Public Agency External Analysis Using a Modified “Five Forces” Framework

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ABSTRACT: Strategy matters in the public sector as well as in the private sector. Michael Porter’s “five competitive forces” (5 Forces) framework (Porter 1979; 1980; 2008) is widely used by private-sector firms to analyze the external environment and specific external forces. Can public agency managers use some version of 5 Forces analysis to effectively analyze the external environments of their programs? What modifications are required for public agency use? The case is made that a version of the 5 Forces framework can be useful when appropriately modified for public agency programs. The public agency version of the 5 Forces framework that is presented specifically considers public agency goals from three perspectives: descriptive, instrumental, and normative. The descriptive focus on autonomy is laid out. Another modification to the standard framework explicitly introduces political influence as an external force. Thus, the modified framework considers and integrates both political and economic external forces. Several significant modifications to Porter’s other forces are also proposed and discussed. A number of strategic implications of public program 5 Forces analysis are discussed. The modified 5 Forces framework is illustrated both in terms of autonomy (descriptive level) and social efficiency (normative perspective).

INTRODUCTION

The evidence suggests “strategy matters not only in the private sector but also in the public sector” (Meier et al. 2006, 360; see also Wechsler and Backoff 1986; Andrews, Boyne, and Walker 2006; Choi 2008; Poister, Pitts, and Edwards 2010; Kelman and Myers, 2011). The rationale for the adoption of a strategic orientation by public managers is that “in the public sector, the clarity of a financial bottom line does not exist but it is equally essential that everyone in the organization has a clear understanding of strategy, and their role in achieving it” (Irwin 2002, 637). Choi (2008) has recently provided a comprehensive rationale for public agency strategy (see also Johnson and Scholes 2000; Joyce 2000; Kelman et al. 2003; Kendrick 2003; Moore 2000; Stewart 2004).
Systematic consideration of both the external economic and political environment is a key component of strategic analysis frameworks because most public agency managers face complex external environments: “The program environments for U.S. [public] managers are not only institutionally complex but demanding in terms of the kinds of links that must be developed and maintained regularly” (Hall and O’Toole 2000, 680). Furthermore, Boyne (2006) argues that a strategic “lack of fit” with the external environment is an important reason for strategic failures in public organizations and that diagnosing the nature of the lack of fit is a necessary precursor to the development of successful turnaround strategies (see also Andrews, Boyne, and Enticott 2006). Kendrick (2003, 493) summarizes this perspective as follows: “One point of agreement in organizational and planning research is that organizational adaptation is the result of managing uncertainty and the environment to achieve a wide range of political and operational objectives.” A necessary precursor to managing the external environment is to understand it in some theoretically coherent manner.

This article presents a framework for analyzing the most important forces in a public organization’s external environment. The framework builds on Michael Porter’s “five competitive forces” framework (Porter 1979; 1980; 2008) but modifies the framework for public agency use. The public agency version of the five forces (5 Forces) framework specifically considers public program and agency goals from descriptive, instrumental, and normative perspectives. The framework explicitly recognizes and incorporates the differences between public sector and private sector goals. Another modification to the standard private-sector Porter framework explicitly introduces political influence as an external force and considers some of the major factors that determine its extent. Several significant modifications to Porter’s other forces are also proposed and discussed. The resulting public agency 5 Forces framework is then laid out. Finally, some of the strategic implications of using the 5 Forces framework for public agency programs are considered. These strategic implications are considered from two distinct perspectives. First, and primarily, the framework is used to illustrate how public managers can more fully understand the nature and extent of their autonomy from external forces. Second, it is used to illustrate how, if they choose to do so, public managers can use autonomy as a springboard in the pursuit of specific normative goals. This is illustrated assuming that managers adopt a social efficiency perspective on goals.

THE USE AND MODIFICATION OF THE 5 FORCES FRAMEWORK

One approach to more systematic public agency analysis is to use, with appropriate modification, strategic concepts already in use by private sector managers. A number of “new public management” scholars have called on public management to be more “business-like” (Ferlie et al. 1996; Hays and Kearney 1997; Osborne and Gaebler 1992). More generally, others have argued that public management research and practice should both draw more extensively on generic management and organization theory knowledge (Ellwood 2008, 179; Hitt 2005; Kelman 2007;
Kendrick 2003; Pfeffer 2006; Williams and Lewis 2008) and at the same time strive to be more relevant to the practical needs of public agency managers (Brewer 2005; Kelman et al. 2003; Wright, Manigault, and Black 2004).

The proposition that business strategy tools are useful for public sector managers, however, raises a number of contentious issues. While it may be plausibly argued that some concepts and tools originally developed for the private sector are directly transferable to public agencies, most are only likely to be useful if appropriately modified (Bryson, Ackermann, and Eden 2007; Moore 2000).¹ The balanced scorecard, for example, although originally developed for private sector analysis, has undergone significant adaptation in making it useful for public sector agencies (Chesley and Wenger 1999; Kaplan and Norton 2001; Woods and Grubnic 2008).

Judged by both its prominence in business strategy textbooks and its use by practicing analysts, Porter’s 5 Forces framework is the most commonly used analytic framework for external, or industry, analysis (see, for example, Baye 2006; Besanko et al. 2003; Grant 2007; Thompson, Strickland, and Gamble 2005; Wheelen and Hunger 2007).² One benefit of 5 Forces analysis is that the forces are quite generic and, thus, broadly applicable across industries and sectors. The most important benefit, though, is that 5 Forces analysis applies fundamental economic concepts to the role of external forces in the environment. In its standard version, the relevant five forces are: (1) the intensity of rivalry among existing competitors, (2) the bargaining power of suppliers, (3) the bargaining power of customers,³ (4) the threat of entrants, and (5) the threat of substitute products and services (Porter 1979). Porter (2008, 80) has summarized these forces in the well known 5 Forces diagram. Porter (2008, 86) recently summarized the theoretical foundation of the 5 Forces framework as follows: “Industry structure, as manifested in the strength of the five competitive forces, determines the industry’s long-run profit potential because it determines how the economic value created by the industry is divided—how much is retained by companies in the industry versus bargained away by customers and suppliers, limited by substitutes, or constrained by potential new entrants.” Put another way, the “analysis is essentially a structural map of the underlying economics of an industry: a map of the degree to which competitors, entrants, substitutes, and vertical bargaining power exert pressure on the margins of a firm in a particular industry” (Cockburn, Henderson, and Stern 2000, 1126).

A leading strategy scholar has recently summarized the superiority of the 5 Forces approach in comparison to SWOT (strengths, weaknesses, opportunities, threats) analysis and other environmental analysis tools used by private-sector analysts, as follows:

… the key innovation of Porter’s approach to teaching strategy/policy was in replacing frameworks that served primarily to categorize the different factors influencing the strategic decision, by a framework founded on theory. Thus, the value of the five forces of competition framework is not simply that it provides a system for categorizing the different environmental influences that impact competition and profitability, but also has the legitimacy and validity that extends from its basis in industrial organization economics. (Grant 2008, 279)⁴
In spite of its weaknesses, public agencies appear to use SWOT more than other external analysis tools (Flynn and Talbot 1996, Figure 3; Hodgkinson et al. 2005, Table 8). Mark Moore (1995, 105–192) has developed a framework developed expressly for public sector analysis of the external environment using the concept of the “authorizing environment.” Moore proposes that the authorizing environment is the legitimization and support component of a “strategic triangle” that determines an agency’s strategic fit with its environment. The authorizing environment explicitly incorporates politics and political influence (he includes clients, other interest groups, and the media) into a public agency external analysis. Political influence is central to understanding the external environment of public agencies and programs. However, Moore does not provide a great deal of detail on how an analysis of the authorizing environment should actually be used by public managers, although he does stress it should be used proactively. Additionally, Moore’s exclusive focus on political factors in the authorizing environment deemphasizes economic (i.e., nonpolitical) factors, which may in some circumstances be as, or more, important than political forces in determining autonomy and strategic freedom. This may explain why, in a generally sympathetic review of Moore’s concept of public value, Alford and O’Flynn (2009, 174) conclude that “despite its centrality, the strategic triangle barely rates a mention by either the critics or more enthusiastic supporters of Moore’s work.” Currently, therefore, there is no framework that integrates both political and economic forces into a comprehensive analysis.

Could public agencies use some form of 5 Forces analysis more effectively to perform external environment analysis? What factors in the standard 5 Forces framework require modification? If so, what should the modifications be? The claim here is that Porter’s 5 Forces can be useful for public agencies when appropriately modified (Miller 1989). One fundamental modification is to recognize and incorporate the reality that the goals of public agencies differ from those of private-sector firms (Moore 2000; Rainey and Chun 2005). As a consequence of these goal differences, some scholars have argued that the transfer of strategic concepts is not useful: private-sector firms and public-sector agencies are “fundamentally alike in all unimportant respects” (Sayre 1958, 102). Boyne (2002, 118), however, after reviewing the empirical evidence calls for a more nuanced approach, argues that “the evidence in support of sharp differences between public and private management is limited.” Following this line of reasoning, this article contends that goal differences must be acknowledged and explicitly incorporated into any useful public sector 5 Forces application, but these differences do not eliminate the usefulness of a systematic external analysis of economic and political forces that draws extensively on the basic 5 Forces concept.

The argument here is that a public agency 5 Forces analysis can help public managers understand the external environments of any one, or all, of their programs and strategize accordingly. Such an understanding requires individualized external analysis for at least three reasons. First, strategic freedom is variably constrained by external factors: “Different forces take on prominence . . . in shaping competition in each industry” (Porter 1979, 138). Second, as competitive landscapes evolve and innovation occurs, the balance of importance of various forces and their intensity, or
strength, can change over time (sometimes quite rapidly). Third, over time, the intensity or strength of the various forces may be partially shaped by the strategies of the organization—in other words, the forces are to some extent endogenous (Porter 1979, 143), although the degree of endogeneity is highly variable.

