A Heuristic Study of the Decision to Privatize Local Government Service

David L. Rich
Western Michigan University
A HEURISTIC STUDY OF THE DECISION TO PRIVATIZE
LOCAL GOVERNMENT SERVICE

by

David L. Rich

A Dissertation
Submitted to the
Faculty of The Graduate College
in partial fulfillment of the
requirements for the
Degree of Doctor of Public Administration
School of Public Affairs and Administration
Dr. Robert Peters, Advisor

Western Michigan University
Kalamazoo, Michigan
December 2006
INFORMATION TO USERS

The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleed-through, substandard margins, and improper alignment can adversely affect reproduction.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.

UMI

UMI Microform 3243171
Copyright 2007 by ProQuest Information and Learning Company.
All rights reserved. This microform edition is protected against unauthorized copying under Title 17, United States Code.

ProQuest Information and Learning Company
300 North Zeeb Road
P.O. Box 1346
Ann Arbor, MI 48106-1346

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
ACKNOWLEDGMENTS

I would like to express my deepest gratitude to my family and friends for their support and encouragement during the time that I was engaged in this study. This dissertation would not have been possible without my wife and friend Anne. Her support and encouragement have seen me through many difficult times. I thank her for her patience throughout the years it took to complete this work. I would also like to thank my children—David and Daniel—for putting up with daddy staying home with the word processor all too often.

I would also like to extend my deep thanks and appreciation to Dr. Robert Peters, my advisor and dissertation chairman, for giving me guidance and counsel, and for having faith and confidence in me. His patience in reading draft after draft of this document continues to amaze me. I think that we would both agree that the title of this work should have been “Perseverance: A Case Study.”

I am grateful to my committee members, Dr. Richard Ghere and Dr. Matthew Mingus, for their comments and suggestions. I have benefited greatly from their advice. I am deeply thankful to Richard Ghere for investing so much of his personal time and energy discussing ideas with me and staying committed to this research.

I conclude with a principle that challenged me throughout this process: “Let Us Run With Perseverance the Race That Is Set Before Us . . .” (Hebrews 11 and
Acknowledgments—Continued

12:1,2). Let me encourage those that follow behind that the race may be won only by those that enter the contest.

David L. Rich
# TABLE OF CONTENTS

ACKNOWLEDGMENTS ........................................................................................................................................ ii

LIST OF TABLES ............................................................................................................................................... vii

LIST OF FIGURES ........................................................................................................................................... viii

CHAPTER

I. INTRODUCTION ........................................................................................................................................ 1

II. LITERATURE REVIEW ................................................................................................................................. 5

   General Decision Theory .......................................................................................................................... 5

   Rational Decision Model ......................................................................................................................... 10

   Bounded Rational Model ....................................................................................................................... 12

   Public Choice Model ............................................................................................................................. 13

   Contingency Model ............................................................................................................................... 17

III. METHODOLOGY ..................................................................................................................................... 23

   Research Design ..................................................................................................................................... 23

   Methods .................................................................................................................................................... 29

   Description of Multi-Stage Sample Selection Process ........................................................................... 31

   Instrumentation ........................................................................................................................................ 34

   Data Analysis .......................................................................................................................................... 38

   Research Limitations .............................................................................................................................. 42
Table of Contents—Continued

CHAPTER

IV. FINDINGS ............................................................................ 44
   The Case Studies .................................................................. 44
   City A ................................................................................ 45
      City A Case History .................................................. 45
      City A Analysis ......................................................... 47
   City B ............................................................................. 61
      City B Case History .................................................. 61
      City B Analysis ......................................................... 63
   City C ............................................................................. 77
      City C Case History .................................................. 77
      City C Analysis ......................................................... 78
   City D ............................................................................. 92
      City D Case History .................................................. 92
      City D Analysis ......................................................... 94
   City E ............................................................................. 109
      City E Case History .................................................. 109
      City E Analysis ......................................................... 111
   City F ............................................................................. 124
      City F Case History .................................................. 124
      City F Analysis ......................................................... 127
Table of Contents—Continued

CHAPTER
V. CONCLUSIONS AND FUTURE RESEARCH .......................................... 141
  Overview .................................................................................................... 141
  Communication in the Decision Process ................................................ 142
  Problem Identification in the Decision Process .................................... 146
  Consensus Building in the Decision Process ......................................... 149
  Rationality in the Decision Process ........................................................ 152
  Decision Making and Planning ............................................................. 154
  Decision Making, Special Interest Groups, and Public Debate ............ 156
  Recommendations for Future Research ................................................. 159

APPENDICES
A. Human Subjects Institutional Review Board
  Letters of Approval .................................................................................. 161
B. Survey Instrument ................................................................................... 166

BIBLIOGRAPHY ............................................................................................. 169
LIST OF TABLES

1. Stratified Sample Selection by Michigan City Population .................... 33
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Classical Decision Process</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>Rational Model</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Bounded Rational Model</td>
<td>26</td>
</tr>
<tr>
<td>4</td>
<td>Public Choice Model</td>
<td>27</td>
</tr>
<tr>
<td>5</td>
<td>Contingency Decision Model</td>
<td>28</td>
</tr>
<tr>
<td>6</td>
<td>Communications Effect on Decision-Making Process and Environment</td>
<td>143</td>
</tr>
<tr>
<td>7</td>
<td>Planning Process Effect on Decision-Making Process</td>
<td>155</td>
</tr>
<tr>
<td>8</td>
<td>Public Debate Effect on Decision-Making Process</td>
<td>157</td>
</tr>
</tbody>
</table>
CHAPTER I

INTRODUCTION

The purpose of this case study research is to investigate the nature of the decision-making processes used by local government leaders in the decision to privatize public services. The nature of the decision-making processes encompass the identification of the problems, solutions, or alternatives investigated, the environment in which the decision was made, and an examination of the key participants in the process. Understanding the decision-making process requires an analysis of how decision makers think about difficult problems and the limitations of human decision-making ability. Privatization was chosen as an issue in these case studies since it is typically a difficult policy decision and is beyond the day-to-day decision-making authority exercised by most public managers.

By investigating and gaining an understanding of the difficult and often contentious decision to privatize public services, this research study can assist public officials in improving the quality of their decision making and the choices they make. This research will enable public officials to think more clearly about objectives, alternatives, consequences, and uncertainties, and enable them to integrate judgments with other types of information in a logical and defensible manner. To accomplish these research goals, it was necessary to question key stakeholders to understand the perspective of an individual making decisions in an organizational
environment. While there may be differing styles of decision making among public decision makers—autocratic, democratic or laissez-faire (Eddy, 1981; Fiedler, 1967)—most municipal charters require a democratic process allowing for public debate of issues such as is considered in this research.

Decision making at any level of government is bounded by its organizational and political environment. Organizational structure, legal boundaries, limited resources, as well as politics from within and outside of the organization often seriously affect decision making. In fact, most public executives would agree that decision making in their organizations is not a smoothly flowing process disseminating choices when and where they are required. Rather, it is a circuitous, disjointed, halting flow of interactions between people, interactions that shift constantly as a result of internal and external environmental forces. These interactive forces can range from organizational processes to political control.

Public officials often find themselves in a paradoxical position. If they take the time necessary to collect information on a problem and an appropriate solution, they are criticized for a slow response (Sobel, 2006). But if, on the other hand, they respond quickly, without a complete analysis of an issue, they are criticized for making an uninformed decision. In defense of decision makers, Hoy and Tarter (1998) said that a public official could make a right and timely decision and still be ineffective. This doesn’t mean that the decision-making process is flawed, but rather it is a commentary on the complexity of organizational decision making in the public sector. Recognizing the complexity of public decision making does not excuse
public officials from the duty to apply appropriate decision processes and the use of sound, rational judgment.

This research studies the decision-making process of six Michigan cities by examining the internal and external environmental factors and the role these play in the decision to privatize public services. A six-step classical decision-making model is used to develop research questions assessing the correlation to four organizational decision-making models: the rational model, the bounded rational model, the public choice model, and the contingency model.

The literature review in Chapter II briefly considers general decision-making theory followed by an analysis of the four decision-making models. The rational model is presented as a decision model that is foundational to a number of the models present in the literature and is considered by many to be the ideal model. The comprehensive rational model is very detailed and demanding in its process and is arguably only an ideal. The comprehensive rational model assumes that a decision maker has complete information and the ability to evaluate and rank the alternatives. The bounded rational model is presented as a realistic evolution of the rational theory of decision making as applied to an organizational environment. Unlike the rational model, the bounded rational model recognizes the limits of human knowledge in the identification of solutions to problems. Bounded rational theorists assume that decision makers are comfortable making decisions with incomplete information and are willing to accept the first alternative that is "good enough." The public choice model introduces a decision model specific to characteristics found in
public organizations. The public choice theory assumes that politicians are rational and that they will pursue their own self-interest and make decisions that will increase their own political power and votes. Finally, the literature of the contingency decision theory is presented as a possible framework used by public officials to make the difficult decision of whether or not to privatize. The contingency model is presented as a framework upon which to identify and understand internal and external environmental factors that influence changes in an organization's decision approach.

The methodology section, Chapter III, discusses the research strategy used to examine the decision-making approach in each of the cities considered in this study. The research method outlines the steps used in the development of research questions, selection of the cities, collection of the data, and how those data are analyzed.

The analysis of interview and secondary data is included in Chapter IV of this research and provides a city-by-city discussion of the history of each decision case.

Chapter V provides conclusions, interpretations of the research findings, and recommendations for future research. This chapter examines correlations between the cases looking for patterns and applications of particular decision models in specific circumstances as well as implications to the practice of public administration. The chapter ends with a review of the research purpose and recommendations for future research.
CHAPTER II

LITERATURE REVIEW

General Decision Theory

Decision theory is a multidisciplinary subject that can be found in the literature of all of the major disciplines. Decision making is often discussed in relation to organizations, management, planning, problem solving, and many other aspects of organizational theory. The literature is so extensive that it is imperative to set some limits on the material included in this research. This research focuses on how local government officials make difficult, non-routine decisions focusing specifically on the decision to privatize public services. Accordingly, the decision literature reviewed narrowly focuses on decision making in public organizations that apply in this context. Limitations related to this focus are further discussed as a part of the methods section of this research.

Much of the literature on organizational decision making stresses “making choices” as a principal concept (McGowan, 1988; Starling, 2005). Yet, while there may be general consensus that choosing is one step in the process, most would define decision making in a much broader sense (Simon, 1960). Taylor (1965) believes that decision making includes the entire analytical process related to the problem leading up to a decision choice. Simon (1960) contends that decisions can be separated into two categories: routine day-to-day situations requiring little or no
thought, and complicated situations that involve competing interests or goals requiring considerable expenditure of resources. The decision to privatize public services is a more complicated, non-routine decision that requires a more comprehensive process and the identification of a number of possible alternative solutions (Bazerman, 1990; Rainey, 1997).

Robert McGowan (1988) defines a decision as “the exercise of judgment in any particular situation.” Alvar Elbing (1978) says that “to make a decision (means) to make a judgment regarding what one ought to do in a certain situation after having deliberated on some alternative courses of action.” Herbert Simon (1960) considered decision making to be synonymous with administration and management. Leonard Sayles (1979) referred to decision making as “an organizational process that is shaped by the patterns of interaction of managers.” This research looks at the act of choosing between alternatives as well as the bureaucratic process involved with that decision.

All public organizational decision models are subject to a number of constraints. In government, decision makers must operate within the boundaries of legal or statutory authority, organizational structures, and time constraints. The decision to privatize a public service, for example, would be considered a “policy level decision.” As such, according to the organizational boundaries of the “council-manager” form of government, the final policy decision would be made by an elected board.
While there are a number of different decision-making models, most of them have in common a similar series of steps in the process. A typical decision-making process would include: (1) identification of a problem and its causes, (2) identification of possible alternative solutions, (3) weighing the alternative solutions, (4) selecting an alternative, (5) implementation, and (6) evaluation of the choice and whether to begin the process again, if necessary (Eddy, 1981).

Step 1 in the decision-making process involves problem identification and, in a public organization, is closely associated with setting the agenda (Dye, 2002). Questions related to the decision process for local government would be: who identified this issue as a problem, whether it is a symptom of another problem, whether there is consensus in the organization that the problem is hindering or blocking organizational goals.

Step 2 in the decision-making process includes the identification and consideration of possible alternative solutions and often provides a central point of distinction between the various decision models. A manager is typically assigned the duty of investigating an issue and reporting back to the board with possible recommendations. Another possible path would be for a board member to both present a problem and a solution. The development of alternatives for difficult problems in some models requires significant research and analysis prior to a decision.

Step 3 in the decision-making process involves weighing alternative solutions. Alternatives are ranked based upon some criteria. That measurement may
be a manager provided analytical instrument, a cost benefit analysis, or as simple as a call for hands of those in favor of a particular option. Alternatives may be selected based upon a number of factors that range from the analytical analysis, public pressure from special interest groups, or an intuitive judgment based upon an individual decision maker's personal perspective. Decision models vary widely on this step of the decision process as to what provides the basis for a decision. The question is whether a decision maker is selecting the best alternative for the community or for themselves or whether it is the best solution for the period of time.

Step 4 in the decision-making process involves the selected of an alternative. When an alternative has been selected, a manager is typically charged with its implementation.

Step 5 in the decision-making process involves the implementation of a decision. Implementation of the solution allows for an interpretation of the decision which may impact the effectiveness of the chosen solution. The presence of sufficient resources may also affect the success of this critical step of the decision process.

Step 6 in the decision-making process includes evaluation of the choice. In most organizations this step is often not performed or is performed only on an annual basis.

Figure 1 summarizes the formal decision-making process found in most local governments. As suggested by the literature, it is typically comprised of five or six steps that generally begins with identifying a problem. While these steps are
sometimes collapsed or expanded, the following illustration essentially represents a classical decision process as found in the literature (Eddy, 1981; McGowan, 1988; Simon, 1960; Starling, 2005).

![Figure 1. The Classical Decision Process.](image-url)

These steps provide a benchmark for the evaluation of variations from what is considered by many to be the ideal process in decision making. This core model of decision making also provides the points of comparison between the various theories of decision making considered in this research, as can be seen in the methods section of this research.

Public management literature suggests that the decision-making processes in public organizations is distinctive due to its political environment as compared to that of the private sectors (Rainey, 1997, 2003; Starling, 2005). Public organizations have a different level of complexity and dynamics than that of private organizations. Political issues of power and control add a unique dimension to the public decision-making process. In addition, the environment of the democratic process requires
transparency, accountability to the public and, in some instances, public input in the
decision processes. Public decision-making literature is closely tied to organizational
type issues of power and leadership since power often determines who makes the
decision. In local government, formal power of elected and appointed official is
delineated in a city’s municipal charter. The decision making considered in this
research is bounded within the context of the council-manager form of government.

The literature on decision making includes many different decision-making
models. The multitude of decision-making approaches appears in the literature for
the reason that not one approach fits every organization or situation. For the
purpose of this research, the decision to privatize public services was analyzed from
four organizational decision-making models: the rational model, the bounded
rational model, the public choice model, and the contingency model.

Rational Decision Model

Rational decision making refers to a logical step-by-step approach to
decision making with a thorough analysis of alternatives and their consequences.
The rational model of decision making comes from classical economic theory and
contends that the decision maker is completely rational in his or her approach to
achieving the organization’s goals (Downs, 1957). The rational theory seeks to
explain the behavior of individuals and organizations and has efficiency as the
ultimate goal of the process. Hezri and Hasan (2004) describe the rational model as
assuming that “humans are entirely rational beings. In economic thought, to be
rational is to select from a group of alternative courses of action, which maximizes output for a given input, or minimizes input for a given output." Many rational theorists would argue that the goal of decision making in any organization, including government, should be to get the biggest bang for the buck (Fesler and Kettl, 1991). Hezri and Hasan also describe the rational model as a "utopian goal," as most policy decisions have so many unanticipated consequences.

A number of governmental reforms over the past several decades have proposed approaches that included elements of rational decision making (Rainey, 2003). Rationality has various meanings and characteristics, but in political sciences, the rational decision-making process would involve the following components:

1. Decision makers clearly define all the relevant goals.
2. Decision makers clearly know the values used in assessing those goals and can rank order them according to their preferences.
3. Decision makers consider all alternative means for achieving the goals.
4. Decision makers will choose the most efficient of the alternative means for maximizing the goals.

In practice, these strict conditions are rarely met, except for simple decision situations that may occur on a regular basis (Bazerman, 1990; Fesler and Kettl, 1991; Rainey, 2003). The decision to privatize would generally not fit these criteria. This is, however, the ideal or standard that many public officials hold out as their process for making decisions. In reality, decisions are made within the bounds of limited knowledge and time as was suggested by Herbert Simon (1947, 1957).
March and Simon (1958) suggested that decision making is bounded by knowledge and that we can better understand decision making by explaining actual, rather than normative, decision processes.

**Bounded Rational Model**

Simon (1947) advanced the idea that decision making is constrained by the ability of public officials to collect or process relevant information. This becomes more of a reality as decisions become more political and complex (Jones, 1999). Herbert Simon, an early critic of the rational model, called his model bounded rationality. It reflected the limits placed on the rational decision-making process by such real-world considerations as a decision maker's inability to secure and process all information relevant to the decision (Simon, 1960). The bounded rationality model has four assumptions: (1) Decision makers select the first alternative that is satisfactory; (2) Decision makers recognize that their conception of the world is simple; (3) Decision makers are comfortable making decisions without determining all the alternatives; (4) Decision makers make decisions by guidelines or heuristics (Gore, 1964; Simon, 1960).

Bounded rationality assumes that decision makers satisfice; that is, they select the first alternative that is "good enough," because the costs of optimizing in terms of time and effort are too great (Gore, 1964). Hezri and Hasan (2004) indicate that one of the major differences between the rational and bounded rational theories is the need for the rational decision maker to maximize output. That is, that
the rational decision maker seeks to collect and evaluate all information about possible alternatives and solutions simultaneously. Bounded rational decision makers seek to satisfice, or select an alternative that is sufficient rather than the best alternative. The theory recognizes the limits of time, resources, and human knowledge.

Public Choice Model

Public choice theory was originally developed by economists seeking to study and explain political or non-market decision-making behavior. The public choice theory, which is sometimes called the rational choice theory or the social choice theory, has been adapted and used by political scientists to explain organizational decision making in political environments (Ostrom, 1989; Savas, 1982; Anderson, 2006). The basic premise of the theory is that human beings are rational and seek to maximize things that are important to them. The most rational thing, the theory says, is to promote one's self interest (Fesler & Kettl, 1991).

Early economic literature made a distinction between public and private decision makers. Private decision makers were seen as self interested profit seekers, while public officials were characterized as altruistic public servants seeking the best means to serve the public's interest (Buchanan & Tullock, 1962). Economic theory assumed that a self interested decision maker would seek to maximize personal benefits, whereas the political science theory assumed that a public-minded decision maker would seek to maximize societal welfare. Public choice theorists challenged
the idea that individuals act differently in politics than they do in the market place.
The public choice school asserts that all political decision makers, legislators, bureaus, governments, seek to maximize their personal benefits in politics as well as in the marketplace (Dye, 2002). Buchanan and Tullock (1962) argued that individuals come together in politics for their own mutual benefit, just as they come together in the marketplace by agreement to enhance their own self-interest. Thus, people will seek their own self-interest in both politics and the marketplace, but even with selfish motives they can mutually benefit with collective decision making. Buchanan and Tullock said that this should be expected because governments are made up of individuals who operate from self-interest in the market economy or in politics (Anderson, 2006; Buchanan & Tullock, 1962). Consequently, a public official operating within the public choice model would look to the ends, furthering their own agenda, without much regard to the means of accomplishing their objectives. As a result, a public official may promote their own interest rather than the interests of the community (Anderson, 2006).

One of the assumptions of the public choice theory is that individuals do not make formal calculations of the cost and benefits of each alternative. The theory indicates that individuals only act as if they make such calculations and use them in choosing courses of action (Levine, 1978). In other words, they go through the process of gathering cost and benefit information, but do not always consider this an important factor.
Public choice theory helps to explain why politicians generally fail to offer clear policy alternatives in elections. Political candidates are not interested in advancing principles, but rather in winning elections. To attract contributions and support for their agenda, public leaders must compete for supporters and money (Dye, 2002). In an attempt to win elections, public decision makers tend to move toward the center of the ideological spectrum to appeal to the greatest number of voters maximizing their voting support.

Public choice theory also helps us to understand the effect of interest groups on public decision makers. It is easy to see how politicians can improve their election prospects by catering to special interest groups. Since their personal stake is large, members of the special interest group have a vested interest in letting their elected official know how strongly they feel about an issue. Many of the special interest groups will vote for or against candidates solely on the basis of whether they support their agenda. As a consequence, politicians tend to reject meaningful alternatives in favor of supporting special interest positions that favor their own interest. Due to these factors, decision making from a public choice perspective often leads to short sighted decisions (Gwartney, Stroup, & Sobel, 2000).

Paul Starr (1989) in “The Meaning of Privatization” felt that where self-interest leads to benign results in the marketplace, it produces nothing but pathology in political decisions. These pathological patterns represent different kinds of “free-riding” by voters, bureaucrats, politicians, and recipients of public funds. Coalitions of voters seeking special advantage from the government join together to get
favorable legislation enacted. Rather than being particularly needy, these groups are likely to be those whose stake in a benefit arouses them to more effective action than is taken by the taxpayers at large over whom the increased tax costs are spread. In general, individuals with "concentrated" interests in increased expenditure take a "free ride" on those with "diffuse" interests in lower taxes. Similarly, public officials seek to maximize budgets, and thereby gain greater power, larger salaries, and other perquisites.

Relating the public choice theory to the privatization decision, Price (2005) notes that the decision to privatize public services continues to be a major source of controversy. Price remarks that

the preponderance of research on privatization has tended to focus on questions of efficiency; in other words, is the private sector able to provide public services at a cost savings to taxpayers? Even though some of this research shows that private firms do not always save costs, governments continue to justify decisions to privatize on the basis of cost efficiency.

Like the Price study, this study does not intend to look at the advantages or disadvantages of privatization, but rather to examine the decision process surrounding this decision.

