Social capital and public service performance:

Does organizational strategy matter?

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ABSTRACT

Scholars and policy-makers frequently contend that social capital generates positive externalities that are associated with better public services. At the same time, it is increasingly recognized that the strategy adopted by public agencies matters for their achievements, both taken separately and in combination with other salient features of service production. In this paper, we explore the independent and combined effects of social capital and organizational strategy on the performance of a large sample of Texas school districts. Measures of social capital and strategy are drawn from a large-scale survey of school districts, with the other independent and dependent variables drawn from the same source as well as several secondary data sources. Our statistical results suggest that social capital makes a positive contribution to performance, but that the effects of strategy vary according to the goal pursued. Similarly, social capital and strategy combined seem to matter for only certain goals rather than others.
INTRODUCTION

The concept of social capital is increasingly deployed in a host of important areas of public administration (see Halpern, 2004). Within any given geographical area, different aspects of social capital, such as community organizational life, political engagement and levels of interpersonal trust, constitute a stock of material, cultural and human resources that can potentially be mobilized by public agencies seeking to deliver vital public services. Public administration researchers are increasingly paying attention to the links between social capital and the performance of public organizations (e.g. Andrews and Brewer, 2010; Hawes and Rocha, forthcoming; John, 2005). However, few have examined the organizational strategies most likely to reap the potential benefits of such social capital for the performance of public organizations, despite the central place of both topics within contemporary debates. Thus, while interest in the social capital—performance relationship grows apace, a number of important empirical questions remain under-explored. Does strategy make a difference in the relationship between social capital and public service performance? If so, which strategy works best and when?

This is a timely and extremely pertinent subject for investigation. A commitment to increasing citizen participation in service provision has been at the heart of numerous government efforts to uphold and raise public service standards (Nalbandian, 2005). Now, in the wake of the global financial crisis, the social capital found within local communities is increasingly regarded as a panacea for the coming era of budget cutbacks (Pollitt, 2010). Enhancing citizens’ potential for co-producing public services has thus become an issue of critical importance as governments seek to develop new processes of cooperative service delivery in order to do more for less. Such attempts to co-produce services may be more likely to succeed where
organizations adopt strategies that are responsive enough to harness the stock of social resources that can be utilized to improve service production. Drawing upon Miles and Snow’s (1978) classic strategic typology, we postulate that an aggressive prospecting strategy which seeks out new opportunities for service delivery may be more likely to tap the social capital within the community than a defensive and more passive one that focuses on improving the efficiency of existing operations. Certainly an organization that merely reacts to its environment would seem least likely to tap into social capital reserves.

In this paper, we examine the relationship between social capital, organizational strategy and the achievements of a sample of Texas school districts. Education is one service that has been repeatedly identified as a good candidate for co-production, as schools have tried to encourage parental involvement and enlist community support through the years. In other words, this should be a fertile proving ground for testing the social capital – performance hypothesis and exploring the boundary conditions of this relationship. The paper begins with an exploration of the relationship between social capital and public service performance; we then formulate hypotheses on the potential separate and combined effects of social capital and organizational strategy on performance. Thereafter, measures of performance, social capital, organizational strategy and a set of appropriate organizational and environmental controls are identified and described, and the results of statistical models are presented. The paper concludes by discussing the implications of the findings.
SOCIAL CAPITAL AND PUBLIC SERVICE PERFORMANCE

According to Coleman (1988), the networks of relationships between the residents living within any given geographical community constitute a large stock of material, cultural and human resources that can be potentially be mobilized for public purposes. One such purpose is the improvement of public service provision within an area. By drawing on the formal and informal mobilizing social structures present in the community that they serve, public agencies can potentially tap vital reserves of energy, time and money that can be deployed in pursuit of better policy formulation and implementation (Montgomery 2000). These collective resources effectively constitute the “social capital” of a community.

Some critics have argued that an emphasis on social capital in policy debates distracts attention from other important explanatory factors, such as social class and material disadvantage, which may be responsible for public service outcomes (Fine 2010; Navarro, 2002). However, while it is a contested and sometimes controversial concept, social capital remains a useful heuristic for exploring the salience of social relationships in public policy, especially in an era when customer focus and an emphasis upon co-production are at the heart of public administration (Bovaird, 2007; Vigoda, 2002). Indeed, Woolcock (2010) argues that the strength of the concept of social capital is its practical usefulness for bridging the worlds of academia and practice (Woolcock, 2010). Nowhere is this facility for stimulating public debate more evident than in the work of Robert Putnam.

