were involved in economic development in the community.

The experience of loss of a major employer in the Premiere area in the past apparently had not completely eliminated the memory of historical conflicts:

A. I think there is a perception of more [infighting] than there actually is. In fact, one of the things over the years, and in fact I’m probably top of the pile with what you’re talking about: the [Street] Gang. You’ll hear that term in the community. Q. I haven’t heard it yet.
A. That’s those of us that have lived and battled over several generations. They would feel that we’ve sometimes been resistant to new business. And I don’t think that that really is true. But I do think that the thing that you did pick up on is that there seems to be more a lack of cooperation to make it really work, for people to go ahead and get it done no matter what happens. So they’re a little more careful. “We’ll get it done but we want to make sure we don’t lose anything
in the process.” (Former Premiere chamber of commerce director, personal interview, March 30, 2007)

A somewhat different perspective on the subject of collaboration for economic development was provided by Premiere’s city manager:

One of the good examples of successful collaboration is the Airbus project where Airbus was looking for a location in United States, and it had criteria that various states were allowed to submit up to three locations that met the standards that they had. . . . It was an excellent exercise for pulling together the resources of the city and the university and the [Indian tribe] and the county EDC and others and really kind of very quickly forming together a very comprehensive proposal that addressed many of the things that this proposal was seeking. I think when you have something that is very material and very real, it's something that will push this to the front burner. And when it gets pushed to the front burner, people will work together to address it. We all have the kinds of issues in the community where people won't work together. But there's got to be a material goal at the end of that process. And if there is, people will work together. (Personal interview, November 30, 2006)

An emerging concern mentioned by officials in the Lakeside and Jamesburg areas was in the area of human capital and the preparedness of citizens for jobs in the modern economy. Following the reduction in scientists at a major employer in the Centralia area, local officials were able to capitalize on earlier investments to encourage entrepreneurs in the life sciences, an experience later shared with another Michigan city. As the DDA director noted:

[Company] is probably the finest example of [a negative economic event]. Fortunately for us, it’s been gradual. Unfortunately for [Michigan city suffering loss of research jobs], it’s a cut, and they’ve been here asking us, “What do we do?” One of the things from an economic development perspective was viewing the talent, the intellectual capital that was embodied in those folks, and how do we tap that and invest in that so the next small start-up can become the next [company name]. And we spent an awful lot of time doing that and nurturing that and it’s finally, I think, coming to fruition. (Personal interview, February 2, 2007)
Payoffs

The subject of the third and final research question was economic rationality. It reflected a perspective of human motivation in which self-interest plays a significant part. Accordingly, knowing about rewards economic development actors receive for performing their jobs was felt to be important to understanding how those payoffs supported cultural biases for or against cooperation.

The model of interdependent decision-making depends upon the payoffs that actors receive from their decisions to cooperate with other actors in undertaking economic development. Even though the model simplifies the determination of this payoff by eliminating the need to quantify it, it assumes that actors are at least able to determine whether the results of cooperating were positive, negative, or neutral.

Few comments from interview subjects spoke directly to the issue of collaboration. Centralia’s economic development director noted a perception on the part of the employees he supervises that their efforts in collaborative undertakings are not recognized. “Staff has always complained to me that we carry a lot of the water. [Regional economic development organization] gets a lot of the laurels.” (Personal interview, February 2, 2007). The establishment of a farmers market in Jamesburg led to conflicts between the city and the downtown development authority:

[The city] gave [the DDA] $40,000, which didn’t put us near the $190,000 it was going to cost to build it. But in this process, it was the DDA who hired a consultant, a farmers market consultant, to talk with us about the operation of a farmers market. We did things like select the roof color . . . we created the rules, etc., etc. So we were doing all this back behind the scenes work on the operation of the market and the city somehow found money . . . [W]hen [former city manager] left, I was the only one left who knew what was going on because he and I had worked so nicely together. And it wasn’t his project or my project. It was our project. So it was interesting because [the city] built it and everything and then it was like nobody was doing any of the behind the scenes work. We were
pretty much told the new city manager said, “This is a city project. We’re paying for it.” And I said, “OK. Here’s my files and go on.” But nothing was getting done. They hadn’t formed the board yet for it. We were supposed to have a board. So this is where some of the contention started because the DDA had spent tons of time. We had spent meetings, hours and hours and hours and hours, working on this and then somebody new stepped in and said, “It’s not your project.” Of course, we got our feathers ruffled quite a bit. (Jamesburg Chamber of commerce/DDA Director, personal interview, February 1, 2007)

Comments that reflected negative payoffs from collaboration were the exception, however. It was far more often the case that interview subjects expressed attitudes that were positive about participation in the economic development process generally. While some admitted to a direct personal benefit to this work—“Well, right now it’s my bread and butter...” (Jamesburg chamber of commerce/DDA Director, personal interview, February 1, 2007)—these comments were invariably followed by the identification of other motives, including undertaking a challenge, being recognized for one’s work in the community, a sense of accomplishment, and an interest in public service. The following are representative comments:

I was born and raised in Premiere. This is my home. I think it’s a great place to live. I want to be able to raise my kids here and stay here and I need to be able to feed my kids and send them to college and all of those types of activities. And I’d like to be able to have my children have the option to stay here if they choose, and they need to have decent paying jobs to do that. (Premiere chamber of commerce Director, personal interview, December 1, 2006)