Yager (1999) felt that economic explanations of the public choice theory fail to account for political aspects of the model. Yager concluded that public choice theorists should be aware of political conditions and forces that affect the decision to privatize. Those conditions were primarily employee and union opposition to privatization that developed council and community support.
This research takes into consideration both the economic and political aspects of the public choice theory as well as the political force field that surrounds this sometimes difficult decision. This research is distinguished from the Yager study in that it goes beyond why cities privatize by examining the decision processes and the environmental factors that lead to their adoption. While "politics" is a part of the decision process, it does not fully explain it. Yager's research concluded that privatization decisions are quite complex and incorporate both economic and political factors. This research examines the complexity of that decision and is inclusive of economic and political factors as well as many others.

Contingency Model

Most would agree that there is no single best way of making decisions that will apply in all situations. Contingency theory underlines the fact that our social and political environment is always subject to change. No single rule or decision-making approach will solve problems every time, for all individuals or all organizations. Public decision makers must study the internal and external environment to determine the best course of action prior to making decisions. In today's complex political environment, decisions and decision models must be flexible and fast changing in order to adapt to the environment.

Some organizations facing difficult problems or a hostile environment may deviate from their typical decision process. Others may start with one decision approach only to shift to another during the decision process. The contingency
theory suggests that effective organizational decision making should adapt to the demands of the external environment. The contingency model provides a framework to identify environmental factors that indicate the best approach based upon the circumstances (Hoy & Miskel, 1991; Hoy & Tarter, 1998, 2004).

Wettenhall (2001) suggests that the decision to privatize public services is often the result of combinations of both ideological and pragmatic contingencies within a fluctuating political and ideological environment. These contingencies are the basis for the type of decision which would indicate a contingency approach to decision making. The challenge of the contingency theory is finding under what conditions a particular model will be optimized in making a decision. For example, under some circumstances the bounded rational model of decision making may be the best fit. If the problem is narrow and concrete and the decision maker can predict with a high level of certainty the outcome of the defined alternatives, the bounded rational model may fit the circumstances. As the decision-making environment becomes more complex and dynamic, however, the information requirements and additional resources necessary to analyze numerous alternatives makes the bounded rational approaches less feasible. Public decision makers then turn to intuitive and experience-based political decisional approaches, such as the public choice model. Public organizational theorists have developed the contingency theory as a framework to facilitate decision making when faced with variations in the decision-making environment.
James Thompson (1967) suggested a contingency framework that explains how to identify variations in the decision-making environment that would suggest a particular method of decision making based on the variations. He identified two major dimensions: the degree to which the decision makers agree on goals and the degree to which they have well-developed technical knowledge about how to solve the problems and accomplish the tasks. Where both goal agreement and technical knowledge are high, a bounded rational decision-making model should be used.

Richard Daft (1989), following a similar framework, believed that goal consensus and technical knowledge concerning the means to achieve those goals were fundamental to identifying the best decisional process. According to Daft, goal consensus is simply the agreement among decision makers about which organizational goals to pursue. When goals are unambiguous and consensus is clear, they also provide a clear policy alternative. When goals are not agreed upon and problem identification is uncertain, decision makers often turn to a more political decision approach, such as the public choice model.

Technical knowledge, the second dimension in Daft's (1989) contingency decision model, refers to understanding and agreement about how to reach organizational goals. A clear understanding of technical knowledge is vital to the problem/solution stage of decision making. When the means are clear, the appropriate solutions can be identified and the outcomes calculated with some degree of certainty. When the means are poorly understood, potential solutions are
not well defined and the outcomes uncertain. Decision making from a contingency perspective depends on intuition, judgment, and trial and error (Daft, 1989).

According to Beach and Mitchell (1978), decision makers need to take into consideration factors related to the problem and the decision environment. The environmental factors would include the level of irreversibility of the decision, the relative significance of the decision, the accountability structure, and fiscal constraints. In choosing a decision-making method, public officials often compromise between their desire to make correct decisions and the amount of time and resources they put into the decision-making process. Kreitner and Kinicki (1998) believe that a full understanding of contingency considerations help public officials to make better decisions. As an analytical tool, the contingency model assists in an understanding of how public officials select solutions.

Kenney (1987) identified strategic contingencies as a part of a study of public and private organizations. This study analyzed major decisions in 30 private and public organizations, including local governments. The researchers in this study examined which internal and external departments were involved in major decision making and how much influence they had. The private organizations and their public sector counterparts had similar patterns of departmental involvement. For example, for all organizations, accounting and auditing departments were most frequently involved in making major decisions. In the public organization, however, external government agencies became involved much more often. In the local government organizations, committees or commissions that decide on resources and policies had
the strongest influence, while in the private organizations these groups were rated as having the lowest influence. The study also showed that the external government agencies were rated as having little influence on the public organizations, but as having very high influence over the private organizations. Kenney suggests that this may mean that public sector officials take for granted the influence of external agencies, while the private sector managers react negatively to government interventions. Overall, the study indicates that governmental agencies that produce and distribute primary goods and services have a strong influence in both public and private organizations. How these agencies deal with strategic dependencies will be reflected in their policy making decisions.

Applying the contingency theory of decision making to the question of whether or not to privatize public services, an examination of the conditions for privatization must be undertaken. Rainey (2003) has identified six contingency areas directly related to the privatization decision. Rainey developed his contingency theory of privatization from the contingencies that public officials must deal with in their decision to privatize. The six contingencies considered as a part of this analysis include:

1. Internal and external environment,
2. Organizational goals and values,
3. Leadership and organizational culture,
4. Organizational structure and capacity,
5. Organizational decision-making process, and
6. The existence of measures of performance and effectiveness.

Rainey emphasizes that these contingencies affect the privatization decision-making process, but may not all apply in all situations. Recognizing and dealing with these contingencies becomes a crucial part of good governmental decision making. (Rainey, 2003, pp. 420-424) In practice, public officials should adapt their decision-making approach to the requirements of each particular situation. Decision-making policies and practices should be responsive to environmental changes if effective decisions are to be made. Effective decision making is directly related to an organization's ability to diagnose and deal with quickly changing environment.
CHAPTER III

METHODOLOGY

This research analyzes the decision-making process used by public officials in six Michigan cities. A multi-site case study design guided the development of a research strategy and the methodology. The purpose of this study is to describe and analyze how and why cities make the decision to privatize or not privatize public services. While the literature is replete with discussions of the types of services cities have chosen to privatize (International City/County Management Association [ICMA], 1992, 1997, 2002), why a city should or should not consider privatizing public services (Savas, 1987; Starr, 1989), as well as the economics of privatization (Hartley & Parker, 1991, Sclar, 1997), little has been said concerning the decision process surrounding the privatization decision in local government.

Research Design

This research was based upon various forms of data collection including an analysis of national longitudinal survey data from the International City/County Manager Association (ICMA) for the years 1995 to 2002, in-depth interview data, city minutes and budgets, memos, news articles, and relevant electronic data.

The ICMA survey data provided the initial list of Michigan cities which had considered privatization, as well as a guideline for the purposeful sample that was
taken from this larger population. ICMA surveys have been conducted every 5 years since 1982 and include all counties with populations over 25,000 and all cities with populations over 10,000. Warner and Hefetz (2001b) used these data in their Economic Policy Institute article, “Privatization and the Market Role of Local Government.” This study, like the ICMA study, excluded cities with populations under 10,000.

This research examined the decision to privatize from the perspective of four major decision-making models: the rational model, the bounded rational model, the public choice model, and the contingency model. Summaries of indicators for each of these models are found in Figures 2 through 5 below. The central tenets and indicators provided the basis for analysis of the data collected in this study.

To investigate the decision models used by government officials in their decision to privatize, questions were designed following the classical model of the decision-making process. The steps of the decision-making process include: (1) identification of a problem and its causes, (2) identification of possible alternative solutions, (3) weighing the alternative solutions, (4) selecting an alternative, (5) implementation, and (6) evaluation of the choice and whether to begin the process again. These steps in the decision-making process provided the basis for collecting data on the actual decision-making process found in each of the cities studied.
### Rational Model

**Central Tenets and Assumptions:**
- Easy, accurate perception of what constitutes the problem
- Assumes the problem to be solved is clear and unambiguous
- A single, well-defined goal is to be achieved
- Assumes complete information—All alternatives and consequences are known
- The decision maker can calculate the probability of success for each alternative
- Assumes complete objectivity and that the decision maker has a consistent system of preferences which is used to choose the best alternative
- The final choice will be completely rational and optimal
- Decision makers will adhere to the cost analysis for their decision

**Indicators for Case Analysis:**
- Consensus on problem
- Goal clarity
- Multiple solutions presented and ranked by preference
- Measures of financial and other quantitative performance presented
- Existence of evaluation tools
- Decision makers will choose the most efficient solution

*Figure 2. Rational Model.*
### Bounded Rational Model

**Central Tenets and Assumptions:**

- Decision makers scan the environment for conditions that call for a decision
- Decision makers accept limited information and are comfortable making decisions without determining all the alternatives
- Decisions are made on the basis of previous experience
- Incremental solutions are sought to solve problems
- Decision makers recognize the limits of the human mind and that they do not have all possible information and yet are willing to make a decision

**Indicators for Case Analysis:**

- Decision makers tend to wait for the problem to be presented—reactive rather than proactive
- Potential to look at symptoms rather than problems
- Limited alternatives or solutions are presented
- Only one or a limited number of problems are presented
- Slow, costly, reliance on flawed memory, obtain too little or too much information
- Decision making will be more intuitive, based upon personal experience as opposed to rational analytical approaches
- First satisfactory alternative presented may be selected
- Short term or temporary solutions are used to solve a problem
- Potential ignorance or miscalculation of values and probabilities; criteria include political factors
- Evaluation may involve justification or escalation to recover costs, faulty hindsight

*Figure 3. Bounded Rational Model.*
### Public Choice Model

**Central Tenets and Assumptions:**
- Decision makers identify problems based on self-interest
- Decision makers select alternatives and solutions that maximize personal benefits
- Decision makers will protect and expand their budgets
- Politicians maximize votes, power, authority and resource base rather than a disinterested pursuit of public interest
- Special interest groups seek to maximize their influence
- The role of the government is relative to the interest of the decision maker
- Individual preferences or values become more important than that of the organization or community as a whole

**Indicators for Case Analysis:**
- Decision results in increase in political power or control as a result of a policy position or vote
- Very little cost/benefit analysis is used in the decision process or is not a primary factor in the final decision—efficiency is not critical to the decision maker
- Special interest groups influence the decision
- Decision makers actively seek public or special interest group participation
- Decisions require increasing rewards to keep or improve absolute and relative positions with voters or special interest groups
- Elections may trigger the need to influence either voters or politicians
- Individuals come together in politics for their own mutual benefit
- Politicians formulate their policies to win elections, successful reelection based on policy positions or votes
- Politicians generally fail to offer clear policy alternatives in elections
- Public leaders must compete for supporters and money
- Decision provides increased services for the decision maker and/or a special interest group
- Decision maker preferences become more important than that of the community
- Politicians will tend to reject meaningful alternatives in favor of supporting special interest positions that favor their own interest
- Public officials manipulate rules to produce preferred decisions

*Figure 4. Public Choice Model.*
Contingency Model

Central Tenets and Assumptions:
- There is no single best way of making decisions that will apply in all situations
- Contingencies are the basis for the type of decision approach
- Ideological and pragmatic contingencies influence the decision process
- Objections have a greater or lesser effect on the decision maker
- Decision making from a contingency perspective depends on intuition, judgment, and trial and error
- The degree to which decision makers have well-developed technical knowledge about how to solve the problems and accomplish the tasks will dictate the best decision model
- Non-analytic methods are employed when the problem seems familiar, straightforward, or stable
- Conversely analytic methods are employed if a problem is unfamiliar, ambiguous, complex, or the environment unstable
- The decision environment controls the alternatives considered and chosen

Indicators for Case Analysis:
- Internal and external decision environment
- Public officials disagree concerning the organizational goals or values
- Inability to reach a consensus on the problem or possible solutions
- Weak organizational leadership, structure and or capacity
- Ineffective organizational decision-making process
- Environmental factors make the problem too complex for the decision makers
- The existence of internal committees influencing the decision-making process
- Noticeable lack of technical knowledge related to the problem or solutions leads to a high dependence on management for decision task
- Noticeable lack of technical knowledge lead to a high dependence on outside professionals for decision task
- Unstable political environment
- Public decision makers then turn to intuitive and experience-based political decisional approaches rather than the highly rationalized process found in the classical models of decision making.
- The level of irreversibility of the decision
- The accountability structure surrounding the decision
- Resource constraints

Figure 5. Contingency Decision Model.
Methods

After careful consideration of the complex decision-making process in local government, a qualitative case study methodology emerged as the most reliable method to investigate the privatization decision. This method permitted extensive data collection and the opportunity to use multiple sources of information (i.e., interviews, news articles, memos, interorganizational documents) (Guba, 1978; Yin, 1994). O’Sullivan and Rassel (2003) say that case studies are often used “to gain an in-depth understanding of a process, event” and are a “valid approach to inform decision-making and enhance understanding.” An in-depth multiple-case study of city policy making can provide a basis of comparison to similar cities that would not otherwise be available (O’Sullivan & Rassel, 2003).

The case study methodology is recommended as an approach to studying problems in which the people and process are interrelated (Lincoln & Guba, 1985). Majchrzak (1984) added that case studies “provide for a more in-depth analysis and a more complete understanding of a situation’s complexity by examining behavior in context.” The multiple-case study approach was selected for this research because it will lead to an improved understanding of the privatization decision (Stake, 1994). The multi-site case study offers a means of investigating complex organizational units consisting of multiple variables of potential importance in understanding the phenomenon to be studied and results in a rich and reliable account of the phenomena. This research used in-depth interviews at the various sites in order to
obtain much of the information found in this study. Secondary data were used to provide leads and to verify the data collected during the interview process.

This research used a descriptive multi-case study format. The purpose for conducting a multi-case study is that the more cases included in the study and the greater variation across the cases, the more compelling an interpretation of a phenomenon. There are several aspects of a descriptive case study listed by Tellis (1997). The descriptive case study approach allows the researcher to investigate the complexities of a situation acknowledging the fact that not one but many factors may contribute to the phenomena. It allows the researcher to have the advantage of hindsight, yet find factors that are relevant in the present. The descriptive case study often shows the influences of personalities on the issue and the influence of the organizational environment.

Yin (1994), among others, maintains that testing causal relations is limited if there are too few observations. To resolve this research issue, Yin suggests increasing cases and looking for conclusions that can be explained with a high degree of plausibility instead of looking for an absolute explanation of a phenomenon.

To build empirical support for this research, a multiple-case study design with six cities was chosen for this study. This approach is similar to recent research in the area of decision making. Thomas Gustafson (1999), in his study of “The Process of Privatizing Public Golf Courses,” used a multiple-case study design to study three cities that privatized golf services. Brad Ferko (2004), in studying the
political decision-making processes in school districts, used a multi-case study to analyze four school districts in Western Pennsylvania. Ferko also used a classical decision-making framework as the basis of his research, citing David Easton (1965a, 1965b) and Griffiths (1967) as a framework of his research design.

Another concern with qualitative case studies is the ability to generalize the findings to similar situations. Yin (1994) argues that “case studies, like experiments, are generalizable to theoretical propositions, not to populations or universes.” Case studies are not randomly drawn from a known population, as is the case with surveys, but from a theoretical approach. In case studies, therefore, no generalization is possible. This is not so much caused by the small number of cases, but by the method of selection.

Description of Multi-Stage Sample Selection Process

Six comparable medium-sized Michigan cities were selected as case studies to map the dynamics of the local government decision-making process. To maximize validity and eliminate some extraneous variables, the sample cities were similar in population and form of government and region. Four criteria were established to guide the identification of the cities used in this research:

1. Cities in this study must have participated in an ICMA privatization study between the years 1997-2002. This criterion allowed for a purposeful selection of cities from a random sample that had been involved in the decision to privatize.
2. In order to limit travel and variability, the sample was limited to cities located in Michigan. Applying this demographic limitation reduced the total number of remaining cities to 72 that met both the ICMA survey and state criteria.

3. The population range was limited to between 10,000 and 60,000 people for consistency in staffing levels and to focus on cities with a council-manager form of government. Cities with less than 10,000 are less likely to have sufficient staff to engage in a full analysis of issues and solutions prior to making a decision, thereby limiting the full range of decision models that would apply. Conversely, cities with populations greater than 60,000 would typically have staffing and resources that are not comparable to those in the target sample. In addition, the ICMA survey data were incomplete for cities with populations less than 10,000.

4. Cities selected must have a council-manager form of government. Table 1 shows that, from a total number of 553 Michigan cities, 440 communities have populations less than 10,000. The majority of these communities are villages and do not have a council-manager form of government. Only 21 cities in Michigan have populations greater than 60,000, and many of these cities have a strong mayor form of government and are not comparable to other cities included in this research.

From the list of cities meeting these four criteria, it was determined that six was the maximum number of cities that would allow for in-depth on-site research. To allow for additional comparison from within the target population, a stratified sample was created by selecting two cites from each of the following population ranges: 10,000–20,000, 20,001–40,000, and 40,001–60,000. The population ranges
Table 1

*Stratified Sample Selection by Michigan City Population*

<table>
<thead>
<tr>
<th>Michigan City Population by Range</th>
<th>Number of Cities</th>
<th>Cities in 1997–2002 ICMA Studies</th>
<th>Cities in Decision Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 10,000</td>
<td>440*</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>10,000–20,000</td>
<td>40</td>
<td>24</td>
<td>2</td>
</tr>
<tr>
<td>20,001–40,000</td>
<td>22</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>40,001–60,000</td>
<td>11</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>&gt; 60,000</td>
<td>21**</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>( N = )</td>
<td>553</td>
<td>72</td>
<td>6</td>
</tr>
</tbody>
</table>

* Most communities with populations less than 10,000 in Michigan are villages and are not comparable in governmental structure to the cities in this research.  
** Nine of the 21 cities with populations greater than 60,000 have a strong mayor form of government and are not comparable to the cities included in this research.

are based upon U.S. census data ranges established for the reporting of local government subdivisions in metropolitan or urban regions (U.S. Census Bureau, 2000) and the ICMA survey data (1997, 2002). Each of the selected cities took part in a random sample of cities that responded to an ICMA privatization survey (ICMA, 1997, 2002). The ICMA surveys were mailed to all cities with populations over 10,000 and to all counties with populations over 25,000. Merriam (1988) suggests non-probabilistic sampling for this type of study, a common form being purposive or purposeful sampling. This is based on the premise that a researcher desires to gain as much knowledge as possible about the phenomenon and, thus,
should select a sample that allows the greatest understanding of the phenomenon (Miller, 1991; Yin 1994). The purposeful selection in this study provided a means of choosing from a larger random sample of Michigan cities known to have privatized or considered privatizing public services.

Instrumentation

After identifying and selecting cities to include in the study, background research was conducted on each city to determine what types of privatization had been considered and to identify the individuals and departments both inside and outside the government who were involved in the decision process.

A search of secondary information sought to identify the issues, key participants, and the political environment at the time of the decision. The secondary data obtained were also used as the basis for deeper questioning of the decision makers in the interview process. The secondary data sources varied from case to case, but at a minimum consisted of a review of local news reports, board meeting minutes, contracts, agreements, resolutions and ordinances surrounding the time of the decision.

Semistructured interviews were the primary source of data in this research. In-depth interview questions were developed based upon a review of both decision making and privatization literature. The leading interview questions were purposefully open and directed toward developing open conversation. A general list
of the coded survey questions is included in Appendix B of this research. Only those questions that were relevant to the respondent were asked.

According to Merriam, "the decision to use interviewing as one's primary mode of data collection should be based on the kind of information being sought and whether interviewing is the best way to get it" (1988, p. 72). In this case, a quantitative research study would not provide the detailed information sought and could lead to invalid conclusions since many public executives lead busy lives and quantitative surveys tend to be completed by staff. O'Sullivan and Rassel (2003) speak to this very issue in their article, "Research Methods for Public Administrators." In this article they point out that it is difficult for managers to respond adequately to the vast number of questionnaires that are sent to city managers and public officials by students and faculty doing academic research (O'Sullivan & Rassel, 2003, p. 176). Adding to this problem, many public officials are burdened with responding to bureaucratic, media, and public requests for information. As a result, administrative staff, not key decision makers, often hastily complete mailed questionnaires calling into question the validity of findings based upon this method. This research utilizes face-to-face semistructured interviews, thereby strengthening both reliability and validity of the research findings.

The primary focus for the interview process is on the key decision makers as identified in the research design. The stakeholders in the interviews were known participants in the decision-making process. The interview data are based upon the responses of 48 in-depth, one-on-one interviews conducted over a period of 5
months with the key stakeholders involved in the decision-making process. Included in this group were municipal managers, board members, mayors, and department heads. In three cases, interviews were conducted with key public officials who were no longer with the city.

The first stakeholder group chosen to be interviewed was municipal managers. As chief administrative officer, the municipal manager is charged with overall managerial responsibility for citywide planning, budgeting, and implementation of local government services and plays a key role in the decision-making process. Municipal managers generally serve at the pleasure of elected officials and are held accountable for a wide range of decisions affecting the affairs of the municipality. These key public officials are privy to an insider's information concerning the problems leading to the decision to privatize.

The second group of stakeholders chosen as a part of the interview process was the municipal board members. These individuals serve as local government officials charged with city policy making and overseeing programs and expenditures. Depending on the locality, board members are either elected directly by voters or appointed by the mayor. Final public policy decisions, such as whether or not to privatize a public service, generally are made by these board members. Individual decisions become group decisions at the conclusion of public debate and the vote.

Mayors were included in the third stakeholder group interviewed. Mayors, while a functioning part of the municipal board, have a few important distinctions. Depending on the form of government, these elected officials generally serve as the
chief executive officer presiding over municipal councils or commissions. Mayors are charged with setting the public agenda and overseeing programs and expenditures. Under a strong mayor form of government, the mayor may act as the chief administrative officer and the chief executive officer. As the highest-ranking member of any municipal council, mayors were a key respondent group. It is generally assumed that their attitudes and experiences with the issues under study will tend to reflect the views and interests of the community-at-large. As elected officials, mayors reflect a political perspective that may not be seen in the municipal manager's responses.

The fourth stakeholder group to be interviewed was the administrative staff and department heads. The titles of these individuals vary depending on the municipality but may include such titles as city clerk, treasurer, finance director, director of public works. These internal stakeholders generally serve at the pleasure of either the mayor or city manager depending on the form of government. These stakeholders are key to a complete understanding of the decision-making process used in the municipality. The administrative staff is generally charged with providing the data or information upon which most decisions are made. Much can be learned from these individuals as to the way decisions are made and by whom.