On the basis of extensive longitudinal research, Putnam identified three key dimensions of community social capital that have played a central role in maintaining the quality of government performance in both Italian regions (1993) and the US states (2000): community organizational life, engagement with public affairs and
interpersonal trust. Each of these key dimensions of social capital may have important effects on the structural and attitudinal resources available within communities for public agencies to harness in the pursuit of service improvement.

Through participation in community organizations, such as sports clubs, arts societies and social support groups, citizens may be increasingly able to overcome collective action problems associated with monitoring and influencing public agencies. In theory, such participation can build social capital amongst citizens by serving as a small-scale democratic learning environment that spurs the development of shared values and norms. In particular, participation in community organizations may raise political awareness (Claibourn and Martin 2007) and moderate political attitudes as diverse group members agree to collaborate on shared projects (Cigler and Joslyn 2002). This may, in turn, enable citizens to articulate their political demands with greater force (Leroux 2007) and make it easier for public agencies to understand and meet their needs (Elkins and Simeon 1979). Although community organizations can exacerbate competition for political influence between social groups (Meyer, 2004), they can also play a vital role in the actual delivery of public services thereby potentially lowering costs for public agencies and increasing their capacity (Putnam 1993; 2000).

Public organizations require the support of multiple external stakeholders, especially local citizens and service users (Hirschman 1970). The active interest of local people in public affairs is therefore likely to exert an important influence on public service performance. In particular, the potential for public agencies to respond effectively to policy problems may be enhanced where citizens are afforded the opportunity of authentic collaboration, to support and be directly involved in the decision-making of those agencies (Vigoda, 2002). Engaged citizens are arguably
more likely to view themselves as a collection of political equals and to therefore feel an obligation to promote the public good (Rice and Feldman, 1997). At the same time, public agencies can benefit from the expertise and local knowledge of engaged citizens (Bovaird, 2007). This suggests that a high commitment to and involvement in the affairs of the school district (as evidenced, for example, in strong parental involvement) may bolster the legitimacy of the organization, as well as make it easier to match services to the needs of users.

In theory, social trust contributes to community connectedness and relieves public agencies of the ‘burden of enforcing compliance’ with legislation, increasing their capacity to focus on improving services (Boix and Posner, 1998). In areas characterized by strong trust, public agencies may therefore have to devote much less time to “selling” policies and decisions, and consequently require far fewer resources to mediate local demands and maintain good community relations. The result is greater legitimacy and autonomy for public agencies which can facilitate their performance. If such solidarity is missing, however, agencies may have to overcome considerable resistance to their attempts to distribute services equitably to different social groups (Delhey, 2007). This indicates that social trust and trust in public agencies may be strongly correlated and are likely to be mutually reinforcing (see Brehm and Rahn, 1997), thus prompting a virtuous circle of community development which can boost the prospects of co-production success.

The existence (and direction) of a causal mechanism between social capital and government performance continues to be questioned by many scholars (see especially Jackman and Miller 1998; Rothstein and Stolle 2008). Nevertheless, several prior studies relate each key dimension of social capital to subsequent improvements in public service performance. Sun (1999) finds that parental
participation in community organizations is linked to better examination performance in US high schools, as do Porfeli et al. (2009) for schools within a single urban district in the US. Marshall (2006) links parental involvement in Chicago schools with reading and maths scores, and Kahne and Bailey’s (1999) qualitative study of graduation rates in two Chicago high schools illustrates that social trust plays a key role in building the confidence of disadvantaged students. Although John (2005) finds no link between trust and performance in his analysis of high school examination results in English schools, we anticipate that trust will be positively related to the performance of Texas school districts, especially as these organizations are highly reliant on local communities and citizens for their funding and policy direction.

SOCIAL CAPITAL, ORGANIZATIONAL STRATEGY AND PERFORMANCE

To harness the benefits of social capital for performance, public agencies may have to adopt or develop policies which can enable them to maximise the opportunities for effective co-production. Aside from specific initiatives designed to increase the intensity and quality of citizen involvement in decision-making and delivery of services, such as service user boards, participatory budgeting and myriad consultation techniques (Berman, 1997; John, 2009), the broad strategic approach of the organization is likely to make a difference in the prospects of co-production success. At the same time, the interactive effects of social capital and strategy on performance are of considerable importance given that alternative strategic choices have been shown to have divergent implications for organizational performance in the public sector (Andrews et al, 2011; Meier et al., 2007, 2011). In terms of the potential links between these two important determinants of public service performance, it seems
likely *prima facie* that an outward looking organization will be more attuned to citizen
demands and needs, while an inward looking one may be less alert to the
opportunities for garnering the expertise and know-how of citizens and service users.

