

Strategy Formulation Process and Interorganizational Collaboration

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Abstract: The study examines how two major strategy formulation approaches – rational planning and logical incrementalism – influence the decision of city governments to collaborate with for-profit, non-profit, and other public organizations. Collaboration with governmental and non-governmental actors gives rise to varying levels of risks, and the choice of which type of organization to collaborate with is influenced by how distinct strategy formulation processes can help governments address those risks. Using data from a national survey of cities, we find that the strategy-making process can spur or hinder collaborative undertakings. The results of the regression analysis indicate that rational planning catalyzes cross-sectoral collaboration but is not associated with government-to-government collaboration. Logical incrementalism, in contrast, has a consistently negative relationship with collaboration regardless of sector. The findings indicate that collaboration can be limited by city governments' capacity to undertake rational planning and their propensity to engage in incrementalist decision-making.

Keywords: inter-organizational collaboration, rational planning, logical incrementalism

Acknowledgment: Some data used for this study is based upon work supported by the National Science Foundation under Grant Number 2114770.

INTRODUCTION

Governments have embraced diverse types of collaborative arrangements involving non-profit, for-profit, and other public sector organizations to implement public policy and deliver public services (Agranoff & McGuire, 2003; Ansell & Gash, 2008; Bryson et al., 2006). This trend is driven by the realization that effectively and efficiently addressing complex policy and service delivery issues is often beyond the capacity of a single public organization (Alter & Hage, 1993; Huang & Provan, 2007; Kettl, 2015; Mandell & Keast, 2014; McGuire, 2006; Weber & Kahneman, 2008).

There is no overarching term that has been used in the literature to describe the phenomenon of collaboration among organizations from different sectors.¹ Several terms (and definitions) have been used in the literature including networks (O'Toole, 1997),² public service organizational networks (Provan & Milward, 2001),³ collaborative networks (Mandell & Keast 2014),⁴ institutional collective action (Feiock 2007, 2009),⁵ collaborative governance (Ansell &

¹ Not a few scholars have lamented this condition. See, for example, Thomson and Perry (2006) or Emerson and Nabatchi (2015).

² For O'Toole (1997, p. 45) networks are "structures of interdependence involving multiple organizations or parts thereof, where one unit is not merely the formal subordinate of the others in some larger hierarchical arrangement". The term "network" is not the same as "networking." Networking, according to Meier and O'Toole (2010, p. 1027), refers to "contacts with key actors in the environment for the purpose of identifying and implementing mutually acceptable, even attractive, jointly determined decisions." In other words, networking is the "external behavior of public managers, specifically their efforts to establish ties with actors from organizations, units or programs located outside of their own organizations" (Jimenez, 2017, p. 451-52)

³ Provan and Milward (2001, p. 417) use the term to refer to "a collection of programs and services that span a broad range of cooperating but legally autonomous organizations."

⁴ Mandell and Keast (2014, p. 256) write that "Collaborative networks are formed to deal with very complex problems that no one organization or group is able to deal with on their own. In addition, they are formed because the participants recognize that the way they currently operate is no longer working and new and innovative solutions are needed to address the problem(s) involved."

⁵ Feiock's (2007, p. 48) institutional collective action (or ICA) includes "Bilateral contracting and multilateral collective action are mechanisms by which two or more governments act collectively to capture the gains from providing or producing services across a larger area." Although his initial conceptualization of ICA focuses on interlocal cooperation, Feiock (2009, p. 362) subsequently included private and non-profit organizations, writing "Although less recognized in the literature, non-profit and for-profit producers may also seek to manage and coordinate interlocal public service provision."

Gash, 2008),⁶ collaborative governance regime (Emerson et al., 2012),⁷ and cross-sector collaboration (Bryson et al., 2006),⁸ among others.

In this study, we use the straightforward and easily understandable term *interorganizational collaboration* to describe the phenomenon of organizations working with other organizations from within the same sector (e.g., within the public sector) or across sectors (e.g., public, private, or non-profit sectors) to achieve individual and shared goals. This broader definition builds on a commonality among the different conceptualizations of collaboration (and similar phenomena) in the extensive literature in this area emphasizing joint action across organizations and jurisdictions that is not limited to the governmental sphere (Agranoff & McGuire, 2003; Ansell & Gash 2008; Bryson et al. 2006; Emerson & Nabatchi, 2015; Feiock 2009, 2013; Mandell and Keast 2014; Provan and Milward 2001).

Our focus in this study is on local governments and we consider them to be the primary actors (Agranoff & McGuire, 2003; Feiock 2009, 2013), but as previously emphasized, we also recognize that collaborative arrangements often include organizations from other sectors (Bryson et al., 2006; Provan & Milward, 2001). Local governments and organizations from other sectors voluntarily participate in these arrangements because they perceive that their benefits will exceed their costs (Feiock 2009, 2013; Steinacker et al., 2010). We also assume that in collaborating, organizations retain their identity and autonomy – remaining distinct and separate legal and organizational entities (Agranoff & McGuire, 2003; Mandel 1999; Provan and Milward 2001).

⁶ For Ansell and Gash (2008, p. 544) the term refers to a “governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage public programs or assets.”

⁷ Or “the particular mode of, or system for, public decision making in which cross-boundary collaboration represents the prevailing pattern of behavior and activity,” according to Emerson et al. (2012, p. 6)

⁸ Defined by Bryson, Crosby, and Stone (2006, p. 44) as “the linking or sharing of information, resources, activities, and capabilities by organizations in two or more sectors to achieve jointly an outcome that could not be achieved by organizations in one sector separately.”

These collaborative arrangements address administrative, shared service, fiscal, and policy problems among the participants using different mechanisms of coordinating their actions to achieve desired individual and shared outcomes (Feiock 2009, 2013; Mandel 1999; Mandell & Steelman, 2003). These mechanisms go beyond informal coordination and include joint action with legal underpinnings (Shrestha & Feiock, 2009), often manifested in the form of contracting or shared services, tax-base sharing, grant partnerships, and economic development joint ventures (see Brown & Potoski 2003; Dixon & Elston, 2019; Feiock et al., 2009; O’regan & Oster, 2000 among others).⁹ These legally framed arrangements involve interdependent and collaborative problem-solving and implementation (Agranoff & McGuire, 2003; Feiock 2009, 2013; Provan and Milward 2001).

Extant research has studied different factors explaining why organizations collaborate (see, among others, Ansell & Gash, 2008; Bryson et al., 2006; Emerson et al., 2012; Feiock 2007, 2009) but few, if any, published studies have examined the role of the strategy formulation process within organizations, specifically in the public sector. Collaboration is a strategic choice that public organizations make to improve performance (Agranoff & McGuire, 2001, 2003; Alter & Hage, 1993; Huang & Provan, 2007; McGuire, 2006; Romzek et al., 2012). In this study, we propose that the strategy formulation process, which focuses on a government’s attempts to better deliver public services (Pollitt & Bouchaert, 2017), influences decisions to collaborate with other organizations from across sectors – public, private, and non-profit. Strategy formulation, as defined by Boyne and Walker (2004), encompasses the processes through which strategies are developed within organizations. We explore the relationship between two major

⁹ Others offer a more expansive range of collaborative arrangements. Mandell (1999, p. 5), for example, conceives of collaboration as a continuum that ranges from “loose linkages” to “more lasting structural arrangements.” Within this collaboration range are “joint powers agreements, contracting out, or public-private partnerships...” (p. 5-6).

strategy formulation models – specifically formal strategic planning and logical incrementalism – and local governments’ decision to engage in interorganizational collaboration. Formal strategic planning is characterized by a structured and systematic approach that incorporates detailed environmental analysis, goal setting, and strategy evaluation (Bryson, 2018). In contrast, logical incrementalism involves a more adaptable approach where strategies gradually evolve through a series of incremental decisions and experimentation, which some argue allows for flexibility and responsiveness to changing circumstances (Quinn, 1980).