Upon conclusion of the in-depth interviews with the above key stakeholders, and any others identified during the process, the data were analyzed, coded and compared with secondary data in order to verify its validity and reliability. Secondary municipal information, such as internal memos, presentations, and
studies, were requested for analysis. The type and significance of these materials varied widely depending on the stakeholder's role in the decision-making process and position in the organization. This approach has the advantage of triangulation which compares different data on the same issue. Faulty understandings, which might elude any single measure, will become apparent in the contrast of divergent vantage points (Dooley, 1995).

Data Analysis

Each of the questions was placed in a coding category. There were many questions, however, that fit in one or more groups or models. Responses to those questions were coded and grouped accordingly in the analysis.

Data were analyzed and coded simultaneously with data collection. This allowed the researcher to "focus and shape the study" as it proceeded (Glesne & Peshkin, 1992). The analysis of data focused on the theories elaborated and the six facets of the local government decision-making process. The analysis identified patterns and relationships among the responses of the key stakeholders and the secondary information collected and the indicators of the four decision models.

In examining problems related to the decision to privatize, the analysis focused on both the individual and organizational perspectives that triggered the decision process. The analysis also examined who proposed the solution, why they might have suggested the solution, and what type and level of advocacy went into its suggestion. Participants were analyzed in light of their respective position inside or
outside the municipal organization, their relative power, values, attitudes and previous experience with privatization.

The analysis in this research focuses on how well four models of decision making (see Figures 2–5) explain decision making in local government. The analysis compares the central tenets and assumptions of each model against the data collected in in-depth one-on-one interviews with key decision makers. Yin (1994) recommended the use of case study protocol as part of a carefully designed research project. Central to Yin's protocol was the development of a plan for interpreting research findings. This research project planned for collecting and interpreting the research findings as an integral part of the research methodology.

The survey instrument (see Appendix B) consisted of a series of interview questions designed to solicit maximum information concerning the nature of the decision processes in each of the cities studied. Interview question were based on a classical decision-making model. Survey questions were grouped into five categories: problem identification, solutions or alternatives considered, mechanisms or processes, key participants, and environment. Each question was coded according to the category established prior to data collection to allow for the parsing of data by major category and by question. Each respondent in this study was asked the same series of questions for consistency in the data obtained. Follow-up questions were used to clarify responses to the survey questions.

Primary data were obtained from taped interviews which were transcribed verbatim. The interview responses were coded according to the respective category
of the questions asked and answered. Following the completion of all interviews in a particular city, interview data from individual respondents were color coded by respondent and combined by category for analysis. The combined data were analyzed using content and pattern analysis by identifying and linking key words and concepts that matched with those of the central indicators of the four models under consideration in this study. Campbell (1975) described pattern matching as a useful technique for linking several pieces of information from a case to a theory. In this research, interviews with key decision makers in each city were analyzed using pattern matching techniques to determine which decision-making model best fit the data collected. The content analysis took into consideration patterns that emerged from respondents individually and collectively by city. Attention was given in the content analysis to variables that would have the potential to influence the adoption of a particular process or solution as indicated in the central tenets and assumptions of the decision-making models.

The following description provides an example of how the pattern matching process was used in this research.

Interview questions in the section titled “Environment” were designed to solicit information concerning internal and external factors influencing the decision process (see Appendix B). Respondents’ answers were grouped by question to aid in the identification of patterns in responses that corresponded with the decision models. When a board member was identified in the response, names have been
withheld and board member X inserted to protect the identities of the respondents. When a group was identified, special interest group has been inserted.

Environment question E-2 asked, “Did the advocate for (or against) privatization stand to benefit in any way from the decision?”

The following are excerpts from city F respondent data in answer to question E-2:

Board Member 1: Board member X benefited. Board member X had a vested interest. . . He was running for a second term at this time and he was tight in with these folks from the special interest group because they felt they should be given priority so board member X took their side and basically became their champion as this thing moved along . . .

Board Member 2: The person who supported the special interest group was running for office. Then they tried to get another person in. I talked to this person and asked if they knew this group and they said “no.” But then there was an editorial in the paper by this group saying not to vote for the other candidate. The special interest group was paying for the (board member’s) brochure. I was broken and beaten by this group in the first three years of my term being on the ad hoc committee. . . . The mayor made a costly mistake putting an ad hoc committee together.

Board Member 3: It became a campaign issue as well. I’m sure you’ve heard about this special interest group all of a sudden putting up signs saying “special interest group supports board member X” and they went out door to door . . . they formed a political action commission just to get the job.

In this case, the preponderance of answers indicated that one or two board members significantly benefited from advocating against privatization. The primary benefit was gain in political power and successful reelection. These descriptive responses individually and combined are clear indicators of several of the central tenets and assumptions of the public choice model (Figure 4). For example, central
tenet four states that politicians maximize votes, power, authority and resources based rather than a disinterested pursuit of public interest. Central tenet five states that special interest groups seek to maximize their influence. Both of these central tenets of the public choice model are indicated by the patterns of responses of the three board members.

Several of the public choice theory indicators are also seen in the content of the respondents’ data. Public choice indicator six states that elections may trigger the need to influence either voters or politicians. Public choice indicator seven states that individuals come together in politics for their own mutual benefit. Public choice indicator eight states that politicians formulate their policies to win elections. All three of these indicators are in evidence in the interview responses.

Following the analysis of individual and combined interview responses, each interview was analyzed for consistency with secondary data sources. Secondary data consisted of meeting minutes, news articles and public records specifically related to the decision cases being studied. Findings in this research are a result of the analysis of both the primary and secondary data.

Research Limitations

This research and findings are limited to the population being studied. Speculation after collecting and interpreting the data about the implications for wider segments of the population is reviewed in the concluding chapter of this study.
It should be noted that the restriction of this research to medium-sized cities in the state of Michigan inevitably introduces a tradeoff between validity and generalizability of results. I would argue that this choice enables a more valid study by keeping constant a number of variables that are difficult to measure in cross-state studies, most notably the form of government. Only about one half of the cities in the United States have a city manager form of government. This variable is central to this research and its absence would alter the applicability to another form of local government. At the same time, these results are most generalizable to medium-sized cities, with a council-manager form of government in states that share many of the characteristics of the state of Michigan.
CHAPTER IV

FINDINGS

The case study findings presented in this chapter are primarily based upon the responses of interviews conducted with the key stakeholders involved in the decision-making process. Included in this group were mayors, board members, local government managers, and department heads. Each interview was analyzed for consistency and triangulated with secondary data sources. Secondary data consisted of meeting minutes, news articles, and public records specifically related to the decision cases being studied. From these responses and the secondary information, a broad picture emerged as to their respective decision-making processes. Macro analysis with pattern matching was used to determine the correlation with the central tenets and assumptions of the models of decision making (see Figures 2–5 in Chapter III) to determine which of the models best fit the respective cases.

The Case Studies

The case studies described in this section are based on decisions made by public officials in their consideration of whether or not to privatize public services. The case analysis will first provide a history and summary of their respective decisions as well as descriptions of how the agency structured the process of deciding whether to privatize public services. Specific attention is paid to interview
responses describing what triggered the decision process, how decisions are made, and how the decisions are associated with the decision-making models.

To facilitate the coding and analysis of the data, each respondent was asked a series of questions based on a classical decision-making process. The interview questions were grouped into six foundational elements from which to analyze the privatization decision: (1) identification of the problem(s) that triggered the decision to consider privatization; (2) the solutions or alternatives considered; (3) the processes or mechanisms used to make the decision; (4) the environment in which the decision was made; (5) the identification of the key participants, their role in the decision-making process, and what effect they had on the decision; and (6) the evaluation of the decision to privatize. From these foundational elements, the research identified the most dominant of four decision-making models: the rational model, the bounded rational model, the public choice model, and the contingency model.

City A

City A Case History

The issue in this case involved a decision to reverse the privatization of a segment of solid waste services. From the public announcement of this decision, it appeared that the city simply decided to add a new service segment to their public works division. While the decision may have been made quickly, the political process and environment in which it was made was anything but routine. Interview
data and city minutes describe a multifaceted decision that evolved during the decisional process.

Each year the city board holds special meetings to discuss the city manager's proposed annual budget. In this meeting, the problem initially appeared to be excessive budgetary expenditures and the level of services in relation to the tax millage. The problem that was specifically identified was whether the city should take over a service that was currently being provided under contract with a private company. Interestingly, the problem in this case and its solution were identified at the same meeting as the final vote on the decision. There was little discussion of the issue and the vote was unanimous. Also of interest is the fact that there was no research presented as to the cost implications at the time of the decision or prior to its being announced to the public the next day.

It appears that one or more board members had an ongoing agenda to increase the level of existing municipal services. They also sought to change who produced that service by moving the service in house as a municipally run operation. A request for expansion of this service had been presented in the past, but had been rejected by previous administrations. The current city manager, being relatively new to the position, was unaware of this history when he and the board came to terms on funding this service.

It is important that the length of tenure for senior staff in City A is not comparable to other cities of similar size. Respondents attribute the abridged tenure to an ongoing hostile organizational environment. The most observable consequence
to the decision process is the limitation of options presented to the board for their consideration. Only those solutions that were perceived as acceptable to powerful board members were presented. Length of tenure is symptomatic of a deeper problem that is seriously affecting the decisional process. This root problem and its affect on decision making will be examined in detail below.

City A Analysis

Problem Identification

To better understand the logic of the board’s decision, it was necessary to compare interview data with records of the board meetings on this issue. The following is a summary and analysis of the process leading up to the identification of the problem and the introduction of the solution by one of the board members.

During the city’s first budget workshop, a few of the board members strongly expressed that they would like the proposed budget reduced across the board. One influential board member also strongly felt that the board should cut taxes. This member appeared to be the informal leader of the board. Board meeting minutes show that this individual initiated and controlled many of the board’s debates. Interview responses indicate that deference was given to his ideas concerning spending and taxes over others on the board. The informal leader felt that taxpayers should not be paying more taxes this year than they were the year before. His argument was that the effective tax rate increased each year due to
inflation. As a result, the board directed the manager to make across-the-board cuts prior to their next budget meeting.

In a second budget workshop, the manager presented a revised budget showing a reduction in total expenses, but left the revenues untouched creating a surplus of revenues. The same board members who expressed a desire to cut the budget then attacked the city manager on the revenue portion of the budget. The informal leader of the board again pushed forward the idea that the board cut the tax millage but indicated that he was now willing to consider adding another service. He then proposed a new municipally run service to be added to the public works division. From a review of interview data and secondary sources, this position is not consistent with previous positions held by the informal leader. On previous occasions, and in his interview, the informal leader indicated that he had strongly supported private production of municipal services, but in this case he argued in favor of municipal production of the service. The informal leader’s position was consistent with the public choice indicator that says that decision makers select alternatives that maximize personal benefits. Previously, the informal leader entered into a contract with the city privatizing a city service. Board meeting minutes show that when a privatization decision benefited him personally as part owner of the contracting company, he voted in favor of privatization. When it favored picking up votes by increasing public services to constituents, he voted to bring the service in-house. Interview data indicate that it was the informal leader’s belief that the increased public service in this case would improve his position with voters.
The above budget discussions have a number of decision-making indicators that are found as indicators in the public choice model. Public choice decision makers must provide increasing rewards to keep improving absolute and relative positions with voters. The introduction of an additional service is a key public choice indicator in that it was a way to maximize the budget and as a way to maximize votes. The informal leader's inconsistent position also indicated that this was simply a political decision formulated to win an election.

Consistent with the public choice model, the board made a hasty intuitive decision that directly benefited the decision makers. Following the lead of the informal leader, the board voted unanimously in support of his idea. Respondent interview data indicate that they were interested in either enhancing their position with voters or moving the budget process forward. For example, the mayor, seeing an opportunity to get consensus on the budget and to stop the attacks on the manager, quickly consented to the proposed idea. The city manager, being opposed to reducing taxes and tired of the budget debate, also consented to the informal leader's new proposal.

It is of interest that the solution was accepted without evaluation of cost or alternatives. An indicator of the public choice theory is that there is little cost/benefit analysis or it is not a primary factor in the decision-making process. In this case, they made the final decision without any analytical support. This was very much a political decision, the benefits or success of which were weighed by nonquantitative measures. The failure to consider meaningful alternatives is also an indicator of the
public choice model. The facts of this case do not support any attempt by the board to decide in a bounded rational manner.

When examining problems in preparation to making a decision, it is of importance that one identify the causal factors of a problem rather than the symptoms of a deeper underlying issue (Starling, 2005). On the surface, the issue in this case initially appeared to be concern about total budgetary expenditures. The real problem, however, was much more complex. It appears that the key underlying problem was that the city manager did not present a budget with a service that had been requested by the informal leader. In the interview with the informal leader, he stated that “the manager proposed a budget to us and he still didn’t put the service increase in it, so we rejected it.” Research could identify only two of the board members with knowledge of this request prior to the budget meeting. Both of these members stood to benefit by the decision as both were actively running for reelection. Consistent with the public choice model, they were, by their own admission, seeking to advance this policy to improve their position with voters. City residents would see an increase to city services without an apparent increase in the city tax rate. The question is whether this was a disinterested pursuit of public policy or the advancement of the role of government in the interests of the decision makers.

The data in this case indicate that the decision was planned to maximize personal benefit to the advocating board members. The primary advocates for this service change were representing constituents that were disabled and/or senior
citizens. They were also members of this population that stood to benefit significantly from this service change. In this case the policy advocates seemed indifferent as to how the service would be provided as long as they obtained the service change. This could be interpreted as bounded rational “satisficing,” but the respondents indicated that this was a planned political move calculated to happen just before the election. More specifically, two separate respondents indicated that the budget debate was planned to force a decision to add another municipal service prior to the next election.

Given these facts, the public choice model is a very close fit for the decisional process and outcomes of this case. While participants who made the decision benefited as citizens from the increased city services, the two board members advocating for the service stood to benefit personally in the upcoming election.

*Solutions and Alternatives*

This case deviates from the decision-making process generally followed by City A of finding alternatives or solutions to a problem. The formal decision process typically used by City A followed closely the bounded rational model of decision making. This was affirmed by interview questions that queried how decisions were usually made in the city. In a typical decision process, the board or the manager identifies the problem. If there is consensus that a solution is required, the board then directs the city manager to research the issue and provide a range of
alternatives to solve the problem. It was also assumed that the manager would provide an analysis of each of the alternatives identifying probable outcomes for each. In this case, a very aggressive board member seeking a service change created an environment that resulted in a shift in the board’s normal decision-making process. This shift in approach is indicative of the contingency model of decision making.

Decision makers operating from a bounded rational perspective of decision making would have asked for more time to research the problem or situation and seek information on alternatives. Instead of taking time to evaluate the proposed solution, it was immediately adopted, and none of the respondents knew the estimated costs of the new program at the time of the decision. In asking if they felt like they had all the information that they needed, nearly all said that they wished that they would have had more information. These facts would be indicative of a bounded rational approach, but for the fact that they also knew that “another political fight would look bad for them in the newspapers.” The rational model of decision making would have sought to maximize effectiveness per expenditure. In this case the political reasoning for the decision dominated and costs were ignored.

Was this the only solution possible? No, there were a number of alternatives that were available to the city, one of which was keeping the service in the private sector. In discussing the issue with city staff, it was discovered that the city had just renegotiated a contract for this service just prior to the budgetary discussions. As a part of the negotiations, the contractor gave the city a quote to expand on the
current service level to include the proposed service. Follow-up questions concerning why the city did not consider this alternative indicated that the primary advocate for the service thought the city should provide “all the services.” This was inconsistent with his previous position concerning the privatization of another service. It is consistent, however, with the public choice indicator that says that politicians formulate their positions to win elections and that individual preferences become more important than that of the community.

Was this a good decision? Nearly all of the board felt that this was a good decision. The mayor thought that it was a “win-win decision.” He said that “it dissipated the destructive stuff that was going on; three board members were beating up our city manager.” It appears that the win must have been a win for the board members running for reelection and a win for the manager who survived to fight another day.

Not everyone thought that it was a win, however. Nearly all of the city staff involved were directly or indirectly opposed to this decision. Even those who stood to benefit through budgetary increases in their department thought that it was a bad idea. One of the department heads noted that “they already had a contractor doing a good job at providing this service. Eighty percent of the city was taking advantage of the service and, if necessary, the city would assist.” In addition to this argument, the finance staff noted that the cost would exceed what was roughly estimated in the board meeting.
Looking at this decision from the staff perspective also seems to support the idea that this political decision was made from a public choice perspective. An additional factor identified in this section was the amount of pressure placed on a relatively new manager to achieve the political goal desired. This, too, is a public choice indicator in that the decision increased political power and control for the informal leader.

**Decision-Making Process**

In analyzing the data in this case, it quickly became clear that there was a formal and informal decision-making process in the city. All of the respondents in this case confirm that the city’s formal decision-making process followed the traditional functions of a council-manager form of government. The mayor, as a member of the board, has the ability to vote and is the tie-breaking vote if necessary, but the ultimate authority to make public policy decisions resides in the local elected board upon the recommendation of the city manager. The city charter gives the responsibility for all day-to-day operational decisions to the city manager.

In describing the typical decision-making process, the mayor explained that if a board member had an idea, they would present it to the city manager for research and inclusion on the agenda. “One of us on the board would ask the manager for the pros and cons so we have both sides of the issue.” A simple listing of the positive and negative aspects of an issue is a narrow way to examine a problem. If this
becomes the basis of a decision, that narrow analysis is indicative of a bounded rational decision approach.

The mayor went on to say that they stress with the manager not to take sides on an issue. This admonishment is rooted in the theory that managers should be impersonal administrators neutral in their assessment of policy issues (Dye, 2002). This process is descriptive of a rational decision process where an administrator is expected to gather information and provide a number of alternatives from which the board can choose.

Interview data show, however, that not all of the policy problems in this city followed this process. The mayor described two types of decisional processes. The first was for regular decisions and the second was for “hot button” issues. The process used to deal with what was described as “hot button” issues deviates from the city’s formal decision-making process only slightly. In this process the mayor met with board members one on one to get a feel for where they stood on an issue prior to a public meeting. He also said that he wanted to find out if there were “things that they didn’t understand before they bring up negative things at a board meeting that really don't need to be brought up.”

While this process is not specifically identified in most decision-making models, it is a definite part of the process of narrowing alternatives and possible solutions to a problem. From my experience this secondary process is very typical of governmental decision making. The end effect of this process is to limit the alternatives or solutions that are brought before the public. In essence, it precludes
public debate on issues that are not on the agenda. This narrowing of the agenda or alternatives is consistent with the bounded rational decision approach—the city’s typical decision-making process. Depending on the decision maker’s motive, however, this may be indicative of the public choice model in that politicians will tend to reject meaningful alternatives in favor of supporting positions that favor their own interests.

All of the cities that are a part of this study use this process to some extent to build consensus on issues prior to a vote. Consensus building for the purpose of narrowing proposed solutions is indicative of a bounded rational decision approach. The mayor or the city manager generally handles the polling of the board members. However, in this case one influential board member was vehemently opposed to discussing issues individually with the city manager. He stated that he didn’t like managers coming around and talking to him individually. It was his feeling that the manager should communicate with the board all at the same time. He went on to say that this was part of the reason that one of their managers was fired.

**Decision-Making Environment**

City A has a history of a hostile political environment documented by both primary and secondary data. That hostility had a chilling effect on individuals who desire to serve long-term in the city organization. One board member said, “After you get elected, you are disliked. This is a very political town.” The board member went on to note that every two years that there was a complete turnover in the
board. The mayor added a different perspective noting that the city has "a reputation for electing people who have an axe to grind, a single issue, that's the only reason people run for council." The mayor expressed a concern that these members were having a serious effect on employee morale and tenure of service. One respondent indicated that in three years the city had "turned over all but three department heads, or up, positions. That is seven people that have left in three years." This being the case for a number of years, it was no surprise that length of tenure for senior staff was considerably shorter that in cities of similar size.

The existence of this caustic environment, while not unique to this city, has persisted long enough to destroy open and normal communications between the board and city staff. In part, the negative environment found in this case can be directly attributed to the failure or refusal to communicate. One serious consequence of the communications breakdown was an escalating level of mistrust and antagonism between the board and the city staff. Both primary and secondary data showed that members of the board regarded recommendations of the city manager and staffer with skepticism and often publicly challenged them. Another effect was a severe criticism of the managers' ability to communicate by members of the board. Determining which came first—the failure to communicate or the hostile environment—is beyond the scope this study. It could be inferred that, based on the tenure of senior staff, it was a preexisting condition. In regard to the decision in this case, it is important to show that the city manager's communication ability was a problem. This board member stated that the manager was in "more trouble than he
realizes.” He went on to say that “if we had not just canned the last manager, he
would have been gone before now.” The latter statement is included so that there is
a full appreciation of the environment in which decision was being made. Again it is
important to note that while this may not be typical of most local governments, it is
reasonable to believe that it is representative of those with highly political decisional
processes.

Approval of a recommendation often required the support of this one
dominant decision maker on the board. This dominance is patterned after a leader-
follower leadership style (Starling, 2005) and is difficult to overcome. Even though
this member is only one of a group of key decision makers, others look up to him. In
fact, the mayor gave him the title of “town acumen.” If a recommendation was
presented that was contrary to the recommendation of the “town acumen,” approval
was difficult. Hence, the typical process of building consensus was not possible. As
a result, the decisional process became highly political and driven primarily by
personal agendas, an indicator of the public choice model. As is indicated in the
contingency model of decision making, environmental conditions, such as an
unstable organizational or political environment, can lead to the adoption of an
alternative decision process. Under normal circumstances this board operates within
the parameters of the bounded rational model, but, in this case, the board shifted to
the more political public choice decision-making process in reaction to the situation.
Implementation and Evaluation of Decisions

Before and during the decision-making process, there was little information explaining how the decision would be implemented and none on how it would be evaluated. Even the primary advocate for the service shifted the responsibility to the manager. Recounting the decision, he said that “the manager came back in our second meeting with a line item in the budget that would include the service. That is as deep as we got into it, so I don't know what he is going to provide.” This statement says volumes in regard to the real goal of the service. One would think that if this service were really needed, the board would have had some idea of how it would be implemented. The fact is that, at the time of these interviews, none of the respondents, including the manager, had a real idea of how this service was going to be implemented. This is consistent with a public choice model in that the real political objective would be realized upon its announcement to the public. The morning following the decision to create this “new service,” the proposing members made the announcement to the newspaper.