Several approaches to conceptualising the strategic behavior of public
agencies have emerged in recent years (see Bryson, Berry and Yang, 2010; Poister,
Pitts and Edwards, 2010), but perhaps the most influential is the strategy typology by
Miles and Snow which was designed to examine the cycle of strategic adaptation in
private firms (Andrews et al. 2011). This typology has now been tested in multiple
public sector settings as well, including Texas school districts (Walker 2010; Meier et
al. 2007; 2010). It is, therefore, helpful to consider the Miles and Snow strategy
framework in more detail. Miles and Snow (1978) consolidated prior strategic
management research by developing a typology of strategy content that consisted of
four “ideal types.” *Prospectors* are organizations that focus on innovation and explore
new markets and services. They are often pioneers and “first movers” in their
industry. *Defenders* are organizations that take a conservative view of new product
development. They typically compete on price and quality rather than on new
products or markets, and stick to their core business with a focus on improving
efficiency. *Analyzers* represent an intermediate category, sharing elements of both
prospector and defender. *Reactors* are organizations in which top managers frequently
perceive change and uncertainty in their organizational environments but typically
lack an actual strategy. A reactor waits for cues or instructions from powerful
stakeholders in its environment.

Conant et al. (1990) criticize strategy content research that assumes
organizations have only a single strategic stance which can be easily observed, for
example, a prospector or defender. DeSarbo et al.’s (2005) empirical test of the Miles
and Snow model found evidence of hybrid strategic stances within organizations suggesting that strategic choice is messy and complex rather than neat and simple. It is therefore inappropriate to assign organizations to a single strategy archetype; strategy variables are continuous rather than categorical. This implies that Miles and Snow’s “analyzer” category is redundant because it is “essentially an intermediate type between the prospector strategy at one extreme and the defender strategy at the other” (Walker & Rueckert, 1987, p. 17). All organizations are likely to prospect and defend to some extent, although the priority attached to these stances will vary. Consequently, “analyzing” is not treated as a discrete strategy in our statistical analysis. Rather, we focus on the strategic stances of prospecting, defending and reacting.

Organizational strategies are widely acknowledged to have an important independent effect on public service performance, although prior research has shown that the nature of that relationship varies in different settings. Recent studies of UK local government performance suggest that the impact of prospecting is positive, defending neutral and reacting negative (Andrews et al, 2006; Andrews et al 2011). However, Meier et al.’s (2007;2010) studies of Texas school districts suggest that prospecting is not always the most successful strategy. For school districts seeking to achieve high test scores, defending may work best. Irrespective of the relative merits of prospecting and defending versus reacting, Miles and Snow’s (1968) theory suggests that the full benefits of organizational strategy are only likely to be realized when the strategy adopted is in alignment with the type of environment inhabited by an organization. Thus, to develop expectations about the likely moderating effects of strategy on the social capital—performance relationship, it is important to consider
which strategies may fit best with an environment characterized by high or low social capital.

At face value, one might expect that an exploratory prospecting strategy would offer the best hope of connecting public organizations with citizens and service users in ways that might benefit performance. By committing to a search for new opportunities and approaches to service delivery, prospecting organizations are potentially more likely to seek out the views of citizens and to involve them in a quest for service improvement. At the same time, high social capital environments may be more receptive to organizations pursuing a prospecting strategy. For instance, it is recognised that social trust can lower transaction costs within civil society, creating stronger incentives for business innovation as well as the expansion of the non-profit and voluntary sector (Fukuyama 1995). In areas rich in social capital, the innovative use of partnerships between local communities, voluntary associations and the private sector may also be facilitated (Purdue 2001). All of this suggests that a positive attitude towards innovation on the part of public agencies and the people that they serve will result in better service performance.