Why should different models of strategy formulation influence a local government’s decision to collaborate with other governments and nongovernmental actors? Briefly, our theory builds on the concepts of organizational form and proximity and the appropriateness of the strategy formulation process for reducing collaboration risks. Interorganizational collaboration creates various types of risks for the participants (Feiock 2013). We argue that the degree of risks differs depending on the homogeneity (sameness) or heterogeneity (or diversity) of participants’ organizational forms (Romanelli, 1991). Form matters because it affects organizational proximity or interactions built on shared rules, routines, and belief systems that promote mutual understanding among actors (Torre and Rallet 2005; Knobens and Oerlemans, 2006). Homogenous forms share similar institutional and organizational contexts and goals that facilitate organizational proximity and shared understanding, reducing collaboration risks. Thus, a government collaborating with a similar organizational form (such as other governments) faces fewer risks than a government collaborating with a distinct organizational form (nongovernmental entities such as for-profit and non-profit organizations). We argue that the strategy formulation process matters because it can help minimize or exacerbate risks of collaborations among homogenous or heterogeneous organizational forms.

This study uses the results of a national survey that targeted midsized and large city governments in the U.S. to test the theory. The results of the regression analyses show that formal strategic planning is positively associated with nongovernmental collaboration (city governments collaborating with nongovernmental entities) but has no significant impact on governmental collaboration (city governments collaborating with other governments). In contrast, logical incrementalism is negatively associated with collaborating with both governmental and nongovernmental actors.

LITERATURE REVIEW

Interorganizational Collaboration

Extant research has examined the rationale for governments' increasing reliance on interorganizational collaboration to implement public policy and deliver services. One perspective suggests that societal problems, such as poverty, health care, and the environment, have become more intertwined than ever before, necessitating a more inclusive and adaptable form of organizations to address complex policy problems (Kettl, 2006; McGuire, 2006). Partnering with organizations with essential resources can mitigate the complexity and uncertainty of emerging issues (Lee et al., 2022). Other determinants of interorganizational collaboration include high levels of interdependence between organizations (Logsdon, 1991), the inclination to share risks among collaborators (Alter & Hage, 1993; Thomson & Perry, 2006), and prior experience with collaboration (Radin et al., 1996). As collaborative activities involve distinct actors, the characteristics of the actors also matter in whether collaboration takes root (Amirkhanyan, 2009). For example, public organizations focus on policy outcomes, while private for-profit firms aim for the financial bottom line (Dias & Maynard-Moody, 2007).

A different branch of the literature examines the determinants of successful collaboration. A key driver is the willingness of organizations to engage in mutual monitoring and ensure adherence to previously agreed-upon rules (Thomson & Perry, 2006). As collaborations involve joint decision-making between distinct organizations, monitoring and overseeing collaborative progress and assessing each other's performance based on pre-determined goals are also important. Additional factors that contribute to successful collaboration include trust, mutual respect, and a shared understanding of goals (see Agranoff & McGuire, 2001, 2003; Ansell & Gash, 2008; Emerson et al., 2012; Romzek et al., 2012; Weber & Khademian, 2008).

While previous studies have examined collaboration from various angles, we have faced limited success in finding published research on how a public organization's strategy-making process can influence its decision to engage in interorganizational collaboration. Boyne et al. (2004, p. 333) suggest that rational planning is crucial to integrating and coordinating collaborative activities but do not empirically test the argument. Strategy refers to "a pattern of action through which [organizations] propose to achieve desired goals, modify current circumstances, and/or realize latent opportunities" (Rubin 1988, p. 88). Strategy is a means to sustain or improve organizational performance in an ever-changing environment (Amburgey et al., 1990). Collaboration is a deliberate strategy employed by governments to improve their capacity for policy implementation and service delivery (Agranoff & McGuire, 2001, 2003; Alter & Hage, 1993; Huang & Provan, 2007; McGuire, 2006; Romzek et al., 2012). It is thus essential to study whether the distinct models of strategy-making influence city governments' decisions to collaborate with other governments as well as organizations from other sectors.

Strategy Formulation Process

The strategy formulation process refers to how strategy develops within organizations (Boyne & Walker, 2004). Two predominant strategy formulation models have been identified in the literature: rational planning and logical incrementalism (Boyne & Gould-Williams, 2003; Elbanna, 2006). Rational planning is frequently equated with strategic planning. Rational planning is the “analytical, formal and logical processes through which organizations scan the internal and external environment and develop policy options which differ from the status quo” (Andrews et al., 2009, p. 3).¹⁰ This definition is highly similar to that of formal strategic planning. Bryson and George (2020) describe strategic planning as a “deliberate approach to strategy formulation and typically includes such elements as analyzing the mandate, defining a mission and values, analyzing the internal and external environment” (p. 2). For this study, we adopt the term “formal strategic planning.”¹¹ Strategic planning presumes that a predictable future allows an organization to compare available strategy options and make choices that best align with its goals (Davies & Coates, 2005). The predictability of future events and prospective opportunities, and the ability to undertake a comprehensive overview of strategy options, can spur organizations to engage in activities that maximize performance (Andrews et al., 2009; Boyne, 2001). Thus, formal strategic planning requires a comprehensive and systematic approach to developing strategies, stressing detailed analysis, precise goal setting, and careful evaluation of the organization’s internal and external environments (Bryson et al., 2004).

Studies examining whether formal strategic planning leads to improved organizational performance have produced mixed results. On the one hand, some research finds that strategic

¹⁰ Some descriptions of the rational planning model follow closely that of Simon’s (1957) portrayal of the rational decision-making model in classical economics (see, for example, Methe, Wilson and Perry 2000). Others emphasize that rational planning transpires under Simon’s (1957) bounded rationality (see Andrews et al. 2009a; Elbanna 2006). Whether completely rational or only limitedly so, rational planning is described as formal, analytical and logical (Boyne 2001; Andrews et al 2009a).

¹¹ Based on the suggestion of an anonymous reviewer.

planning processes (such as the formulation of goals and the internal and external analyses) enhance organizational performance (Boyne & Gould-Williams, 2003; George et al., 2019), increase effectiveness and productivity in urban public transit system in the U.S. (Poister et al., 2013), offer a potential solution to financial challenges faced by municipalities (Zafra-Gomez et al., 2014), and allow local governments to successfully target the retrenchment of expenditures (Jimenez, 2014). In contrast, critics of strategic planning point to organizations' turbulent and unpredictable future (Davies & Ellison, 1998) as well as technical problems, such as data accessibility and interpretation issues due to a lack of resources and expertise (Boyne et al., 2004). Quinn (1980) adds that the strategies of successful organizations are not produced through formal strategic planning but are developed through logical incrementalism.

While formal strategic planning focuses on a systematic and technical approach to decision making aimed at a predetermined outcome, logical incrementalism recognizes the potential for strategies to evolve and transform in response to emerging information. Logical incrementalism involves a political approach where "actors within organizations may have conflicting views on the most appropriate ways to meet organizational goals" (Andrews et al., 2009, p. 4). This perspective emphasizes ongoing adjustment and experimentation, allowing decision makers to move carefully from broad ideas to more specific commitments (Quinn, 1980). It enables organizations to benefit from the best available options by allowing strategies to emerge slowly, facilitating incremental decision patterns and experimental adjustment of proposals, and avoiding premature commitment to specific policy options. Some argue that logical incrementalism can help employees accept change more readily with the gradual transition (Johnson, 1988).