It is important to recognize that public-sector external environment analysis has to be conducted at the level of an individual program rather than at the level of the agency as a whole (Downs 1967, 43; Hall and O'Toole 2000; Nicholson-Crotty 2005, 243). The scope of a firm’s activities (and equivalently, a public agency’s) is often broader than a single “line of business.” Therefore, a given agency may have environments that differ markedly across its programs—for example, an agency may be a monopolist with limited potential competition (that is, low contestability) and face suppliers with low bargaining power in one program environment, but encounter intense competitive pressure from not-for-profit agencies, and face concentrated powerful suppliers and threatening substitute technologies in another program environment.

**WHAT IS THE PUBLIC PROGRAM ANALOGY TO “MARGIN”??**

The most fundamental factor potentially militating against the direct application of Porter’s standard 5 Forces framework to public agencies relates to the differences between the goals of public and private sector organizations. Both the descriptive and normative assumption in the standard 5 Forces framework is that firms in aggregate (the industry participants) seek to maximize profits. This potentially places any specific firm being analyzed in a “battle for the rents” versus rivals or competitors as well as those actors representing the other four forces. Parenthetically, however, it is noteworthy that many management and strategy scholars have contested Porter’s singular focus on firm and industry profitability—both descriptively and normatively. Many proponents of stakeholder theory, for example, have argued for a broader normative perspective that does not focus totally on profit maximization (Jones and Wicks 1999, 211). That debate is not directly relevant to a public-sector external framework, especially as there appear to be no private sector examples of the use of broader stakeholder-type objective functions in 5 Forces analysis.

The more relevant issue here is the applicability of *any* maximizing objective function when appraising the external environment of public agencies. What is the appropriate goal for public agencies? In other words, what is equivalent to industry profit margin? This is a difficult and controversial question. In the approximately parallel private sector context, Donaldson and Preston (1995) consider stakeholder theory and propose that the question of corporate goals and ends can be addressed from three perspectives: a descriptive perspective, an instrumental perspective, or a normative perspective. The descriptive (or empirical) perspective is straightforward: “Firms/managers actually behave in certain ways” (Jones and Wicks 1999, 207). The instrumental perspective is a framework for “examining the connections, if any, between practice and the achievement of various corporate performance goals” (Donaldson and Preston 1995, 67). Their meaning and use of normative
conforms to the standard usage in public policy and management discourse. These three perspectives—descriptive, instrumental and normative—can be useful for thinking about public agency goals for different analytic purposes.

**The Descriptive Perspective: The Importance of Being Autonomous**

Although it is not emphasized in the business strategy literature, the standard 5 Forces framework can be interpreted in terms of an absence of external constraints on an organization, or group of organizations. External forces constrain public agency autonomy in the public sector in the same way that external forces constrain enterprise “margin” or profit in the private sector. Specifically, the degree of competitiveness (and profitability) is of interest to business executives because a key to an effective strategy is “a defendable position against the five competitive forces” (Porter 1980, 29). In the public sector autonomy, similarly, provides a “defendable position” (Pfeffer and Salancik 1978) vis-à-vis external forces.

The relevant descriptive perspective is simply that most public managers do seek to minimize external constraints on their managerial policy actions, at least on observable margins (Wilson 1989). To put this in maximizing terms, they value autonomy as a goal in and of itself. One important reason is simply that some degree of autonomy is a prerequisite to the pursuit and implementation of purposive behavior (Selznick 1957; 1966). In other words, some level of autonomy is required for any strategy that embodies substantive (normative) goals determined by managers. Additionally, many agencies have quite broad legislative, or quasi-legislative, mandates that only minimally direct and constrain managers at the program level (Lowi 1967; McCubbins, Noll, and Weingast 1987). Managers of these programs, therefore, have a considerable degree of formal policy freedom. In these cases, external forces are a key determinant of these managers’ actual policy degrees of freedom. Managers who are constrained by external forces have reduced policy or fiscal freedom. With a systematic understanding of these forces, however, public managers may be able to loosen these constraints and increase their autonomy and thus their ability to engage in new program policies. In sum, at a purely descriptive level, understanding the degree of autonomy from the external environment is interesting to public managers in its own right.

What kind of autonomy do managers’ value? Essentially, scholars have focused on either policy autonomy and/or fiscal autonomy. As Wilson (1989, 195) notes, “Most [federal agencies] must struggle for both autonomy and resources.” Many scholars have emphasized the value of policy autonomy or of the closely related concept of policy “authority” to public managers (e.g., Bertelli 2006; Carpenter 2001; Moynihan and Pandey 2006; Pollitt and Talbot 2004).

An extensive literature suggests that agency and program managers also value fiscal autonomy in its own right. Indeed, public agencies take threats to fiscal autonomy in the form of budgetary cutbacks very seriously (Berry and Wechsler 1995; Niskanen 1991) and others have characterized this fiscal resource concern in goal terms as an attempt to maximize the agency’s discretionary budget. Similarly, Wildavsky (1974, 72) has described agencies as seeking “capture avoidance” in
budgetary matters. Most forcefully, Lynn (1991, 62) posits that “the most robust conclusion concerning what bureaucrats want, based on evidence from cases, is that they want control of discretionary resources.” Given the importance of both policy autonomy and fiscal autonomy in prescribing the strategic degrees of freedom available to managers, the combination of both is called the degree of strategic autonomy.

The descriptive perspective, then, focuses on the extent to which an agency delivering a program is independent of external forces when supplying its services, both in terms of shaping program strategy and in making the major resource allocations that are necessary to implement the current strategy or alternatives to it. The external forces described below are normally the most common in determining autonomy—in other words, they are “generic” forces that can vary greatly in importance, or even relevance, in particular analyses. In total, the relevant forces determine the extent of autonomy. At the limit, for example, an agency that faces minimal competition and contestability, little threat of competitive entry or effective substitute services, little external political influence or control, and minimal bargaining power of suppliers and “customers” (both consumers and sponsors), is fully autonomous.

The Instrumental Perspective: Does Autonomy Improve Performance?

The instrumental perspective provides a focus for asking an important “if/then” question: if public managers do seek, or achieve, autonomy, does it result in better or worse performance? While it may or may not be considered a “performance” outcome, Lewis (2003, 158) has shown that, at least at the U.S. federal level, the extent of certain kinds of autonomy (“insulation”) improves the chances that an agency will survive over time: “Though new administrations come and assert control, though electoral turnover brings new policy priorities and new risks for agencies, and though times of crisis promote bureaucratic reshuffling, insulated agencies are more durable.”

The non-case study empirical evidence on the performance effects of autonomy is not that extensive. But, based on a review of the extant empirical evidence, Moynihan and Pandey (2006, 122) conclude: “There is some evidence that clear goals and bureaucratic autonomy are clear predictors of public sector performance.” Also based on a review of the evidence, Rainey and Steinbauer (1999, 16) argue that the evidence suggests “[g]overnment agencies will be more effective when they have higher levels of autonomy, but not extremely high levels of autonomy.” There are only a small number of empirical studies that examine the impact of autonomy on line bureaucracies. Wolf (1993) analyzed 44 federal agency cases in terms of the impact of autonomy (among other variables) on performance. In aggregate, he found that higher levels of political autonomy had a positive effect on performance (see also Wolf 1997). Moynihan and Pandey (2006) examined a large sample of information systems managers in state-level primary health and human services agencies and concluded that a higher level of “managerial authority” is associated with better performance. Recently, Langbein (2009) used survey data from U.S. government employees to examine the relationship between employee perceptions of discretion and productivity. Although her results show a complex, contingent relationship
between these variables, her overall conclusion is: “there appears to be a tradeoff between accountability (to the executive) and productivity: executive political controls reduce both discretion (presumably raising accountability) and productivity” (Langbein 2009, 106).

Changes in the level of autonomy that result from a formal change in structure—for example, moving an agency from a department to a corporate-style entity—are also germane to the relationship between autonomy and performance. Bilodeau, Laurin and Vining (2007) studied 11 corporatizations at the federal level in Canada and in the province of Quebec and found that the change to a corporate form did improve performance, at least in the three years following the change. This finding is consistent with (albeit broad) empirical evidence from OECD countries (Brewer 2004), from China (Aivazian, Ge, and Qiu 2005), from Japan (Yamamoto 2006), and from Belgium (Verhoest 2005).¹⁵

The case study evidence has a longer history and is more extensive. Based on the study of particular agencies, a number of scholars have argued that significant autonomy, especially in terms of insulation of agencies and programs from politi-
cal influence, which is the primary concern of political scientists, has resulted in better performance, although the definitions and measurement of performance has been quite variable (Barzelay and Campbell 2003; Borins 1998; Carpenter 2001; Katyal 2006; Stephenson 2008).

In sum, it is fair to say that there is some evidence that autonomy improves performance and not much evidence that it worsens performance. Some public management scholars and practitioners with a consequentialist normative perspective will probably consider this conclusion to be important in determining their normative stance on autonomy from political influence (Hardin 1988).¹⁶ Others, of course, will not. The legitimacy of agency autonomy is one of the oldest, if not the oldest, debate in “classic” public administration theory. In the United States, it dates back to the American Revolution. (For a historical review of this issue that focuses primarily on Anglo-American jurisdictions, see Campbell 2007). It is important to note that most public management scholarship has focused almost exclusively in terms of political influence of one kind or another. Most of this literature has simply not addressed or been concerned with the potential normative implications of autonomy in terms of several of the other external forces considered here—such as suppliers or competitors.

The Normative Perspective and Autonomy: Multiple Paths to Nirvana

What is the relationship between autonomy, an analysis of external forces and a normative theory of public agency goals? The initial claim is a minimalist one: managers who value autonomy for strategic reasons are not precluded from adopting most normative perspectives on agency goals. In other words, the achievement of some degree of autonomy allows managers to pursue public value as they themselves choose to define it.¹⁷ However, an additional claim is that an explicitly normative perspective on goals is not required to perform a useful external forces analysis. Simply understanding the state of external forces is useful to managers in and of itself. An agency may not wish to conduct an external analysis using an explicit normative
perspective simply because any explicit normative perspective tends to be controversial. In the latter part of the article, though, an explicitly normative application of the 5 Forces framework based on social efficiency is illustrated.