By contrast, the defender’s focus on enhancing the efficiency of existing operations may impede responsiveness to citizens and service users. In concentrating on doing what they know how to do best, defending organizations may feel that they have little need for citizen input into decisions or be unwilling to invest in ways to develop the expertise to do so effectively. In a related vein, when an area suffers from low social capital, a defending strategy may be necessary to compensate for the lack of commitment to public goods. Where participation in community organizations, engagement with public affairs and social trust is low, it is conceivable that public agencies must ensure that they focus on delivering core services efficiently and to the
best of their ability. Inevitably, a reacting strategy would be expected to make little difference in the social capital—performance relationship. This is because, despite the apparent susceptibility of reacting organizations to environmental forces, an inconsistent approach to dealing with signals from external stakeholders would seem to preclude the possibility of a commitment to genuinely authentic collaboration with citizens.

Despite the plausibility of these arguments, it is still conceivable that defending organizations might have certain advantages over their prospecting counterparts that enable them to harness social capital. For example, their strengths in maintaining service quality and reliability might give citizens greater confidence in their ability to respond effectively to citizens’ needs. Similarly, prospecting organizations may lose the trust of citizens if in their desire to pursue innovation at any cost they become susceptible to an ill-disciplined hyperactivity that fails to deliver tangible results. In fact it has been argued that such reckless entrepreneurship and excessive risk-taking lowers citizens’ confidence in government and undermines the performance of public agencies (Perlmutter and Cnaan 1995). Alternatively, it is conceivable that both strategies when properly employed will have a positive moderating effect on the social capital—performance relationship, and that it is the absence of a coherent approach to service delivery that results in a performance penalty. That is, reacting organizations are simply doomed to fail in harnessing social resources, whereas organizations with clear goals inspire confidence and therefore are more likely to succeed in harnessing social capital. To explore all of these possibilities, we include interactions between each measure of social capital and each of the strategy types in our statistical models.
METHODOLOGY

To explore whether organizational strategy influences the social capital— performance relationship, we look at information on over 500 school districts in Texas in 2009.\textsuperscript{1} These school districts have their own governing bodies (locally elected school boards), taxing powers, and a relatively flat organizational structure with a clear hierarchy. This dataset includes performance and demographic data obtained from the Texas Education Agency (TEA), which collects and compiles this information for every school district in Texas every year. It also incorporates superintendent survey responses about various organizational challenges.

Dependent variables

Public sector performance is complex and multidimensional. Public organizations are typically required to meet multiple and potentially conflicting organizational goals (Rainey 1993). Moreover, their achievements are judged by a diverse array of constituencies, such as taxpayers, staff and politicians. The criteria, weighting, and interpretation of performance indicators are thus all subject to ongoing debate amongst key stakeholders (Boyne, 2003). There are many ways to evaluate school district performance. In Texas, the most important and salient performance measure is student performance on the state standardized test, the Texas Assessment of Academic Skills (TAAS). The federal ‘No Child Left Behind’ policy is based on the Texas experience with this test. It is a basic skills test designed to measure student success and teacher effectiveness. All students in grades 3-8 and 10 must take the test. Students in tenth grade must pass the test in order to graduate from high school. These test scores are used by the Texas Education Agency (TEA) to rank districts and are

\textsuperscript{1} We would like to thank Kenneth J. Meier and Laurence O’Toole, Jr. for the use of their data.
widely reported in the news media; the state standardized test is the most visible indicator of school performance and the quality of schools. As such, it can be said to represent the primary mission of each school district. The performance measure itself is represented as the percentage of students in a district who pass all (reading, writing, and math) sections of the test.

In addition to the TAAS measure, we examine the effects of social capital and organizational strategy on an indicator of how well school districts prepare students for college. By analysing variations in the percentage of students who score above 1,100 on the SAT college admission test (or its ACT equivalent), we gain an insight into the performance of school districts on a measure that matters very much for parents, as well as for policy-makers concerned with increasing the numbers of college-bound students.

**Independent variables**

**Social capital**

The measures of social capital were gathered from a survey of all school district superintendents that was administered during the 2008-2009 school year. 1,237 survey respondents were asked a variety of questions about social capital and other organizational and management issues; 527 responded for a response rate of 42.6 percent. To gauge the strength of community organizational life within the areas served by schools districts, respondents were asked to indicate whether they agreed that citizens in their district “participate in a wide range of community organizations” on a scale of 1 (strongly disagree) to 4 (strongly agree). To establish the extent of engagement with the affairs of the school district amongst parents and local people more generally, superintendents were asked to rate the quality of parental involvement
in the school district and community support for the work of the district from 1 (inadequate) to 5 (excellent). Finally, to evaluate the degree of social trust present within the area, respondents were asked to indicate whether “citizens exhibit a very high level of social trust towards others” on a scale of 1 (strongly disagree) to 4 (strongly agree).