As to the evaluation of this decision, the respondents overwhelming indicated that there is not a formal process for evaluation of decisions. A common response to this line of questions was that if it does not work, we will fix it later. This statement indicates a willingness by the board to make incremental changes in policy to fit the political environment. This situational response corresponds both to their normal bounded rational decision approach and the public choice model. The
distinctive difference is that the controlling decision makers' intent was to achieve personal benefit, consistent with the public choice model.

In discussing the evaluation process, board members indicated that if there were a problem, "they would hear about it." This presumes that after the board heard about a problem, they would fix it. This reactive decision making is again consistent with the public choice model. This model tends to place a higher value on perceived levels of satisfaction and reactive actions as opposed to more proactive rational quantitative approaches.

Conclusions

This case has elements of the contingency model. Under this model the decision makers adapted to a hostile decision-making environment at the time of the decision. The city's typical bounded rational decision-making process was replaced by a public choice process. The key stakeholders in this case acted in their own self interest. The cost of the decision was a minor factor in the decision since it was not seriously evaluated. There was an amount that was set aside for the service change, but no one knew whether the service could be provided for that amount.

Examining the entirety of the interview data, this decision seemed to be a very shrewd political strategy. What began as an analytical discussion of the budget, or a rational decisional process, evolved into a very political process most closely aligned with the public choice model—political, not in a positive democratic sense, but political in the sense of self-empowerment and self-interest. This led to a forced
decision made in an antagonistic decisional environment. None of the decision makers, when questioned about the decision, said that it was a rational decision. Some said that it was a good decision, but none said that it was made well. In the end, this decision benefited most those who proposed it. The informal leader of the board looked to use it in a reelection bid. It might be added that the mayor and the manager both benefited, one by saving face and the other by getting a budget passed. In light of these findings, it is apparent that this board’s decisional process is the embodiment of the public choice model.

City B

City B Case History

This case involves the decision to privatize meter reading for all city water and sewer customers. Meter reading had historically been a service performed by city Department of Public Works (DPW) employees. At the time of the decision to privatize this service, all of the DPW employees were members of a local bargaining unit.

The apparent problem in this case, as expressed by the majority of the respondents, was an inefficient and ineffective use of employees. While there is a general concurrence as to the apparent problem, only one respondent identified the root problem. In this case, the board’s decision resolved the apparent problem, not the underlying root problem.
The finance department's utility billing software required that the meters be read once a month and that the data be transmitted by the end of the first week of each month. The DPW did not place the same priority on the reading and data transfer and readings were often completed well beyond the requisite time for data entry. Each time the data were transferred late, the billing and penalty cycle was seriously disrupted. Customers complained to the finance department and the utility employees complained to the finance director. This ongoing problem created considerable conflict both inside and outside of the organization. When presented with the problem, the director of public works cited the many pressing priorities that competed for their time. By way of example, the director cited that in the winter, DPW employees at times had to be redirected from the much more important duty of snow plowing to do meter reading.

The interview data indicate that the city manager's office had long ignored this problem. Department managers did not agree as to the real problem. This bifurcation of opinion cuts to the heart of the real problem. It also lays the foundation for the analysis of how and on what basis the administration and board made their decision.

The failure of employees to perform the required service (meter reading) in a timely way was not seen as ineffective management, but rather the problem with meter reading in this case was characterized as an "inefficient use of DPW employee's time" by the DPW director. The issue persisted for a number of years before the director of the DPW in frustration presented a solution. But the solution
was not presented as a solution to ineffective management, but rather, as one board member expressed it, a way to "become more efficient and improve our service."

Upon further questioning, it became clear that the performance of employees was not the issue they were seeking to resolve. The real issue was that the employees did not like doing the meter reading because they saw this job as demeaning. Identifying this fact helped to explain why the union was in total support of privatizing the service. It should also be noted that no employees were lost to the privatization and that no additional work was assigned to the unit.

City B Analysis

Problem Identification

Problem identification in this city is primarily done at the departmental level and passed on to the manager's office. On occasion, the board or the manager's office will be involved in identifying a problem, but typically they have been willing for this to happen at the departmental or employee level. Of interest and central to this case is the fact that employees are very much a part of the decision-making process. The problem as originally presented was an issue of scheduling employees to do meter readings in a timely manner so as to get those data to the finance department to process customer billings. The issue in this case was precipitated by the finance department trying to get a solution to a problem that was occurring on a monthly basis. This issue had been ongoing for years and only small policy changes
had been made to address it previously. The city manager was nonresponsive to the issue and looked to the departments for its resolution.

The willingness of the board and the city manager to allow problems to present themselves and to react to them is indicative of the bounded rational decision process. City minutes and discussions with city department heads show a pattern of reactive problem solving rather than proactive strategic planning. While most models have some elements of reactive decision making, the ideal held out by the rational decision-making process is to plan and organize in such a way as to anticipate problems. In particular, the city manager seemed unwilling to make longer term policy decisions unless confronted repeatedly by an issue, again an indicator of the bounded rational decision process.

The DPW director in this case saw the problem not as a management problem but rather an issue of a "financial nature." The issue to the DPW director was one of staffing and the proper and efficient use of personnel. The problem was characterized very differently by the two department heads. To the finance department, the problem was caused by a lack of good management and the solution was to demand performance. Since problems are typically identified from the department level in this city, it was from the department perspective, specifically the DPW perspective, that the problem was presented to the city manager and eventually to the board.

A review of primary data indicates that the city's staffing levels as compared to similar size communities gives no weight to the DPW director's claim of
understaffing. The real problem was that supervisors never assigned employees to
the task for sufficient periods of time to accomplish the task. From the DPW
department’s perspective, there weren’t enough employees to do the work. Was that
an employee problem or a management issue related to having enough employees to
carry the function out? The DPW department manager was given the opportunity to
characterize the problem, identified it as a staffing problem, and that was how he
presented the problem to the board.

The involvement of the department manager and employees in the policy and
decision-making process, including setting the agenda and identifying problems, is
an indicator of the public choice model of decision making. In the public choice
decision process, problems are identified based on self-interest. Clearly, in this case,
the problem was identified in such a way as to maximize the benefit to the
department manager, protecting his budget and staffing levels, and to the employees.
The employees were able to shift the focus from employee performance to
efficiency. Secondary data in this case, city minutes, indicate that the question of
efficiency was evaluated in a subjective way. No formal cost benefit analysis was
performed or presented to the board for their review prior to making a decision.
Both the bounded rational and the public choice processes use an intuitive based
process to identify problems as is indicated in the failure to use some form of an
analytical decision tool.

In addition to the issue of staffing, the problem was also characterized as an
issue of employee morale. As one senior staff member noted, it wasn’t a financial
issue, it was "a problem with the morale of DPW workers doing what they considered a menial task." Another senior staff member said, "I think that the board recognized that there was more important work to be done. Honestly, it was not the favorite work that they did. They would rather be running the backhoe, than running up and down streets facing the dogs." Even board members stated that they saw this task as menial and that while employees were reading meters "other more important work was not being done." One department manager said that "the issue wasn't really presented as a problem that needed a solution"; rather "it was a way to do something better."

It's clear from the facts that this was not a controversial political decision. The board was quite willing to wait for problems to be presented to them, an indicator of the bounded rational model, and they "had full confidence in their staff" to provide them with good recommendations. While the department and the staff may have been operating from the public choice perspective, it does not appear that the city board was in any way. In a city where the board was making decisions from the public choice perspective, issues of this nature would be exploited for full political benefit. Employees acted in their self-interest, a public choice indicator, when they and the union approved the privatization of the meter reading. The task had been uniformly disliked by employees and the union was not facing a loss of jobs, a win-win situation for the employees. The department head was able to protect his budget, also a public choice indicator, and remove a task that was seen as an inefficient use of the workforce.
Solutions and Alternatives

In this city, senior staff members identify nearly all solutions or alternatives to problems. The problem in this case had existed for at least two years prior to the board's action. Secondary data, city minutes and memos, indicate that the administration was aware of the problem previously and had made slight adjustments to remedy the problem. This type of incremental solution is a central tenet of the bounded rational approach to decision making and is indicated in this case.

In this case, the department manager, facing an ongoing problem, indicated that he had done some research to evaluate the availability and feasibility of contracting out this service. Once it was determined that private production of the service was available, and the costs were identified, he presented his recommendation to the manager.

Once the city manager accepted the recommendation to pursue a private contract, the city manager and the staff were quantitative in their approach to the problem. The solution that they had chosen was supported with analytical data. The department manager said that "we looked up the numbers, we made an estimate about the time, and what it would cost, what the contractor was doing with their costs and we presented that to the manager and to the council with our recommendation."

The facts of this case parallel several of the indicators found in the bounded rational decision-making model, summarized in Figure 3, Chapter III. The board
members and the manager had been aware of a problem with the meter reading for several years. As is indicated, the decision makers waited for the problem to be presented before they reacted. Once the problem was presented, they chose to address symptoms rather than dealing with the underlying issue of performance.

One senior manager said that “cost was not an issue in my consideration; once we had a solution that seemed to be viable, we would have paid more.” A focus on cost and benefits is an indicator of the rational decision process. The failure to use fiscal and other quantitative measures in the identification of the problem or solutions suggest that the rational decision process was not followed in this case. This solution was selected on the basis of service to the public and a desire to please public employees. This is very much a bounded rational approach to the problem and to the solution. The board and the management team were willing to accept the first alternative presented that solved the problem, or at least the problem as identified and presented. The lack of goal clarity is yet another indicator of the bounded rational approach and is inconsistent with the rational decision-making model. Interviews supported by a review of secondary data, city minutes, shows that only one solution or alternative was presented to the board to deal with this issue. The solution, according to one respondent, was based upon the fact that the “employees could be used for something more valuable than just taking readings.” The goal, according to another, was to “come up with a method of reading the meters that was the most efficient and cost effective.”
It was discovered, however, while discussing this decision with the department director that he had contacted a private company prior to presenting this issue to the manager. This is of interest in that this company was one of two bids on this service. This will be discussed in more detail in the implementation section below.

Once the city manager agreed to the solution, the DPW department head was given the responsibility of preparing and presenting the problem and the solution to the board. This process is interesting in that DPW was then able to present the problem in such a way that it did not reflect poorly on their department. This self-protection is very characteristic of the public choice model in that they attempted to maximize the individual gain from the problem identification as well as in the presentation of the solution.

It could be argued that department head was trying to maximize his budget, a central assumption in the public choice model. Also interesting is the public choice indicator that says that individuals come together in politics for their own mutual benefit. This is born out in the union’s support for this privatization decision. The fact that the employees in the union agreed to the privatization, without dissent, was uncharacteristic. But the facts of the case show that the employees were in reality driving the entire issue and that the solution was a solution that they sought. None of the DPW employees liked performing this task, and the responsible department head was reluctant to assign the duty. Consequently, the task was not being performed satisfactorily and upper management did not demand performance. Errors
in data collection, untimely data transfer, and conflicts with priorities were not presented as the problems to be resolved. Rather, in presenting the issue to the board, the department head characterized the problem as an inefficient use of highly trained and well paid employees. The board unanimously agreed and concurred that such highly paid and well-trained employees should not be used to perform such a "menial" task as meter reading.

Was this a snap judgment on the part of the board or was it a well planned out analytical decision? It does not appear that either is the case. It simply was the best choice at the time that presented itself to them. The decision was not an uninformed decision, but neither was it a strategic decision. The decision was intuitive and based entirely upon the recommendation of the department head. It did solve, at least on a temporary basis, a problem that had been a long-standing issue. Solving problems with short-term or temporary solutions is a key indicator in the bounded rational model.

While this was the only solution presented, it was not the only alternative that would have solved the problem. Another option would have been to hire another employee whose sole function would have been to read meters. Another solution would have been to expand the job description of an employee and assign the task for specific periods of time. These solutions, according to one respondent, were not favorable to the department and as such were avoided. This avoidance of conflict is of interest and will be discussed in both the decision-making process and decision-making environment section.
Decision-Making Process

As is the case in the other cities in this study, the formal decision-making process is typical of a council-manager form of government. The board meets twice a month in regular meetings and twice a month in a workshop format. The workshop format allows for a less formal decision-making environment and seems to be effective.

The city manager in this city took a very low key approach toward the decision-making process. In fact, most of the decision making in City B starts at the department head level and is passed up to the city manager’s office for review and approval for presentation to the board. This places problem and solution identification in the hands of the key stakeholders closest to the problem. In most cases, this would be seen as a more progressive style of decision making, but in this case, a part of the problem was in the management of the department itself.

As previously mentioned, the process of information gathering and presentation is typically done by the director of a department. He or she brings concepts or recommendations to the board at a regular meeting. At these meetings, the board will discuss the issue followed by an up or down vote. There are times that the board will hold issues over for a workshop or the next regularly scheduled meeting. The board from time to time also will direct a manager to gather more facts and figures. Secondary data indicate that this was the exception rather than the rule. Only one board member asked for more specifics on proposals brought before the board.
In addition to the formal process of decision making, there was a very active informal process. The mayor met with board members on a regular basis to discuss city business and on occasion to "run a proposal by them." This informal process seems to be a common thread in the local government decision-making process and is typically used to build consensus on an issue. Consensus building, depending on whether it's political or not, could be considered an indicator of the rational approach to decision making. This informal decision step is aimed at developing clear and acceptable goals, which is a central assumption of the rational decision approach.

Most decisions in this city were typically made on an individual basis as presented, and the data provided were usually quantitative in nature. Most decisions were usually not risky decisions and were incremental in nature. One senior staff member felt that the city manager was overly risk adverse and purposefully avoided difficult issues. This subjective claim was difficult to verify, but a review of secondary information indicates there really have been only one or two major decisions in the last 10 years that have generated significant public opposition. These facts tend to support the idea that this decision, and most of the decisions made in this city, are from the bounded rational approach.

**Decision-Making Environment**

The decision-making environment as well as the organizational environment can best be described as cooperative. The board, management, and the staff
communicate well and on a regular basis. Board members have the ability to contact
senior managers and employees directly, but rarely do so. The board and
administration actively seek to create an atmosphere of appreciation of the
employees and the work that is done. This is evidenced in the secondary data, board
minutes, and memorandums, as public employee recognition is frequent.

The only negative aspect of the decisional environment was related to the
refusal of the city manager to deal directly and quickly with issues, which was noted
by respondents and confirmed by secondary data. Board meeting minutes show that
on previous occasions issues brought before the board and assigned to the city
manager tended to be lost or take months or years before coming back to the board
for a decision. This is consistent with the bounded rational decision process that is in
evidence in this city. The city manager’s office tends to control information going to
the board for a decision, and the pace at which the board gets information. But this,
in part, seems to be a mechanism to require that problems be clearly defined,
painfully so, prior to bringing it to the attention to the board. Solutions are also
expected to accompany the introduction of problems. Secondary data, internal
memos, indicate that senior staff are expected to present both the problem and the
solutions at the same meeting and expect a decision. This decisional process would
seem to be a much abbreviated process, but for the fact that much of the
communication regarding an issue is dealt with informally.

Most of the more difficult decisions take months and sometimes years before
they are formally presented to the board for a final vote. Not that the board is
unaware of the issues, but simply that the issues are not placed on their agenda for a formal decision. Records indicate that this issue had been discussed for at least two years prior to going to the board for a vote.

Finally, another factor that seems to have a positive effect on the decisional environment is the fiscal health. Fiscally this city was in very good condition at the time of this decision. It is reasonable to assume that this adds to the security of the decision makers as well as the employees in this case. It is also reasonable to expect that the decision-making process is made less difficult absent serious fiscal concerns.

Implementation and Evaluation of Decisions

Implementation was seamless. Once the board approved the privatization of this city service, the DPW director prepared a request for proposals seeking bids for the work. There were only two bids. As previously mentioned, one of the companies had previously contacted the department director with an interest in the work. The city manager indicated that this company was not the lowest bid, but they were nonetheless given the contract. In accepting bids, the city had reserved the right to take the lowest and "best" bid. In this case, the lowest bidder, according the city manager, "was not able to read the meters when we needed to have them read." As a footnote of interest, the company that was given the final bid in this case was also the company that was used to obtain the informal quotes. It was also discovered through secondary data, internal memos, and confirmed with the department manager, that this company had pursued the department seeking this work and that
extensive discussion of the work had taken place prior to making a recommendation. Both of these factors would make a stronger case for the public choice decision model if these contacts had been with an elected official. None of these facts surrounding the formulation of the department’s recommendation found their way to the board prior to its decision. Had this information been known ahead of the vote, it may have resulted in a different vote. It is not likely that they would have voted not to privatize, but that they might have accepted another bid.

One of the indicators of a bounded rational decision-making process is an incremental solution. Overall, the implementation of this service was incremental. The city manager indicated that they started out with a one-year contract to try it. Provisions for renewal were based upon the re-ratification by the board for another two years.

Conclusions

There appears to be two decision models that are applicable to this case, but one that is specific to the final decision process. The facts of the case indicate that the department manager and the employees were operating from a public choice perspective in their approach to the problem identification and solutions presented. The public choice model assumes that decision makers will identify problems based on self-interest, will select alternatives and solutions that maximize personal benefits, and will maximize their budgets. The employees in this case could also be considered as a special interest group seeking to maximize their influence over the
policy process in their own favor. While the public choice process appears to have played a part in the process leading up to the board’s decision, the department head and the employees are only able to influence the board’s decision and process.

There is no evidence in this case that indicates that the elected officials, in making the privatization decision, acted from the public choice perspective. In fact, there is no indication of self-interest on the part of the public officials in this case. To the contrary, most of the elected decision makers were looking out for the interests of either employees or the public. The board’s apparent altruistic behavior is contrary to the central assumptions of the public choice model. As to the employees, it could be said that they had serious vested interest in seeing this decision made in the way that it was. But, while they are an informal part of the decision process, they really are only able to indirectly influence the process. The public decision makers do, however, value the employees and encourage a decision-making process that is a bottom-up process.

The city manager in this case was risk adverse. If a decision or issue was controversial, then it was avoided and the problems persisted. Short-term solutions or corrections would be made, but permanent solutions or alternatives rarely were presented. The root problem in this case was not the conflict between the finance department and the DPW. It was not the conflict of tasks to be completed by the DPW. The real underlying problem in this case is the unwillingness of the managers to deal with the problem of employee performance. As one respondent said, the “real problem was a management issue.” The solution was, however, acceptable to
all. This is a classical bounded rational response. If it’s acceptable to everyone right now, then it’s the right decision. All but one respondent agreed that it was not only the right decision but also the best decision.

In this case, environmental contingencies did not seem to influence the decision-making approach. None of the contingency model indicators, such as an unstable internal or external decision-making environment or weak organizational leadership, were present in this case. While there may have been some disagreement among the staff as to the identification of the problem, there was consensus in the organizational goal of providing improved public service.

City C

City C Case History

The decision in this case involved the procurement of comprehensive solid waste services. The facts of this case indicate that the decision resulted in a public-private venture. This is, however, a very unusual privatization case in that the service to be privatized was already being provided by private companies when the city took up the issue.

Tourism, being one of the communities’ primary industries, inspired a campaign to improve the city’s image. One of the issues frequently discussed was the problem of multiple solid waste companies doing business in the city. As a result, unsightly trash was set out at the curb nearly every day of the week. In an attempt to coordinate this service, the city previously passed legislation regulating
both the residential and commercial solid waste. Regulating the service, however, had limited success and required a full-time inspector. Having not accomplished its purpose with these steps, the city decided to bring solid waste collection under the full authority of the city. To this end, the city passed legislation creating an exclusive franchise for solid waste removal. This exclusive franchise gave one company the right to do solid waste removal in the city. The city was then able to fully regulate this service and control what had been perceived as a serious problem. The city retained the customer service and billing portion of the service. Thus, a public-private venture was created.

Quotes from the city manager and a 12-year council member give an indication of how significant this proposed privatization was at the time: “I would have to say this program has probably as much potential of affecting every property owner than any other policy we’ve ever implemented” (City C News Article, 1992). The issue was of interest to so many citizens that, according to the city manager, “the public hearing had to be moved to the civic center, which held 3,500 people, and it was full.” One long-term city councilman said “it was one of the most controversial things that we ever did.”

City C Analysis

Problem Identification

One of the central tenets of the rational model of decision making (see Figure 2 in Chapter III) is the assumption that the problem to be solved is clear and
unambiguous. In this case, the problem was clearly defined. There was a general consensus among the respondents regarding the problem to be addressed. There was a single, fairly well defined goal to be achieved—improved community aesthetics.

There were, however, other benefits and objectives given as reasons for the service change. According to the city manager, another important objective was “to get mandatory garbage collection in the city. There were concerns about some property owners who did not have garbage service and they would “find ways to get rid of it.” In fact, the city was devoting an employee to investigating trash that was being dropped off in various public and business sites in the city.

The mayor was seriously concerned about their image when visitors came to the community. The senior staff concurred in that “it was primarily aesthetic and we had a feeling that we could save money if we did it under one contract.” The city manager said, “The other problem was that we could have as many five, six, seven garbage companies going down the same street every day which was ridiculous and when you looked at it, well, that can’t be very efficient and cost effective.” Cost, efficiency, and effectiveness are all indicators of the rational decision process, but the manager’s focus was not primarily on costs. He said that the community “just looked shabby.” The city manager went on to say that there were a number of private haulers in the city at one time and that there was no uniformity in how garbage was put out and the kind of containers. The assistant city manager said that he felt that the problem was “primarily aesthetics. People would put their trash out . . . in a helter-skelter way.”
The city manager's primary goal was to institute mandatory garbage collection to enhance the appearance of the community. Efficiency and costs savings, both central tenets in the rational and bounded rational decision model, were secondary to the mandatory garbage collection. It was hoped that the new process would be more efficient, but all of the respondents noted that total costs were unknown at the time of the decision and as such could not be considered as a major factor in the problem.

Another problem identified by both the administrative staff and several council members was a lack of an effective recycling program. While the board members stated that aesthetics were a major issue, they also were concerned about the lack of a comprehensive or mandatory recycling program in the community.