That's why I enjoy being a DDA director, because every day is something new. I mean, you have projects that are ongoing and ongoing but someone could call me today and they have a business that they're looking to move in. I go to work with them and try to get them established. I meet with an existing property owner over a code issue that he's dealing with. That's what I like about the job. I'm not stuck necessarily behind this desk all day. I get out and meet the people. That's kind of what I enjoy about it. (Premiere DDA Director, personal interview, November 30, 2006)

I guess I can look at a company that’s going to announce that they’re going to create new employment and say, “OK, we had a part of that. I had a part of that.” And that’s rewarding. . . . I mean, you hear a lot of hokey phrases: “There’s no
greater reward than public service.” When I first took this job I kind of thought
that that was all just people talking about how great they were. But after you do it
for a while, it kind of gets under your skin and you actually do believe that. I
mean, I do fundamentally believe that there’s something valuable about public
service. We don’t get paid a lot of money to do what we do, but there is a reward
in it. . . . When I come home and I feel like, whether or not my name gets in the
newspaper, whether or not the county gets in the newspaper about something, if I
know that there’s something in there that happened today that was good, if a
company created jobs or we found new investment opportunities or a community
has figured out a way to solve a water problem or something like that, and we’ve
had a part in it, it’s actually a pretty good feeling. You don’t think about it in
those terms, but it is rewarding. (Jamesburg’s county Community Development
Director, personal interview, April 17, 2007)

Interview subjects also identified benefits to the community that resulted from
their work in economic development such as job creation and population growth. A
number of comments focused on the value to the community of the attention that the
community had received or the enhancement of its reputation:

I think they're [industrial development projects] just, one, great buildings, a
tremendous amount of tax base, a tremendous amount of jobs, and they're just
really symbolic to other communities. I got a call the other day from an attorney.
I was asking her opinion on public art. She said, “I just want to let you guys know
that Lakeside has such a great reputation in the [area city] business community as
a good place to do business. They treat you right. And if you're ever going to
consider doing something, consider doing it in Lakeside.” That's why I consider
them successes. They create a lot of good buzz. (Lakeside economic development
director, personal interview, September 29, 2006)

An analysis of the data obtained from the seven study communities is found in the
following chapter.
CHAPTER 5

ANALYSIS AND DISCUSSION

The interview data collected for this research offer little support for the proposed interdependent decision-making model. In this chapter the assumptions upon which the model was based are examined to determine in which areas the research does or does not support the model. The chapter concludes with a discussion about coordination, collaboration, and culture.

Assumptions

1: Economic Development Actors Are Self-Interested

As was noted above, previous research had highlighted the importance of trust in establishing the cooperation necessary to the operation of interorganizational networks. Provan and Milward (2001), however, identified self-interest as a more significant factor. Self-interest lies at the heart of game theoretic models of individual behavior from which concepts central to the operation of the interdependent decision-making model was borrowed. These concepts are reflected in particular in that portion of the model in which actors assess the payoffs likely to result from their choice as to whether or not to cooperate with other actors.

Basing a model on the assumption of self-interest was believed to be reflective of an incomplete depiction of individual motivation. Consistent with Lane’s (1992)
suggestion, the model incorporated both economic rationality and cultural rationality. Nevertheless, self-interest was central to the operation of the model.

As was noted in the previous chapter, some individuals clearly identified an interest in tangible rewards such as having a job or getting their contracts extended. These were often accompanied by statements relating to a sense of accomplishment in the work that was being done, another possible indication of self-interest. Just as often, however, comments were made about improving the community or making the city a better place for one’s family. These observations seem to go beyond pure self-interest and reflect group and community identifications as well.

In fact, the question, “Why is economic development important for you personally?” was frequently the most difficult one for interview subjects to answer. It followed similar questions about the importance of economic development to the community and to the organization that usually presented no challenge for respondents to address. Many people gave the impression that they had never thought in any personal way about why they do the work that they do.

A problem related to the assumption regarding self-interest concerns individuals’ ability to determine whether a payoff is positive, negative, or neutral. If an actor is self-interested and the benefit to him or her is directly related to the results of cooperating in a particular instance, then it would be comparatively easy to determine the payoff. This appears to be true for few actors. Most actors appear to determine the value of cooperating to accomplish economic development projects based on long-term goals related to community betterment. A negative payoff might carry proportionately less
weight than a positive one in such a situation since the focal point is not current circumstances but some desired future.

In this situation, it might be the case that there are simply few or no negative payoffs associated with cooperation with other economic development actors. The challenge from a model standpoint is to separate payoff effects from culture effects. If it is the case that there are no negative payoffs, then cooperation becomes the norm and is taken for granted by all participants. Payoffs would become negative for individuals who act contrary to the norm, a circumstance that was reported only by a chamber of commerce executive who noted that those who failed to support economic development initiatives were removed from office.

Combining economic rationality and cultural rationality in the same model, then, makes it difficult to sort out what is actually operating to influence actors’ decisions. The model assumed that positive payoffs would reinforce cultural biases for or against cooperation and that negative ones would promote a change in those cultural biases. The third research question in particular was framed specifically to pursue this line of inquiry. Information obtained from interview subjects, as is noted above, failed to support the assumption underlying this research question that self-interested actors would utilize payoffs as a means of assessing the personal benefit associated with cooperation.

2: Economic Development Is a Repeated Game

The operation of the model requires that a set of actors have repeated interactions with one another and make assessments, then, about one another’s types based on the outcomes of those interactions. The environment for economic development is sufficiently complex, however, that this requirement might not be met. What one finds is
that actors see economic development from both “forest” and “trees” perspectives. The forest of economic development is the community assessment of what programs, projects, and activities need to take place in order to provide jobs, income, tax base, and so forth. Communities develop and alter their orientations toward the economic development forest through a political process that results in coordinating activities through different configurations of organizations. This aspect of economic development will be addressed more fully below.