Others point out that logical incrementalism is associated with adverse outcomes. Different decision makers may have opposing preferences and compete by forming coalitions to shape organizational goals and ensure that their interests are promoted (Dean & Sharfman 1996; Elbanna 2006). Methe et al. (2000) suggest that this process leads to loosely coupled or less integrated decisions. In addition, the dominance of political considerations in decision making can lead to information distortion, conflict, decision paralysis, poor evaluation of the environment, and adoption of strategies that satisfy the demands of powerful coalitions but do not address the source of an organization's problems (Andrews et al., 2009; Dean & Sharfman 1996; Elbanna, 2006; Methe et al., 2000).

In the succeeding discussion, we develop our argument on how the strategy formulation process in local governments influences collaboration decisions through its effects on the management of risks associated with governmental (government-to-government) and nongovernmental (government-to-nongovernment) collaborations.

THEORY AND HYPOTHESES

Strategy Formulation and Governmental Collaboration

The outcomes of interorganizational collaboration are uncertain as opportunism and incomplete commitment by the parties give rise to different risks (Huxham & Vangen, 2004; Imperial, 2005). Collaboration risks include coordination risk or “the risk of not being able to coordinate on a course of action,” division risk or “not being able to agree to the division of costs despite agreeing on the action,” and defection risk or the “risk that once the action is agreed upon, others may renege or free ride” (Feiock 2013, p. 408). Collaboration risks, in turn, depend, among others, on the sectoral origins of organizations involved in the collaborative arrangement.

Sector matters because it determines the similarity (homogeneity) or dissimilarity (heterogeneity) of organizational forms.¹²

Organizational form refers to “those characteristics of an organization that identify it as a distinct identity, and at the same time classify it as a member of a group of similar organizations” (Romanelli, 1991, p. 81-82). A group of organizations with a homogenous form possesses a similar constellation of organizational characteristics (such as structure, processes, coordination system, control orientation, and mission, among others – see Aldrich & Mueller, 1982; Tushman & Romanelli, 1985) that differentiate it from other groups.¹³ Interorganizational collaboration between homogeneous organizational forms – such as a city government collaborating with another city government – potentially entails lower risks because of similarities in institutional and organizational contexts, which encompass political, administrative, and managerial structures and processes, as well as organizational goals. City governments, for example, typically have similar political and managerial structures of an elected council that exercises legislative authority and a chief executive (whether appointed or elected) that manages the day-to-day business of government. Because of laws designed to ensure accountability for public money, city governments also share similar procedures governing critical management tasks ranging from budgeting to procurement. Furthermore, these governments share the goals of prioritizing public service and accountability rather than maximizing profits (Dias & Maynard-Moody, 2007). Decision making and implementation in city governments entail working through parallel institutional and procedural arrangements, creating a shared understanding and expectations of the distinct roles of decision makers, the rules governing their interactions, and

¹² Others refer to this as “organizational homophily” (see Chen and Sullivan 2022)

¹³ Burns and Stalker (1991), for example distinguish between the mechanistic form of organization (characterized by hierarchy, formal rules and regulation, vertical communication, and structured decision-making) and organic form of organization (characterized by less rigidity, more participation, and empowerment of workers).

the appropriate goals of governmental action. These similarities among governmental organizations contribute to developing “organizational proximity” defined by Torre and Rallet (2005, p. 49-50) as actors whose interactions are “facilitated by (explicit or implicit) rules and routines of behavior” and that “share a same system of representations or set of beliefs.”¹⁴

Knoben and Oerlemans (2006, p. 75) argue that organizational proximity is vital for interorganizational collaboration because collaborations “are more efficient and lead to better results when the organizational context of both interacting partners is similar due to the fact that this similarity facilitates mutual understanding.” For example, if organization A has a formal, hierarchical, and bureaucratic structure, whereas organization B is relatively decentralized and non-bureaucratic, the differences in organizational structure can make it harder to engage in joint decision-making and implementation. Moreover, differences in procedures among collaborating organizations can create mutual frustration (see Knoben & Oerlemans, 2006). In contrast, the mutual understanding arising from operating in similar organizational contexts contributes to the relative ease of building trust, which in turn, strengthens commitment among parties (Andrews & Entwistle, 2010; Feiock, 2013). Trust makes it easier for organizations to engage in collective learning and sharing of resources (Kirat & Lung, 1999). If an organization trusts its collaborators, there is also less need for comprehensive and costly monitoring of partner organizations’ actions and rule-following behavior (Becerra & Gupta, 2003; LeRoux et al., 2010).¹⁵

¹⁴ Closely related to the concept of organizational proximity is Frederickson’s (1999) “administrative conjunctions,” which represent ties among public sector actors across jurisdictions based on a system of shared values and professional norms.

¹⁵ Of particular importance are transaction costs or the costs incurred by organizations in developing, negotiating, and monitoring the enforcement of rules in collaborative undertakings (Feiock 2009, 2013).

Strategic planning techniques – external environmental and internal organizational scanning, formal goal setting, comprehensive assessment of policy options, and regular evaluation of strategy – serve as pivotal tools in high-risk collaborations. For example, the formal analysis of strategy implementation and outcomes can identify issues in collaboration and spur the development of more explicit guidelines for exchange, monitoring, and rule enforcement (Feiock, 2013; Terman & Feiock, 2015; Terman et al., 2020). However, these formal mechanisms that otherwise can protect collaborative partners and reduce uncertainty (Feiock, 2013; Terman & Feiock, 2015; Terman et al., 2020) may be less relevant or even counterproductive in government-to-government collaboration. The similarities in institutional characteristics and organizational contexts that promote shared understanding, trust, and credible commitment already function as natural means to reduce collaboration risks. In such a context, there is no overwhelming need for a formal and analytical strategy-making process emphasizing strict control. The systematic and comprehensive processes and control mechanisms typical of strategic planning can introduce unnecessary complexity or rigidity, impeding collaboration among governments.

Instead, in the lower-risk context of government-to-government collaboration, less formal mechanisms are crucial for resolving coordination problems and maximizing performance (Burt 2000, 2018; Feiock et al., 2012). Logical incrementalism emphasizes gradual modification of strategy, greater responsiveness to different stakeholders, and regular negotiation to develop goals and resolve disputes. Incrementalism allows managers to carefully test the waters by introducing partial solutions and making tactical adjustments as they gather feedback and learn about what works and what does not during implementation. In the process, they develop a better understanding of the proper sequencing of actions before committing to and aggressively

pursuing a broader plan (Quinn 1980). This approach allows continual changes to organizational strategy to better align with stakeholder expectations and environmental contingencies. We argue that the experimentation, adjustment, and negotiation facilitated by logical incrementalism are beneficial in collaborations among homogenous organizational forms. Where organizational proximity has already helped establish trust and commitment among partners, collaborative success depends not on the strict control emphasized in formal strategic planning but on mutual adjustment and consensus-building facilitated by logical incrementalism. We expect that:

H₁: Formal strategic planning is negatively associated with city governments collaborating with other governmental organizations.

H₂: Logical incrementalism is positively associated with city governments collaborating with other governmental organizations.