The staff did some analytical work to present their case to the board, yet they admitted that there were several unknowns. Secondary data, a PowerPoint presentation to the board on this issue, indicated that the city manager's office had limited the problem to only the aesthetics issue. Total costs would be evaluated in the future. A rational decision maker is assumed to have complete information on the problem prior to a decision. In this case, the decision was made without complete cost information. One of the key decision makers said that they just decided to give it a try. The decision makers were willing to accept the fact that they didn't have complete information and yet were willing to go ahead with their decision, a key indicator in the bounded rational model.
One of the central tenets of the bounded rational model assumes that the decision maker scans the environment for conditions that call for a decision. A review of the secondary data, meeting minutes and news articles, did not indicate a push by the public to deal with this problem or that the public felt that there was a problem with the current solid waste system. In local government, one external condition that is considered in problem identification is public complaints. Public records do not indicate an unusual number of complaints. It appears that in this case the administration saw a problem independent of public opinion and moved ahead to find solutions to what they perceived as a problem.

*Solutions and Alternatives*

From the outside looking into this organization, it appeared that the rational decision approach was used in their decision making in that the decision makers were focused on a well-defined problem set and had considered a number of possible ways to achieve their goals. As the decision developed to the point of identifying alternatives and selecting a solution to the problem, however, the decisional model shifted quickly to include elements of the bounded rational decisional approach.

One of the assumptions of the bounded rational approach is that the decision maker will make decisions based upon previous experience. The solutions considered in this case by the administration and presented to the board were very narrowly tailored to the knowledge and experience of the city manager. This city
manager indicated in his interview that he had gone through a similar experience in another city where they decided to bring the entire service in-house. Based upon this experience, the city manager recommended to the board that they try an exclusive franchise. Following up on the question of "what solutions or alternatives were considered," one senior staffer said that "the city manager was not in favor of doing it in-house. I believe he had done that at his previous place of employment. I think he preferred to look at privatization based a little on experience, so that's what we took a look at." The alternatives considered by the staff and presented to the board were limited, clearly a bounded rational approach.

One of the assumptions of the rational model is that all the alternatives would be explored, ranked, and presented, but, in this case, the mayor and board were satisfied with considering only one alternative, which is consistent with a bounded rational approach to this decision. In response to whether other alternatives were considered, the mayor said "there was the alternative of bringing it on as a completely city run service, I think we might have thought about that for a microsecond." The mayor expressed a concern that the addition of this service, in-house, would attract another union and in the end increase costs. The mayor said that they "work pretty well with our unions," but he was not in favor of bringing in another one that would likely be a fairly high-paid group. A senior staffer agreed saying, "The one thing we didn't do was buy garbage trucks and hire employees. We didn't consider that alternative." Supporting this premise, senior staff reported that there was only a limited comparison of an in-house service versus contracting it out.
One of the finance staff indicated that his report compared only possible staff costs with private costs and did not take into consideration capital costs. He went on to say that he felt that "it's one of those situations where you say 'let's bid it, and see how it goes'; if we don't like it, we'll look at doing it in-house."

The attitude of adopting a position with the knowledge that it may need to be reexamined is also an indicator of the bounded rational decision approach. They were also willing to adjust if, after the fact, they found that they had miscalculated. This is supported by a respondent's statement saying that they would "try it for a year and see how it works." Secondary data, the franchised contract, indicate that this option was protected by making the first contract short term, thereby allowing for either a renewal or the need to start the process over.

Consistent with the bounded rational model, decision makers accepted the first alternative that was satisfactory with the information that they had at the time. The fact that the board moved ahead with limited information is supported by secondary data. A review of city minutes and agenda support materials found no records of an analysis of in-house or city production costs. Hence, it is likely that the only real solution considered from the beginning was built around franchising the service.

There was no evidence of the public choice model in this case during the search for alternatives or solutions. The relevant public choice central tenet is that decision makers select alternatives and solutions that maximize personal benefits and that decision makers seek to maximize their budgets. There is no evidence that the
city manager or staff, in presenting limited alternatives, had self-interest as a motive. The failure to provide a complete analysis of cost also indicated that the manager and staff were not attempting to maximize their budget.

*The Decision-Making Process*

Fundamental to this city's decisional process is a clear division of authority. In a city manager form of government, the manager is responsible for the day-to-day operations of the city and the board is identified as the final policy-making authority. The city manager declared that "in his experience that there is a good separation of the policy-making type of decisions and the day-to-day decision making." He went on to say that

the mayor and council have a good understanding of the differences between those two. And, at the same time, at the staff level when there are major policy issues, they should be made by the elected official, not those of us who are not elected. The council feels that's what we pay you people for, do the job right, and for the most part, it's not unusual for the council to raise the issue, this is costing us this amount of bucks, is there a better way to do this.

Secondary data, the city charter, indicate that the city manager and the board closely adhere to the provisions in the charter detailing their respective authority, which may be a major factor in the effectiveness of their decision making. This is a slight variance from the bounded rational model in that in the bounded rational decision makers usually wait for problems to present themselves.

Both the city manager and the mayor were able to detail a formal decision-making process, while nearly all of the remaining respondents were able to describe
in detail key aspects of how the city goes about making decisions. The following is a
description of the city’s decision-making process reconstructed from interview data
and secondary data in the form of budget memos and board minutes. The city board
meets four times a month—two business meetings and two study sessions. Most of
the major items on the board’s agenda have been discussed in detail in the biweekly
study sessions. In the study sessions, the city manager and board will invite outside
resources to build knowledge concerning the issues being discussed. The manager
said that he might “bring in department heads, or some outside resources . . . and the
council will usually have the opportunity to ask questions or ask for more
information.” From the study session, a general consensus of the board is formed.
The manager and the mayor seem to be the vote counters and most often the
advocates.

Once a consensus is reached and everyone is comfortable moving the item
forward, the city manager will develop a formal administrative recommendation.
The city manager said that his office will prepare a report “that gives the
background and a specific recommendation, but then we usually will attach a lot of
the background information from the dept. heads and the options they have looked
at.” The formal recommendation will then become a part of the board’s agenda and
sent as a part of the board meeting packet.

The board decision process is quite formal following the rules outlined in the
city charter and resolutions adopting Roberts Rules of Order as the parliamentary
process to direct the meetings. The mayor was very firm in stating that the meeting
time was “the board’s” time to discuss the issue, and that the public was given an opportunity at the beginning and at the end of each meeting to have comments on their agenda items. This is very structured and would not be very acceptable in most communities. After the introduction of an issue, some items of a financial nature and others identified by charter are required to have a public hearing in addition to the board’s discussions. After the public hearing is closed, the board entertains motions regarding the decision and, if supported, a vote is taken.

The respondents all made it clear that most of the city’s decisions start in the annual strategic planning process. The city manager stated that the week-to-week decision process is a “system that feeds itself.” He stated that the strategic planning process sets the priorities, this is what we need to work on as staff, sometimes there’s directives from the council from one meeting to the next, but I think the big projects and big programs and services are pretty much decided during the budget process.

Secondary data, city minutes, clearly indicate that the strategic planning is central to their decision-making process. A review of secondary data shows that no major projects were attempted outside those that were identified as part of the annual budget process.

Each year prior to the budget planning process, the city has what they call “coffee with the council.” The board advertises a Saturday morning “coffee with the council” held in the council chambers. The board, along with the administration, has displays that show ongoing projects and each of the council members have their own table and people can come in and talk to any council member about anything. After meeting with the public, the board will meet with the entire senior staff. At
that meeting, the department heads give the board their top 10 issues and the board will ask questions about those issues. These meetings are in preparation for the city’s annual strategic planning retreat where the board and city manager and senior administrative staff set goals and priorities each year. These meetings start with the city manager and the staff listing their priorities and giving status reports on current goals and objectives. The administration and board discuss trends and projections in relation to current and proposed goals and objectives.

Decision-Making Environment

Is planning key to a good decision-making environment? One of the department heads believes it is.

I think the key is to get it channeled in the right way and most of the time, the council is not making policy decisions without input from the staff, and that we are not throwing stuff at the city council without giving them adequate information beforehand, so I think that the planning process we have at the beginning of the year . . . keeps our communications open and the fact that we don’t have standing committees, every time we meet it is the entire city council, we all hear the same thing.

In this last statement it is clear that there is a sense of trust between the administration and the board. A policy of no standing committees is not always the case in government organizations. One of the indicators of the need to use a contingency model of decision making is the existence of strong committees that are influencing the decision process, clearly not a factor in this case.

Organizational leadership and respect for each other seems to be a key factor in creating what appears to be a collegial decisional environment. For example, the
mayor said that he would rather put off a vote than embarrass a fellow board member on an issue. In what is typically a political environment, this is a rare statement. This is contrary to one of the central tenets of the public choice model, which indicates that "individual preferences or values become more important than that of the organization or community as a whole." This professional respect seems also to be the basis for long tenures of service in the city for both city officials and employees. The city manager and the senior staff involved with this case had all been with the city for over 15 years. In addition to the administrative staff, the mayor and the majority of the city board have had over 10 years of city service. I note this as foundational to what was an unusually well planned decision process.

From the findings of this research, there seems to be a direct correlation between elected board stability and the cooperative decisional environment. This seems to translate into a positive employer-employee environment. Secondary data, city minutes, indicate almost no employee complaints or union grievances for years. Following up on this with the respondents, it was found that there is a very formal and purposeful process by which everyone had a part in the city's decision-making process, including employees. I found no respondents who felt that they had been left out of the process.

This stable environment discounts the need to turn to an alternate decision process as is suggested in the contingency model as summarized in Figure 5, Chapter III. The organizational leadership and structure are strong, and they seem to have a very effective decision process that deals effectively with complex
environmental factors, all of which would be indicators in the contingency framework. In the past, when there has been a lack of technical knowledge, the board has brought in help from the outside to provide input. Consistent with the bounded rational decision theory, the board is willing to make incremental changes or wait long periods of time to accomplish their goals. Planning seems to be central to this aspect of their decision process.

The decision environment in this case continues to support a finding of a bounded rational decision approach. While the decision process was very detailed, the decision makers in this case limited the alternatives under consideration, which also limited the possible outcomes. In addition, limited information was provided and cost was a secondary factor to structure of the services delivery system, both indicators of a bounded rational decision process.

Implementation and Evaluation of the Decision

Implementation and evaluation seems to be the weakest link in City C’s decision-making process. This is well recognized by the administration and board and somewhat accepted. The responses to the question as to a formal evaluation process ranged from “I guess you just see how it plays out” to “we don’t have a formal process where we sit back and say it’s time to look at that decision and how did we do,” and “not per se.”

One respondent did indicate that they “do rather extensive goals and objectives analysis every year as part of our budget process.” A senior staff member
stated that all of their services have a 10-year fiscal history, and that they provide them in a graph form so the board can visually see where things are and as background information for projected goals. Consistent with the bounded rational model, the city manager stated that from this process they “identify the 10-15 projects that get worked into our goals and objectives.” Primary and secondary data indicate that the city’s primary point of evaluation occurs during their annual budget process. When the city manager puts together the recommended budget, evaluation takes the form of input from the public, the board, and the city staff.

The typical administrative answer regarding evaluation was “we review it (decisions) when the contract is up.” This attitude is indicative of the bounded rational approach in that the decision makers are willing to make a decision knowing that incremental policy shifts may be required to make the decision work. In this case, the contract was a multi-year contract with renewal provisions. A review of the information provided to the board for their decision shows that no benchmarks were established upon which to evaluate the decision. One senior staff indicated that “about every ten years the city does a citizen survey over multiple topics.” The city manager seemed to be the only one concerned about the limited review of decision but also has not acted to make formal policy changes to correct this issue to date.

Conclusions

The decision-making process in this case indicates a blend of two decisional models. The city’s formal decision-making process comes close to that of the
rational model in the process and planning aspects of decision making, but fails to meet several of the central tenets and assumptions of the model. The problem to the decision makers was very clear and there was consensus as to a general set of goals to be obtained. But the data indicate clearly that the city manager limited the alternatives to be considered early in the process. There was no attempt to present all the alternatives, rank them, and evaluate their respective probabilities of success. As indicated in the literature, it is not likely that the rational model would be associated with any of the cases, but it continues to be a part of most managers' goals in the decision process.

The public choice model was rejected on the basis that the majority of the public was opposed to what they did at the time. Not a vote-getting decision. Vote maximization is a central tenet of the public choice model. In addition, the decision makers did not select alternatives that benefited them personally, although the mayor indicates that the public has been very happy with the decision long term.

In examining this decision from the bounded rational model, we find that the decision process meets several of its central tenets and assumptions and is the best fit to describe this decision. In the decision whether or not to privatize the public service, the data support the fact that the city manager limited the alternatives presented to the board which were based upon his experience in another city. These factors are clear indicators of the bounded rational model.
City D Case History

This case involves the decision to bring the management and operation of a recreational facility in-house that had previously been managed by a private company. At the time of this decision, the recreational facility in question had been managed and operated by a private firm for five years. The two years leading up to this decision were enveloped in heated debates regarding operation of the facility. The previous city manager involved in the bonding, construction, and privatization of this recreational facility was besieged with demands to correct the alleged mismanagement of the facility. Instead, the city manager retired in the midst of the conflict.

To fully understand the conflict surrounding this decision, it is necessary to go back to the inception of the recreational facility. The city manager at the time, a long-term employee, originally proposed the bonding and construction of the recreation facility and was granted permission to study the feasibility of the project. A private accounting firm conducted the feasibility study. The city contracted with a financial and management consulting firm to provide projections on construction, management, and maintenance cost as well as their expected revenue flow. Projections provided to the board showed that there would be sufficient revenue flow to fund both debt service on bonds and to operate the facility. The board approved the project and authorized the sale of building authority bonds to
construct the facility. Revenues to maintain and operate the facility would come from user fees, concessions, and retail sales.

Since the city lacked experience operating and maintaining a recreation facility, the city manager recommended that the city solicit bids from private management firms. The management contract was negotiated by the city manager and approved by the board unanimously at a regular board meeting. The contract stipulated that the private firm had the full responsibility to manage and operate the facility, concessions, and the retail store. Their payment was based upon a percent of gross revenues the facility generated.

Secondary data indicate that the city had two goals in regard to the operation of the facility. First, the facility was to enhance recreational opportunities in the community, and second, the facility was to generate enough revenue to pay off the bonds. However, secondary data show that under the management of the private firm, only the first of these two goals was being realized. This fact is at the heart of the later decision made by the board. The facility as managed and operated was making a profit for the private firm, but the city’s percent of revenue was not sufficient to cover the bond debt service. Under extreme pressure from one board member, the city contracted with another consulting firm to do a fiscal and management audit of this operation. The audit showed that, while not managed extremely well, no funds were missing and that the original data used to promote the decision were flawed. The original cash flow projections were overly optimistic. So the original decision related to this case was based upon flawed or incomplete
information. While insufficient cash flow to fund the bond debt was a serious issue, it was only a symptom of a much deeper problem.

City D Analysis

Problem Identification

The problem, as presented in this case, was citizen reaction to the private management and operation of a publicly owned recreational facility. Board minutes show that the problem was initially brought to the attention of the city manager by parents of children using the facility. The focus of the parents’ complaint was that the facility manager was giving scheduling preference to groups he had formed.

After several months of what was perceived as “no action” on the part of the city manager, the group started going to board meetings on a regular basis, requesting action. From the beginning, the board was divided as to what constituted the problem and how it should be addressed. Hence, their first actions in regard to this issue failed to meet one of the basic tenets of the rational decision process, a clear identification of the problem.

One of the responsibilities of the private management firm was to schedule the use of the facility by the general public and sports organizations. Another responsibility was the identification and development of groups to use the facility. This was an important contractual provision since it was primarily through these consistent long-term user groups that the city was able to fund the debt service on the facility. The management firm was so successful in this objective that scheduling
times for everyone that wanted to use the facility was difficult. Usage of the facility
grew to the point that there wasn't enough time in the day to accommodate
everyone who wanted to use the facility. The problem then became who should have
a priority in the use of the facility. According to parents of a competing user group,
the facility manager had given the groups he had developed all of the prime times in
the facility, hence the commencement of a two-year political battle over the private
maintenance and operation of this recreational facility.

It is important to note that as this issue developed, the competing user group
developed into a very large and active special interest group. One board member
joined forces with the special interest group in an effort to force a review of the
management firm and its policies. Board meeting minutes indicate that after a period
of time another board member joined this alliance and together they were speaking
on behalf of the special interest group. Consistent with the public choice model, the
special interest group was able to maximize their influence through this alliance.
Also consistent with one of the central tenets of the public choice model, the
decision makers helped to identify the problem in a way that would benefit their self-
interest. The board members were seeking votes and the special interest group was
seeking a policy change.

The mayor, under pressure from a board member that supported this effort,
set up an ad-hoc committee to study the problem. One indicator of the public choice
model is that the decision makers will actively seek public or special interest
participation. When this committee met with the contract manager, it was found that
the group did have access, but that the times of access were not acceptable to them. In reviewing the city’s contract with the private firm, it was determined that technically the management firm was within its rights to schedule the groups. The latter was reported back to the board at a public meeting where the audience was full of members of this group. Obviously this was not what the group wanted to hear and it quickly became a very political issue.

The existence of the special interest groups is an indicator of the public choice model. The special interest groups were the primary factor in identifying the problem and influencing how this decision was made. The special interest groups were able to maximize their influence on the board with a promise of assistance at election time. Buying votes with political favors is central to the public choice model. The identification of the problem as seen from the perspective of the special interest group was accomplished with the help of two board members, both up for reelection.

The special interest groups took sides both on the board and in the community. Board meeting minutes indicate that in one of the many meetings that followed the introduction of this issue, members of the special interest group heckled nonsupportive board members. Public officials operating from the public choice perspective seek to cultivate voters, not alienate them. With growing support on the board, the special interest group then changed their point of attack to the management of the facility. With such a large group complaining about the
operation of the facility, the board agreed to conduct an audit to make sure that nothing improper was being done.

The report showed that fiscally everything was in order and that the manager was running the facility within his rights under the contract. Two board members, now representing the interests of the special interest group, stated in a public meeting that they did not accept the report and asked that another independent firm be retained to do another audit. Board meeting minutes show that a second audit was conducted which indicated that there were things that could be improved, but nothing major was wrong.

While public choice is clearly the dominant model in this case, there are also indicators that the public choice decision process was adopted as a result of environmental factors consistent with the contingency model. A weak leadership structure, unstable political environment, internal committees, and a dependence on outside professionals are all indicators of a contingency decision model. An additional indicator is the accountability structure surrounding the decision, in this case, a poorly written contract with the management firm. A review of secondary data, the private contract, shows that the contract failed to provide for accountability only requiring a "regular financial report" be provided to the city. There was no mechanism for legislative oversight and the contract did not have a termination clause. As a result, some of the board members felt powerless and others in the community were frustrated. The combined effect of these
environmental factors led to the adoption of the public choice decision process in this case.

A central tenet of the public choice model is that decision makers identify problems based on self-interest. The political leaders that took up this issue indicated that they were interested in making this a campaign issue that would help them to pick up votes in the next election. Others on the board feared opposing the position of the special interest group in fear of votes against them in the next election. Both of these two positions are consistent with the public choice assumption that politicians make decisions that will maximize votes. Thus, the combination of a very combustible political environment and self-interest resulted in the decision to bring the operation of the recreation facility in-house.

Solutions and Alternatives

The first proposed solution to address this problem was expansion of the facility to accommodate all the user groups. Secondary data, board meeting minutes, indicate that this decision was made upon the recommendation of the city manager and was approved by all but one of the board members. The solution proposed was limited to a single alternative and was recognized by all to be an incremental solution that would need to be followed up by another decision, both indicators of a bounded rational decision process. Board meeting minutes also indicate that this step in the decision process is consistent with previous decisions in the city on similar issues.
The incremental solution was aimed at satisfying some of the demands of the special interest groups concerns.

Funds from a previous project were used to jump start a building process. Engineering was completed, bids let, and a foundation for an addition was completed. Additional financing was necessary, however, for the completion of the project and the board, now fully involved in a political debate over the management of the current facility, decided to defer the decision to a public vote. A bond referendum for funds necessary to complete the project was rejected by voters. News articles from this time show that the special interest group, consistent with the public choice model, maximized their influence by turning out a record number of voters to vote against this solution. Also consistent with the public choice model, board meeting minutes indicate that the special interest group preferred another alternative—control over the facility and the termination of the private contract. Hence, the referendum in many ways was also a referendum on the private operation of the current facility and the city manager. The city manager retired and was replaced by his assistant.

Despite the referendum result, the majority of the board was still willing to consider other options. This is indicated by the board’s discussions following the defeat of the recreation referendum. Respondent data indicate that those board members who were in opposition to positions held by the special interest group were now concerned that their political future was at risk. The public choice theory
indicates that public leaders must compete for supporters and money to stay in power.

Following the referendum, the new city manager asked for time to properly analyze other options, including contracting with another management firm to manage all or a portion of the facility operations or to bring the operation of the facility in-house. The manager diligently pursued information and details regarding various options and presented them in a report and formal presentation. The pursuit and analysis of options is consistent with the rational or bounded rational decision process, but once the options were presented, only one option was seriously considered. This is consistent with another public choice indicator asserting that public officials tend to reject meaningful alternatives in favor of supporting special interest positions that favor their own interest. Board meeting minutes and respondent data show that while the discussion concerning solutions began in an open-ended way, they ended with a determined board member focused on a single solution. Both the mayor and city manager had explored contracting with another management company, but the most active opponent to the previous management company said "that was not even an option." In the end, this board member's persistence was successful and the board agreed to what it termed a temporary solution and voted to bring the operation in-house. The advocate for the in-house solution said "you almost feel like we had to get control of it." It's clear from this board member's perspective that there really never was more than one option on the
table. This option was based on a position to maximize power, control, and, in the end, votes, all significant indicators of the public choice model.

Decision-Making Process

A review of secondary data, board meeting minutes, reports, and memos, shows that the decision-making process used by the city in this case changed significantly as public debate on this issue continued. The data support the fact that the city’s decision process shifted from a bounded rational approach to a public choice model in response to a hostile political environment.

Respondent data indicate that prior to this decision the board had a high level of trust in the city manager and the staff. However, as the confidence in the manager and staff eroded, the decision process changed from a more typical bounded rational approach to the public choice process.

The city’s decision-making process followed the council-manager form of government and the primary informational source was the city manager’s office. Informally, the mayor and the city manager established the city’s agenda, determining which issues would be brought to the board for a formal vote. The city manager was a long-term appointee of the city and his institutional memory was perceived by some as invaluable to public policy making. Typically, city managers curtail their participation in the decision-making process to day-to-day operational decisions. In this case, however, the city manager had gained significant informal
authority in the decision-making process. The elected board almost never rejected or even questioned recommendations of the city manager.