The trees of economic development are the individual projects that make their way to the community. One example might be a local company that has outgrown its space and needs to expand. The requirements of any given project will determine which members of the total population of economic development actors will be involved. Depending upon the characteristics of a project, they might form together as an ad hoc task force to better coordinate their activities. In contrast, they might also work relatively independently of one another on individual parts of the project, interacting only when required for information exchange.

The majority of the work of economic development is trees. That different configurations of actors will come together on projects makes for challenges in looking at this activity as a repeated game. Further, it does not repeat that often. The economic director in Centralia, the largest community in the sample, manages only a few major projects in any given year. The area-wide economic development organization director for the Lakeside area noted that that city’s community development director was so competent that often projects required little assistance from his organization.

Agranoff (2006) highlights the importance of “sustained collaborative activity”
(p. 58) to keeping administrators involved with the work of an interorganizational network. The project-based orientation to economic development might not constitute sustained collaborative activity. The Premiere city manager spoke about this challenge:

I think all the downsizing that has occurred in all these organizations makes that cooperation even a little harder now even if there is a desire to do it because there’s just not a lot of time to spend on the cooperative ventures. I would say that the only exception to that is when there’s been a big project that’s come about, and it’s material, and it’s real, then everyone has worked together to push that thing through. From a more long-term vision standpoint, there’s just not enough hours in the day for a lot of these organizations to commit time and resources to a cooperative venture that probably would be good for everybody in the long run. (Personal interview, November 30, 2006)

The model in general, and the third research question in particular, depended upon the assumption that economic development actors would be engaged in repeated interactions in a sustained, comprehensive approach to economic development. In other words, it was expected that these actors would see economic development from a forest perspective. Regular, repeated interactions with the same set of actors was felt to contribute to an individual’s understanding of the payoffs associated with cooperative or noncooperative behavior with that set of actors.

That is not the case. While these actors do see the forest component of economic development, much of that perspective appears to be of largely theoretical interest. Those rare, individual projects are another matter. In such a setting, other actors become a part of the resource base upon which an administrator may draw to accomplish his or her portion of that economic development project. Accordingly, the payoffs associated with cooperating on a project might have little influence on the decision to cooperate on the next project, since each is viewed as unique. These payoffs do not appear to reinforce biases regarding cooperation.
3: Economic Development Is a Wicked Problem

Economic development was selected as a field of study because its complexity should give rise to interorganizational networks as communities work to divide up responsibility for the myriad tasks associated with such a difficult undertaking. Communities do work to divide up responsibilities. All seven of the communities studied had gone through a process in the preceding seven or eight years whereby organizations responsible for some economic development task were reconfigured, old organizations disappeared and new ones replaced them, or new affiliations were entered into.

It appears that communities are responding to the complexity of economic development by coordinating economic development tasks in increasingly sophisticated ways. The community development director for the county in which Jamesburg is situated put it this way:

I think there’s been a lot of competition in the past, you know, a lot of turfism, you might say, . . . and some competition of who gets primary responsibility in what field. But I have to say honestly, over the last two years, three years, there seems to be a lot less of that going on. And I don’t know why that is. . . . It’s not that anyone consciously says, “Enough is enough. We’re going to start working together.” It just kind of over time evolved into this where we all kind of accepted this is our limited role in the overall process of economic development. We’re going to focus on this and we’re going to do this well. You guys focus on what you do and do it well and everyone gets along. (Personal interview, April 17, 2007)

It is more common, however, for the study communities to restructure old organizations or create new ones to address economic development challenges in new ways. An executive with the community foundation in Centralia noted that there had been a thirty-year history of failed attempts with county-wide economic development organizations, each lasting five years or so, before the current organization was established seven years ago. The Centralia DDA director oversees an organization that is
a complex mix of public and nonprofit initiatives that arose at a time when a number of different factors made that particular way of organizing particularly beneficial. He notes, however, “I don’t know that we would be able to create this organizational structure today, in today’s environment” (Personal interview, February 2, 2007).

It appears to be far rarer for network structures to be formed to address economic development complexity. There are a couple of examples that might fit this mold. The Upper Peninsula Economic Development Alliance, formed by economic development organizations in the region for marketing purposes, might serve as an example, particularly since it relies for its administration on the services of economic development directors from various communities. The area-wide economic development organization for Thermopolis operates programs that are available to a network of similar organizations throughout the state. At the community level, though, no evidence was found for the formation of interorganizational network structures or similar interorganizational alliances.

This presents a significant challenge to the validity of the model and in answering the three research questions derived from it. All reflect the expectation that the complexity of economic development would give rise in at least some of the study cities to those regular, repeated, formal patterns of interactions that are called networks. In fact, communities do not feel a need to resort to alternative forms of governance to address wicked-problem aspects of economic development. It might well be that economic development activities, while complex, are sufficiently familiar that more traditional forms of organizing are believed to be adequate.
4: Interorganizational Networks Are Important

The literature on interorganizational networks in public administration could easily lead one to conclude that they are essential to managing many complex tasks in the public sector. Koppenjan and Klijn (2004) provide one example: “Problems cannot be solved by organizations on their own. Hence, hierarchy as an organization principle has lost much of its meaning” (p. 3). Only a small chorus of voices (Bogason & Toonen, 1998; McGuire, 2002) has raised questions about this view in the past. More recently, Agranoff (2006) has written:

[Networks] are not the be-all and end-all of collaborative management. They share a place—in many cases, a small place—alongside literally thousands of interagency agreements, grants, contracts, and even informal contacts that involve issues such as seeking information or some form of program adjustment. (p. 57)

The challenge for scholars is where to position all of this interorganizational activity on a continuum that is anchored at one end by markets and at the other end by hierarchies. While networks, as a pure type, fall somewhere in between these two extremes, they clearly do not occupy the whole of the middle ground. McGuire (2006) observes that “contrary to what is often put forth in the contemporary network literature, some collaborative structures actually adopt elements of single, hierarchical organizations” (p. 33).