If managers wish to analyze external forces from an explicit normative perspective, how would they actually go about doing it? The first problem is that while there is wide consensus that agencies should act purposively to “do good,” there is little consensus on its operational meaning (Bryer 2007; Chun and Rainey 2005; Pandey and Wright 2006; Steinberg 1986). A number of alternative normative objective functions, or goals, can be postulated for public agencies (Alford and O’Flynn 2009). These alternatives include the maximization of “public value” (Moore 1995), the maximization of social efficiency or social welfare (Vining and Weimer 2006a), the maximization of stakeholder support (Williams and Lewis 2008), some mix of the above or some more complex (and idiosyncratic) mix of social efficiency, equity, and process goals (Weimer and Vining 2011, 348–363; Wise 2004).

Mark Moore’s conception of public value has probably been the most influential way of thinking about public agency goals, especially in the U.K. and Australia (e.g., see Alford and O’Flynn 2009; Colebatch 2010; Llewellyn and Tappin 2003; Smith, Anderson, and Teicher 2004). Yet, as Moore (1994) himself points out, the meaning of public value is open to a number of quite distinct interpretations. Because of this ambiguity, some critics have questioned the usefulness of the public value concept (Alford and O’Flynn 2009; Gains and Stoker 2009; Rhodes and Wanna 2007; 2009).

Moore (1994) has outlined four distinct conceptions of public value that overlap with the objective functions discussed earlier: (1) public value as the achievement of political mandates; (2) public value as the achievement of professional standards; (3) public value as revealed through the application of analytic techniques, such as revenue-cost analysis, cost-effectiveness analysis, or cost-benefit analysis (essentially a social efficiency perspective); and (4) public value as stakeholder and customer satisfaction. All of Moore’s four alternative objective functions can be justified. The problem is that in actually performing an external analysis these goals can often result in different value judgments about outcomes. Thus, agency managers adopting a different conception of public value would vary in how they would normatively interpret various outcomes in terms of external forces. Maximizing social efficiency, for example, is unlikely to simultaneously maximize stakeholder satisfaction. These differing normative valuations would, in turn, suggest different strategic responses.

A long tradition in welfare economics argues that maximizing social efficiency is the most appropriate normative objective function for public sector entities (Vining and Weimer 1992; 2006a; 2006b). One advantage of adopting such a social welfare goal is that it provides a potentially measurable metric—net social benefits—that is closely parallel to the profit margin metric used in the standard Porterian 5 Forces analysis (Grant 2008, 280). This does not preclude other goals, such as equity, from consideration as constraints. It is beyond the scope of this analysis to describe comprehensively the strategic consequences of each specific normative objective function in a public agency 5 Forces analysis. However, it is clear that agency managers would vary in their attitude to, and desire for, strategic autonomy depending on their normative objective function. For example, a highway transportation agency that
adopts a social-efficiency perspective would view a current assessment of “high bargaining power of consumers” (holding constant the specific meaning of this bargaining power, which we discuss in detail below) as a quite negative external force. This is because the agency adopting a social welfare-maximizing objective function would wish to price its services at their social marginal cost. To achieve such pricing would imply that the agency seek tolls in the presence of congestion. In almost all institutional contexts, in spite of the aggregate efficiency gains, commuters strongly prefer “free” consumption. Agency program managers committed to social efficiency might attempt to reduce consumer bargaining leverage that opposes tolls by, for example, proposing that their agency be reconstituted as an appointed independent commission with fixed-term directors. In contrast, if agency managers are primarily focused on satisfying stakeholders, they will be less likely to view this high consumer power as a strongly constraining force. They might well seek to satisfy consumer stakeholders by arguing for “shadow” tolls financed out of general revenues, even though this would be less efficient.

HOW APPLICABLE IS THE STANDARD 5 FORCES FRAMEWORK TO PUBLIC AGENCY PROGRAMS?

To reiterate, public agencies, like private sector firms, face numerous environmental (external) forces that affect their ability to act autonomously and, as result, in accordance with any internally generated normative goals. How can managers structure an analysis to best understand these forces? A number of scholars have suggested that Porter’s standard 5 Forces framework is applicable largely “as is” to public sector external analysis. For example, Oster (1995, 29–63) largely reiterates the standard Porter forces, although she partitions Porter’s customers into “users” and “funders.” Similarly, Andersen, Belardo, and Dawes (1994, 349) basically adopt the standard framework, only replacing rivals with collaborators. Is this sufficient modification? It may be for some circumstances, but survey evidence (from the U.K.) suggests that, compared to several other business strategy tools, such as the value chain, and the balanced scorecard, use of the standard 5 Forces framework by public agencies is relatively infrequent (Hodgkinson et al. 2005, Table 8; see also Gunn and Williams 2007). This may well be because, as earlier sections of this article have argued, the framework needs considerable modification to be truly useful in government. In order to clarify the proposed modifications, Figure 1 first summarizes the public agency program 5 Forces framework in a “stripped down” form.

Aspects of the Standard 5 Forces Framework That Work Reasonably Well

Which aspects of the standard 5 Forces framework “work well” and do not require significant modification? “Work well” is placed in quotation marks because
the focus is on strategic autonomy from a descriptive perspective and this use of “works well” requires some suspension of interest in the normative goals of public agencies. Several forces of the standard 5 Forces framework are directly applicable to public programs. The force of supplier bargaining power (see Figure 1) is directly transference to government programs. Supplier bargaining power is important because: “[p]owerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants” (Porter 2008, 82). The concept of “bargaining power” in the public agency context encompasses straightforward economic bargaining power in some circumstances: most public agencies, like firms, purchase many factor inputs, including labor, land, and equipment, from supplier markets. The competitiveness of these markets and the strength of the bargaining power of participants can vary widely (Cox 2001a; 2001b; Crook and Combs 2007).

It is worth noting there is some tentative evidence that at least some public agencies bargain relatively poorly with suppliers over input prices (Hartley, White, and Chaundy 1997). Consequently, it is likely public agencies could benefit from considering strategies to reduce supplier bargaining power (Kauf 1999; Grace et al. 2007). In contrast, agency managers sometimes inadvertently increase the strength of suppliers’ bargaining power over time by preferring the convenience and reduced transaction costs that flow from single source procurement (Zervos 2008). Clearly, when the bargaining power of suppliers is weak, the autonomy of program managers

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**Figure 1.** Basic Public Agency Program 5 Forces Framework.
is higher than it would be otherwise. This is especially the case for a program’s financial autonomy—agency managers will normally be able to retain higher levels of discretionary resources if they can secure lower input prices.

How would supplier bargaining power be viewed from the various normative perspectives discussed above? Almost all agencies would regard the presence of weak bargaining power of suppliers as strategically desirable. From a social-efficiency perspective, for example, it is valuable to minimize input costs to reduce inefficiency, thereby increasing net social benefits (Frantz 1992; Vining and Weimer 2005; 2006a). However, if program managers adopt a stakeholder perspective, it is quite possible that they would not view strong supplier bargaining power negatively because they are treated as important stakeholders. An agency could still decide to “reward” suppliers with higher than necessary prices when suppliers have weak bargaining power, but in such circumstances the agency has greater freedom to alter the level of reward if its strategy changes.

The threat of substitutes force is also relevant to most public agencies: “A substitute performs the same or a similar function as an industry’s product by a different function... and limit an industry’s profit potential by placing a ceiling on prices” (Porter 2008, 84). Technological change, especially, can sometimes erode or eliminate the viability of a public program as effectively as new technology can erode the competitiveness of a firm’s business in the private sector (Henderson and Clark 1990). Radical substitute technologies, for example, potentially allow consumers to “self-service.” These forms of radical technological change are typically the most serious threat to autonomy because they can completely eliminate consumers’ need for the program (Christensen 1997; 2006). Threats to program viability, almost by definition, erode program strategic autonomy. In order to survive, the agency must find new services or changed roles. There is a linkage to normative analysis here: it is also unlikely to be the case that a program that essentially “withers” is delivering any significant net social benefits.

Substitutes can be a more severe threat to programs than the threat of (conventional) new entrants (whether public or private), because in government there are frequently formal legal or institutional barriers to new entrants. However, there are rarely effective strategic responses to radical service substitutes because their threat is unrecognized until it is too late. For example, the rise of the Internet has seriously eroded the viability and autonomy of the U.S. Post Office, even though the organization has retained much of its formal monopoly. In many cases, legal barriers to entry to a service arena may exist for for-profit firms, or nonprofits. However, not all public agencies have a mandated monopoly; if they do not, the threat of entry is a force relevant to public agencies: “new entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete” (Porter 2008, 80). Entry, and even the threat of entry (a form of contestability) can seriously erode strategic autonomy and, especially for a program that relies on consumer payments, fiscal autonomy. Because the threat of substitutes and new entrants usually constitutes a single threat continuum, they can normally be treated as a single force.21
Aspects of the Standard 5 Forces Framework That Require Some Modification

The concept of customer bargaining power is relevant to public sector program strategic analysis, but requires some modification. Porter summarizes the rationale for analysis of this force as follows: “Powerful customers—the flip side of powerful suppliers—can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability” (Porter 2008, 83). This force requires modification when used for public agency analysis because the meaning of “customer” is generally more complex in the public sector (Alford 2002). Two important factors are primarily responsible for the added complexity: a frequent division between those consuming the service (consumers) and those funding the service (sponsors), as well as a high degree of variability in consumer payment regimes (Wagenheim and Reurink 1991).