In discussing the city's decision-making process with the current mayor, he admitted that looking back one must "wonder what was going on in people's minds, what were you thinking when you made that decision?" The mayor went on to say that his decision-making process was much more open than the past administration. Previously, board questions and comments were discouraged in the public meetings. In the bounded rational approach, only limited information is sought and only those decisions that must be made are placed upon the agenda. Both the problems and solutions are limited to keep as close to the status quo as possible.

There had been an informal process of informing and polling board members concerning issues coming before them. This process was meant to make the formal process, which was televised, appear more organized. The mayor said, "a lot of their decisions were just a rubber stamp." The previous mayor and city manager were very strong individuals. The mayor said, "there's nothing wrong with that, maybe in certain circumstances it's better than my style, but I would prefer to have a 7-0 vote after a long discussion than to make a quick decision we would pay for over the next how many years."

While the city's formal decision-making process is rooted in a bounded rational process, the decision-making process in this case is a lesson in the public choice model from the beginning to the end. Decision makers identified the problem based on their own self-interest, solicited support from a special interest group, and
sought to maximize votes by reflecting the goals of that same group in their decisions. The problem was identified by the special interest group and was defined and redefined by board members that supported this group. Consistent with the public choice model, individual interests supplanted the interest of the public as a whole. The political leaders in this case either gained politically at the polls or in preserving the appearance of leadership.

**Decision-Making Environment**

The decisional environment is at best hostile. Anyone who considered taking an opposing position to that of the special interest group in this case was publicly decried and even booed when they tried to carry on public business. The public choice model indicates that individuals will come together in politics for their own mutual benefit. Another public choice indicator is that elections can trigger the need to influence either voters or politicians. The board members who were supporting the special interest group in this case were facing an impending election. Voters with a special interest wanted to maximize their influence by bringing maximum pressure on the board prior to this election. Both the primary and secondary data indicate that this negative environment was used by some of the board members to gain political power and improve their chances of reelection. This negative environment also, in part, led to the retirement of the previous city manager and had many of the board members determined to never run for public office again.
Upon the retirement of the previous city manager, some of the board members believed that this was an opportunity to resolve this long-standing conflict. It was at this time that two board members pressured the mayor to create an ad-hoc committee comprised of members from each side of this issue to study the problem. Resolving this problem was really the responsibility of the city manager, as are all day-to-day operations and decisions. Hence, the creation of this group was problematic from the start in that it infringed on the authority of the city manager. With the retirement of the city manager and the election of a new mayor, a vacuum of power and authority was created.

The fact that the board appointed the assistant city manager as the new city manager was central to a changed decisional environment. Tenure in office by a city manager seems to generate an informal power that is difficult to overcome by elected officials and often a source of conflict (Starling, 2005). In this case, the newly appointed city manager was potentially a part of the problem. One of the indicators of the public choice model is a decision that results in an increase in political power or control. New city managers tend to be unwilling to exert their authority or to make changes during their first year, creating a real or perceived position of weakness.

In this case, long-term board members saw this as an opportunity to assert their informal power and authority (Starling, 2005) to accomplish previously unrealized goals. The board members that had previously felt powerless to deal with what they saw as a nonresponsive manager of the recreational facility now voted to
not renew his contract. Again consistent with the public choice model, this decision, formulated to win votes, benefited primarily a single special interest group and not the community as a whole.

**Implementation and Evaluation**

Implementation of this decision was handled very differently than it was in the decisions that led up to the problem seen in this community. The manager and the board took considerable time to make the decision to bring the management of the facility in-house. To be assured of the right decision, the new city manager asked for time to study the problem before making a recommendation. To facilitate this request, it was recommended that the city on a temporary basis contract a portion of the operations of the recreation facility with the firm that did the final audit and management study. Using a temporary solution to solve a problem is representative of a bounded rational decision approach.

Upon completion of the study, the city manager provided the board with a detailed cost analysis that recommended bringing the management and operation of the facility in-house. The city manager’s report established benchmarks for evaluation of the service and a change in the process of accounting. Board meeting minutes show that there was still strong board opposition to contracting out this service again and any other recommendation may have been rejected. The data in this case show clearly that the final decision favored maximizing existing positions of power and authority, a public choice perspective.
This community, like many others, uses the budget process as their primary planning and evaluation tool. Review and evaluation of the prior year's successes or failures occurs during budget review sessions. In a review of the city's budget, it is evident that incremental decision making was their primary decision process, as only slight changes in total budgetary amounts occurred from year to year in any of the departments. Incremental decision making is typical of a bounded rational model.

The only other point of evaluation was an individual assessment of public complaints. When respondents were asked what systems of evaluation were in place, they typically did not know, but were quick to add that "if there were a problem that they would hear about it." In this case, those complaints became the basis for two board members to maximize their position with voters and increase their personal power, consistent with the public choice model. This system of evaluation, reacting to citizen complaints, is inconsistent and is subject to the influences of special interests. Often, when an issue becomes so large that board members are starting to "hear about it," the problem is out of control.

Conclusions

The public choice model was strongly indicated in this case in that a special interest group identified the problem and sought ways to maximize their influence on board members. Both positive and negative methods of influence were exercised. The positive influence is seen in that members of the special interest group worked directly for the re-election of those board members who supported their cause. On
the other hand, secondary data indicate that in public meetings, members of the special interest group threatened to vote out board members who did not support their positions.

It is also clear from respondent data some board members were able to significantly enhance their power and authority by speaking on behalf of the special interest group. Previous to this issue, under another administration, this board member indicated that he was disregarded and marginalized consistently. With a strong re-election and the vocal support of the special interest group, his influence on the board became significant and is consistent with the public choice decision process.

However, reviewing secondary data, news articles, city minutes, memos, and budgetary documents, it is clear that this city has a history of making decisions from a bounded rational approach. In the case of previous difficult decisions, the board had been willing to accept the recommendation of the city manager without significant debate. For example, the board approved the initial bonding and construction of the recreation facility upon the recommendation of the city manager with no debate. In another difficult decision, the board approved a major capital project of comparable budgetary size with a neighboring township based upon the recommendation of the city manager with little discussion. In each case, the amount of information provided to the board was limited and the options were limited only to those presented by the city manager. These combined facts are indicative of a bounded rational decision approach.
Following the referendum, the administration moved into a political mode of making decisions. Respondent data indicate that this shift was as a result of voter pressure and a growing distrust of fellow board members and city staff. The environmental factors surrounding this case, bitter political infighting on and off the board, a very active special interest group committed to shaping a policy, and a new administration with less informal power, seem to be the factors that triggered the use of a different decision process. The contingency approach is indicated when various environmental factors combined lead to a change in a decision method.

The mayor in this case was a strong consensus builder, but consent from some on the board was only achieved if it was to their own political benefit, a definite indicator of the public choice model. This was expressed very clearly by one board member who indicated that the only reason he was elected was as a result of the special interest group in this case. The special interest group that he supported had completely financed and staffed his campaign. This strongly supports the premise that his decision was made from the public choice perspective. While only one or two members may have benefited from special interest votes, others feared votes against them in the future and retreated to protect their own interests rather than a disinterested pursuit of public interest. As a central tenet of the public choice model, politicians will do what is necessary to maximize votes, power, and authority.
City E

City E Case History

This case focuses primarily on the decision of whether or not to privatize sanitary sewer services. The cases under consideration in cities E and F have a number of factual and demographic similarities. The problem that both cities considered was the same, and the solution that they chose was the same. In order to rule out possible common decisional processes or outcomes due to contact with each other, special attention was given to the respondent that originally identified the problem and recommended a solution. In the case of City E, the individual was the city manager. In the case of City F, the Director of Public Works brought the problem to the board and public works employees presented the solution. There is no indication from interview data or secondary data that the cities were aware of the other city's decision on this common issue. In both cases, E and F, the cities decided not to privatize the public service and instead both allowed employees to submit a proposal to restructure the service. This was a relatively new way to respond to the issue of privatization; most cities were either privatizing or not. Up to this period of time, the literature surrounding this issue tended to be clearly on one side or the other (Savas, 1982). There was, however, an emerging concept advocating for the introduction of competition in the public/private question (Osborne & Gaebler, 1992). It is quite possible, given the size of the cities, that the administration was aware of this emerging model and used it as a solution to their respective problems.
I note size as an issue due to the larger organizational structure and staffing levels. It becomes much more likely that the managers would have had an opportunity to be up-to-date on emerging public administration models. This is, however, the only common factor in these two cities. How each city identified the problem, the solutions presented, and the process of deciding and how they evaluate decisions are different.

City E was at a turning point both organizationally and politically. The board included some long-term members and some relatively new members and a new mayor. Yet the shift was more than political; it was an organizational move, directed from the top, to become more efficient and effective. No fiscal crisis loomed and no major complaints from the community were driving this issue. This issue was being driven from the top of the organization and not the bottom.

One of the senior staff indicated that the decision to consider privatization came about as a result of work on becoming a “higher performing organization.” The city manager met with each of the departments and requested that they examine their departments for efficiency and effectiveness. Activities or functions that were deemed to be inefficient or ineffective were to be reengineered or considered for privatization. This provided a background for the problem and the solutions considered.
City E Analysis

Problem Identification

The problem in this case was initiated and identified by the city manager. The facts of this case show a strong indication of the use of a bounded rational approach to decision making. The manager and the mayor both indicated in their interviews a desire to make decision making more rational in the city. The city manager had just returned from an executive study program at Harvard where he had studied decision making. This was reflected in many of his responses.

In discussing the problem in this case with the city manager, the initial response was that the problem was an issue of costs. The city manager indicated that the goal was to become more cost competitive both internally and externally. The city manager noted that “nobody was really complaining about the cost of our services, but I felt that we could do it better and for less. We had just increased rates three years in a row and there was a little more sensitivity to it.” He went on to say that “it wasn’t like you are doing something so that you can keep property taxes low so in some ways it was not the most logical choice.” A focus on costs or efficiency is an indicator of the rational decision process.

A second related issue, expressed by both the mayor and city manager, was that of the “rigidity of their labor contracts.” The city manager felt that there needed to be radical changes to the workforce, including the city’s contract with the union
in this case. In explaining the problem with the union, the city manager said that “negative employee behavior was being protected by labor agreements.”

A third issue, and possibly the primary problem in the mind of the city manager, was the resolution of “an overall negative climate in the work force.” The city manager expressed that the real problem in this case was that “the culture in this department was at the time perhaps the sourest it had ever been.” He went on to say that “these employees didn’t feel that they were part of the city organization, since they were physically removed from the city organization.” Respondent data also indicate that this issue was at the heart of the decision.

The identification of the problem in this case is consistent with bounded rational indicators. There was not a single well-defined goal to be achieved when comparing the statements of all of the respondents and the supporting secondary data. The majority of the board felt that cost was the primary problem in this case. The mayor cited cost and organizational issues. The city manager, on the other hand, cited both of the latter, but felt that the union or organizational culture was the primary issue that was driving all the others. The fact that there were multiple goals to be achieved is inconsistent with the central tenets of the rational decision process, but is consistent with the bounded rational decision process.

Respondent data indicate that the manager was supported in his effort to make reforms to the organization. Secondary data, and internal memos, indicate that this problem had been building for some time and had not been dealt with by a previous manager who had retired a year prior to this issue. As a relatively new
manager in this city, it could be argued that the manager only identified this problem so as to establish himself as a problem solver. This being the case, it could also be argued that the manager in this step of the decision process was also acting from a personal interest in enhancing his position rather than that of the city, which would be consistent with a public choice decisional process. In a follow-up interview, the city manager indicated that while he was aware of the board’s oversight of his performance on this issue, he saw it as a part of his job to make the organization more efficient and effective rather than providing any personal gain.

_Solutions and Alternatives Considered_

This case is a classic example of an organization whose goal is to be as rational as possible in a bounded rational environment. The solutions presented in this case are indicative of a more autocratic decision process. Solutions may be identified or proposed from anywhere within an organization but, in this case, the process was controlled from the top of the organization. The rational decision model assumes that there is a correct solution to all problems and that it is management’s job to find that efficient solution and to implement it.

The city manager said that he didn’t feel that the “incremental approach of modifying individual behavior when there are multiple individuals” was going to be effective. Incremental solutions are typical of the bounded rational decision process and are meant to satisfy a need at a particular point in time. An examination of the secondary data, city minutes, and a modified employee (union) contract indicates
that while the city manager did not believe in the “incremental approach,” the final solution could be considered incremental in that it was phased in to avoid an unfair labor grievance. This is consistent with a bounded rational model.

Solutions were identified from a wide range of alternatives and ranked according to their respective benefit to the city, which is indicative of a rational decision process. However, consistent with the bounded rational decision approach, not all of the potential alternatives were evaluated or presented to the board. The mayor indicated that, when possible, solutions are taken from the city’s strategic planning process. The mayor further indicated that during the planning process, they identify both problems and goals. The goals are expressed in outcomes so that when problems surface, solutions are already shaped to achieve these goals.

In this case, the city manager was proactively seeking out efficiency and effectiveness in each of the organizational units. The city manager had requested that each of the department directors examine their organizations to determine whether they would benefit from either reorganization or privatization. During the time that solutions for this problem were being considered, reengineering and privatization were being promoted heavily in the public management literature (Osborne & Gaebler, 1982, 1989). This may have had an influence on the solutions that were considered in this case. In fact, the department head who made a recommendation to privatize the service had just returned from a conference that had a session on privatization.
This solution fit the objectives of the city manager. The city manager indicated, however, that his goal was not necessarily to privatize but to “send a message throughout the organization that we were willing to look at doing things very differently” and that privatization was an option. Hence, while the solution presented was to privatize, the real goal was to get the employees and the union to counter with a competitive proposal to accomplish the same objective but within the organization. The city manager was, in fact, limiting the options under consideration, consistent with a bounded rational approach.

A secondary data source quotes the department director saying that he thought that “consolidation was his main goal.” By this he meant that there should be a consolidation of job positions as a part of the classification system. Employees, realizing that this proposal would find support on the board, opened a dialogue with the city administration. The dialogue led to a competitive agreement with the employees and the union that would reduce the workforce through consolidation of positions and changes to the labor agreement that would allow a portion of those positions to be taken over by a private operation. The proposal was taken to the board where it found unanimous approval. Secondary data, city minutes and board agenda packet, show that the “joint” proposal was supported by significant amounts of analytical data. The use of analytical data to make decisions is an indicator of a rational decision approach, but the key decision makers in this case indicated that they did not use these data in their decision. The majority of the respondents in this case indicated that their decision was primarily based upon the recommendation of
the city manager. One of the indicators of the bounded rational model is that
decision makers will make decisions based upon intuitive or personal experience as
opposed to analytical approaches. This is interesting in that the decision makers had
the ability to examine this decision from a cost-benefit perspective but chose
otherwise.

**Decision-Making Process**

All of the respondents in this case confirm that the city’s formal decision-
making process follows the traditional functions of a council-manager form of
government. The mayor, however, felt that the city’s decision-making process
should be more like that of the business sector. The mayor indicated that while the
city is not a business, it can learn from the competitive environment of the business
sector. This seems to have been embraced in an organizational wide approach to the
decision-making process. Both the city manager and the finance director indicated
that this decision came as a result of a search for best practices in city operations.

The decision making in this city is very formal. One of the senior staff
indicated that “they are still working in a fairly hierarchical system.” Decisions are
made by senior management and are passed down to be implemented. One
respondent indicated that is often a point of frustration for some of the staff. In
discussing this issue further with the city manager, he said that he expects employees
to participate in decision making at the departmental level. A review of previous
decisions, as found in city minutes, indicates that the organizational environment is
very open to employee input. Secondary data show that at the departmental level several groups have been organized to study problems and present possible solutions. A senior staff member indicated that their decision-making process included the creation of teams, inclusive of employees, to study problems and propose solutions.

Secondary data, city minutes, agenda packets and budget documents, indicate that nearly all of the decisions presented to the board are from a quantitative perspective where appropriate. The city manager said that he favors a rational approach to decision making and that an analytical approach is purposeful. Probing this process with the manager, he was willing to concede that while the ideal is a rational decision approach, he never felt that he had all the information necessary to achieve that ideal standard.

As in the other cities in this study, there are both formal and informal aspects to their decision-making process. Leading up to a serious vote, the mayor communicates with key decision makers to poll their position on an issue. This informal consensus building process is often used to decide whether to put off a vote or to go ahead. A part of the process is to inform and to solicit input to modify a proposal so that it will be acceptable to a majority of the board. The mayor indicated that he likes to have a clear majority, but that is not always possible. An adjustment of the decisional process would typically be an indicator of a contingency framework, but in this case the modifications were only in relation to gaining
consensus on the issue and did not change the decision process from a bounded rational decision model.

In addition to the mayor's meetings, the city manager regularly meets with all of the members of the board on a rotating basis. This gives board members an opportunity to express concerns and to ask questions regarding city operations. On the city manager's side, it allows the opportunity to discuss policy issues prior to making recommendations on an issue. This active or aggressive participation in the policy aspect of the decision-making process is unusual for a city manager. Most city managers avoid this active a role in the decision-making process for fear of being linked to one side of an issue. The city manager indicates that these meetings assist in shaping policy that reflects the positions of the board (Newell, 1993).

Problems may be identified at any level in this city. When a problem is identified, the city manager will put together a team to study the issue and to make a proposal as to how best to deal with the issue. Members of the team not only include senior management, but also include employees and, if necessary, outside experts. Solutions or alternatives proposed are filtered through the city manager and only those solutions that are acceptable to the city manager are passed on to the board. The process creates a decision-making environment that is more indicative of the bounded rational decision process. Secondary data, and city minutes, indicate that the board often makes incremental decisions that need to be adjusted later to meet the needs of the city. For example, on a difficult zoning issue the board made several changes to the same section of the code over a two-year period of time to
satisfy both short-term and long-term residents. This is very indicative of the bounded rational decisional model.

**Decision-Making Environment**

The decision environment in this case played a key role in the decision process. While the decision-making process is very formal, it is inclusive, allowing for multiple points of input. Employees enjoy the opportunity to be a part of teams that are assigned to seek solutions to problems that confront the city. Employees are encouraged to find ways to save the city costs and are rewarded financially when their ideas create savings. This was also the case in this decision. Employees were able to financially share in the cost savings that were realized in the departmental reorganization. Secondary data and committee reports indicate that citizens were also afforded an opportunity to participate in the decision process by serving on committees. This added step in the decision process seemed to have the effect of defusing employee and citizen hostility and improving the decision environment.

It is important to note that secondary data indicate that the city’s decisional environment has not always operated in this way. At the time that this decision was made, one of the primary factors leading to a threat of privatization was “a sour labor environment” according to the city manager. Over the years, labor agreements had protected a number of employees that were perceived by the administration as negative influences on the workforce. This factor was central in the mind of the city manager in his decision to consider privatization. While labor cost was an issue, all
of the respondents agreed that it was not a primary factor. During this resolution of
the problem in this case, the city manager, in effect, compelled employees to
participate in the decision process. This process has since had a very positive effect
on the decision environment. While decisions are still made in a political
environment, decision making seems to be from a more bounded rational process
than political. This being the case, few elements of the public choice model were
noted.

Secondary data, board meeting minutes, indicate that the city had several
years before had a history of making decisions from a public choice perspective.
Those decisions were very political and partisan in nature, leading to heated political
debates and a very hostile employee-employer environment.

Council-manager relations are also very positive in this city. Many of the
respondents spoke very favorably of the city manager and his accomplishments. This
seems to have resulted in an extremely high level of trust. Open and free
communications between the board and the city manager again seem to be a primary
factor. While the proactive approach of this manager to meeting regularly with all
the board is not typical, it seems to have created an environment that is favorable to
good decision making.

One of the outcomes of this positive environment seems to be a heavy
reliance on the city manager’s recommendations. That reliance in turn has led to a
more bounded rational decision process. Respondent data indicate that their
decisions are more intuitive, based upon controlled or limited information and nearly
always based upon the recommendation of the city manager. Secondary data, city minutes, show that the board typically follows the recommendation of the city manager without modification.

**Implementation and Evaluation**

Implementation of this decision started before the recommendation had the approval of the board. As a part of the decision-making process and identification of alternatives, the city administration had prepared cost projections to determine the range of savings. Upon the approval by the board, a consultant was hired to do a comprehensive management study of the department. It was upon this information that the recommendations to privatize were made and ultimately became the basis of the employee proposal. The implementation of this alternative from a limited number of possible solutions supports a bounded rational decision-making process. In this case, the negotiation of a competitive agreement with the employees and the union as opposed to privatization defused what has in other cities been a difficult implementation process.

Evaluation of this project is consistent with the bounded rational decision-making process. Having established benchmarks prior to the consolidation of the job classifications allowed for an annual assessment of the savings to the community. There were a number of performance-based measures that became a part of the agreement. In this case, they provided regular feedback showing savings since the city implemented the decision.
None of the respondents in this city indicated citizens as a means of evaluation for their decision. Citizen feedback is more closely associated with cities that have political decision-making models. Public choice decision makers evaluate the success of their decision upon its value to their political goals and voter feedback is one of their primary measures of success. While many citizens are very active politically in this city, few of the public choice indicators were found. Secondary data indicate that special interest groups were not actively seeking to influence the privatization decision in this case. The dominant decision-making process, bounded rational decision making, was able to incorporate a democratic or political element into their decision making in such a way as to not make it a controlling environmental factor.

Conclusions

While it could be argued that the city manager in this case benefited from this decision, it does not seem to rise to the level of indicating the application of the public choice model. Nearly all governmental decisions are made to provide a benefit. The question is, who benefited and in what way? In this case, the primary benefit, as perceived by the key decision makers, was to the public in improved services. Certainly, the employees that retained their jobs benefited, but they were not involved in the final decision. Similarly, the city manager stood to benefit in that he gained increased creditability and stature as a city manager having apparently resolved a long-standing problem. One of the key assumptions of the public choice
theory is that decision makers will identify problems based upon self-interest. Research data in this case does not indicate existence of self-interest or that decision makers stood to gain directly from the decision in this case.

Another of the public choice assumptions is that politicians tend to maximize votes. News articles indicate that none of the key decision makers used this decision in an election campaign either before or after it was made. In fact, primary and secondary data indicate that constituents in this community have had a history of opposing privatization. Hence, even the suggestion of privatization as an alternative is inconsistent with the assumption of vote maximization. As such, the public choice model is rejected.

There was no indication of a competing model of decision making. A competing decision process or an unstable decision environment would have suggested a contingency decision approach. Neither of these factors or other contingencies that would suggest the used of a contingency approach was indicated in the interviews or secondary data.