If economic development work is not conducted through interorganizational networks, then there is no need for cooperation to sustain those networks. Agreements, contracts, and the like have mechanisms much like those employed in hierarchies to insure that performance obligations are met.

This is not to say that networks are unimportant to economic development in the study communities, only that interorganizational networks are unimportant. Interpersonal
networks or social networks appear to be very significant, as comments in the previous chapter indicate. Many interview subjects reported the importance of relationships and communication to the work that they do. Further, they frequently noted turning to networks of professional colleagues as a source of information in addressing challenges and responding to requests from their colleagues. This was particularly important for those who were new to their positions.

This complex network of personal and professional relationships is an important means for economic development actors to carry out this complex task. Cross and Parker (2004) have written that “employees’ personal networks can also provide an important lever for improving performance . . . what distinguished high performers were larger and more diversified personal networks than those of average or low performers” (p. 11). Chisolm (1989), in his study of transit systems in the San Francisco area, found that “informal channels based on personal relationships between pairs of individuals are the most frequent and direct contributors to coordination in Bay Area transit” (p. 69). He found these informal channels to be self-organizing (Kauffman, 1995; Wysocki, 2000) and noted the following:

These informal organizational features develop on the basis of need. They derive from the everyday processes of mutual adjustment that are exhibited by all large-scale systems, public and private. Informal channels of communication, informal bargains and agreements, and norms of reciprocity all contribute directly and indirectly to processes of coordination. (p. 11)

From the perspective of the model, the participation of economic development administrators in informal social networks at the local level means that there is considerably less mystery as to an actor’s type with regard to cooperation. When the need
arises for individuals to perform some task collaboratively, it is likely that individuals will be fairly confident as to what they can expect from everyone else involved.

Agranoff (2006) is careful to draw a distinction between interorganizational networks in public administration and social networks: “Public management networks are, in every sense, collaborative connections like social networks, although they not only comprise representatives of disparate organizations but also go beyond analytical modes. They are real-world public entities” (p. 56).

The significance of distinguishing between interorganizational networks and interpersonal networks might relate more to the theoretical traditions and analytical techniques associated with each than to any operational differences. The literature that explores interorganizational networks from a public administration standpoint stresses the importance of the formality of the relationships between organizations. Whether or not that is significant as far as the relationship of actors operating within that network cannot be said. There were no examples within the study communities to compare to the informal social networks that were found.

Social networks of economic development professionals might well be the implementation equivalent of issue networks in the policy arena. Heclo (1978) offers some observations with regard to the study of issue networks that might be instructive to those scholars considering the role of interorganizational and social networks in governance:

Based largely on early studies of agriculture, water, and public works policies, the iron triangle study is not so much wrong as it is disastrously incomplete. . . . Preoccupied with trying to find the few truly powerful actors, observers tend to overlook the power and influence that arise out of the configurations through which leading policy makers move and do business with each other. Looking for
the closed triangles of control, we tend to miss the fairly open networks of people that increasingly impinge upon government. (p. 88)

Hecklo (1978) continues by contrasting iron triangles and subgovernments with issue networks:

Issue networks, on the other hand, comprise a large number of participants with quite variable degrees of mutual commitment or of dependence on others in their environment; in fact, it is almost impossible to say where a network leaves off and its environment begins. (p. 102)

It is beyond the scope of this analysis to determine whether the relationship between interorganizational networks and social networks in public management are equivalent to the relationship between iron triangles and issue networks in policy studies. The manner in which economic development takes place in the study cities, however, resembles that of peer production networks (Benkler, 2006) used to produce open source software such as the Linux operating system variants or in the maintenance of the online reference Wikipedia. In these networks, individuals work on small parts of a large project, each contributing based on his or her expertise and interest. A small group of individuals might provide leadership in organizing and coordinating the work. At first, glance, this feature might appear to be missing from the networks of economic development administrators. It will be argued in the final section of this chapter that the coordinating process through which communities develop their economic development infrastructure serves this purpose.

What can be said, however, is that a model of interdependent decision-making based on interorganizational networks is not applicable to the conduct of economic development in the seven study communities. As was noted in the preceding section, this assumption was fundamental to the three research questions, all of which reflected the
importance of forming and sustaining such networks. While these same questions might have been phrased so as to assess the impact of culture, focal events, and payoffs on social networks, this was not done. This choice reflects the bias in the public management literature, highlighted by Berry et al. (2004), against the inclusion of social network analysis in research in the field.

5: Other Decision Models Do Not Fit Economic Development

Basing a decision-making model on game theory might well fit into that category of mistakes that result from being too clever by half. The research in behavioral game theory has demonstrated that people do not behave as standard models would predict and most of those observations are from controlled experiments. No other available model appeared to address the interdependent nature of economic development work.

Each of the three research questions reflects this choice to draw upon game theory concepts. The first research question sought to understand the role that culture plays in influencing cooperation. As has been noted, this focus on culture reflects its identification in the game theory literature as a factor that could influence choosing between cooperative and noncooperative equilibria. Other events that might constitute focal-point effects, the subject of the second research question, are also believed to be influential in this choice of equilibrium. Finally, payoffs, addressed in the third question, are central to the operation of a decision-making model used by self-interested actors.