First, in private sector industries, although different customer segments vary in their bargaining power, consumers mostly make the purchasing decision, although in an increasing number of sophisticated private sector markets consumers employ agents or brokers to do so (Oster 1995). The separation of consumers and purchasers is common, although not universal, in public programs. In the most extreme form of bifurcation, consumers, whether labeled as clients, patients, “the public,” or (say) prisoners, do not participate directly in the purchase decision. For semantic convenience, all these different service recipients are lumped together as “consumers.”

Under full bifurcation, the sponsoring agency (or agencies) makes the purchase decision (Boardman and Vining 2000). Given this, from a strategic perspective, sponsors are the most important customer category. Even though consumers do not make the purchase decision, they may still be able to exercise some bargaining power vis-à-vis the provider agency. The effective bargaining power of non-purchasing consumers is partly dependent on both their motivation to interact with agency managers and the nature and extent of their resources, cohesion, and organizational skills. For many programs, consumers who receive the service may not “value” it on all the same dimensions as sponsors and, therefore, will not have the motivation even to attempt to exercise bargaining power for many, or all, dimensions of service quality. For example, DUI drivers required to participate in a detoxification program may not value the rehabilitative quality of their treatment, although they are likely to value the cleanliness of the treatment facility. In contrast, sponsors are likely to value rehabilitation highly, but may be prepared to sacrifice high levels of cleanliness given that this is costly to provide. In practice, the overlap between consumers and sponsors on valuation varies widely on a program-by-program basis (Boardman and Vining 2000) and requires individualized analysis. The sponsor is the organization that has the formal responsibility to provide some, or all, of the public agency fiscal resources. In many cases, these formal budget sponsors are central budget-dispensing agencies, such as OMB or its equivalent. In other cases, the sponsoring organization can be another line agency in a superior hierarchical position (Lewis 2003). Sponsoring agencies are inevitably in some form of exchange relationship with
the agency and are, therefore, best thought of as customers. However, the nature of
the exchange relationship can vary widely. Budget and fiscal control agencies, as
analyzed below, are often primarily concerned with controlling agency expenditures
and are less interested in their missions or policies. Line-agency sponsors, on the
other hand, are often very interested in influencing or controlling program policies.
To the extent a sponsor agency is concerned with the agency’s mission, their con-
cerns may mirror those of consumers (either because they think this is the right thing
to do or because of consumer bargaining power) or represent an independent
agenda. For the agency, the analysis is strategically more complex if there are mul-
tiple sponsor agencies with differing demands. As a result, bargaining outcomes are
less determinative. The presence of multiple sponsors can either weaken or
strengthen agencies’ bargaining power. On the one hand, each sponsor can more
plausibly claim to not value the program’s output. Because of this credible
free-riding threat, sponsor demand is effectively more elastic. Of course, this threat
is most credible when sponsor demand is already relatively elastic. On the other
hand, when sponsor demand is relatively inelastic, the presence of multiple sponsors
can strengthen an agency’s bargaining power because sponsors can be played off
against each other (Boardman and Vining 2000). This is not meant to suggest that
the sponsor agency (or agencies) is necessarily an important external force in any
given context. Overtly political influences or forces, such as a specific congressional
committee (which is distinguished below as a separate force), are often more impor-
tant. However, a systematic and comprehensive analysis should consider the role of
all potentially important forces.

From a strategic perspective, it is critical for public managers to understand the
extent to which consumers and sponsors overlap in their valuation criteria. Obvi-
ously, a high degree of overlap makes it easier and less costly for program managers
to meet the demands and needs of both kinds of customers.

Second, across programs public sector consumers vary widely in the degree to
which they pay for services. As a result, consumers may either provide none, some,
most, or all, of an agency’s revenue. In the public sector, full-cost reimbursement is
uncommon, except for the services of state-owned enterprises (SOEs) and corpora-
tized entities (see below). In addition, as just discussed, even where consumers do
pay a significant percentage of service costs, they often do so through, or with the
advice of, professional agents (as in the private sector). It usually makes sense also
to treat these agents as a distinct customer segment because agents typically have
stronger bargaining power than do (individual) consumers. This often flows from
the fact that professional agents have more experience and greater knowledge of
other government agencies or nonprofits that could supply the equivalent service
or provide a viable substitute. Strengthened bargaining power can also flow from
the fact that many agents are aggregators who purchase services in bulk for multiple
consumers or because the agents are organized into a single cartel-like professional
organization.

If consumers contribute a high percentage of an agency’s budget and the agency
has competitors, then consumers will have some bargaining power. In this case, con-
sumers can be treated as customers as in the standard 5 Forces framework. However,
even in the situations where consumers pay nothing or very little, they may be able to manufacture some bargaining power. Non-paying consumers, or those facing a monopoly agency, may find it more effective to try to exercise bargaining power indirectly. First, as described above, consumers may try to strengthen bargaining power by lobbying sponsor agencies. Alternatively, or additionally, they may circumvent both the agency delivering the program and the sponsor agency, and lobby political institutions (as shown in Figure 1 by the indirect—dashed—“force line” from consumers to political institutions).

While it might seem more likely that consumers would primarily try directly to influence the agency and its sponsors, rather than political institutions, this is often not the case. Consumers usually know when sponsors value different service attributes, in other words, when there is little valuation overlap between customers and sponsors. For example, a sponsoring fiscal control agency may primarily value the delivery of a threshold level of service quality at a low per-consumer cost, while consumers value high-quality service (Boardman and Vining 2000). Politically astute consumers (or agents that represent them) know when their service quality preferences do not match those of sponsors and that they can exercise greater bargaining leverage by pressuring political institutions rather than by trying to influence budgetary and financial sponsors or the agency itself. Generally, an individual consumer has weak incentives to invest effort in interacting with agencies, except with respect to some aspects of the quality of the service he or she receives. This weakens the bargaining power of individual consumers in aggregate, even though they are numerous. But this public-good problem is sometimes less debilitating in political markets. In political markets, influence effort usually involves less individual disutility: it is usually more fun to harangue vote-seeking politicians than to complain to stonewalling bureaucrats. This is especially so if consumers for a particular service can coalesce enough to form something akin to an interest group.

Aspects of the Standard 5 Forces Framework That Require Significant Modification

Over and above the inapplicability of profitability, the standard Porter 5 Forces are not particularly well tailored to public agencies in two respects. First, and most importantly, the standard framework does not deal with the reality that public agencies are subject to various levels—“threats”—of political influence and, at the extreme, control. As Moore (1995) has emphasized, the extent of political influence must be explicitly incorporated into any framework that realistically analyzes the public agency’s external environment and the behavior of public managers. The degree, nature, and importance of political influence, though, vary considerably across agencies, programs or issues. Additionally, managers often have some power to influence their influencers. This is also variable: “the people who become the focus of political management vary greatly, depending on managers’ specific purposes at particular times” (Moore 1995, 118). Political interest can be driven by a host of political factors, including, at the macro level, the political business cycle (Nordhaus
1975; Rogoff 1990; Rose 2006) and, at the micro level, constituency-based pork barrel politics. As this reality suggests a major change to the standard 5 Forces framework, its implications are considered in a separate section below.

Second, Porter’s central force—the intensity of rivalry (or extent of competition)—does not directly reflect much public agency and public sector reality, in that many, although by no means all, public agencies have either a de jure or de facto monopoly. This, of course, is by no means unknown in the private sector—many electrical, gas and water utilities, for example, are monopolies. In many circumstances, an agency’s program monopoly status is relatively secure. First, an agency monopoly, such as national defense, may be based on significant economies of scale. At the limit, in the presence of certain cost and demand conditions, average cost declines continuously, resulting in natural monopoly conditions (Weimer and Vining 2011, 97–103). Many public programs also deliver pure public (or collective) goods, where the public cannot effectively be excluded from consumption (Weimer and Vining 2011, 72–91). These public goods services may also exhibit natural monopoly cost and demand conditions. Second, the agency may provide a service even though there is no market demand (although, of course, there may be significant need). In sum, while in the standard 5 Forces the intensity of rivalry is often the major external force influencing the organization, there is frequently little obvious variability on this dimension for many programs in the public sector. Many programs, however, do not have effective monopolies.

First, many public-sector agencies, especially at the local level, provide services that do not exhibit significant economies of scale and are not public goods. In other words, they deliver private goods that are both non-rivalrous in consumption and excludable. As a result, structural cost factors do not foreclose competition from not-for-profit or for-profit competitors. Warner and Hefetz (2008) found that, as of 2002, 24% of city services were delivered by “mixed contracting” where a public agency to some extent competed against contracted service. In the U.K. many “public” services are subject to compulsory competitive tendering (Flynn and Talbot 1996). Some sectors, such as nursing home provision, exhibit fairly intense competition among public sector agencies, for-profit firms, and not-for-profits (Amirkhanyan, Kim, and Lambright 2008). One reason that many public agencies, especially corporatized entities, face increased competition is that they are increasingly being required to charge for their services. In some cases, agencies may be required to cover their costs (Bilodeau, Laurin, and Vining 2006). If agency prices are forced to approximate the marginal costs of delivery, then they may be subject to competition or to the threat of entry by private-sector competitors or nonprofits (Liu and Weinberg 2009). Increased competition is also certainly a possibility in the presence of technological change that reduces minimum efficient scale and erodes any power resulting from natural monopoly. Intensified competition can also result from broader socioeconomic change: public schools face increasing competition from private schools because of changing preferences, wealth increases, and a variety of other factors. In all of these cases, public agencies face direct competition. While it is not clear that competition always improves the performance of public agencies (Carroll 1990; Krause and Douglas
2006; Nicholson-Crotty 2005), it does reduce their strategic autonomy. Competitors provide alternative sources of supply for both sponsors and consumers; this increases the bargaining power of both vis-à-vis the agency. Furthermore, competition usually provides political institutions with greater information about an agency’s behavior and performance. This usually gives these institutions greater influence.