Strategy Formulation and Nongovernmental Collaboration

Interorganizational collaborations between heterogeneous forms – such as a city government collaborating with nongovernmental actors – entail higher risks as the collaborative activities are often time-consuming to work through the administrative, managerial, and other organizational differences (Lee & Hung, 2022; O'Toole & Meier, 2004). Securing a shared understanding among heterogeneous organizational forms can lead to additional costs because the differences in organizational contexts stimulate disagreements and hinder consensus (Agranoff, 2006; Agranoff & McGuire, 2001; Lee & Hung, 2022; Piatak et al., 2018). For example, because public organizations focus on policy outcomes and private for-profit firms value financial returns (Dias and Maynard-Moody, 2007), collaboration among these actors can lead to conflict on the partnership's appropriate goals (Morley, 2005). Non-profit organizations are often seen as having similar missions as governmental organizations in serving the public

through service delivery (Bryce, 2006). Still, non-profits may focus more on securing revenues from lucrative government contracts at the expense of their founding missions (Brown & Potoski, 2005; Smith & Lipsky, 2009). The increased risks associated with collaborating with nongovernmental actors are not limited to the potential misalignment in goals. Both private and non-profit organizations are situated outside the governmental sphere, and their organizational structures, procedures, and accountability standards are inherently different from those of governmental entities. A city government involved in joint decision-making with organizations from other sectors must not only set up decision processes to facilitate the development of shared goals and rules, but also invest in monitoring and oversight of the collaborative arrangement to ensure adherence to previously agreed-upon collaboration rules and goals (Morley, 2005; Thomson & Perry, 2006).

Collaboration involving heterogeneous organizational forms requires clear, firm, pre-established objectives and rules. This is crucial for harmonizing and integrating diverse identities and procedures while minimizing disagreements and potential conflicts. Thus, formal strategic planning, which entails precise specification of organizational goals (Elbanna et al., 2016), assumes greater significance in government-to-nongovernment collaboration. Formal strategic planning also promotes coordination within and across different organizations (Boyne et al., 2004; Self, 1974). Boyne et al. (2004, p. 333) emphasize that the “principles of planning in the public sector have conventionally implied an attempt to coordinate and integrate not only the activities of the subunits of a single organization but also the activities of different organizations.” We argue that formal strategic planning is crucial in government-to-nongovernment collaboration. This approach is grounded in systematic analysis, aiming to reduce information distortion, assumptions, and untested conjectures, thereby reducing risk and

uncertainties associated with nongovernmental collaboration. Because formal strategic planning seeks to control and analyze the actions of different organizations (Langley, 1988; Quinn, 1980), it can help secure a sense of direction and oversight of collaborative activities involving organizations from different sectors.

While the conventional problems of rational planning are primarily technical (Boyne et al., 2004), the weakness of logical incrementalism is that it inherently involves political conflicts. Elbanna (2006, p. 7) argues that actors “may share some objectives, such as the welfare of the organization, but they have conflicting preferences and interests which arise from different expectations of the future, different positions inside the organization and clashes.” Such conflict encourages the construction and maintenance of coalitions to shape policy content and goals (Honey, 1979). Different groups can advocate for the same policy without agreeing on the final objectives (Lindblom, 1959), creating room for additional uncertainty and undisciplined changes in the already risky collaboration among heterogeneous organizational forms. Logical incrementalism, therefore, can aggravate the prevailing differences among heterogeneous organizational forms, making governments less likely to collaborate with nongovernmental actors. We expect that:

H₃: Formal strategic planning is positively associated with city governments collaborating with nongovernmental organizations.

H₄: Logical incrementalism is negatively associated with city governments collaborating with nongovernmental organizations.

RESEARCH METHODOLOGY

Data Collection

To test our hypotheses, we use data from the Municipal Fiscal Retrenchment and Recovery (MFRR) survey (directed by one of the authors), which focused on midsized and large cities in the United States (population of 50,000 or more). Implemented in 2015, the survey targeted appointed managers such as city managers, chief administrative officers, chief operating officers, city or business administrators, and budget or finance directors. The survey instrument was designed to gather information about several aspects of fiscal retrenchment and recovery in city governments that experienced a serious budget crisis during the Great Recession of 2007-2009 and years after up to 2014. The survey also gathered information on different management and organizational characteristics of the city governments.

The MFRR project involved several steps to improve the accuracy of responses and minimize measurement error (see Dillman et al., 2009; Podsakoff et al., 2012). First, the survey assured the strict confidentiality of respondents by anonymizing the names and official titles of the respondents and the city. Second, it used concise and unambiguous language, clearly defined concepts or terms to ensure a similar understanding of the questions, and used negative and positive wordings to reduce the motivation to respond stylistically. Third, if respondents found a question unclear or confusing, the survey instructed the respondents to call or email the principal investigator directly. Fourth, for those questions that required expertise or knowledge about a specific aspect of the organization (e.g., budgeting), the survey requested appointed managers to consult with relevant department heads (e.g., budget directors) before answering the questions. Finally, if the manager and budget/finance officer were newly appointed, the survey instructed them not to answer questions about the budget crisis that occurred before their hiring.

The sampling frame includes all 674 municipal governments with a population of 50,000 or more, as listed in the 2007 Census of Governments.¹⁶ A total of 268 cities participated in the survey, or a response rate of approximately 40%. Nine in ten survey respondents were appointed managers, and the remaining was a finance or budget director. Respondents spent an average of eight years in their current position but had been in the local government profession for an average of 23.5 years. The respondents were highly educated, with more than four-fifths having graduate degrees, mostly in public administration.

We assessed if the responding cities were different from non-responding cities, using difference-of-means tests for continuous variables and Chi-Square tests for dichotomous variables. The results indicated that responding cities were not systematically different from non-respondents in terms of key community characteristics such as expenditures, revenues, property tax dependence, income, population, government form, and access to sales or income tax.¹⁷

Dependent Variable: Measuring Interorganizational Collaboration

Our study focuses on the specific sectors of organizations that city governments collaborated with, including nongovernmental entities (for-profit, non-profit) and other public organizations (primarily other local governments). We also examine different types of interorganizational collaboration, including service delivery, grant seeking, policy lobbying, tax-base sharing, and joint economic development. We rely on the results from the survey item asking respondents, “In response to the most recent budget crisis faced by your local government, please indicate the extent to which your government engaged in the following collaborative arrangements.” The survey defines a budget crisis as “a severe reduction in the ability of the local government to pay for the costs of delivering services demanded by citizens,

¹⁶ At the time of survey planning, the 2012 Census of Governments had yet to be released.

¹⁷ Because of space consideration, the results are not presented here but are available from the authors.

and to meet other financial obligations such as debt servicing.” The responses range from “Not at all” (coded 0), “Only sparingly” (1), “Engaged moderately (2), and “Engaged intensively” (3).

Table 1 provides information about the specific collaborative arrangements. For nongovernmental collaboration, a substantial percentage of cities engaged moderately in contracting out services to for-profit organizations (43.72%) and not-for-profit organizations (36.99%). Most cities also engaged moderately with governmental collaboration, explicitly focusing on shared services (34.51%), applying for federal grants (39.13%), and policy lobbying (43.7%). In contrast, a sizeable share of cities did not engage at all in regional tax base sharing (72.22%) and, to some extent, joint ventures for economic development (35.57%).

[Table 1 here]

We applied exploratory factor analysis (EFA) to the survey items to assess whether they measure a latent concept. EFA is a data reduction technique used when the number of factors and specific items that determine which factors are not known.¹⁸ EFA reduces the number of survey items by estimating linear combinations of the items that summarize the information about the types of collaboration each city engaged in. We weigh the sample by population to ensure that any potential over- or under-representation of some cities by population does not invalidate the analysis. Table 2 shows the results of the factor analysis.

[Table 2 here]

For the collaboration items, the analysis retains two factors with an Eigenvalue greater than one. The difference between the two factors is the sector of the organization that city governments choose to collaborate with. The first factor (Eigenvalue of 2.45) involves city

¹⁸ A different approach is confirmatory factor analysis (CFA) in which a researcher groups items, ideally informed by a theory postulating a relationship among items and the underlying construct. A potential issue with this approach is that it imposes a preconceived factor structure largely determined by the researcher rather than the data.

government collaboration with other public sector organizations, termed governmental collaboration. In contrast, the second factor (Eigenvalue of 1.78) focuses on collaboration with private and non-profit organizations and is thus called nongovernmental collaboration. We use factor scores to calculate both indices. The Cronbach's alpha indicates that both indices are internally consistent (0.67 and 0.73, respectively).