There are few indications that administrators engage in the kind of strategic thinking required for the proposed model. The case cited in the previous chapter of the Westown city manager attempting to assemble a coalition of colleagues to address township objections to a tax base sharing agreement is one counter-example. In another
instance, the Lakeside city manager sought to unify area communities’ handling of tax
abatements for a particular industry, a move that was rejected. These accounts occurred
rarely. It seems that the conduct of economic development tends to be a fairly routine
enterprise that does not require thinking skills necessary in games of strategy.

This does not mean, however, that other conventional models of decision-making
are superior. Gilboa and Schmeidler (2001, 2004) have recently proposed a theory of
case-based decision-making that appears to be a better fit than other theories in
explaining how administrators make choices with regard to managing economic
development. Briefly stated, case-based decision theory holds that an individual will
compare a problem that he or she is facing with his or her memory of other problems
faced in the past. The act that is chosen will be based on the results of choosing acts in
the past adjusted for similarities between the problems. While not addressed by Gilboa
and Schmeidler, it seems reasonable that the choice of acts reflects knowledge of the
decision-making process used to arrive at that choice.

During interviews, those administrators who had served in their positions a long
time or who had a long history of professional experience were able to easily reference
examples from the past to illustrate their stories. It seems likely that they draw upon that
knowledge when facing problems in the present. For new administrators, networks of
professionals served a similar purpose by making available to them a ready supply of
applicable cases already employed in another location.

On the other hand, Koppenjan and Klijn (2004) have utilized games, albeit
qualitative games, to model decision-making in environments characterized by a high
level of uncertainty. Their examples are drawn largely from the policy-making process,
however, and might not be applicable to managing economic development. The lesson that might be learned from their research, however, is that game modeling of decision-making might be important in areas characterized by uncertainty where strategy plays a significant role. While economic development is a complex and difficult task, only those respondents relatively new to their roles appeared uncertain about how best to undertake the task.

To some extent reliance on a model drawn from game theory presented a methodological problem. It might have been preferable to use a grounded theory approach to the research to elicit a better understanding of the manner in which administrators made decisions in this environment.

6: Focal Points Are All in the Past

Most of the cities studied had experienced some event in the past that was an important part of the economic history of the community. As noted, in many cases these occurred decades ago. All of the communities were experiencing the results of the current Michigan economy. These events did not seem to significantly influence the manner in which administrators performed their jobs.

In reviewing the comments made by these individuals, many conveyed a sense of hope for a better future and were working hard to achieve that. The research failed to consider whether or not there existed a common vision for the community among actors that would serve to motivate collaborative action.

In addition, responses to questions seeking information about focal events failed to elicit information about actions on the part of community leaders to coordinate
economic development activities differently. It might well be that this action serves, at least in part, as the basis for that common vision.

The second of the research questions was concerned with focal events. Except for its reference to the influence of focal events on actors in networks, the question itself is not an inappropriate one. A defect arose when it was operationalized. It was expected that events in the recent past might have an influence on actors facing decisions about cooperation. No thought was given to developing questions about a future state of the local economy that might serve as exactly the focal event spurring cooperation. On the other hand, this question was not interpreted by respondents in such a manner as to cause them to mention changes in the manner in which economic development activities are coordinated. It would be advisable for future researchers exploring this topic to pursue this subject directly.

7: Economic Development Implementation Was the Issue of Importance

Focusing on the day-to-day actions of administrators involved in economic development appeared to be a reasonable way to learn how decision-making might be influenced by culture in a complex environment. All three of the research questions were framed based on a perspective of a community’s economic development infrastructure as relatively stable. In brief, it was believed that members of a relatively constant set of economic development organizations and actors would be influenced by external forces and events and the culture of groups with which they were associated. Those influences would affect decisions about cooperating with other members of that set of actors. Those decisions in turn would have consequences for actors, expressed in the form of payoffs. These would affect the role that group culture plays in influencing decisions about
cooperation and the interpretation of focal events. The study communities failed to cooperate, however, in establishing these stable organizational relationships.

In retrospect, it appears that more might have been learned by examining the process used by communities to develop the structure through which economic development activities are coordinated.

As is noted above, all of the seven cities experienced some reconfiguration of the economic development apparatus in the recent past. Some information about the motivation for these changes was obtained through follow-up questions, but not nearly enough to make an assessment of applicable decision-making models. Moreover, political culture, which appeared from the interviews to be an insignificant influence on actors, might well have proven of great importance in assessing support for various coordination alternatives in a given community.

Such a line of inquiry might have demonstrated support for the game approach employed by Koppenjan and Klijn (2004). On the other hand, Kingdon’s (1995) streams model appears supported by some of the data obtained. In this variant of the garbage can model, there are three distinct process streams—problems, policies, and politics—that occasionally become coupled, opening a policy window that provides an opportunity for issues to make it to the agenda for action by public bodies.

In both Westown and Jamesburg, reorganizations occurred when administrators had left their positions. In Riverton, the election of new county commissioners helped pave the way for affiliation with a multi-county economic development organization. A set of circumstances in Centrailia permitted creation of a complex downtown organizational structure based on what was known as the Denver partnership. Too little is
known about these or events in other communities to determine which decision model would be the best fit. What seems clear, however, is that most of the work of setting the stage for collaboration takes place at this point, permitting actors then to implement economic development programs much like they would other government activities.