Each measure of social capital is positively correlated with the others (see Table 1 below), especially the two measures of engagement in school affairs. Although it is possible to create an aggregated index of these measures, to assess the influence of each dimension of social capital it is important to disaggregate their separate effects (Knack, 2002). For our analysis, we follow the approach of other scholars (e.g. Casey and Christ, 2005; Knack, 2002) and enter each social capital measure individually in the statistical models. This isolates the effects of each measure and also reduces the influence of the multicollinearity caused by the strong correlations between the different measures if they were entered together.

[Insert Table 1 here]

**Organizational strategy**

To gauge organizational strategy we draw upon survey items developed from prior work on the Miles and Snow (1968) typology, which have also been tested and successfully applied in the Texas school district setting in previous studies (e.g. Meier et al. 2010). A prospecting strategy was operationalized through a measure tapping the extent to which innovation and market exploration are an important goal for a school district, as these are central characteristics of Miles and Snow’s (1978) definition of this orientation. Superintendents were asked to indicate whether the
district “searches for new opportunities to provide services” on a scale of 1 (strongly disagree) to 4 (strongly agree). The specific measure is derived from Snow and Hrebiniaik (1980). To explore the extent to which organizations pursued a strategy of defending, informants were asked to assess on a scale of 1 (strongly disagree) to 4 (strongly agree) whether the district tended to “focus on what we already know how to do”. This captures the notion that a defensive approach to service delivery is very much concentrated on enhancing the efficacy of core activities (Snow & Hrebiniaik, 1980). Finally, reactors are expected to lack a consistent strategy and to await guidance on how to respond to environmental change. Superintendents were therefore asked to indicate the extent to which “what we do is influenced by the TEA” on a scale of 1 (strongly disagree) to 4 (strongly agree). This measure is again based on prior work (Snow & Hrebiniaik, 1980).

Management Measures

We follow Meier and O’Toole (2001; 2003) in including a series of measures of the management characteristics of schools districts in our statistical models. First, we add a measure of managerial networking, which seeks to tap the interaction of superintendents with the most important actors in the school district’s external environment. Meier and O’Toole (2001) selected four sets of key actors with whom superintendents interact: local business leaders, other school superintendents, state legislators and the Texas Education Agency. To evaluate the intensity of superintendents’ networking activity with these key actors, the school district survey includes questions asking respondents to gauge the extent of their interaction with each group on a six-point scale, where 1 = never, 2 = yearly, 3 = monthly, 4 = weekly, 5 = more than once a week and 6 = daily. To construct a single networking variable
suitable for multivariate analysis, the networking items were factor analyzed and a single factor was derived onto which each item loaded positively (eigenvalue of 1.76). The factor scores from this analysis are thus taken as indicators of the level of managerial networking. This measure has been shown to positively affect performance in previous studies (Meier and O’Toole 2001, 2003).

Second, we include a measure of managing upward in the statistical models. Prior research has suggested that the interactions between superintendents and the school board are substantively different to those with other key actors (O’Toole et al, 2005). Since networking with the school board may be characterised as dealing with a political sovereign, these interactions embody the notion of managing upward (Moore, 1995). Like the other managerial networking measures, the frequency of superintendents’ interactions with the school board are rated on a six-point scale ranging from never (1) to daily (6).

Third, we add O’Toole and Meier’s (2003) measures of managerial stability and workforce stability. The first measure is gauged by asking superintendents the number of years they have been employed in the school district in any capacity. The second measure is calculated as the percentage of teachers employed by the school district in the preceding year who continue to be employed by the organization. Both measures have been shown to positively influence performance in previous research (O’Toole and Meier, 2003).

Control Variables

Aside from the influence of strategy and other management variables, public service performance is likely to be a function of the organizational environment (including social capital) and program resources. Drawing on prior studies of school district
performance, we add three measures of the organizational environment and five measures of resources to the statistical models. In terms of the environment, we include measures of the percentages of students who are black, Latino and poor (based on eligibility for free or reduced-price school lunches). School districts with a more diverse and less-advantaged student body are likely to work harder to attain the same levels of performance as their more homogenous and affluent counterparts (Jencks and Phillips, 1998). Thus, we expect each of our environmental measures to be negatively related to performance.