Main Independent Variables: Measuring Organizational Strategy Formulation Process

For strategy formulation, we borrow and modify the survey items originally employed by Andrews et al. (2009), which were also used by Jimenez (2018). The survey items use a five-item Likert scale to measure the level of agreement (1 – strongly disagree to 5 – strongly agree) to different statements capturing the essence of each strategy formulation process. The survey items explore dissimilarities in internal and external environmental scanning, strategy choice processes, and strategy evaluation, among others. The EFA for the strategy formulation survey items, weighted by population, identifies two factors as shown in Table 2. The Eigenvalue and Cronbach's alpha are 3.08 and 0.86 for the factor “formal strategic planning” and 2.19 and 0.78 for the factor “logical incrementalism.” Examining the survey items, the focus of the formal strategic planning items is on the use of a structured process to scan the external and internal environment of the organization, develop and examine strategy alternatives, and regularly assess strategy implementation. Logical incrementalism items, in contrast, capture the fundamental attributes of ongoing adjustment processes in response to changes and negotiation with major stakeholders. We also use factor scores to develop the indices.

Control Variables

We control for the effects of several external environmental and internal organizational factors that might affect collaboration choices. For external factors, we include measures of

demographic and local economic conditions, differences in intergovernmental context, and political influence. For internal factors, we focus on government fiscal condition and the quality of city administration.

For demographic and economic factors, we include population, ethnic fragmentation, and household income using data from the American Community Survey. A larger population indicates a higher demand for services, potentially necessitating collaboration. Ethnic diversity within a population may lead to conflicting perspectives on interorganizational collaboration (Feiock, 2013). Furthermore, cities with higher incomes have an enhanced ability to increase spending for services (Hendrick et al., 2011; Jimenez, 2014), reducing the need to collaborate with other organizations for budgetary relief.

City service responsibilities and revenue authority are largely determined by their state governments. For intergovernmental factors, we include measures of state mandates, differences in revenue sources and service responsibility, and previous engagement with collaboration. To measure state mandates, we rely on the MFRR survey item that asked to what extent “State mandates to provide certain service or level of service” has “contributed to the most recent serious budget crisis faced by your local government.” Responses range from “Did not contribute” (0) to “Strongly contributed” (4). Providing mandated services can force city governments to collaborate with other organizations to ensure service delivery. Because property taxes remain the most important source of revenues for city governments, we measure city dependence on this tax by dividing total property tax revenues by total taxes. Property tax dependence is linked to slower growth in total revenue, constraining the government’s capacity to support rising expenditures (Pagano & Johnston, 2000) and forcing city governments to collaborate to reduce costs. To measure differences in service responsibilities, we include Clark

and Ferguson's (1983) functional performance index, with higher values indicating that a city performs a broader range of functions. Cities that perform various functions likely engage more in interorganizational collaboration to meet their service responsibilities. To assess previous experience with collaboration, we include per capita spending and revenues received from other local government organizations. We expect those with higher interorganizational spending and revenues to engage more in collaborative activities. The data are from the Census of Governments.

For political factors, we include measures of the frequency of the appointed manager's interaction with key political stakeholders. We use responses to the MFRR survey item "How frequently do you interact with individuals from each of the following?" specifically the "Mayor's office" and "City council." The responses include Never (0), Once a Year (1), Twice a Year (2), Quarterly (3), Monthly (4), Weekly (5), and Daily (6). Without support from political principals such as the mayor and city council, it is unlikely that cities will engage in interorganizational collaboration.

For internal organizational factors, we include the general fund unassigned balance to measure city fiscal condition. The unassigned fund balance functions as a reserve for a city government to help continue providing services amidst a sudden decline in revenues. A declining balance indicates a poorer ability to meet the city's service responsibilities and can spur cities to participate in collaborative arrangements to reduce costs (Jimenez, 2022). We divide fund balance by general fund expenditures to ensure comparability across cities. Data on fund balance and expenditures are from cities' Annual Comprehensive Financial Reports.

To assess the quality of city administration, we focus on administrative capacity and local government form. Administrative capacity is crucial in successfully implementing government

initiatives (El-Taliawi & Van Der Wal, 2019; Pritchett et al., 2013) such as collaboration. To measure administrative capacity, we use the MFRR survey item “Please indicate how budget cuts have affected the administrative capacity of your organization to function effectively in the future.” Responses range from “Significantly weakened administrative capacity” (1) to “Significantly strengthened” (5). Council-manager governments can be more professional than mayor-council governments and are associated with adopting innovative management and service delivery approaches including collaboration (Nelson & Svara 2012; see Feiock et al. 2009 for a different perspective). We identify cities with council-manager government forms, with 1 indicating yes and 0 otherwise. The data are from the International City/County Management Association’s Municipal Government Form survey. Table 3 shows basic descriptive statistics for all variables.¹⁹

[Table 3 here]

RESULTS

Main Findings

We use ordinary least squares regression to estimate the models where the dependent variables are the governmental and nongovernmental collaboration indices. We cluster standard errors by state to address potential group error correlation and use robust standard errors to address heteroskedasticity. The final number of observations is 196 cities (from 42 states) after we dropped cities where respondents did not completely answer all strategy formulation and collaboration questions. Table 4 contains the results of the regression analysis.

[Table 4 here]

¹⁹ The bivariate correlation analysis does not show any high correlations among the independent variables. The results are not presented here but are available from the authors on request.

Models 1 to 4 focus on governmental collaboration, whereas models 5 to 8 focus on nongovernmental collaboration. To track how estimates change across different model specifications, we include control variables only in model 1 (and 5), the strategy formulation variables only in model 2 (6), all variables in model 3 (7), and interaction terms for strategy formulation in model 4 (8). The results, specifically for the strategy formulation variables, are consistent, with or without control variables. We also find that there is no statistically significant interaction between the two strategy formulation indices.

We focus on the results from models 3 and 7, which contain all variables. Model 3 shows that formal strategic planning has no systematic relationship with governmental collaboration ($p > 0.10$). Formal strategic planning neither systematically hinders nor facilitates collaboration among governmental organizations. In model 7, formal strategic planning is statistically significant ($p < 0.05$) and positively associated with nongovernmental collaboration. When city governments employ a formal strategic planning approach, they contract out services to for-profit and non-profit organizations. Models 3 and 7 also show that logical incrementalism has a statistically significant and negative relationship with both governmental and nongovernmental collaborations ($p < 0.05$ and $p < 0.00$, respectively).

Figures 1 to 4 show the marginal effects of formal strategic planning and logical incrementalism on governmental and nongovernmental collaborations, holding control variables constant at their means. Because we used factor scores to measure the strategy formulation and collaboration indices, the marginal effects are expressed in standard deviation (s.d.). To better assess the magnitude of the relationships, we calculate the first difference, or the difference in marginal effects between a city that has the lowest and highest scores for the formal strategic planning index, hereafter called the least and most strategic city (for the logical incrementalism

index, the least and most incrementalist city). In figure 1, the most strategic city engages in governmental collaboration by one-third s.d. higher than the least strategic city. In figure 3, the most strategic city, compared with the least strategic, engages more in nongovernmental collaboration by more than one s.d. higher. In figures 2 and 4, the most incrementalist city engages in governmental collaboration by three-fourths s.d. lower, and in governmental collaboration by close to one s.d. lower, than the least incrementalist city.