Why would communities engage in this coordination policy-making? Wilson’s (1989) work on bureaucracy, while not concerned with networks, might offer a clue. He proposed a typology of organizations based on whether or not outputs and outcomes can be observed. Outputs are the activities of the individuals employed by an organization; outcomes are the results of those activities. The four types of organizations are presented in Figure 4.

<table>
<thead>
<tr>
<th>Outputs observed?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcomes Observed?</td>
<td>Production</td>
<td>Craft</td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
<td>Procedural</td>
</tr>
</tbody>
</table>

*Figure 4. Types of organizations based on whether outcomes or outputs are observed. Based on Wilson (1989).*

From the discussion of economic development in Chapter 1, it is clear that the outcomes of economic development—improvement in citizens’ economic well-being—are not observed. As noted, few efforts are made in most communities to even measure this outcome. None of the seven cities studied appeared to use measures of outcomes and only one of the area-wide organizations collected and evaluated such measures. It is tempting, based on the “forest and trees” discussion above, to conclude that at least some
effort is made to observe outputs in the form of projects that are completed. This would enable the community to classify economic development as a function of procedural organizations. In fact, one community, Centralia, has a formal scorecard method that specifically measures progress toward completing such projects and it is clear from discussions with other actors that informal measures of this activity are made as well.

From a community perspective, however, the outputs of its economic development infrastructure are far harder to observe. The community development director for the county in which Jamesburg is located noted that only those rare large projects receive media coverage and public attention. No ribbon cutting takes place for the small firm that adds one or two new employees each year. From a total community perspective, the economic development infrastructure functions like a coping organization. The result of the principal activity of this infrastructure—coordinating the sharing of information—only is observed readily once in a great while. This will be even more clearly the case as traditional economic development activities are adjusted to changing economic realities and communities emphasize quality-of-life considerations as the primary motivation for economic development activities.

One political response available to community leaders faced with a coping organization is to change it. Several communities noted that economic development organizations were becoming more specialized with fewer areas of overlap. The coordination of these organizations, each with some form of governance oversight, makes sure that there is clear responsibility for observing the outputs of each piece of that infrastructure. The mayor in Lakeview need not be concerned about his inability to observe industrial retention activities so long as he knows that there is an area-wide
economic development organization responsible for this function with a board of directors charged with insuring that it is getting done. Centralia, with its reliance on opaque nonprofit entities for major portions of its economic development infrastructure, might appear to offer a counter-example. To the extent that community leadership accepts this arrangement, however, it serves the same purpose, permitting those leaders to believe that that infrastructure functions as a collaborative of procedural organizations.

Coordination, Collaboration, and Culture

The central questions that this research was intended to address were those related to the impact of political, organizational, and professional culture on cooperation. Despite the lack of support for the proposed interdependent decision-making model, it seems appropriate to consider what was learned about the influence of culture on economic development actors’ behavior.

The previous chapter summarized the responses to questions intended to elicit information about cultural influences. As was reported, political and professional culture appeared to have little impact on administrators. There was significant variation in descriptions of organizational culture. This observation raises an important question: If organizational culture is subject to such variation, how do actors representing different organizations manage to cooperate?

The answer to this question lies first in considering the environment within which economic development takes place. As has been noted, economic development is a complex endeavor poorly understood by the general public. The lack of sophistication on the part of elected officials with regard to economic development was noted in more than
one community. The Centralia DDA director said, “I’ve seen a real change in the complexion. Where you once had businessmen and women on the commission, now you have nonprofit representatives and homemakers, for lack of a better term. So the business acumen of the city commissioners changed” (Personal interview, February 2, 2007).

While the same need not necessarily be true of the nonprofit organizations engaged in economic development activities, those organizations have the opportunity in many cases to select governing board members committed to the mission of the organization.

It is also worth noting that all seven of the cities studied operated under the council-manager form of government and most were located in counties that employed a professional chief administrative officer. While separation of policy and administration is more an ideal than a rigidly followed rule, support for that form of government demonstrates a level of commitment to having professionals in public management roles.

The final piece of the puzzle of administrator cooperation is found in considering again what interview subjects said on this topic. As was noted in the previous chapter, there was universal support for ideal of cooperation. But how does this arise?

The answer to this question might come from O’Leary, Gerard, and Bingham (2006) who justify a symposium on the topic of collaborative public management by answering the question, “Haven’t public administrators always collaborated?” That the implied response is in the affirmative offers an important insight into the expectations of these administrators.

Economic development actors utilize networks of professional colleagues because collaborating in information sharing is an expected part of the work that they do. They have lunch with local administrators performing similar work because that is how
relationships essential to performing the job are sustained. They strengthen these relationships through their memberships in the same service clubs.

There is at best a subtle distinction between cooperation and collaboration. The former implies a willingness to work together that might be absent in the latter. These terms have been interchanged throughout this paper without regard to this distinction. It is important to note, however, that the research does not indicate whether people work together willingly or because it is required of them in order to accomplish the work that they do. It might depend on the individual administrator. In any case, collaboration seems the more fitting term if for no other reason than it brings to mind the image of multiple authors contributing to a literary work. The comments indicate that that is how economic development actors see their work.

How they accomplish this work across organizational boundaries in the absence of network structures (Mandell, 1999b) or similar real-world entities (Agranoff, 2006) deserves more consideration. The comparison was made above to peer production networks used to develop open source software. While there might be similarities that are worth exploring, there is one important difference: Participants in peer production networks contribute their work voluntarily; the same cannot be said for certain of all economic development actors.