Several indicators of the bounded rational model have been noted in this analysis. There were many issues considered in this situation, not a single well-defined problem to be resolved. The decision makers noted that cost information was not important in making their decision, and they accepted the limited alternatives presented by the city manager and followed his recommendations.

The facts of this case indicate that this decision was made from a bounded rational perspective. The key decision makers recognized an internal organizational
environment that required a change. The city manager didn’t believe that a simple incremental change would resolve the issue and therefore recommended privatizing the department service. However, the city manager indicated that it was his intention to “get the employees’ attention” with the threat of a privatization in order to obtain the flexibility that the city sought in dealing with this problem. So, in reality, the initial solution presented was an incremental approach to resolving this problem.

The key decision makers in this case indicated that they knew that the initial recommendation to privatize the service could have created a huge political fight but were willing to take the risk to obtain their goal. The majority of the key decision makers believed that a compromise would be reached once the recommendation was presented. This incremental approach to a goal was rewarded with the employee counter proposal to the privatization. Hence, the administrative team was empowered to negotiate with the employees and the union to achieve their goal. There exists one outstanding question, how they plan to measure improvement to a sour workforce.

City F

City F Case History

This case involves the decision of whether to privatize the management and operation of the city’s wastewater treatment plant (WWTP). City management was under considerable public and board pressure to cut costs and to resolve ongoing budget problems. One respondent noted that “two years prior the action by the city
commission, that the department’s fund balance was in essence zero.” In this fiscally stressed environment, the high costs of municipal-run operations led to the board’s decision to investigate privatizing. Leading up to this decision, a number of studies had been published detailing the potential savings to be generated by privatizing public services (Ahlbrandt, 1973; Hike, 1993; Moore, 1988; Savas, 1974, 1977). The city therefore considered the privatization of a public service in order to solve a fiscal problem.

Privatization of municipal services was not new to the city. Over the years the city had used private companies to provide a number of services including parking enforcement, janitorial, recreational facility operations, and waste water plant management. At the time of this decision, the city had already been contracting out key operations of the WWTP for a period of eight years. In light of their budgetary problems, and since a significant part of wastewater treatment operations had previously been privatized, the board requested an investigation into the cost of a fully privatized operation. The city contracted with a private firm to study the management and operations of the WWTP. The consultants’ report indicated that approximately $1 million could be saved annually through full privatization.

Upon presenting the report to the board, the city manager recommended that they solicit proposals from private firms for the full management and operation of their WWTP. Before request for proposals could be prepared and advertised, the director of the WWTP shared the private firm’s report with his employees and encouraged them to prepare their own proposal. Fearing the loss of their jobs,
WWTP employees, with the help of management, prepared and submitted their own proposal to the board. The employee proposal reflected nearly all the changes recommended in the consultants’ report. Their proposal recommended significant changes, including consolidating portions of the plant under municipal operation that were currently contracted out. The employee proposal also included realigning job classifications, reducing positions, and cross training WWTP staff to enhance productivity. The final part of their proposal required the city to invest in facilities so as to enhance energy savings and to comply with regulatory changes.

The city manager, working with the director of the WWTP, reviewed the proposal and agreed to send it to the board for their consideration. A special board meeting was set for the employees to present their proposal. Following the presentation, the city manager changed his recommendation to support this new competitive service arrangement. The board accepted the employee proposal, allowing for a three year implementation period. As a footnote to this decision, it must be noted that during the time of this decision, competitive service arrangements, rather than privatizing public services, were beginning to be reported in several cities across the country (Osborne & Gaebler, 1992, p. 85). As noted in the previous section, another city in this study was considering the privatization of their WWTP and also decided on a competitive service arrangement with their employees. This decision and the process by which it was made will be considered in the following analysis. A side-by-side analysis of these two cases is examined in the comparative analysis section of this research.
City F Analysis

Problem Identification

The problem in this case was initially fiscally driven and the board entered this decision process from a bounded rational decision-making approach. However, as the case developed, the board’s decision-making process changed and adapted to the contingencies of an unstable organizational and political environment. The facts of this case indicate elements of a bounded rational decision model that was, however, driven by a contingency framework.

Identification of the problem in this case was straightforward. The board, in response to ongoing WWTP departmental deficits, demanded that excessive expenditures be cut. A cost revenue analysis of municipal operations was the basis of the board’s directive. The WWTP department functions as an enterprise fund, deriving its revenues from service fees. In theory, enterprise funds operate like a business and as costs of operation go up, those costs are passed along to the customer. The board expressed a concern that the operations of the WWTP were not being run efficiently and therefore were costing the customers more than they should have to pay for services. The issue of efficiency was based upon their analysis of the higher than usual personnel cost. The reliance of the board on analytical data in their decision process indicates a more rational decision approach.

The reports provided to the board, however, did not provide sufficient data to make a definitive determination as to whether costs were truly excessive. A
deficit in the WWTP budget could simply mean that they need to increase fees as opposed to the need to reduce the costs of operations. Nonetheless, several of the board members felt that the trend of increasing cost needed to be reversed. The bounded rational decision process is indicated in that the board members relied on limited information in identifying the problem.

One board member expressed a concern that the WWTP department was overly classified and not flexible enough to service the needs of the city. In questioning as to what this member meant by this statement, he indicated that unionized employees had been classified with extreme specificity. This board member cited the problem as being the “restrictions that the unions had got us into for years.” For example, within the WWTP division there were maintenance employees whose classification of “electrician” would not permit them to change light bulbs. Another was that of “painter,” whose job was only to paint. The problem in the eyes of this board member was that some employees were not permitted to do other maintenance functions within the facility regardless of need. Modifying the classification system was a primary issue with at least one long-term board member. Board meeting minutes indicate that this board member expressed this concern in the meeting, leading to a review of departmental costs. Interview data with this board member also indicate that this same board member followed up by actively lobbying other board members to support forcing the union to accept changes to their agreement with the threat of privatization. While a reorganization or classification modification could be identified as a fiscal concern, the respondent
related this concern more in terms of dealing with an employee problem or union problem rather than that of an economic issue.

One board member focused on a single alternative, that of privatization, saying in their board meeting that “we’ve got to privatize, we can do it a lot cheaper, and we have studies that show that.” One of the staff members indicated that when a department is shown to be extremely inefficient, the board has historically looked at the option of privatizing the service. In this case, the problem presented by the concerned board member rose to this level. The board directed the city manager to contract with a consultant to determine how much would be saved by privatizing the entire WWTP operation. The city had used privatization to provide a variety of services to its citizens in the past and was open to the idea again. In this case, the board not only participated in identifying this problem, but they directly sought out one alternative as a potential solution.

The board was divided on the issue of privatization. While the board often considered the option of privatization, one board member was always adamantly opposed to privatization of city services. The decision process at this stage has elements of the public choice decision model in that individual board member preferences influenced how they identified the problem.

Solutions and Alternatives

An initial review of the interview data suggests that the city was rational in their approach to seeking solutions and decision making in general. The mayor
described an organized and methodical process by which the board looks at a problem and seeks solutions. Board members described a process by which the board directs the city manager and/or the staff to gather information and to bring it back for their review prior to deciding an issue. The mayor explained that the board also meets in a workshop setting “occasionally” to identify solutions and to narrow alternatives for difficult issues as well as to gather information from staff or outside consultants in an effort to better understand an issue.

Even though the board does use these various methods to identify solutions and narrow alternatives, it is the exception rather than the rule. The process by which the board narrows alternatives is often ineffective. Respondent data, confirmed by board meeting minutes, indicate that on many occasions the board did not use any of these processes or made their final decision from an alternative not identified through one of these processes. As can be seen in the introduction of this case, the board did not use either of these processes to identify alternatives, and instead, encouraged by a long-term board member, they quickly turned to outside consultants to investigate one alternative, privatization, over many others that were available to them. Hence, the information and solutions they sought were limited.

This bounded rational approach with limited alternatives seems to be very acceptable to the mayor and some of the board members. In fact, the mayor stated that he preferred to have only one alternative presented to the board as a recommendation.
This process of identifying solutions and alternatives also corresponds with several of the indicators found in the contingency decision approach. The limited knowledge related to this problem, the high dependence on outside professionals, the budget constraints, and the inability of the board to reach a consensus are all factors that led to a contingency process.

An analysis of board minutes and resolutions indicates that the city has a high dependence on outside consultants. Secondary data also show that on nearly every major decision made by the board an outside consultant was used to provide analytical support. This level of dependence is a key indicator of the contingency decision model.

The facts of this case and the secondary data show that this city has a history of not staying within any norms of a decision process for any period of time. The use of various decision models is also an indicator of a contingency decision process. Board meeting minutes show that the board may make a decision in one case using a bounded rational approach, only to replace that decision within a short time with a purely political solution. In this case, the board adopted the consultant’s recommendation to privatize, and within two weeks reversed its decision and approved a counter proposal from the WWTP employees. Interview data indicate that only one board member was extremely vexed at the way in which solutions were limited or set aside after having reached agreement. This same board member indicted that the board had reversed itself on several occasions in the last year.
The reversal of decisions is not typical of the other cities in this study. This research seems to indicate that cities that have a stable internal and external environment tend to be consistent in their decision approach. City F has failed at creating a stable political and organizational environment, an indicator of the contingency model. As a result, extreme policy shifts seem to be the norm rather than the exception in this city.

Decision-Making Process

The governmental structure, like the other cases in this study, is a council-manager form of government. Formal decision making for public policy is the responsibility of the board upon the recommendation of the city manager. Day-to-day decisions and operations fall under the authority of the city manager. The board meets twice a month and the agenda is established by the city manager. The mayor indicated that on difficult issues the city also holds planning workshops or will establish a committee to study a problem. In each of these informal meetings, the board often invites senior staff and outside professionals to add perspective. In these meetings, the staff identify problems and help to clarify issues that were being presented to the board.

Information and recommendations on major policy issues are provided by the city manager’s office. However, there is also an informal step in the city’s policy-making process. Long-term board members often call senior staff directly for information on issues and discuss staff recommendations. In this informal process,
two things happen. First, staff members have direct and significant influence over the key decision makers, and second, long-term board members are able to influence the staff to present policy alternatives that are acceptable to them individually. The result is that board and staff interaction has the effect of controlling much of the formal decision-making process. This informal decisional environment has been in existence for many years and seems to have been institutionalized administratively. This informal process indicates elements of the public choice model by significantly increasing individual board members' power and control in the decision-making process and establishing informal political coalitions of individuals in the decision process.

Considering the form of government and the organizational structure, one would expect that problem identification and solutions would primarily emanate from the city manager's office. However, decision making in this city is primarily driven from the department level of the organization and, informally, from long-term board members. Board meeting minutes indicate that some problems are identified by the board in their meetings, but this is not the norm. Both problems and solutions are predominantly generated at the department level and are passed on to the city manager's office. The city manager's office acts as a peer review and comment phase of the decision-making process. Most department recommendations are brought forward for consideration by the board, some with and some without the city manager's recommendation for approval. This is not typical of the decision-making process found in other council-manager cities. In examining the other cases
in this study, if a city manager did not approve of a department's proposal, it was not presented to the board for their review.

Primary and secondary data clearly indicate that the board's decision methods shift with the level and type of decision being made; this is consistent with a contingency decision framework. The board ebbs back and forth on issues, alternatives and solutions depending on the decisional environment. Examining this case from the contingency framework rendered a completely new perspective and made sense from an otherwise fluid decisional process. Timing and decision environment factors are central elements in their decision-making model. The board varies how it decides issues based upon the situation.

The down side to this method of decision making is that there is limited consistency among their decisions. No one can predict how the board will react to a particular set of facts given the board make-up and the timing of the issue. A positive side of this decision-making approach is that the board is flexible to its environment and willing to adjust to changes quickly. Being responsive to environmental change is often difficult for larger organizations.

In this case, both the city manager and the city employees came to the board with alternatives already narrowed to a particular solution. Following a bounded rational approach, the board had to decide one way or the other, and the board made the decision to fully privatize the WWTP. But, two weeks later, under political pressure, the board reversed its earlier decision, following a different decisional method. With the employees in front of them presenting a comparable
proposal to that which was recommended by the consultant and the city manager, they made a snap decision to reverse their first decision and as one board member said, "just give it a try." In a reversal of direction and decision methods, the board maximized their political position by accepting the city employees proposal, and, in effect, followed a public choice decision-making process. This blend of bounded rational and the public choice process is consistent with the city's use of a contingency approach to decision making.

Decision-Making Environment

The environment in which this decision was made was very fragmented. In examining the last year of the board's decisions, it became very clear that the board is divided on several issues. One respondent characterized a board member as making decisions "based on the union play book" and another as "being very free market."

The city manager indicated that board members were free to communicate directly with senior staff, asking questions on issues coming before them for decisions. A significant environmental factor was that long-term board members knew the staff and had better access. This created a distinct advantage, and they tended to use it to control the decision making on major decisions. This created a decision environment consistent with elements of the public choice model. At least one board member was very disturbed about this informal "communication environment." Being a relatively new board member, she expressed extreme
frustration at not having all the information that other board members had and not having the same level of influence. This same board member described a situation where "employees would create an alliance with board members" to get the board to change its position on issues. This alliance, common to governmental organizations, may also be joined by a third party and is described as an iron triangle (Starling, 2005). The problem is that this alliance tends to destroy the decisional environment by isolating key decision makers, as it did in this case.

Another significant environmental factor is the perceived complexity of the problem. If problems are perceived to be difficult and complex, board members tend to depend on the staff or outside professionals, an indicator of the contingency model. If problems are familiar or seem simple, then they tend to make decisions from an intuitive perspective, also an indicator of a contingency model.

In this case, the board turned to consultants for help because the problem seemed so complex. The consultants, using analytical tools, projected that the city would save $1 million if they privatized the WWTP. Board meeting minutes indicated that the board accepted this recommendation with few questions. However, when the employees presented a comparable counter proposal, the decision makers suddenly shifted from the analytic approach to an intuitive assessment of the problem and proposed solution. The problem was simplified to whether to privatize or contract with our existing labor force. The analytical component of the decisional process quickly took a back seat to the political process of deciding between two policy options. In the contingency theory of decision
making, decision makers turn to intuitive and experience-based political decision approaches rather than a rational decision method.

**Implementation and Evaluation**

The implementation of the board's first decision to privatize was obviously interrupted by the employee proposal. Reversing its initial decision and accepting the employee proposal then became the issue in this case. Many decisions fail at the point of implementation, either from an initial improper decision or a failure to plan for the outcomes. The implementation of this decision was well planned and documented. The employee proposal had specific goals with corresponding time tables for each of the steps. To ensure a successful implementation, the board allowed for a three-year phased implementation.

Since the employee proposal followed very closely the recommendations of the consultant, the evaluation could also follow the consultant's report, which provided the necessary benchmarks upon which to evaluate the success of a number of the proposed objectives. In addition to these objectives, the employee proposal included changes in job classifications that took 12 classifications down to 4 and the realignment of jobs reduced the total number of employees. These benchmarks became the basis upon which the decision would be evaluated. Assessing efficiency and effectiveness through benchmarking is an assumption of the rational and bounded rational decision process.
Conclusions

The board entered this decision process from a bounded rational decision-making approach. However, as the case developed, the board’s decision-making process changed and adapted to the contingencies of an unstable organizational and political environment. The facts of this case indicate elements of a bounded rational decision model that was, however, driven by a contingency framework and evolved into a decision method with elements of the public choice model.

The board, city manager, and the senior staff applied varying decision-making models depending on the issue and the influencing environmental factors. As is indicated in the contingency model, the decisional environment controlled the alternatives considered and the solutions accepted. One of the factors indicating the contingency approach to decisions was an overdependence on management and outside professionals. A number of members on the board were relatively new when the decision in this case confronted them. Lacking long-term history with the city and city business seems to have created a higher level of dependency on the city manager and the staff. Out of a seven-member board, only three, including the mayor, could be said to have significant institutional memory. A lack of knowledge of city business and its history tends to have the effect of increasing dependence or causing the decision maker to depend on their own knowledge. In this case, the complexity of the budgetary issues facing the city led to the decision to hire a management consultant.
Within the context of the contingency theory, board members initially made their decision from a bounded rational decision approach. The basis of the board's initial decision was a consultant's report indicating what was purported to be the most efficient and effective solution. The board was reactive in their decisional process, quickly adopting the consultant's recommendation to privatize without considering other alternatives. The board's quick decision could be partially explained by news articles and editorials which indicated that the public was becoming increasingly more critical of the board for its inability to deal with excessive governmental costs.

Yet, in the face of the board's previous decision and under pressure from employees, the board within two weeks reversed its original decision to privatize by approving a comparable counter proposal from the WWTP employees. In this case, employee pressure and the political environment were the contingencies that dictated a shift in decision process to a public choice model. Given a new set of environmental factors and the board being divided on the issue of privatization, the decision makers chose the more politically acceptable solution, a competitive agreement with employees.

Under the public choice decision model, decision makers tend to maximize their political position. Thus, the unanimous vote in favor of privatization was converted to a unanimous vote in favor of the employees. Respondents indicated that when the employees presented a competitive counteroffer, this new solution was more acceptable politically. In line with the public choice model, the board was
able to avoid voting on the privatization of a public service that might anger some voters.
CHAPTER V

CONCLUSIONS AND FUTURE RESEARCH

Overview

The purpose of this research is to explore the nature of local government decision making in six Michigan cities. To effectively study the decision-making process, it is important to identify an issue that is beyond typical daily decision making, since day-to-day decisions in local government generally do not engage the entire organization. From my experience, consideration of whether to privatize public services frequently generates a significant response internally and externally to the organizational environment.

Each of the cities in this study has a council-manager or commission-manager form of government. Under the council-manager form of government, the board appoints a city manager who is charged with the operation of all day-to-day activities in the municipality. City boards generally meet on a weekly or biweekly basis for city business. As a part of these meetings, the board discusses issues facing the city and makes decisions regarding impending issues.

Even though the cities in this study have a common organizational structure and a similar formal decision-making process, the cities did not follow a uniform decision-making method. This research indicates that the cities in the study differed significantly as to how they approached difficult decisions. In this chapter, I present
conclusions and implications of the research findings. After analyzing each of the cases separately in the findings, this section examines correlations between the cities.

Primary and secondary data indicate that most of the cities had a bifurcated use of decisional models. During the initial or problem identification stage of decision making, each of the cities appeared to be rational in their decision making. Board discussion and materials often focused on the costs and the benefits of the solution or solutions being presented. However, as cities worked through their respective decision processes, dominant decision approaches became apparent.

Communication in the Decision Process

One of the significant findings of this research supports the principle that a cooperative decision-making environment is dependent on communication among key decision makers. Figure 6 provides a descriptive view of the decision environment indicating the dominate decision making model used in each city.

Regardless of the model or methods of reaching a decision, failure to communicate creates a negative decisional environment that may result in a lack of agreement on problem identification, a lack of willingness to compromise on solutions, slowing or even halting the decision process. A cooperative decision environment is characterized by open and clear communication that encourages discussion of ideas and alternatives.

In examining the effect that the communication level has on the choice of a particular decision model, it can be observed that as the amount or quality of
information goes down, the more likely it is that a public choice decision model will be adopted. As communications and decision environment improve, the more likely it is that a bounded rational decision process will be adopted.

One of the board members in City A stated that the city manager tried to get by with providing as little information as possible. This was also true of City D, where another board member indicated that he felt left out of the loop. Both of these cities had long-term city managers that transitioned out of their position as city manager partly relating to the decisions in these cases. On the other hand, cities B, C and E provided significant information to their boards and, in each of these cities, the decisional environment was very cooperative.
City F depended on department staff and outside consultants to provide most of the information to the board. Communications in City F, while sufficient, were a major issue of contention with several board members. An informal communications process in City F resulted in an unequal distribution of information to board members. This process left some board members feeling less informed and distrustful of the administration.

In the case of significant public policy issues, as in these cases, most boards depend heavily on the city manager and their staff to develop and communicate potential solutions. It seems reasonable that larger communities would have more staff and thus be better able to identify more alternatives and find appropriate solutions. This was not found to be the case in this research. In fact, some of the smaller cities provided multiple alternatives with ranked alternatives. It is also true that one of the larger cities provided very little information on the issue to the decision makers.

The identification and communication of more than one alternative to the board seems to be associated with a cooperative decision making environment. In most of the cases in this study, the administration had already narrowed the choices to one or two options. In those cases where the board did not participate in that narrowing of the options, there was a distinct feeling of a lack of communication from the perspective of many board members. This feeling had in some cases risen to the level of distrust in the decision-making process. Often when there is distrust in the rational information being provided by management, decision makers will then
turn inward, and make judgments based upon their own field of knowledge or
intuition.

How information is communicated to the board varied from city to city. In
the case of City A, one board member did not want to communicate directly with
the city manager outside of the formal decision-making setting. This method of
communication was highly offensive to two very influential board members in City
A. These members felt that they were not getting the same or all the information as
other members. This feeling resulted in an environment of distrust and led to a
breakdown of communication between the board and the city manager. City C
decision makers also felt strongly that the manager should not meet individually with
board members to discuss city business. However, this informal decision making
step was central to many of the other cities’ decision-making processes. In fact, in
City E, instead of creating distrust between the board and the manager, it seems to
have had the opposite effect.

It is typical for cities to meet only twice a month. However, cities B, C, and
E all have a much greater number of meetings per month than the others in this
study. These boards meet for informational workshops two or more times each
month in addition to the regular board meetings. This provides more than ample
time to communicate issues and to have feedback prior to submitting a
recommendation or the board deciding an issue. There appears to be a connection
between the number of meetings and the level of communication. Good
communication is a two-way street. An effective manager needs to actively solicit
feedback from board members as to the type of information and the level of detail that they require to make informed decisions.

Understanding the implications of an effective communication process is essential to any city's decision making approach. In today's information society, one would think that effective communication would be a concept that is well understood and applied in the field of public administration. This research indicates, however, that many local government managers fail to communicate well with their board members, thereby impeding their ability to make good decisions. Quality information, both written and verbal, is central to an organization's ability to identify problems and to find effective solutions. One board member said that "the key to success if you want to stay in city management is to make sure that the board has the information. Whether they read it or not is immaterial. You must make it available to them." From the results of this study, this seems to be sage advice. Interview data show that a high level of communication, written and verbal, quantitative and qualitative, between elected officials and senior staff leads to a corresponding high level of trust and cooperation in the decision process.