Second, even in the absence of direct competitors, many agencies face the possibility that another agency could provide one, some, or all of their services, albeit at some incremental cost—supplying contestability or “latent” redundancy (Baumol, Panzar, and Willig 1982; Vining and Weimer 1990; Ting 2003). A number of systematic factors, including the technical and informational complexity of the agency’s mission, influence the extent of contestability (Epstein and O’Halloran 1999). Replacement by an alternate agency is usually not a serious threat for national agencies (but see Carroll 1989). Many subnational governmental agencies, however, face a credible threat of replacement. Contestability is most often a serious strategic concern for agencies that cover a small geographic footprint and that abut contiguous jurisdictions that deliver essentially the same services (Grace et al. 2007).

In these circumstances, consumers can relocate; mobility therefore functions as a form of competition, or at least contestability (Tiebout 1956; Banzhaf and Walsh 2008). This is particularly pertinent if an agency has industrial consumers that are highly price (tax) sensitive.

In sum, the concept of rivalry is conceptually relevant even in a monopoly situation because the degree of contestability is often more important in determining the degree of autonomy than is direct competition. The conceptually important alternative competitive states are: (1) monopoly with little contestability; (2) monopoly, but with significant contestability; (3) competition from other government agencies or not-for-profits; and (4) competition that includes for-profit firms. An agency with a monopoly and low contestability has the most important building block of high policy autonomy. However, it does not necessarily follow that fiscal autonomy will also be high. If the agency only faces one sponsor that formally supplies all of its financial resources (in other words, there are no paying consumers), then it faces a bilateral monopoly situation and the distribution of the (autonomy) gains are hard to determine theoretically (Niskanen 1975). It depends on the bargaining power of sponsors and the effectiveness of political influence. At one extreme, a powerful sponsoring agency may be able to eliminate the agency’s policy autonomy through its control of the agency’s budget.

While beyond the scope of this article, it is important to note that it is useful for public managers to delve further into the nature of existing or potential rivalry beyond that contained in the 5 Forces analysis—to identify the nature of “competitive advantage” (Card and Card 2007; Carmeli and Schaubroeck 2005; Matthews and Shulman 2005). This can be linked directly to (a resource-based) internal analysis (Bryson, Ackermann, and Eden 2007; Klein et al. 2010) whether based on analysis of the agency’s value chain (Porter 1985) or on broadly related adaptations designed specifically for public agencies (Moore 1995, 193–238; Heintzman and Marson 2005; Williams and Lewis 2008).
A NEW FORCE: THE EXTENT OF POLITICAL INFLUENCE

The addition of political influence as a distinct (and original to the public sector) force requires some elucidation. A vast literature considers both executive (e.g., Eisner and Meier 1990; Nathan 1983; Stehr 1997; Wood and Waterman 1991) and legislative (e.g., Aberbach 1990; Huber and Shipan 2002; Weingast and Moran 1983) influence on, or control of, agencies. The literature considers, as well, efforts to insulate agencies from this influence and control (e.g., Reenock and Gerber 2008; Wood and Bohte 2004). Most agency managers are keenly aware, at least in a general way, of the level and (multiple) sources of influence (Furlong 1998). For practical strategic analysis, the focus here is on two factors that are important in determining the aggregate force of political influence in many circumstances: the structure of institutional ownership and the permeability of these formal structures in practice. Figure 2 summarizes these two factors.

As discussed earlier, there is a considerable literature that considers the relationships between the degree of overt and covert political influence and agency behavior and performance. Here, though, the focus is primarily on simply assessing the level of influence. Of course, most agencies are aware of which political institutions have, or seek, political influence over them. The point of the following section is simply to provide some analytic structure so that program managers can consider strategies that mitigate or channel the influence.

One major factor that usually drives the extensiveness of political influence is the institutional structure of government “ownership” of the agency: “Some structural arrangements allow more control by political actors than others do” (Lewis 2003, 3). Indeed, the manifest purpose of much institutional design of the formal ownership of agencies is either to facilitate, dampen, or shape political influence (Lewis 2003; Bertelli 2006; Bourdeaux 2007). There are many ways of potentially categorizing these institutional design possibilities on a political influence continuum from high to low. However, for the purpose of understanding the political influence force, these institutional ownership forms are divided into four broad categories: (1) presidential (governor) or prime ministerial agencies; (2) traditional bureaus, departments, or ministries; (3) government corporations or variously labeled “corporatized” entities (Bilodeau, Laurin, and Vining 2007; Chrisingen and Armajani 2005); and (4) state-owned (SOE) or mixed enterprises (private corporations in which government has some shareholding position) (Boardman and Vining 1991).

At one end of the institutional ownership continuum are agencies that are overtly subject to direct political control. In the United States, for example, agencies within the Executive Office of the President, such as the Office of Global Communications or the Office of Administration, are under the immediate and direct control of the White House (Lewis 2003). In parliamentary systems, these are agencies directly controlled by the prime minister, for example in Australia, the Department of Prime Minister and Cabinet. Traditional bureaus or departments are positioned next on the continuum. In presidential systems, the heads of these agencies are not elected politicians, but political appointees. In parliamentary systems, the heads of these agencies are usually ministers and often sit in the cabinet.
Next on the continuum can be found a vast array of governmental “corporatized,” “autonomous,” “semi-autonomous,” or “independent” agencies. The labels of these agencies vary widely across countries, as do the institutional features that isolate them from external control (Christensen and Laegreid 2006). In the U.K., for example, these agencies are usually lumped under the catchall “non-departmental public bodies” (NDPB) label. In a number of countries, this kind of institutional ownership structure has become more prevalent, putatively in an attempt to dampen or eliminate political influence and control (Bilodeau, Laurin, and Vining 2007). In the United States, this institutional category encompasses a vast array of public agencies that are variously labeled as independent agencies, boards, commissions or even committees. They continue to proliferate. One recent example at the U.S. federal level is the Public Company Accounting Oversight Board (PCAOB), created by Title I of the Sarbanes-Oxley Act of 2002. Even though it is a governmental
agency, the enabling legislation explicitly states that employees are not employees of the federal government and that they may be paid compensation equivalent to private sector self-regulatory bodies (Boster 2007). All public companies are subject to a mandatory “Accounting Support Fee,” which is payable directly to PCAOB and which essentially covers all its expenditures (Boster 2007).

At the opposite end of the continuum from executive-office agencies are SOEs, usually with some share ownership structure (Laurin, Boardman and Vining 2004). SOEs typically have a formal “arm’s-length” relationship with government, but the public sector owns all or some percentage of the outstanding shares. Within this quite broad category, it is usually relevant at least to differentiate ownership structure by the level of share ownership (Boardman and Vining 1991). The explicit purpose of the private-sector form is to make the “firm” primarily responsive to market forces, but also somewhat responsive to political ones. Almost overnight, mixed enterprises have become more important as an institutional ownership form as governments around the world acquired ownership stakes in banks and financial institutions in the wake of the 2008 financial crisis. This continuum cannot capture the full complexity of institutional reality: there are more ambiguous entities, such as Fannie Mae and Freddie Mac, which had private shareholders, but implicit (now explicit!) government mandates and guarantees.

A specific ownership structure may represent an effort by (political) institutional designers to insulate an agency from subsequent political influence or control. Sometimes this tells most of the story. However, the institutional structure is not the only factor determining agency insulation from political control. In practice, structural insulation may be more or less permeable. Politicians, at various jurisdictional levels have a wide range of indirect institutional mechanisms and informal influence mechanisms that can permeate, circumvent, or simply overpower formal ownership isolating mechanisms (Thatcher 2002; Kelleher and Webb Yackee 2006). Woods and Baranowski (2007, 1220) describe some of the more indirect methods that state governors in the U.S. increasingly utilize to strengthen their influence over state bureaucracies, including, for example, the use of economic analysis mandates (Cooper and West 1988; Hahn 2000). At the most informal level, there is evidence, for example, that U.S. state-level politicians have gained considerable leverage over federal agencies even though they have no formal authority over these agencies (Hedge, Scicchitano, and Metz 1991; Scholz, Twombly, and Headrick 1991; Wood 1992). In an analysis, therefore, it is useful to consider the degree to which isolating institutional structures are circumvented (for illustrative examples, see Kunioka and Woller 1999). Thus, in order to assess accurately the level of political influence and control, agency managers must normally consider both the formal institutional ownership structure and the permeability of isolating mechanisms. The bottom line question for the purpose of assessing agency autonomy is: How pervasive and intense is the political influence that the agency faces?

It is worth noting one additional factor that can affect the net level of political influence on a program or agency: namely, the number and diversity of political entities that are attempting to influence the program. If there are multiple sources of attempted influence that are approximately equal in weight, they may effectively
offset each other (Chun and Rainey 2005; Miller 2005; Pandey and Wright, 2006; Waterman, Rouse, and Wright 2004).

THE COMPLETE PUBLIC AGENCY 5 FORCES FRAMEWORK

Figure 1 summarized the basic public agency program 5 Forces framework. For managers’ analytic purposes, Figure 3 presents the expanded version of the framework that summarizes (potential) generic determinants for each of the forces. It is important to emphasize that, as in the standard 5 Forces framework, the determinants will vary in importance in each analysis. In some analyses, specific determinants may be unimportant. In many cases, the determinants are the same, or highly similar, to those in the standard framework. Others determinants draw more upon analogous theory and evidence from the not-for-profit sector or are specific to a public-agency version of the 5 Forces. Public goods provision, for example, as a determinant of rivalry and the threat of entry potential falls in this latter category (e.g., Fischer, Wilsker, and Young 2007; Weimer and Vining 2011), as do some of the determinants of sponsor bargaining power (e.g., Bryson 2004; Carroll and Stater, 2009; Frumkin and Keating 2002; Hendrick 2002). For a specific agency program, other determinants of the various forces not identified in Figure 3 may be more relevant.