It can be said, however, that these actors collaborate to accomplish economic development activities. Beyond the professional ethos that supports such collaboration, how do they know to do that? The communities within which these actors perform their duties provide the authority for this through the political process by which economic development organizations coordinate their work.
Peters (1998a) suggests several factors contributing to coordination challenges for government. These include government involvement in the economy, fiscal problems, alternative governance models, and decentralization of government functions. As the focus shifts from government to governance, and networks, whether interorganizational or interpersonal, arise, the coordination challenge becomes even more important. Peters offers a conjecture regarding the nature of coordination problems: “Co-ordination may fail when two organizations perform the same task (redundancy), when no organization performs a necessary task (lacunae), and when policies with the same clients (including the entire society as the clients) have different goals and requirements (incoherence)” (p. 303). Community leaders have a clear interest in insuring that this failure is avoided and that coordination problems, if they occur, are addressed. Chisolm (1989) states the following:

The coordinative capacity of informal systems can be enhanced by an organization that plays the role of facilitator in situations where asymmetries of costs and benefits render coordination improbable among formally independent organizations. . . . Such a hybrid system compensates for the weakness of informalities without exhibiting the pathologies of formal, centralized systems of coordination. (p. 192)

It appears that communities might well achieve this hybridization not through the facilitative role of a single organization but through a process in which the community’s leadership legitimizes social networks and corrects problems of redundancy, lacunae, and incoherence.

It was stated earlier that all of the study communities within the last seven years went though a process of reorganizing the manner in which they accomplish economic development by combining existing operations, merging two organizations or joining an alliance. In some cases, these actions were accomplished through direct political action.
This was the case when the county in which Riverton is located voted to join a multi-county economic development organization. Centralia provides a different example in which a private, nonprofit organization was formed to accomplish economic development without governmental involvement. Acquiescence on the part of elected officials and their subsequent acceptance of this organization provided the necessary signal to administrators to collaborate with them on economic development projects.

In light of the function that this coordinating process appears to play in sending signals to administrators, and which, in fact, might constitute the focal effect that brings about collaboration, it is instructive to consider the situation in Premiere. The major players in economic development are city organizations: the economic development corporation and the downtown development authority. An evenly divided council provides mixed signals about support for the efforts of these groups, however, as was noted in every interview I conducted there. While support was shown for downtown development through the recent hiring of a DDA director, the financing of a major project in the downtown was forced to referendum through the efforts of a member of the city council, and it remained an issue into the next council election. Perhaps in an effort to provide the necessary organizing authority for their collaborative efforts, a task force has been formed with representatives from various community organizations. In addition, others are involved in promoting the enterprise facilitation ideas of Ernesto Sirolli.

Political culture does play a role, then, in economic development collaboration, even if it did not show up in direct response to interview questions. It is communicated through the policy reflected in the actions of the community to organize itself for that task. Economic development infrastructure is, in effect, an artifact of the political culture
of the community. It is a part of the taken-for-granted-ness of the political culture within which economic development actors work.

Its significance is reinforced as well through the political process. The chamber of commerce executive for the Lakeside area noted that those who show a reluctance to cooperate to accomplish economic goals are voted from office or fired. Such actions send a message to those who remain about community expectations as to what the community intends to accomplish.

In the end, then, it seems that the process of coordinating community resources for economic development and the ethic of collaboration held by public administrators operate within political and organizational cultures that provide an opportunity for informally organized actors to accomplish the task of building better communities together. It is clear that this work does not fit within conventional hierarchical organizations but neither does it require a formal network structure. It appears that an analysis of the social networks of economic development actors might tell more about what influences the manner in which they accomplish this work than the diagram of a decision-making model.
REFERENCES


has been done and what is doable? (Upjohn Institute Staff Working Paper No. 03-89).

Kalamazoo, MI: Timothy J. Bartik.


Appendix A

Game Theory Glossary
Action—A plan in a Bayesian game in which moves reflect possible contingencies.

Bayesian game—A way of modeling a game of incomplete information.

Bayes’s rule—A formula for updating the probability of an occurrence based on information that is received; conditional probability.

Cooperative game—A game in which binding agreements, bargaining, and the formation of coalitions are possible.

Common knowledge—a fact that is known to all players such that every player knows that every other player knows it and so forth.

Equilibrium—a strategic situation in a game such that no player can improve his or her payoff through unilateral action.

Focal-point effect—In a game with multiple equilibria, the tendency for phenomena external to the game to cause players to choose one equilibrium to the exclusion of others.

Game—A situation in which two or more individuals make decisions that affect one another’s welfare; strategic situation.

Game theory—“[T]he study of mathematical models of conflict and cooperation between intelligent rational decision-makers” (Myerson, 1991, p.1).

Imperfect information—A situation in a repeated game in which a player is uncertain as to the actions taken by other players up to that point, requiring the calculation of probabilities according to Bayes’s rule.

Incomplete information—A situation in which one or more players in a game has information not available to other players.
Noncooperative game—A game in which binding agreements are not possible, requiring a player to make assumptions about, or calculate the probability of, moves of other players.

Payoff—The utility to a player resulting from the play of a game.

Private information—Information that is not common knowledge.

Repeated game—A game that occurs in an infinite sequence of rounds during each one of which players receive information and make decisions.

Strategy—A rule for deciding a move in a game based on information available to the player. Compare to “Action.”

Type—A way of characterizing a player as a function of the private information that he or she possesses at the start of a game.