Problem Identification in the Decision Process

The initial identification of problems and solutions is a key factor in determining the type of decision model followed by each city. Cities A, B, E, and F all focused very quickly on a particular solution with little research or discussion of alternatives. This is partly related to how issues are identified and by whom. The
interview data strongly indicate that those who identify the problem are also likely to have a definite idea of a solution to that problem. If an elected board member identifies a problem, data indicate that the solution is more likely to be a political solution and follow a political model. This is clearly illustrated in City A, where a board member presented both the problem and the solution at the same meeting. The end result was a narrowing of the alternatives. If an elected board member presents a problem along with a possible solution, the city manager and their staff are likely to give more attention to that particular solution as compared to other alternatives. To make a recommendation that does not include the advocate's solution would require an affirmative defense of the substituted alternative.

As noted in the literature, it is not possible to know all the possible alternatives, but it is likely that only those solutions that are known or can easily be known to the manager will be identified (Simon, 1957). In fact, cities C and D were the only cities that actually identified multiple alternatives and evaluated their outcome prior to making a recommendation to the board. But, even in cities C and D, a very limited range of alternatives was considered. One or two alternatives were presented with a recommendation for a specific alternative. In each of these cases, the manager narrowed the alternatives prior to taking the decision to the board. Hence, the board was really weighing the merit of a solution to a problem that was identified by the advocate for a prevailing alternative. In the case of City B, the directors of the individual departments typically identified the problems and
presented solutions for those problems. This process narrowed the board’s focus to the staff perception of the causes of the problem and solutions.

The implication of narrowing the identification of problems and solutions presented to an elected board has a determinative effect on the choice of decision model. It becomes impossible for a board to make rational decisions if there is incomplete information and limited alternatives. Hence, at best, a board will make decisions following a bounded rational model. In fact, a board provided with incomplete or poor information may shift to a more political decision approach such as the public choice model.

Public administrators need to recognize that some elected officials may not want a solution that is considered efficient. City managers tend to recommend efficient solutions to problems, while board members may advocate for a political solution. In theory, an effective manager should communicate all tenable alternatives, indicating advantages and disadvantages for each option. Although the manager is expected to give a policy recommendation, failure to present relevant alternatives may bring into question a manager’s motives. A manager that provides differing information to board members may be perceived as having a personal agenda, thereby undermining confidence in the decision-making process and in the manager as a leader.
Consensus Building in the Decision Process

Consensus building is an important step in the decision process, but cities accomplish this in different ways. The council-manager form of government gives the specific authority to the city manager to carry out all day-to-day operations and the board is charged with policy making. This separation of responsibility and authority sometimes leads to confusion when the decision makers operate outside the roles defined by the charter.

In all of the cities studied, the mayor plays an important part in consensus building. In cities B, C and E, the mayor takes an active role in consensus building throughout the decision-making process. In these cities, the mayor seeks out board members before council consideration of serious policy issues and seeks their opinion and advice concerning the issue. That information is then relayed to the city manager. The city manager uses that knowledge to determine whether to pursue the issue, refine a recommendation, or to push ahead with limited support.

In some of the cities in the study, the city manager is active in the role of consensus building. This is often used as a tool by managers to seek or judge the level of consensus among the board members. This informal step in the decision-making process is used quite successfully in cities B and E. The city manager meets individually on a regular basis with each of the board members to solicit their opinions on various impending issues. When a serious issue arises during the course of municipal business, the manager of City E will at times call individual board members to poll them for their opinion.
In some of the cities in this study, there was opposition to the involvement of the city manager in consensus building on the issues. In City A, two board members did not want informal communication between the board and the city manager because they felt that they were not receiving the same information as other board members. In City C, both board members and the city manager were opposed to informal communication outside of formal board meetings. In cities A and D, there was a high level of distrust between board members and city staff. In City D, one board member complained that the city manager would individually seek out board members to communicate issues and to solicit their opinions.

The city manager in City D indicated that personal communications did take place. He also advised that some of the board would not give him an audience. While it was not possible to know the contents of the manager-board communications, the secondary data, minutes, reports, and additional public documents, indicated a regular level of information flowing out of the manager’s office. The information was consistent with what would be provided in comparable communities upon which a board would be expected to make a decision. Informal communication was seen by some to be a violation of the “neutral manager” administrative process, where the manager’s role in the decision-making process, in effect, becomes political. This perception led to hostile relationships between the city staff and the board.

The policy decision of whether to privatize a public service is often a difficult decision requiring leadership to build consensus in the decision process. Public
administrators have struggled for years with the role of the manager in the public policy-making process. The data in this research indicate that board members differ on this question based upon their decision-making process. Cities operating from a bounded rational decision approach more often used the city manager in conjunction with the mayor to informally exchange information and build consensus as to problems and solutions. On the other hand, cities A, D, and F created a wall of separation between administration and consensus building. The board members in these cities were opposed to allowing the city manager and staff a role in the consensus building process beyond submitting formal recommendations. This may be related to the fact that these cities were operating from a public choice or contingency approach to decision making. Cities that adopt a public choice or contingency decision approach tend also have a low level of organizational communication and a lower level of consensus on issues. This was indicated by an increased level of debate found in cities A, D, and F.

Applying this finding to the practice of public administration, managers need to be aware that, depending on a city’s decision approach, they may be expected to assume the role of consensus builder. Regardless of whether the city manager plays an active role in consensus building, nearly all cities have some type of informal consensus building mechanism as a part of their decision-making process. This can be used as an informal method of communicating additional information or seeking input from board members related to areas of concern. Some public officials are reluctant to ask relevant questions during televised board meetings. Others, on the
other hand, may take the opportunity to ask questions that are politically charged and meant to embarrass or stump a public administrator or staff member providing the information. I would suggest that neither of these situations is supportive of the local government decision process. An uninformed or misinformed decision maker does not serve the public well.

The decision-making process can be expedited when one or two individuals assume the role of consensus builder. Questioning decision makers informally concerning a difficult policy issue allows for the directed collection of relevant information related to specific decision maker's concerns. This information then becomes a part of the information that is communicated to the entire board and the public prior to a formal decision. Effective public administrators use consensus building within their decision-making process as a way to confront difficult issues. The role of the consensus builder in the decision process is to help board members reach agreement on policy issues.

Rationality in the Decision Process

While most local government organizations would like to be considered rational in their decision process, not one of the cities in this research followed predominantly a rational model in their decision process. Proponents of privatization would like to suggest that government should become more businesslike in their decision-making processes. By businesslike, these individuals often mean that government decision makers should become more rational or efficient and effective.
in their decision outcome (Savas, 1987; Starr, 1989). For example, rational decision makers, after reviewing and ranking all their available alternatives, should select the most efficient solution (Rainey, 2003). Given the realities of a democratic process this is not usually the case in local government.

While cities C and E were very detailed and deliberate in their decision process, neither met the standard of the rational decision process. Both collected and analyzed a number of options prior to making a choice. They both, however, limited the final alternatives to meet ends that they had predetermined. Hence, they both failed to meet the standards of the rational decision model. In defense of these progressive cities, I question whether business organizations would be better at making “rational” decisions than these government organizations. Both business and government operate in a world where there are limits to information and resources. Both have uncontrollable contingencies that require less than optimal solutions at times.

Applying this concept to public administration, administrators need to recognize the fact that they may be forced to recommend a solution that is effective but not economically efficient. A city may choose to provide a public service where the market has failed or where there is insufficient profit to interest the private sector. For example, there is no market for the ownership and operation of senior citizen centers. In this case, alternatives are limited by the lack of availability of competition and public administrators are left with the responsibility of creating efficiencies in an area where they have a monopoly.
Decision Making and Planning

In reviewing respondent data, this research found that the more extensive and detailed a city’s planning process, the less likely it is that decisions will be controlled by individuals or special interest groups. Democratic pluralism or participation by many in our governance is a value that is undermined when individuals can dictate policy. As can be seen in cities A and D in this research, one very vocal individual in a key decision-making position can control or even alter a city’s decision process. In City A, the board member, in effect, became the informal leader of the entire board and was, by all accounts, the informal mayor. In City D, one board member built an alliance with a special interest group and, in effect, challenged the rest of the board and won. In each case, the result was the adoption of a public choice decision process.

On the other hand, cities that follow a detailed planning process are much less likely to have their decision-making processes co-opted by individuals or special interest groups as can be seen in cities B, C, and E. Each of these cities had a strategic decision-making process that was inclusive of the public and employees. The result was a more bounded rational decision making process.

Communities that took the time to do long-term or strategic planning during the year did a much better job of converting those plans into decisions and activities during the year. Successful implementation of decisions is directly related to strategic planning. Successful implementation is defined by the execution of the board’s decision with public feedback indicating that the decision was acceptable.
Half of the cities in this study had some form of annual planning. In each of these cities, the decisional process was more likely to have characteristics of a bounded rational decision model, as can be seen in Figure 7.

![Figure 7. Planning Process Effect on Decision-Making Process.](image)

An important implication for the practice of public administration is the concept that effective decision making, at any level, begins with planning. A comprehensive decision approach that incorporates an annual strategic planning process provides the foundation for improved decision making. One facet of the strategic planning process is identification of the mission, goals, and objectives of the organization. All decisions made throughout the year should be evaluated as to whether the decision fits with the overall mission and accomplishes the stated
objectives. When facing difficult decisions, public administrators, working with elected officials, can strengthen the decision-making process by adhering to their organization’s mission, goal and objectives. Decisions based upon an organization’s strategic plan appear to produce more rational and consistent decisions. These decisions follow a more bounded rational approach, rather than an intuitive decision-making approach.

Decision Making, Special Interest Groups, and Public Debate

Difficult decisions that have a high level of citizen or employee input do not automatically equate to a political decision process. In examining primary data and confirming it with secondary data, it was found that both cities C and D had significant public debate and citizen participation in their effort to reach a decision in their respective cases. The problem and the resulting decision processes in both cities spanned a long period of time, over two years, attracting the attention of the media and citizens. Notwithstanding this public attention, the bounded rational decision model was followed in City C. City D, however, in a very active political environment, developed a public choice decision process when they had previously had a history of deciding from a bounded rational process.

Respondent data, confirmed by secondary data, indicate that cities A, B, E, and F all had a low level of citizen participation and response to their decisions. News articles indicated that citizens were not happy with the decisions being made in City F at the time, but they did not attend city meetings and express their
concerns. In cities A, B, and E there was little to no response to their decisions. In examining the decision approaches in each of these cities, it can be seen that regardless of public debate, their decisions ranged from public choice in cities A and F to bounded rational in cities B and E, as shown in Figure 8.

![Decision Making Process Diagram]

*Figure 8. Public Debate Effect on Decision-Making Process.*

Public administrators applying this conclusion to practice should be aware that environmental factors such as vocal special interest groups, political instability, and changes in leadership are all factors that have the potential ability to cause an organization to alter its decision process. As political pressure increases, decision makers may be tempted to make decisions without adequate information or without taking enough time to consider all of the available alternatives. The contingency
model used in this research helped to identify and understand shifts in decisional processes as a result of environmental factors. With an understanding of the political contingencies that may steer the organization toward a shift in decision approach, public administrators can take the steps necessary to keep the decision process on track.

Special interest groups have always played a part in the local government decision-making process. Some would argue that democratic pluralism is essentially the process by which all public choices are made. This study found that the decision-making process in half of the cities in this study were significantly influenced by special interest groups. In each of those cities, environmental contingencies pushed the cities into a more political or subjective public choice decision approach. This change was often the result of board members that were speaking directly on behalf of the special interest group. City A, the city service debate, and City D, the recreation facility debate, are examples of cities that had their typical decision-making processes co-opted by board members representing special interest groups.

Any public administrator caught in the middle of a special interest debate can attest to the power and influence that one or two board members can have on the decision-making process. It is critical for local government leaders to recognize and effectively balance this organizational factor during their decision process. Public administrators who fail to pick up on these environmental factors may lose control of their decision process. To effectively deal with issues, managers need to actively engage special interest board members to seek solutions.
Recommendations for Future Research

The focus of this research was on decisional approaches used by local government officials in their decision whether or not to privatize public services. As a part of that analysis, environmental factors that affected the decision approach were studied. Due to research limitations, not all possible environmental factors were studied. For example, there exists a growing body of literature that examines the effect of internal and external networks on decision making. A recommendation for future research would include an analysis of the effects of formal and informal networks on the decision processes. Public administrators participate in and are influenced by formal and informal networks from which they collect information. For example, city managers often network with other city managers regarding problems and solutions. What effect these connections have on their recommendations and their organization's decisional approach would be of great interest.

Along this same line of thought would be the recommendation of further research examining the form of government on the adoption of a decision-making process. This research could be expanded to include non-city manager forms of government, making it possible to compare potential effects on the decision approach. Only about one half of the cities in the United States have a city manager form of government.

The research presented in this study adds to an emerging body of empirical knowledge about the political aspects of local government decision making. The
contingency decision-making model was included in this research in an effort to capture the reasons behind shifts in local governmental decision processes. While there were shifts in decision approaches observed in the respondent data, supported by secondary data, the study was not long enough to indicate whether they were temporary shifts. A time series study of this data would allow a longitudinal examination of whether local government decision makers changed their decision styles temporarily or whether the observed shifts in decision process were long-term. A time series analysis would also allow an examination of whether these cities were satisfied long-term with their decisions.
Appendix A

Human Subjects Institutional Review Board
Letters of Approval
Date: June 1, 2004

To: Robert Peters
    David Rich

From: Mary Lagerwey, Ph.D., Chair

Re: HSIRB Project Number: 04-05-23

This letter will serve as confirmation that your research project entitled "A Heuristic Study of the Decision to Privatize Local Government Services" has been approved under the expedited category of review by the Human Subjects Institutional Review Board. The conditions and duration of this approval are specified in the Policies of Western Michigan University. You may now begin to implement the research as described in the application.

Please note that you may only conduct this research exactly in the form it was approved. You must seek specific board approval for any changes in this project. You must also seek reapproval if the project extends beyond the termination date noted below. In addition if there are any unanticipated adverse reactions or unanticipated events associated with the conduct of this research, you should immediately suspend the project and contact the Chair of the HSIRB for consultation.

The Board wishes you success in the pursuit of your research goals.

Approval Termination: June 1, 2005
Western Michigan University

Local Government Officials:

Dr. Robert Peters and Mr. David Rich in the School of Public Affairs and Administration, Western Michigan University are conducting a research project on the decision to privatize local government services. The data being collected in this study is part of David Rich’s dissertation project. The purpose of the study is to interview municipal leaders in an effort to understand the nature of the decision making process used by local government leaders considering privatization. It is hoped that by exploring and gaining an understanding of this difficult and often contentious decision that we can assist public officials to improve the quality of the choices they make.

You are being invited to take part in this study by participation in a series of taped interviews in which questions regarding privatization and your municipalities’ decision making process will be asked. Your voluntary participation will take approximately one to two hours in an initial interview. An additional phone interview of the same duration may be requested as a follow up to your responses. Please be aware that you are not required to participate in this research and you may discontinue your participation at any time; or refuse to answer any question without prejudice, penalty, or risk of any loss of service that you would have otherwise. The possible risks associated with participation in this study include the discomfort natural to an interview with direct and frank questions. The information obtained as a result of this study will be kept confidential. At no time will your name or your local government’s name be connected to your responses. Data will be stored securely for seven years and will be made available only to persons conducting the study unless you specifically give permission in writing to do otherwise.

This consent document has been approved for use for one year by the Human Subjects Institutional Review Board as indicated by the stamped date and signature of the board chair in the upper right corner. Do not participate in this study if the stamped date is older than one year. If at any time you have questions regarding this research you may contact David L. Rich at (937)-768-1906 or Dr. Robert Peters at (269)-387-8930. You may also contact the Chair; Human Subjects Institutional Review Board at (269)-387-8293 or the Vice President for Research at (269)-387-8289 if questions or problems arise during the course of the study.

If you agree to voluntarily participate in this research project as described, please indicate your agreement by signing below. Please keep one copy of this form for your reference, and thank you for your participation in this research.

__________________________________________
Signature of Participant

__________________________________________
Date

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
APPLICATION FOR CONTINUING REVIEW OR FINAL REPORT FORM

In compliance with Western Michigan University's policy that "the HSIRB's review of research will be conducted at appropriate intervals but not less than once per year," the HSIRB requests the following information:

I. PROJECT INFORMATION

PROJECT TITLE: "A Heuristic Study of the Decision to Privatize Local Government Services"

HSIRB Project Number: 04-05-23

Previous level of review: □ Full Board Review □ Expedited Review □ Administrative (Exempt) Review

Date of Review Request: 05/26/05

Date of Last Approval: 05/23/04

Electronic Mail Address: robert.peters@wmich.edu

Electronic Mail Address: richd@cedarville.edu

II. INVESTIGATOR INFORMATION

PRINCIPAL INVESTIGATOR OR ADVISOR

Name: Dr. Robert Peters

Department: SPAA

Mail Stop:

Electronic Mail Address: robert.peters@wmich.edu

(1) CO-PRINCIPAL OR STUDENT INVESTIGATOR

Name: David Rich

Department: SPAA

Mail Stop:

Electronic Mail Address: richd@cedarville.edu

(2) CO-PRINCIPAL OR STUDENT INVESTIGATOR

Name:

Department:

Mail Stop:

Electronic Mail Address:

III. CURRENT STATUS OF RESEARCH PROJECT

Please answer questions 1-4 to determine if this project requires continuing review by the HSIRB.

1. The project is closed to recruitment of new subjects.
   □ Yes (Date of last enrollment: )
   □ No (Project must be reviewed for renewal.)

2. All subjects have completed research related interventions.
   □ Yes □ Not Applicable
   □ No (Project must be reviewed for renewal.)

3. Long-term follow-up of subjects has been completed.
   □ Yes □ Not Applicable
   □ No (Project must be reviewed for renewal.)

4. Analysis of data is complete.
   □ Yes
   □ No (Project must be reviewed for renewal.)

   • If you have answered "No" to ANY of the questions above, you must apply for Continuing Review. Please complete numbers 5-12 on page 2. If you need to make changes in your protocol, please submit a separate memo detailing the changes that you are requesting.

   • If you have answered "Yes" or "Not Applicable" to ALL of the above questions, please check the Final Report box below and complete questions 5-9 on page 2.

   • If your protocol has been open for three years and you still want to collect or analyze data, you must close this protocol by filing a final report using this form and apply for approval of a new protocol using an Application for Initial Review. Please make a Final Report on your project by completing numbers 5-9 on page 2.

IV. Application for Continuing Review

V. Final Report

Revised 7/03 WMU HSIRB

All other copies obsolete.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
HSIRB Project Number: 04-05-23

5. Have there been changes in Principal or Co-Principal Investigators?  
   □ Yes □ No  
   (If yes, provide details on an "Additional Investigators" form (available at the HSIRB website, http://www.wmich.edu/research/compliance/hsirb/hsirb_2.html).)

6. Has the approved protocol been modified or added to with respect to:  
   (If yes to any item below, provide the details on an attached sheet.)
   a. Procedures □ Yes □ No
   b. Subjects □ Yes □ No
   c. Design □ Yes □ No
   d. Data collection □ Yes □ No

7. Has any instrumentation been modified or added to the protocol?  
   □ Yes □ No  
   (If yes, attach new instrumentation or indicate the modifications made.)

8. Have there been any adverse events that need to be reported to the HSIRB?  
   □ Yes □ No  
   (If yes, provide details on an attached sheet.)

9. Total number of subjects approved in original protocol: 00120

10. Total number of subjects enrolled so far: 00048  
    If applicable: Number of subjects in experimental group: Number in control group:

   • If this is a FINAL REPORT you may stop here and return the form electronically.
   • If this is an APPLICATION FOR CONTINUING REVIEW continue with numbers 11-13 below.

11. Estimated number of subjects yet to be enrolled: 00050

12. Verification of Consent Procedure: Provide copies of the consent documents signed by the last two subjects enrolled in the project. Cover the signature in such a way that the name is not clear but there is evidence of signature. If subjects are not required to sign the consent document, provide a copy of the most current consent document being used.

13. If you are continuing to recruit subjects for this project, please remember to include a clean original of the consent documents to receive a renewed approval stamp.

   [Signatures]

   Principal Investigator/Faculty Advisor Signature  Date

   Co-Principal or Student Investigator Signature  Date

Approved by the HSIRB:

   [Signature]

   HSIRB Chair Signature  Date

Western Michigan University  
Human Subject Institutional Review Board – Mail Stop 5456  
(269) 387-8293 research-compliance@wmich.edu

Revised 7/03 WMU HSIRB  
All other copies obsolete.
Appendix B

Survey Instrument
Survey Questions:

Problems:

P-1 What were the most significant factors influencing your decision to contract out public services?

P-2 Were you having employee problems before the decision to pursue privatization? After union problems?

P-3 What were the circumstances leading up to the decision to contract out public services?

P-4 Were there any unusual circumstances that come to mind leading up to the decision to contract out public services?

Solutions:

S-1 What solutions or alternatives were considered?

S-3 What solutions found their way to the agenda for consideration and why? Were there some solutions that did not seem feasible?

S-2 Was the decision to contract out a good opportunity for the city?

Mechanisms or processes:

M-1 How are decisions made in the city?

M-2 Is there a formal decision making process that is used by the city?

M-3 What part does the public play in the city decision making process?

M-4 What part do employees play in the decision making process?

M-5 How did the city come to the decision to contract out public services?

M-6 How did the administration communicate the decision to contract out?
Key Participants:

K-1  Who is involved in the decision making process?

K-2  Who was involved in the decision to contract out public services and what was their respective role in that process?

K-3  Who has the authority to make decisions in the city?

K-4  Who advocated the decision to contract out public services?

K-5  Who was the major consensus builder regarding the decision to contract out?

K-6  On what information did you base your decision to contract out public services?

K-7  Where did you get your information regarding the privatization of public services?

K-8  How much and what type of information did you have to make your decision?

K-9  Looking back was there any information that you wish you had that you did not and why? Did you feel like you had all the information that you needed to make the right decision?

Environment:

E-1  What was the economic condition of the city when you decided to contract out? How much influence did this factor have on your decision?

E-2  Did the advocate for privatization stand to benefit in any way from the decision to contract out?

E-3  Did you encounter any opposition to the decision to contract out?

E-4  Did all of the board agree on the decision or did you have a split vote on the issue? Did the split seem to agree with previous voting patterns or did a new pattern emerge? Did anyone try to build a consensus? Why or why not?
BIBLIOGRAPHY


*Politics, 19*(2).