To reiterate, the major modification to the standard 5 Forces is that political influence is added as a separate force. Both to retain symmetry with five forces and, as explained earlier, because it is theoretically reasonable, the threat of entry and the

Figure 3. Expanded Public Agency Program 5 Forces Framework.
threat of substitutes are treated as a single force. As already discussed, new technologies (substitutes) often represent simply more radical threats to incumbents than do “classic” entrants. Indeed, in technologically dynamic markets, it is analytically difficult (and ultimately pointless) to attempt to distinguish between the two forces. Although at any given moment in time the threat to a public agency program “market” from either private sector entrants or substitutes may be minimal, the threat can materialize rapidly if there is an innovation in production or distribution technology that either significantly reduces, or increases, the importance of economies of scale or scope. Public library systems, for example, have experienced such a threat, beginning in the 1990s with the rapid diffusion of the Internet, the Worldwide Web, digitization, and electronic publishing (Bertot 2009; Dalbello 2005; D’Elia et al. 2002).

Note that determinants of rivalry and the determinants of entry threat are frequently essentially “mirror images” of each other and therefore in many cases can be analyzed as a determinant of either, or both, forces. Significant economies of scale (at the limit, natural monopoly conditions), for example, will both dampen rivalry and reduce the threat of entry.

Finally, Figure 3 lists some of the determinants of consumers’ ability to exercise indirect bargaining power over the agency through political influence—again shown as the indirect dashed force that flows from customers to political influence. In some sectors of the economy public agencies may face both private sector and not-for-profit competitors. The childcare and secondary education sectors are two important examples that exhibit considerable competition in many circumstances. However, in terms of the impact of rivalry upon managers’ strategic behavior (holding constant for the moment the meaning of rivalry in terms of goals), the real issue for many public agencies is the degree of contestability rather than the presence of directly competing entities.

**USING THE PUBLIC AGENCY 5 FORCES FRAMEWORK**

**Assessing a Program’s Strategic Autonomy**

The purpose in this section is explicitly to link the assessment of a public agency’s program forces to an assessment of strategic autonomy. As already discussed, the forces that determine policy autonomy can be somewhat different from those that determine fiscal autonomy. Additionally, the pressure of some of the forces is more likely to be constant, while others are more intermittent. Not surprisingly, intermittent impacts are more likely to “fall off” the agency’s strategic monitoring radar, so that, if and when they do emerge, they tend to be more strategically surprising and disruptive. The level of political influence and the nature and intensity of rivalry normally constrain program policy autonomy on an ongoing basis, while the threat of substitutes or entrants usually only constrains policy autonomy intermittently. The strength of finance-agency sponsor bargaining power, the strength of supplier bargaining power, and the level of political influence all tend to constrain fiscal autonomy on an ongoing basis, while changes in the intensity of rivalry (whether in the
form of competition or contestability) and the threat of substitutes or entrants tend to exert a more intermittent impact.

After agency and program managers assess these forces individually, it is useful to conduct an aggregate assessment of their impact on the program, in terms of their overall impact on strategic autonomy. Figure 4 summarizes a typology for making an aggregate assessment of programmatic autonomy. For analytic tractability, the extent of both policy and fiscal autonomy for a program are dichotomized into “low” or “high.” This results in four potential alternative situations in terms of overall strategic autonomy: *autonomous* programs (with both high policy and fiscal autonomy), *gold-handcuff* programs (high fiscal autonomy, but low policy autonomy), *poor-but-free* programs (high policy autonomy, but low fiscal autonomy), and *slave* programs (with neither policy or fiscal autonomy). Of course, the outcomes in each of these quadrants represent simplified archetypes: thus, they are meant to illustrate common tendencies rather than any specific programmatic reality.

<table>
<thead>
<tr>
<th>POLICY AUTONOMY</th>
<th>FISCAL AUTONOMY</th>
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<tbody>
<tr>
<td><strong>High</strong></td>
<td>High</td>
</tr>
<tr>
<td><strong>Autonomous</strong></td>
<td>External forces assessment: weak bargaining power; low entry/substitute threat; low political influence; low rivalry; legislated monopoly with limited contestability; self-financed with user taxes</td>
</tr>
<tr>
<td><strong>Gold-handcuff</strong></td>
<td>External forces assessment: mixed, but with high political influence and sponsor(s) with high policy interest, high expertise or high information; customers with inelastic demand that pay</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td><strong>Average program</strong></td>
</tr>
<tr>
<td><strong>Slave</strong></td>
<td>External forces assessment: strong bargaining power; high entry/substitute threat; high political influence; high rivalry: competition; Reliant on single sponsor for budget</td>
</tr>
</tbody>
</table>

**Figure 4.** A Typology of Program Autonomy.
To emphasize this, the central circle represents “average” programs in terms of autonomy. Figure 4 also summarizes some typical strategic implications and consequences of each quadrant location.

Autonomous programs are most often found within agencies that fall towards the right end of the formal institutional ownership continuum shown in Figure 2; whether corporatized entities, independent agencies, or autonomous agencies. Other trademarks of programs located in this quadrant are a legislated monopoly, broad or vague legislative mandates, highly specialized technical expertise or capabilities (Potoski 1999), and various forms of self-financing. A legislated monopoly eliminates the need to respond to actual or potential competitors. Highly specialized expertise results in asymmetric information, which blunts effective political influence. Broad mandates provide formal room for policy innovation, while self-financing fosters fiscal autonomy.

There are many versions of self-financing. One financing model that provides fiscal autonomy is some form of endowment. The Canadian federal government has established a number of governmental organizations, such as the Canadian Foundation for Innovation and the Institute for Research on Public Policy, with large initial endowments (Abelson 2007; Aucoin 2006) that effectively provide self-financing (although unless the endowment is large enough for the organization to survive off income, there is a “sunset” element built into it). The U.S. Federal Reserve System (the “Fed”) is in this enviable position of self-financing via its holdings of income-bearing securities. The Organ Procurement and Transplantation Network is largely self-funded through fees on transplant listings (Weimer 2010). In the U.S., various forms of “user fees” are an increasingly common method of funding regulatory agencies. In fact, these fees are more like taxes, as legislation requires regulated parties to pay them. “The Fed, FDIC, OCC, OTS, and NCUA, for example, generate income through their regulatory activities. . . . [E]fforts to influence staffing or regulatory priorities are limited by the internal generation of the budget” (Khademian 2009, 8). Similarly, PCAOB’s mandatory accounting “support fee” as well as its highly technical mandate, buttress both its fiscal and policy autonomy. Following the financial meltdown, there were concerted efforts to give the U.S. Securities and Exchange Commission such fee-collecting authority, but this provision was never enacted into law.

Agency managers with programs in the fully autonomous quadrant are often in the enviable strategic position of having the power strategically to alter or negate at least some of the external forces that they face: the arrows in Figure 1 flow in both directions (Roberts 2009). For example, agency managers can often further weaken existing suppliers’ bargaining power by actively encouraging the creation of new suppliers (Globerman and Vining 1996) or by organizing cooperative procurement with other agencies (Kauf 1999). The primary ongoing strategic task is to monitor the external forces carefully to ensure they remain in their current benign equilibrium. Agency managers can also consider many alternative versions of programmatic growth or expansion: whether in terms of targeting new consumer segments, new sponsors, geographic expansion of the program footprint or the development of new service within the program envelope. The Coast Guard, for example, was able
to use its strategic autonomy successfully to expand into new program areas (Horwitz 2008; Kennedy, Perrottet, and Thomas 2003; Roberts 2009). Corrêa d’Almeida and Klingner (2008) argue that the Federal Emergency Management Agency was able to use its strategic autonomy to effect innovative policies for a period under the leadership of James Witt (1993–2001), but then subsequently lost this autonomy and much of its effectiveness (see also Wise 2006).

Ironically, autonomous programs that experience strategic failures are often given more, rather than fewer, resources. Security or emergency programs can “suffer” this fate (Roberts 2006; 2009). These programs tend to have high financial autonomy because they face either no direct rivals (the monopoly case) or at most only one. Additionally, because of the highly specialized assets and capabilities they possess, they generally face limited contestability (Globerman and Vining 1996). These programs also tend to have high policy autonomy (at least relating to most external forces)—the need for secrecy, the complexity of performance measurement, and the presence of significant isolating mechanisms all buffer them from most sources of political influence. However, responsible public managers in these agencies should recognize the predictable consequences of this programmatic autonomy: hubris, a tendency to groupthink, the dominance of “yes-men,” and endemic X-inefficiency (Frantz 1992; Garicano and Posner 2005; Prendergast 1993; Roberts 2006).

In contrast to autonomous programs, programs with both low fiscal and policy autonomy can be characterized as slave programs. One example is the Federal Election Commission (FEC) (Smith and Hoersting 2002): “The FEC is an ineffectual agency, structured by Congress to be slow and ineffective, composed of commissioners whose appointments are tightly controlled by members of Congress and the political parties they regulate, and hobbled by a lack of real enforcement powers and a chronic lack of funds” (Walsh and Eilperin 2002). In the worst-case scenario—where an agency provides a single-program—the agency has little autonomy: its strategy is, essentially, exogenously determined. However, few agencies are in this extreme position. Most agencies deliver multiple programs and, thus, have at least some minimal scope to reshape their portfolio. Even if the agency mandate does not allow it to exit from a slave program, or managers do not want to exit because of the public value delivered, they may still wish to retrench and redeploy resources to programs within more autonomous environments. This retrenchment might include a strategy to reduce expenditures by moving from higher quality (differentiated) services to the delivery of more standardized (cost-focused) services (Porter 1985, 17–18). This is only likely to be effective to the extent that budgetary supervision is incrementally oriented, thus allowing the creation of discretionary resources.