In terms of resources, we include measures of average teacher experience, average teacher salary, the percentage of new teachers in a district, average class size and per-student instructional spending. Teacher experience and salary should display a positive relationship with performance, while new teachers and class size should exhibit a negative relationship. The instructional spending measure might run in either direction. Each of these variables is commonly used in education production models including previous work on Texas school districts (for example see Meier et al. 2007). Descriptive statistics for all variables are presented in Table 2.

| Insert Table 2 here |

STATISTICAL RESULTS
The results for statistical tests of the independent relationships between social capital, strategy and performance are shown in Table 3. Ten Seemingly Unrelated Regression (SUR) models are presented: model 1 regresses the TAAS score on to the independent and control variables and the first social capital measure (participation in community organizations). The same pattern is then repeated by substituting the other three social
capital measures for the first one. Each model predicting the TAAS scores is simultaneously carried out for the college readiness scores.

SUR is used to control for correlations between the error terms from separate equations for the TAAS and college readiness scores. In the context of our analysis, the error terms from two separate equations are likely to be correlated for a variety of reasons, such as unmeasured explanatory variables or data imperfections. Martin and Smith (2005, p.605) emphasise that “there is obvious *prima facie* relevance of methods to estimate systems of equations with correlated disturbance terms when analysing organizations that produce multiple outputs”. Further analysis revealed that the correlation between the residuals from separate equations was positive and statistically significant.

SUR controls for correlations between the residuals by determining the parameters for all relevant equations in a single iterative procedure (Greene 2000). Seemingly unrelated regressions therefore give us coefficients for the independent variables in each separate equation that are purged of any association with the tendency of an organisation that does well on one performance measure to do well on another. We have, in effect, a “pure” model of each school district’s achievements on TAAS scores and college readiness. The findings for the models are not distorted by multicollinearity as the average Variance Inflation Factor score for the independent variables in the models is about 2.4, with no single variable exceeding 10 (Bowerman and O’Connell 1990).

[Insert Table 3 here]
The statistical results provide mixed support for the anticipated relationships between the management measures, control variables and performance, and vary across the two dependent variables. In terms of the primary mission of school districts, producing high test scores as required by the No Child Left Behind policy, it seems that the task environment and resources matter much more than management. (Interestingly, this result contrasts sharply with one prevalent stream of policy debate which blames low test scores on constrained management and advocates for the creation of voucher systems and charter schools.) The coefficients for all control variables are statistically significant and in the expected direction, whereas only personnel stability amongst the management measures seems to make a difference in student achievement on the TAAS. Interestingly, several measures found to matter for school district performance in previous studies, such as managerial networking and experience, make no contribution to the explanatory power of our model. It is possible that the cross-sectional nature of the data set is masking the longer term benefits of these attributes for test scores.

In terms of college readiness, the coefficient for school board contact is positive and statistically significant, corroborating previous research suggesting that the networking behavior of managers matters for the performance measures valued by powerful stakeholders within the environment of school districts (O’Toole, Meier and Nicholson-Crotty, 2005). Nonetheless, for this performance indicator only two of the control variables are salient: the percentage of low income students is, as expected, negatively related to college readiness; and teachers’ salaries are positively related.

Turning to the results for the key variables of interest, it seems clear that aspects of social capital make a positive contribution to performance, but that this contribution is strongest for test scores. Parental involvement in school districts is
positively related to the achievements of districts on both performance indicators. Participation in community organizations seems to matter only for college readiness, while community support and social trust matter only for test scores. Organizational strategy also affects performance, though it is not a consistent or particularly striking effect. As found in previous studies of Texas school district performance (Meier et al. 2007; 2010), prospecting is positively related to college readiness and defending (albeit weakly) to TAAS scores. Reacting has neither a positive nor negative influence on either performance indicator.

The findings shown in Table 3 highlight that social capital is likely to play an important role in school district performance, but that organizational strategy may also make a difference when matched to appropriate goals. The contingent nature of the benefits of strategy raises the intriguing possibility that one strategy or another may be more likely to enhance the positive effects of social capital for certain organizational goals and dimensions of performance. To explore this possibility further, interaction terms are entered in the statistical models.