[Figures 1 to 4]

For external control variables, higher median household income and ethnically fragmented local population are associated with reduced collaboration with other governmental organizations. State service mandate to city governments shows a significant and positive association with governmental and nongovernmental collaboration. Most of these results conform with our expectations. For nongovernmental collaboration, the coefficient for interorganizational spending is marginally significant and negative, indicating that governments that previously spent higher on collaboration with other governments partnered less with nongovernmental entities.

For the internal organizational variables, managerial interaction with the mayor is associated with governmental collaboration, whereas managerial interaction with the city council is associated with collaboration with nongovernmental entities. One possibility is that mayors are more risk averse in adopting innovative strategies (Carr, 2015) and thus prefer collaborations with other governmental organizations, which entail lower risks. Councils are not directly responsible for executive action and are less likely to be held accountable by voters for the outcomes of collaborative activities. This means council members, potentially, are more open to collaborating with nongovernmental entities despite the risks involved. Finally, council-manager

cities engage more in governmental collaboration, but government form is not associated with nongovernmental collaboration.

Additional Analysis

We implement additional analyses to check the robustness of the findings, addressing issues such as common source bias and alternative operationalization of the main dependent variables.²⁰

Common-Source Bias

Common source bias, or CSB, refers to the “systematic error variance shared among variables measured with and introduced as a function of the same method and/or source” (Richardson et al., p. 763).²¹ Such bias can occur when the dependent and independent variables are measured using results from the same survey (Meier & O’Toole 2012). The issue is that if the survey instrument is poorly designed and/or administered, measurement errors are likely, affecting both the dependent and independent variables. Any correlation among variables is likely to be spurious as the observed relationship only reflects the shared measurement error (Altamimi et al., 2023; Jimenez 2017).

It is important to emphasize that using results from the same survey to measure variables does not automatically result in bias.²² First, CSB is a consequence of measurement errors caused, among others, by misreporting in surveys. Not all survey-based variables are susceptible to misreporting. Meier and O’Toole (2012) argue that self-reported assessments of performance

²⁰ We run other regression analyses (not presented here). For example, we included a dummy indicating the position of the respondent (manager vs. budget/finance directors) and did not find a statistically significant result. These results are available from the authors.

²¹ Richardson, Simmering, and Sturman (2009) uses the term *common method variance*.

²² In their exhaustive examination of CSB in the public administration literature, George and Pandey (2017) write that “an unbalanced approach on CSB has recently emerged in public administration, where papers that draw on a survey as single data source are greeted with a blinkered concern for potential CSB issues.” They argue that “claims about CSB’s influence might be exaggerated” and advise instead for “a more thoughtful and discriminating approach to papers using a survey as single data source” (p. 247).

are particularly problematic as individuals tend to “overestimate the level of performance in the organization” (p. 431), but questions about observable behavior, strategy, and networks “seem to be less affected by common source bias than other questions” (p. 447). Second, measurement errors, and thus CSB, can be minimized through careful survey design and implementation (see Podsakoff et al., 2012). As discussed in the survey methodology section, we adopted best practices in survey research suggested by Dillman et al. (2009) and Podsakoff et al. (2012) to minimize the potential for misreporting. Finally, some scholars suggest using the Harman single-factor test to detect CSB (George & Pandey 2017).²³ The test involves running a factor analysis of all survey items used to construct both dependent and independent variables. CSB is present when the analysis a) retains a single factor or b) several factors are retained but one general factor accounts for the majority of the covariance among items. We find that the survey items do not load into one factor. Instead, the analysis retains four factors that have Eigenvalues greater than one (the same four factors identified previously representing the latent concepts of governmental collaboration, nongovernmental collaboration, formal strategic planning, and logical incrementalism), and no single factor explains the majority of the covariance in the survey items.²⁴

Alternative Operationalization of Dependent Variables

We also examine the relationship between the strategy formulation process and each type of collaboration: 1) service contracts with for-profit vendors; 2) service contracts with non-profit

²³ For a contrary view on the usefulness of the test, see Podsakoff et al. (2003) who discuss several issues with the Harman test.

²⁴ The covariance explained by each factor with rotation is: 23.36% for the formal strategic planning factor, 18.18% for governmental collaboration, 12.71% for nongovernmental collaboration, and 12.32% for logical incrementalism. Unrotated, the covariances explained are: 26.68% for the formal strategic planning factor, 19.51% for governmental collaboration, 11.35% for nongovernmental collaboration, and 9.02% for logical incrementalism. These results are identical whether using the original measurement scale of the survey items, or using z-scores for standardized measurement. The full results are available from the authors on request.

vendors; 3) shared services with other local governments; 4) federal or state grant applications; 5) lobbying federal and state officials about aid; 6) regional tax-base sharing; and 7) joint ventures for economic development. We use ordered logistic regression to estimate the models as survey responses are on an ordinal scale. Table 5 contains the results.

[Table 5 here]

We find that formal strategic planning is associated with an increased likelihood of engaging in service contracts with for-profit and non-profit vendors. Planning does not show any statistically significant relationship with types of governmental collaboration, except for a moderately significant positive association with collaborating with other governments for a grant application. Logical incrementalism has a systematic negative relationship with both types of nongovernmental collaborations. It is also associated with a lower likelihood of collaborating with other governments to apply for grants, lobby state and federal officials, and engage in tax base sharing. The sign for the logical incrementalism index is also negative for shared services and joint economic ventures with other local governments, but these results are not statistically significant.

[Table 5 here]

The results from these additional analyses, on balance, reinforce our main findings. Specifically, they substantiate that formal strategic planning has a negligible influence on several types of government-to-government collaboration and positively reinforces collaboration with for-profit and non-profit entities. The negative association of logical incrementalism with diverse types of governmental and nongovernmental collaborations also supports the main findings.

DISCUSSION

This study fills a gap in the literature by examining how two major strategy formulation models – formal strategic planning and logical incrementalism – shape an organization’s decision to collaborate with other governmental and nongovernmental entities. The results of the empirical analyses provide mixed support for the hypotheses. Contrary to the first hypothesis of a negative relationship between formal strategic planning and government-to-government collaboration, we find that the former neither systematically facilitates nor hinders the latter. Rather than being detrimental, formal strategic planning may simply be redundant in collaborative arrangements involving public sector organizations. Supporting the third hypothesis, we find that formal strategic planning is positively associated with government-to-nongovernment collaboration, which is consistent with our argument that formal strategic planning matters in higher-risk contexts of multisectoral collaborations.

The findings add a new dimension to theoretical arguments about the importance of sector in interorganizational collaboration. A consistent finding in the literature is that public-public partnerships are associated with improved performance compared with public-business or public-non-profit collaborations (see Lee & Hung 2022 for a review of the literature). Andrews and Entwistle (2010, p. 693) explain this result in terms of the “positive chemistry of working with like-minded organizations.” Selsky and Parker (2005, p. 851) focus on goal similarity, arguing that “when actors from different sectors focus on the same issue, they are likely to think about it differently, to be motivated by different goals, and to use different approaches.” Lee and Hung (2022) point to the role of competing institutional logics or the “macro-level, historical patterns, both symbolic and material, that establish formal and informal rules of the game and provide interpretations of action” (Bryson & Crosby 2014, p. 69). For example, actions and behaviors that are considered appropriate among for-profit firms that operate under the “logic of

the market” may not be seen as legitimate among public sector organizations that operate under the “logic of the bureaucratic state,” imperiling cross-sectoral collaborative efforts and outcomes (Lee & Hung 2022, p. 370).

Our findings imply that the risks arising from differences in organizational form and proximity do not necessarily prevent city governments from engaging in interorganizational collaboration. Formal strategic planning spurs governmental decisions to engage in potentially risky cross-sectoral collaborations. Such a systematic decision-making process enables governments to effectively address higher risks in collaborations with heterogenous organizational forms but is not a prerequisite for lower-risk collaborations with homogenous organizational forms.