The other two quadrants represent more ambiguous, albeit more usual, external environments. Poor-but-free programs are typically found within public agencies providing programs and services to “unloved” consumers. Such consumers include the homeless, the mentally ill, the incarcerated, the addicted, and the illegal. Sponsors and politicians dislike expenditures on these programs as they garner few kudos or votes, while attracting much criticism. Poor-but-free programs are usually on strict budgetary diets. But unless there are (unusual) policy windows that draw attention to the programs (usually negatively), managers have considerable policy
autonomy. Many regulatory agencies, particularly those with an inspectorate role, may also fall into this quadrant. For example, even after the Food and Drug Administration was allowed to charge pharmaceutical companies for expediting drug approvals (which clearly improved its fiscal autonomy somewhat), many commentators still felt it was underfunded given its policy mandate (Committee on the Assessment of the U.S. Drug Safety System 2007; Psaty and Burke 2006).

The generic strategic agenda for managers of poor-but-free programs is to try and increase fiscal autonomy, while retaining the current degree of policy autonomy. This is a delicate task: most importantly, the agency must consider functional strategies that lower costs among the various components of the program value chain (Card and Card 2007; Porter 1985). This could involve contracting-out (Globerman and Vining 1996; Vining and Weimer 2005) or investment in cost-lowering new technology. Additionally, managers should normally seek to increase fiscal autonomy through aggressive bargaining over price with suppliers (down) and consumers (up), and if possible with sponsors over revenues. The latter effectively amounts to seeking higher prices. Historically, most public agencies have been poor at such bargaining, probably because public agency managers get few direct rewards from this unpleasant activity—they do not get to retain any of the fiscal residual. Provided the agency can retain the freed-up resources (not necessarily an easy thing to do), it can increase fiscal autonomy.

Gold-handcuff programs are somewhat unusual in that a high degree of fiscal autonomy normally enhances the policy autonomy of a program. But fiscal autonomy is valuable in its own right because it empowers policy innovation even in the absence of formal policy freedom. Fiscal autonomy allows managers to cross-subsidize the development of new experimental services or to provide services to higher-cost consumer segments (Geddes 2008). At the very least, fiscal autonomy enhances budgetary certainty, allowing managers to implement more stable policy (Caiden and Wildavsky 1974; Jones and McCaffery 1989; Tarschys 2002).

However, it is still possible for an agency to have a high degree of program fiscal autonomy without having significant policy autonomy. Policy autonomy may be formally constrained because the agency or program legislative mandate is unusually detailed and specific (Bawn 1995; McCubbins, Noll, and Weingast 1987; 1989) or more informally because powerful external forces are prepared to either “bribe” or “blackmail” the agency by offering, withholding, or withdrawal of financial resources as the *quid pro quo* for policy and mission acquiescence. This quadrant often features controversial programs in such areas as family planning and medical research. These programs often receive adequate resources for their existing mission, as they have powerful sponsors or customers who can exert political pressure. But these programs also attract high external political interest and monitoring from opponents, so that managers have few degrees of freedom to be innovative. Alternatively, gold-handcuff programs are mandated and imposed on agencies by particular powerful politicians that have been able to write detailed “how to” mandates into the law. On a number of occasions, for example, the U.S. Congress has been generous with funds for some specific weapons programs (such as the V-22 Osprey), even though the Defense Department has not particularly wanted them (Norton 2004).
Agency managers of gold-handcuff programs can perhaps expand existing services within the current program envelope and engage in strategies at the more tactical end of the spectrum, but they are unable radically to reengineer their policies or alter their mission. Again, in these circumstances there is a temptation for agency managers facing such an environment to succumb to cynicism and to engage in generating high salaries, perquisites, gold plating, and even corruption—in other words, to fall prey to particularly pernicious forms of X-inefficiency.

It is important to stress that it is agency and program managers who need to assess both the extent and nature of their autonomy. Therefore, the assignment of programs or agencies to particular quadrants described above is necessarily tentative and illustrative. Most programs are average programs in that they face a variable mix of external forces, so the devil is in the external force details.

Moving Beyond a Descriptive Focus: Normative Perspectives

The descriptive approach initially focusing on autonomy is not antithetical to a norm-based focus. Rather, analysis of autonomy is an essential precursor to meaningful normative analysis: without some degree of strategic autonomy there are few degrees of freedom for norm-based action. However, this normative analysis is more complex because the strategic implications depend on the particular normative orientation the agency adopts. Some of the strategic consequences of particular normative objective functions have been discussed earlier. Here, some of the implications are illustrated more systematically. The example discussed here assumes that agency managers are conducting the analysis from a social efficiency goal perspective. Based on a 5 Forces analysis, column three in Figure 5 illustrates some of the ways that managers of a program that is autonomous might strategize from a social efficiency perspective. Obviously, in this case, managers have a high degree of strategic freedom.

Column 3 provides some illustrative examples for each of the five forces. First, consider rivalry. How should an agency with a social efficiency perspective respond strategically if it assesses rivalry as “low”? Ideally, the agency should assess the extent of the “naturalness” of its monopoly position (Weimer and Vining 2011), assess whether the service involved is in fact a public good, and/or whether agency provision solves a market failure problem (Weimer and Vining 2011). In sum, it should assess the overall potential for efficiency-enhancing competition. If managers observe that market failure is disappearing (perhaps because of changing technology that reduces minimum efficient scale), then they should encourage entry of other providers (for example, by lobbying for the removal of legal barriers to entry) or perhaps even subsidize technology that encourages the growth of private substitutes.32

Second, consider an assessment of “weak” supplier power. If the 5 Forces analysis suggests that supplier bargaining power is weak (or incrementally becoming lower)—for example, because an input market is globalizing and low price suppliers from foreign sources are becoming viable—agency managers should consider engaging in more intensive bargaining over input prices to lower its own costs of production.
Third, consider assessments of “weak” consumer and sponsor power. From a social efficiency perspective, the agency managers would normally want to set the price (P) for each of its services equal to its marginal social cost (MSC) of production.

### Figure 5. Agency Strategic Response When in the “High Autonomy” Program Quadrant, from the Social Efficiency Goal Perspective.

<table>
<thead>
<tr>
<th>EXTERNAL FORCE</th>
<th>FORCE ASSESSMENT</th>
<th>APPROPRIATE SOCIAL EFFICIENCY RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTENSITY OF RIVALRY</td>
<td>Low</td>
<td>Encourage rivalry where it would be efficiency-enhancing; discourage where not, i.e. evaluate competition normatively</td>
</tr>
<tr>
<td>EXTENT OF SUPPLIER BARGAINING POWER</td>
<td>Weak (Many suppliers of largely homogeneous inputs)</td>
<td>Seek to further lower input prices to lower aggregate social cost; monitor suppliers to discourage consolidation</td>
</tr>
<tr>
<td>EXTENT OF CUSTOMER BARGAINING POWER</td>
<td>Weak for consumers (Unorganized; heterogeneous interests) Weak for sponsors (Multiple sponsors; low budget percentage; inelastic demand)</td>
<td>Alter price (P) so that P equals marginal social cost (MSC): P = MSC. If P&gt;MC, seek to raise P. If P&lt;MC, lower P.</td>
</tr>
<tr>
<td>THREAT OF SUBSTITUTES/ENTRANTS</td>
<td>Low (Substitutes: no new emerging technology threat; entrants: legal barriers to entry)</td>
<td>Allow/encourage entry or substitutes where efficiency-enhancing (no market failure), discourage where not (market failure)</td>
</tr>
<tr>
<td>LEVEL OF POLITICAL INFLUENCE/CONTROL</td>
<td>Low (Program has low political saliency)</td>
<td>Discourage where anti P=MC. Encourage where pro P=MC.</td>
</tr>
</tbody>
</table>
This would mean that the agency would seek to capitalize on its autonomy to raise the price of the service where analysis shows its current prices are below marginal social cost (for example, this might well be the case where the service is currently offered at zero price). However, it should lower the price where its price was above marginal social cost, even if it had been using the additional revenue to subsidize other worthwhile services. The agency would also communicate with sponsors to explain, and build support for, its pricing perspective.

Fourth, consider an assessment of "low" threat of substitutes or entrants. To some extent, this analysis is the mirror image of an analysis of the efficiency consequences of increased competition (rivalry): if there is little market failure and no competition, entry should be encouraged.

Fifth, and finally, consider an assessment of a "low" level of political influence. From a normative efficiency perspective, this force is more complex because the legitimacy of political influence is often ambiguous (consequently, the term "level" rather than "threat" is used throughout). However, an efficiency-oriented agency should want to isolate a program from political institutions that opposed efficient pricing or that sought to push program managers to deliver services to in a particular constituency, even though the potential consumers would not be those generating the largest consumer surplus (that is, the political influence was attempting to engage in "pork-barreling"). But agency managers might want to encourage political influence that was congruent with its social efficiency perspective on pricing (even if those political supporters are more interested in the revenues than the efficiency that flow from non-zero prices).

The social efficiency perspective is enlightening partly because it illustrates why it will usually be difficult for agency managers to adopt a program efficiency goal perspective in the absence of autonomy. In many circumstances, forces in the external environment would attempt to blunt or circumvent the achievement of this goal. Almost certainly, a "slave" agency would find it impossible to even move in this direction.

CONCLUSION

External analysis is a central component of firm-specific private-sector strategic analysis (Boardman, Shapiro, and Vining 2004). Similarly, it can be a useful component of any practical public program strategic analysis. This article lays out how the standard 5 Forces framework can be modified for public program use. The modified 5 Forces framework introduces a new force that is central to understanding the external environments of public agencies—the role of political institutions and influence. It also considers public agency goals from both a descriptive and normative perspective. The modified version of the framework is useful for public agency managers because, like the standard framework, it is fundamentally grounded in microeconomic (industrial economics) theory. The framework can be used just to consider the role of external forces from a descriptive focus on autonomy. But, it is important to emphasize that assessing autonomy does not logically imply that agency managers should seek to maximize autonomy. Indeed, the assessment of autonomy does not curtail managers from pursuing any particular normative goal or from strategizing accordingly.
On its own, a 5 Forces external analysis does not constitute a comprehensive strategic analysis, even though it can suggest some broad strategic directions and eliminate others. Ideally, 5 Forces analysis should be used in conjunction with other components of strategic analysis—such as internal analysis—that are also suitably adapted for public agencies. It is important to reiterate one caution: this form of external assessment is primarily useful for program strategy at the program level.