Zero-sum game—A game in which an increase in the payoff to a player results in a corresponding decrease in the payoff to one or more other players.
Appendix B

Census Bureau Definitions

“Section 5. Identification of Principal Cities

The Principal City (or Cities) of a CBSA [Core Based Statistical Area] will include:

(a) the largest incorporated place with a Census 2000 population of at least 10,000 in the CBSA or, if no incorporated place of at least 10,000 population is present in the CBSA, the largest incorporated place or census designated place in the CBSA; and

(b) any additional incorporated place or census designated place with a Census 2000 population of at least 250,000 or in which 100,000 or more persons work; and

(c) any additional incorporated place or census designated place with a Census 2000 population of at least 50,000, but less than 250,000, and in which the number of jobs meets or exceeds the number of employed residents; and

(d) any additional incorporated place or census designated place with a Census 2000 population of at least 10,000 but less than 50,000, and one-third the population size of the largest place, and in which the number of jobs meets or exceeds the number of employed residents.…

(e) “Section 12. Definitions of Key Terms

Census designated place.—A statistical geographic entity that is equivalent to an incorporated place, defined for the decennial census consisting of a locally recognized, unincorporated concentration of population that is identified by name.
**Central county.**—The county or counties of a Core Based Statistical Area containing a substantial portion of an urbanized area or urban cluster or both, and to and from which commuting is measured to determine qualification of outlying counties.…

**Core.**—A densely settled concentration of population, comprising either an urbanized area (of 50,000 or more population) or an urban cluster (of 10,000 to 49,999 population) defined by the Census Bureau, around which a Core Based Statistical Area is defined.

**Core Based Statistical Area (CBSA).**—A statistical geographic entity consisting of the county or counties associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties containing the core. Metropolitan and Micropolitan Statistical Areas are the two categories of Core Base Statistical Areas. . . .

**Metropolitan Statistical Area.**—A Core Based Statistical Area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Micropolitan Statistical Area.**—A Core Based Statistical Area associated with at least one urban cluster that has a population of at least 10,000, but less than 50,000. The Micropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting. . . .
**Principal City.**—The largest city of a Core Based Statistical Area, plus additional cities that meet specified statistical criteria. . . .

**Urban Area.**—The generic term used by the Census Bureau to refer collectively to urbanized areas and urban clusters.

**Urban cluster.**—A statistical geographic entity to be defined by the Census Bureau for Census 2000 consisting of a central place(s) and adjacent densely settled territory that together contain at least 2,500 people, generally with an overall population density of at least 2,000 people per square mile. For purposes of defining Core Based Statistical Areas, only those urban clusters of 10,000 more [sic] population are considered.

**Urbanized area.**—A statistical geographic entity defined by the Census Bureau, consisting of a central place(s) and adjacent densely settled territory that together contain at least 50,000 people, generally with an overall population density of at least 1,000 people per square mile.” (pp. 82236-82238)
Appendix C

Interview Protocol – Key Informant
Interview Protocol—Key Informant

Date of interview:

Time:

Community Identifier:

Interviewee Identifier:

Position of interviewee:

Review confidentiality statement and consent form.

Briefly describe the purpose of the interview.

Questions:

1. Please describe your background, experience and familiarity with the community.

2. Please give a general overview of economic development activities in this community.

3. What are the principal organizations involved in economic development in this area?

4. What is the principal focus of economic development efforts?

5. What economic development programs, tools and activities are used here?

6. What are some local examples of economic development success? Failure?

7. Why were these efforts successful? Why did they fail?

8. What are the beliefs, values and expectations that characterize economic development activities in the community?

9. Is economic development conducted in a cooperative or a competitive manner in this community? What are some examples?
10. What recent events or circumstances have most influenced economic development activities?

Concluding comments.

Thank the interviewee.
Appendix D

Interview Protocol – Participant Actor
Interview Protocol—Participant Actor

Date of interview:

Time:

Community Identifier:

Interviewee Identifier:

Position of interviewee:

Review confidentiality statement and consent form.

Briefly describe the purpose of the interview.

Questions:

1. Please describe your background and experience focusing in particular on your economic development training and experience.

2. Please give a general overview of economic development activities in your community. How is the community organized for economic development?

3. What are the beliefs, values and expectations that characterize economic development activities in the community? In your organization? In your profession?

4. Why is economic development important for this community? For your organization? For you personally?

5. What are the other primary organizations involved in local economic development?

6. Who are the other people with whom you interact in economic development efforts?
7. How is your approach to economic development similar to the approach of these other individuals? How does it differ?

8. What do you think the community expects of you with regard to economic development? How are those expectations communicated?

9. In what ways does your organization influence your approach to economic development?

10. What does your supervisor/board/council expect of you with regard to economic development? How are those expectations communicated?

11. Do you belong to professional organizations? Which ones? How do these organizations and your professional colleagues influence your approach to economic development?

12. Please describe one recent economic development success story. Why do you consider this a success?

13. Please describe one recent economic development failure. Why was this a failure?

14. How have these successes and failures affected economic development activities?

15. What recent events or circumstances have most influenced economic development activities in this community? What has been their effect?

16. Would you describe the relationship among those involved in economic development in this community as cooperative or competitive? What are some examples of cooperation? Competition?

17. What makes for successful economic development collaboration? Can you provide some examples?
18. Can you provide some examples of an economic development collaboration failure? Why was this a failure?

19. How do you know when you have done a good job in economic development activities? What are some examples?

20. Is there a local official or community leader not currently involved in economic development who might be able to provide additional background information about economic development activities in this community over the past decade? What is his or her position?

Concluding comments.

Thank the interviewee.
Appendix E

HSIRB Approval Letter
The Human Subjects Institutional Review Board (HSIRB) approval letter is on file with The Graduate College.