The results of the empirical analysis also show that logical incrementalism is negatively associated with governmental collaboration. This is contrary to our second hypothesis, where we argued that the flexibility and mutual adjustment inherent in logical incrementalism would facilitate government-to-government collaboration. The significant negative relationship between logical incrementalism and nongovernmental collaboration, however, lends support to the fourth hypothesis.

Logical incrementalism involves the ad hoc development of strategies through negotiations and ongoing adjustments, often leading to less well-defined objectives and roles (Andrews et al., 2009). The absence of specific and pre-determined goals and regular assessment of strategies can exacerbate conflict, weakening prospects for collaboration. Summarizing the potential adverse effects of logical incrementalism, Andrews et al. (2009, p. 4) aver that the resulting “conflict can result in inopportune decision making, drift in seeking goal attainment, a lack of transparency by decision-makers and a poor interpretation of the external organizational

environment.” Our findings show that logical incrementalism has detrimental consequences on interorganizational collaborations regardless of sector.

Our study has some limitations. First, we do not claim that cities are newly engaged in the collaborative arrangements that we analyzed. We only present a snapshot of interorganizational collaboration in a specific period. Because our data is cross-sectional, the findings do not indicate cause-and-effect relationships. Future research can consider examining collaboration across multiple periods. Second, our measure of governmental collaboration includes a greater range of collaborative mechanisms than that of nongovernmental collaboration and is thus more robust. This is largely because of our focus on collaborative arrangements with legal underpinnings, which means that the type of government collaborations with nongovernment entities we study is inherently limited by existing laws and local policies.²⁵ The exclusion of more informal, often non-contractual, forms of collaboration limits the generalizability of our findings. Third, collaboration can be affected by other variables that we have not measured here, such as organizational culture or leadership, among others. Finally, organizations may shift their strategy formulation process – from an incrementalist approach to formal planning, for example – as a result of organizational learning. Future research can investigate what factors influence this evolution, and how the shift can shape decisions to engage in interorganizational collaboration.

CONCLUSION

²⁵ For example, local governments partnering with for-profits or non-profits to apply for federal grants are hindered by local competitive bidding policies. When a local government applies for a federal grant and chooses a specific private/non-profit as a co-applicant, it may effectively be violating local competitive bidding rules as it has already pre-selected the private/non-profit even before the money comes through. Bidding is often required when the grant money has been secured, and projects can be contracted out. Non-profits also cannot participate in joint-lobbying with a governmental entity as they are generally prohibited from engaging in lobbying activities lest they lose their tax-exempt status. In addition, for-profit and non-profit actors do not have taxing authority and cannot be part of tax-base sharing arrangements.

Governments have been encouraged to engage in interorganizational collaborations to address complex public policy and service delivery issues, access previously untapped resources of different actors, expand administrative capacity, benefit from joint learning, reduce redundancy, and achieve economies of scale (see Agranoff & McGuire, 2001, 2003; Alter & Hage, 1993; Ansell & Gash, 2008; Emerson et al., 2012; Huang & Provan, 2007; McGuire, 2006; Romzek et al., 2012; Thomson, 2001; Vansina et al., 1998; Weber & Khademian, 2008). A sizeable body of literature has explored the factors that promote interorganizational collaboration, but no study has yet to assess how strategy making shapes the decision to collaborate (see, among others, Ansell & Gash, 2008; Bryson et al., 2006; Emerson et al., 2012; Feiock 2007, 2009). In this study, we show that formal strategic planning facilitates cross-sectoral collaboration but is not associated with government-to-government collaboration. Incrementalist decision-making, in contrast, inhibits interorganizational collaboration regardless of sector. The practical implication of the findings in this study is that the occurrence of collaboration – and, by extension, the realization of its potential contributions to improving policy and service delivery performance – may be limited by city governments’ capacity to undertake rational forms of strategy making and their propensity to engage in incrementalist decision-making. Local governments seeking to collaborate with nongovernmental entities in providing a public service or addressing a public policy issue need to invest in comprehensive planning mechanisms, including formal goal setting, environmental scanning, and regular evaluation of strategies. A strategy-making approach that emphasizes experimentation and incremental adjustments does not foster more formal forms of interorganizational collaboration.

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Table 1
Engagement in Interorganizational Collaboration

Type of Interorganizational Collaboration	Freq.	Percent	Cum.
Contract out services to for-profit vendors			
Not at all	47	19.03	19.03
Only sparingly	56	22.67	41.70
Engaged moderately	108	43.72	85.43
Engaged intensively	36	14.57	100.00
Total	247	100.00	
Contract out services to not-for-profit vendors			
Not at all	63	25.61	25.61
Only sparingly	73	29.67	55.28
Engaged moderately	91	36.99	92.28
Engaged intensively	19	7.72	100.00
Total	246	100.00	
Shared services with other local governments			
Not at all	44	17.25	17.25
Only sparingly	86	33.73	50.98
Engaged moderately	88	34.51	85.49
Engaged intensively	37	14.51	100.00
Total	255	100.00	
Collaboration with other municipal governments to apply for federal or state grants			
Not at all	49.00	19.37	19.37
Only sparingly	85	33.60	52.96
Engaged moderately	99	39.13	92.09
Engaged intensively	20	7.91	100.00
Total	253	100.00	
Collaboration with other local governments to lobby federal and state officials about aid			
Not at all	25	9.84	9.84
Only sparingly	69	27.17	37.01
Engaged moderately	111	43.70	80.71
Engaged intensively	49	19.29	100.00
Total	254	100.00	
Regional tax-base sharing such as common-pool funds for neighboring jurisdictions			
Not at all	182	72.22	72.22
Only sparingly	36	14.29	86.51
Engaged moderately	30	11.90	98.41
Engaged intensively	4	1.59	100.00
Total	252	100.00	
Joint ventures with other cities to encourage economic development			
Not at all	90	35.57	35.57
Only sparingly	70	27.67	63.24
Engaged moderately	68	26.88	90.12
Engaged intensively	25	9.88	100.00
Total	253	100.00	

Table 2
Results of Exploratory Factor Analysis

Factor Analysis of Collaboration Items		
Survey Items	Factor Loadings	
	Factor 1	Factor 2
Governmental Collaboration Index (Factor 1)		
“Shared services with other local governments.” (0-Not at all, 3-Engaged intensively).	0.580	0.390
“Collaboration with other municipal governments to apply for federal or state grants.”	0.684	0.230
“Collaboration with other local governments to lobby federal and state officials about aid”	0.722	0.103
“Regional tax-base sharing such as common-pool funds for neighboring jurisdictions”	0.748	0.081
“Joint ventures with other cities to encourage economic development”	0.741	-0.212
Number of cities with complete responses	234	
Eigenvalue	2.454	
Cronbach’s Alpha	0.665	
Nongovernmental Collaboration Index (Factor 2)		
“Service contract with for-profit vendors.” (0-Not at all, 3-Engaged intensively).	0.015	0.865
“Service contract with not-for-profit vendors.”	0.140	0.875
Number of cities with complete responses		234
Eigenvalue		1.780
Cronbach’s Alpha		0.734
Factor Analysis of Strategy Formulation Items		
Survey Items	Factor Loadings	
	Factor 1	Factor 2
Formal Strategic Planning Index (Factor 1)		
“We regularly assess developments in the local community or economy that can affect our capacity to deliver services” (1-Strongly Disagree, 5-Strongly Agree)	0.762	0.369
“We regularly assess the efficiency and effectiveness of service delivery”	0.834	0.261
“We follow a formal process to formulate strategies in response to issues faced by our local government”	0.801	0.110
“We assess the feasibility of different strategies”	0.756	0.395
“Once strategies are implemented, we follow a formal process to assess their results”	0.653	-0.466
Number of cities with complete responses	225	
Eigenvalue	3.084	
Cronbach’s Alpha	0.8617	
Logical Incrementalism Index (Factor 2)		
“Strategies are made on an ongoing basis” (1-Strongly Disagree, 5-Strongly Agree)	0.059	0.793
“We adjust our strategies in response to initiatives and activities of stakeholders such as elected officials, public employee unions or business groups”	0.186	0.691
“Strategies develop through negotiations with stakeholders such as elected officials, public employee unions or business groups”	0.362	0.701
Number of cities with complete responses		225
Eigenvalue		2.185
Cronbach’s Alpha		0.78

Note: Only factors with Eigenvalue greater than 1 are retained.