Unlike private-sector management scholars, many public management scholars are uncomfortable developing or encouraging overtly strategic tools for public sector managers. Moore (1995, 162), for example, appears to be quite ambivalent, even conflicted, on this question as it relates to political forces. He cautions that “while the techniques of entrepreneurial advocacy offer good advice about how to analyze and diagnose political settings, the tactics recommended lack the spirit one would like to see in policy-making in a democracy.” In the end, however, he clearly advocates that public managers should analyze and, where possible, strategically mold their environment. The public agency 5 Forces framework similarly recognizes that public managers inevitably need to consider strategic alternatives and assess their ability purposively to implement them. The modified public agency 5 forces framework differs from Moore in that it gives equal attention to the political and economic forces in the environment.

Why should public management scholars be explicit on public management strategy? If public management scholars do not assist them in developing strategic tools, then private sector management scholars will walk “where angels fear to tread.” They have already done so to some degree. In parallel, many public managers have voted with their pedagogic feet and taken an MBA rather than a MPA or MPP. In most cases, unfortunately, the analytic tools they will learn in a strategy management course will not be modified appropriately for a public-agency context. Public-sector scholars who are uncomfortable with unmodified private-sector frameworks and strategic tools are encouraged to present practical frameworks that public managers can use. Efforts that integrate strategic analysis with consideration of overtly normative goals, such as public value, should be especially encouraged.

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NOTES

1. For a recent innovative effort to transfer private sector internal analysis to the public sector, see Klein et al. (2010, Table 1).
2. Although the standard framework is reasonably comprehensive for many analyses, two additional competitive forces have been proposed: complementors (Brandenburger and
Nalebuff 1997) and government as policymaker (Vining, Shapiro, and Borges 2005). Complementors certainly could be a relevant “sixth force” in a given public program analysis.

3. Porter sometimes alternatively uses the term “buyers.”

4. For another summary of the value of the 5 Forces framework, see Grundy (2006, 214–215). In this article, Grundy also summarizes what he considers to be the limitations of the framework. In his comparison of 5 Forces to SWOT, Grant (2008, 279) further notes: “the SWOT framework has been superseded by an approach to analyzing strategic decisions that still dichotomizes relevant considerations into internal factors and external factors, but does so with an approach grounded in the theory of profit.” This quote indirectly makes the point that SWOT is actually more ambitious than 5 Forces’ analysis because it purports to analyze internal factors as well as external factors (for a criticism of this aspect of SWOT, see Valentin [2001]). For critical reviews of SWOT, see Panagiotou (2003) and Pickton and Wright (1998). In sum, the major weakness of SWOT from an environmental theory perspective is that the components of SWOT that purport to be concerned with the external environment (that is, Opportunities, Threats) provides no explicit theoretical framework for categorizing impacts into either “opportunities” or “threats.” Furthermore, the argument could be made that only “threats” really relates to external analysis, while “opportunities” actually concerns potential responses to these threats: in other words, it relates to strategic alternatives. It is, of course, perfectly sensible to consider strategic alternatives, but it is confusing to do so as a component of external analysis.

Another form of environmental analysis—PEST (political, economic, social, technological) or PESTLE (which adds legal and environmental factors as well)—is a complement to, rather than a substitute for, 5 Forces analysis. It considers longer-term (macro-environmental) trends that over time will influence and alter the more immediate environmental factors considered here. However, more immediate aspects of these factors are also partially analyzed through the 5 Forces. Technological factors, for example, typically enter a 5 Forces analysis through consideration of substitutes (see below). Additionally, as discussed in detail below, in the public agency 5 Forces framework political influence now enters the framework directly as a force.

5. Bryson (2004) recommend a somewhat modified version of SWOT for public agencies where “threats” are reconceptualized as “challenges,” thus SWOC.

6. One common method of defining the scope of a business is based on the commonality of production technology (essentially economies of scope): If products or services share significant activities on their value chain, they are part of the same business, otherwise not. Another approach emphasizes common competitors: if a set of products or service face common competitors, they are in the same business (see Boardman, Shapiro, and Vining 2004).

7. Similarly, in private sector analysis, the 5 Forces framework is only applicable to a particular business (competitive-level analysis). Analysis of the portfolio of businesses (corporate-level analysis) must be conducted using different analytic tools.

8. More formally, firms are concerned with maximizing the net present value of their profits. In other words, this objective function does not imply a focus only on (myopic) short-term profitability.

9. This conclusion is based on both database (BSC and PAIS) and Web (Google) searches. Wheelen and Hunger (2007) add an additional box to the standard 5 Forces, labeled “Other Stakeholders,” but treat such stakeholders as a force that is a threat to profitability. However, it is possible that there are unpublished strategic analyses that treat the stakeholder dimension more fundamentally from a multi-goal perspective.

10. Boston, Bradstock, and Eng (2010, 1) summarizes the distinction between the descriptive (empirical) and normative perspectives for public policy as follows: “At the empirical
level, there are issues of what governments do in practice and how this varies over time and between jurisdictions. At the normative level, key issues include what governments ought to do and ought not to do, and what principles should guide decision making.”

11. I am grateful to the journal’s editor for making this point. The responsibility for its use, of course, is solely mine.

12. It is important to emphasize the use of the phrase policy goals. Kelman (2007, 227) discusses constraints on public agencies extensively, including ethical and legal constraints. Ignoring or subverting the latter is, well, unethical and usually illegal.

13. Therefore, this observation is not a claim that agency managers are actually budget maximizers; on this, see Bowling, Cho, and Wright (2004) and Dolan (2002). Also, to emphasize this again, it does not necessarily mean that public managers cannot seek to achieve substantive normative goals.

14. The direction of causality between performance and autonomy is unclear, however, as Moynihan and Pandey (2006, 127) also argue that superior performance can lead to enhanced autonomy: “Elected officials are likely to provide autonomy to a public organization that they trust, has a strong track record [emphasis added] and is unlikely to use that autonomy in a way that causes political embarrassment.” They do not directly test the direction of causality. The authors only argue that their results show that “[a]ll other things equal, agencies are more likely to be successful in undertaking reforms if they enjoy the support of elected officials… The benefits of political support include autonomy and resources, factors also likely to enable agencies to manage change successfully…” (Moynihan and Pandey 2006, 131).

15. Because these change of status studies are essentially time-series studies, they are more convincing on the direction of causality (autonomy to performance) than are the multivariate cross-sectional studies discussed earlier. They are also more convincing than the case study evidence that is reviewed next. Case studies are only suggestive on the causal relationship between autonomy and performance, as they cannot convincingly eliminate the possibility that autonomy is endogenous.

16. Consequentialists “assess the goodness or otherwise of a policy solely on the basis of its consequences” (Boston, Bradstock, and Chen 2010, 4).

17. Some critics might claim that a focus on program autonomy and constraints imposed by external forces necessarily implies that public managers must be “self-interested” in some public choice sense (a referee certainly was concerned that that was the case). There are many different public choice objective functions, including “discretionary resources maximization” (Niskanen 1975; Migue and Belanger 1974) and “budget-shaping” (Dunleavy 1991). The contention is that autonomy is compatible with many (if not all) normative versions of public value and public sector goals. Therefore, it rejects the argument that a focus on autonomy is in practice equivalent to the goal of managerial self-interest. It is not even clear that many budget-shaping versions of public choice are antithetical to most versions of public value maximization: if so, the interests of “bureaucrats” and the public can be aligned in many circumstances.

18. However, Wise concludes that the composite “bureaucratic posture” she proposes has both positive and negative impacts in terms of the public interest and bureau performance. It is, therefore, hard to interpret this posture in terms of a goal of public value.

19. Several critics have also argued that it is more applicable to presidential systems than to Westminster-style parliamentary systems (Gains and Stoker 2009; Rhodes and Wanna 2007).

20. There is surprisingly little systematic empirical literature on managers and public value. For one study that discusses differing conceptions of public value in the context of urban parking, see Kerley (2007).

21. Several variants of industry analysis also combine the threat of entry and substitutes (e.g., Slater and Olsen 2002).
22. For semantic convenience, all these different service recipients are lumped together as “consumers.”
23. Downs (1967, 46) labels them as either “sufferers” or as “regulatees.” Alford (2002), following Moore (1994), labels these kinds of consumers as “obligates.”
24. Some governments and agencies have made efforts to foster stronger direct links by establishing citizen (consumer) charters, focus groups, panels, and the like (Bovens 2005; Duggett 1998).
25. In the political science literature it is more common to describe monopoly as an absence of redundancy (Laundau 1969; Ting 2003).
26. Here we focus on “functional” competition. Downs (1967) and Nicholson-Crotty (2005) emphasizes that public agencies also compete over new policy design or “allocational” competition.
27. Indeed, the U.K. government has officially approved competition and contestability at the local level (Department of Environment, Transport and the Regions 1998).
28. White (2008) provides a recent case study of the problems this can create when the agency is expected at the same time to provide independent and objective analysis.
29. In the United States, these are labeled “Executive Agencies,” so it is important to distinguish them from agencies within the Executive Office of the President.
30. There is no direct empirical evidence that most programs are “average” (i.e., that there is a normal distribution of programs) although one suspects that is the case. Average, therefore, only means an average between the four quadrant archetypes.
31. A firm with a small market share in a competitive industry is in a similar “few degrees of freedom” position. It is unable to alter any of the external forces; at best, it will only be able to earn a “normal return.”
32. However, the analysis is complex, because the empirical evidence suggests that a small number of competitors, or non-price competition, may not be efficiency-enhancing (Carroll 1990; Krause and Douglas 2006).

REFERENCES


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