Table 3
Basic Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Collaboration				
Governmental collaboration index	0.20	0.90	-1.45	2.98
Nongovernmental collaboration index	-0.26	1.01	-2.48	2.13
Strategy Formulation Process				
Formal strategic planning index	-0.10	0.95	-1.86	2.30
Logical incrementalism index	-0.08	0.92	-1.99	1.85
Controls				
General fund balance (divided by general fund expenditures) ^a	0.21	0.19	-0.03	1.41
Median household income ^a	38497.24	12704.62	18932.98	82920.77
Population ^a	161139.70	349842.70	49220.75	3789093.00
Ethnic fragmentation ^a $1 - \sum_i^j (Race_i)^2$ (where <i>Race i</i> denotes the share of population identified as race <i>i</i> , including White, Black, Hispanic, Asian and Pacific Islander, and American Indian. Ranges from 0-1, with higher values indicating greater ethnic heterogeneity.)	0.50	0.14	0.10	0.74
Per capita interorganizational spending ^a	0.02	0.04	0.00	0.27
Per capita interorganizational revenues ^a	0.02	0.04	0.00	0.25
State service mandates	2.50	1.01	1.00	4.00
Functional performance index ^a $\sum (F_i W_i)$; where $W_i = E_i / N_i$ or the weight for subfunction <i>i</i> , <i>E_i</i> is per capita expenditure in all cities for subfunction <i>i</i> , <i>N_i</i> is the number of cities performing subfunction <i>i</i> , <i>F_i</i> is performance of subfunction <i>i</i> , which is 1 if city performs subfunction <i>i</i> , and 0 if city does not perform subfunction <i>i</i> .	2.74	5.86	0.22	62.92
Property tax as % of total taxes ^a	56.74	23.30	0.00	99.89
Council-manager government	0.71	0.46	0.00	1.00
Administrative capacity	2.48	1.02	1.00	5.00
Managerial interaction with mayor	5.43	1.01	1.00	6.00
Managerial interaction with council	5.24	0.97	0.00	6.00

Note: a – for these variables, we use the average from 2009-2013 for greater accuracy. Thus, although the MFRR survey targeted cities with a minimum population of 50,000 based on the 2007 Census of Governments, the lowest value for population in the table will not reflect this floor. This is because in some years between 2009-2013, some cities lost population and went below 50,000.

Table 4. Results of Main Models
(Ordinary Least Squares Regression with Heteroskedasticity-Robust Standard Errors Clustered by State)

Independent Variables	Governmental Collaboration								Nongovernmental Collaboration							
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7		Model 8	
	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.
Strategy Formulation Process																
Formal strategic Planning			0.071	0.069	0.093	0.072	0.167	0.089			0.317***	0.082	0.245**	0.092	0.282**	0.127
Logical Incrementalism			-0.135**	0.053	-0.190***	0.064	-0.123**	0.057			-0.204***	0.074	-0.250***	0.071	-0.217**	0.086
Interaction Between Formal Strategic Planning Logical Incrementalism							0.138	0.080							0.069	0.101
Controls																
General fund balance	0.423*	0.237			0.454*	0.266	0.436	0.269	-0.658*	0.333			-0.351	0.414	-0.360	0.418
Median household income	-0.000***	0.000			-0.000**	0.000	-0.000**	0.000	-0.000	0.000			-0.000	0.000	-0.000	0.000
Population	0.048	0.130			0.005	0.121	0.025	0.118	0.159	0.095			0.141	0.115	0.151	0.114
Ethnic fragmentation	-0.677*	0.356			-0.915**	0.419	-0.952**	0.429	-0.079	0.511			-0.179	0.553	-0.197	0.559
Per capita spending on interorganizational collaboration	-0.221	1.299			-1.127	1.391	-1.094	1.440	-1.901	1.322			-2.890*	1.575	-2.874*	1.546
Per capita revenues from interorganizational collaboration	0.567	1.633			-1.376	1.370	-1.760	1.447	2.923**	1.141			1.736	1.247	1.545	1.364
State service mandates	0.148**	0.069			0.175**	0.077	0.179**	0.077	0.182***	0.060			0.229***	0.059	0.231***	0.060
Functional performance index	0.000	0.001			-0.013	0.008	-0.013	0.008	-0.002	0.002			-0.005	0.010	-0.006	0.010
Property tax as % of total taxes	0.005	0.004			0.004	0.004	0.005	0.004	-0.004	0.004			-0.004	0.003	-0.004	0.003
Council-manager government	0.283**	0.141			0.355**	0.156	0.399**	0.161	-0.073	0.150			0.023	0.166	0.045	0.163
Administrative capacity	0.020	0.043			0.003	0.055	0.011	0.055	-0.016	0.063			0.029	0.057	0.033	0.058
Managerial contact with mayor	0.146***	0.046			0.174***	0.047	0.186***	0.048	-0.019	0.084			0.020	0.076	0.026	0.075
Managerial contact with council	0.028	0.041			0.012	0.044	0.007	0.045	0.202***	0.064			0.167***	0.059	0.165***	0.058
Constant	-1.452	1.645	0.199***	0.073	-0.976	1.536	-1.269	1.463	-3.317	1.272	-0.237**	0.113	-3.393**	1.348	-3.539**	1.320
N	230		196		196		196		230		196		196		196	
R-Square	0.122		0.022		0.184		0.197		0.143		0.106		0.252		0.253	

Note: Standard Errors (S.E.) are clustered by state and heteroskedasticity robust. *** significant at 1%, ** at 5%, * at 10%, two-tailed tests.

Table 5. Results of Additional Tests
(Ordered Logistic Regressions with Heteroskedasticity-Robust Standard Errors Clustered by State)

Independent Variables	Model 9		Model 10		Model 11		Model 12		Model 13		Model 14		Model 15	
	Service Contract with For-Profit Vendors		Service Contract with Not-For-Profit Vendors		Shared Services with Other Local Governments		Collaboration with Other Municipal Governments to Apply for Federal or State Grants		Collaboration with Other Local Governments to Lobby Federal and State Officials About Aid		Regional Tax-Base Sharing Such as Common-Pool Funds for Neighboring Jurisdictions		Joint Ventures with Other Cities to Encourage Economic Development	
	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.	Coef.	S.E.
<i>Strategy Formulation Process</i>														
Formal Strategic Planning	0.438**	0.189	0.464**	0.186	0.125	0.159	0.451**	0.217	0.208	0.164	0.313	0.231	-0.117	0.167
Logical Incrementalism	-0.526***	0.179	-0.526***	0.145	-0.218	0.135	-0.436**	0.176	-0.476***	0.164	-0.468***	0.133	-0.231	0.164
N	196		196		196		196		196		196		196	
Pseudo R-Square	0.080		0.087		0.067		0.022		0.062		0.018		0.017	

Note: Results for control variables are not shown because of space consideration. Standard Errors (S.E.) are clustered by state and heteroskedasticity robust.

*** significant at 1%, ** at 5%, * at 10%, two-tailed tests.