[Insert Table 4 here]

The interactions between social capital and organizational strategy shown in Table 4 indicate that there are complex causal mechanisms at work. First, it appears that the choice of organizational strategy pursued by a school district adds little to the benefits of social capital for the primary mission of the organization identified in Table 3 (i.e. producing high test scores as mandated by the No Child Left Behind policy). In fact, in some cases adoption of a strong strategic orientation may negate some of those benefits. For example, a defending strategy appears to turn the benefits of parental
involvement negative, perhaps because in districts benefiting from parental involvement, citizen demands are articulated more forcefully and cannot be met by simply “sticking to the knitting”. In a related though different vein, a prospecting strategy appears to dampen the effects of social trust, perhaps because the constant search for new service delivery opportunities undermines the link between trust and the perceived stability of public service provision.

Second, the results for college readiness indicate that the selection of a coherent strategic stance is likely to enable school districts to harness the benefits of social capital for college readiness, especially in terms of the links between organizational strategy and parental involvement. At the same time, the combination of defending and social capital seems to make a particularly important contribution to performance on this indicator. Here it is conceivable that social capital is actually responsible for eliciting the benefits of a defending strategy rather than vice versa, since defending makes no independent contribution to the college readiness of students. This implies that the defending strategy will work better when pursued in a district blessed with high social capital. By contrast, the already successful prospecting strategy seems to bolster the effects of parental involvement and elicit the benefits of social trust for this measure.

**IMPLICATIONS**

The results of this study show that public managers operate in a very complex world. These results suggest that different types of social capital and organizational strategy directly affect performance – and the interaction between these two sets of variables produces additional independent effects on performance. Moreover, public managers may not have a clear target to aim for since performance is not a simple
unidimensional concept. Rather, in public school systems and many other public organizations, performance is multidimensional and consists of various elements – each of which matters a great deal to the organization’s stakeholders, such as producing high test scores, sending more graduates to college, etc. In other words, public managers must synchronize many moving parts, including social capital and organizational strategy, to produce the desired performance outcome. Furthermore, public managers are simultaneously managing towards different performance elements and trying to produce a portfolio of good outcomes.

This interpretation of the results suggests that public managers must be smart and nimble. To improve a targeted performance element (in this case test scores or college readiness), they must accurate assess the stock of social capital that lies in reserve in their respective jurisdiction; then they must select an appropriate organizational strategy that is both performance-enhancing (i.e., has direct positive effects on performance) and that maximizes social capital’s effect on the desired performance dimension (i.e., has a positive interactive effect). Then, the public manager must simultaneously draw from different dimensions of social capital and pursue different organizational strategies to produce the desired set of performance outcomes. In other words, our findings suggest that public management is a very skilled profession, at least in public school settings.

This finding underscores the need for further research. At first glance it may appear that public managers are operating intuitively. We do not believe this is the case. It is true that many public managers develop a keen sense of ‘what works’, but such understandings are actually grounded in the managers’ knowledge of theory and causal mechanisms that are very complex in nature and mostly acquired through on-the-job experience. This study has started to unravel one important subset of those
relationships which is critical for public education: the impact of social capital and organizational strategy on performance. As such it produces some valuable knowledge for scholars and practitioners, and it generates additional research questions that need to be answered. Future research should follow-up on these questions so that the complex web of relationships that contribute to skillful and effective management can be better understood. It would be helpful to undertake some of these studies in different policy contexts to see if the knowledge is generalizable.

Several limitations of our work provide markers for future research. First, more theoretical refinement is needed to help make sense of our complex set of findings. It is not sufficient to excavate a few complex relationships and conclude that public management is a complex and skilled task, as we have done here. A finer-grained understanding is needed. Second, several key concepts could be measured better. Single survey questions were utilized to tap the various dimensions of social capital and organizational strategy, for example, whereas multiple items might improve measurement validity. Thirdly, it would be helpful to have longitudinal data on social capital, organizational strategy and school district performance so as to tease out more subtle variations and nuances in the relationships studied.

One of the most interesting and consequential findings in this study is that organizational strategy plays an important role in producing performance outcomes, both independently and when working in concert with social capital. Unlike most contextual and environmental variables that affect performance, organizational strategy is a discretionary choice that public managers can make with relative ease. (Implementation is a bit more difficult but it is also possible.) Managers are the purveyors of organizational strategy: they select appropriate strategies for their
organizations based on desired performance outcomes; they initiate and implement these strategies; and they ensure that successful strategy mixes are institutionalized in their organization’s mission and culture going forward.

In this study, we have examined a variation of Miles and Snow’s (1978) strategy framework that consists of three strategic stances: prospecting, defending and reacting.\(^2\) Recent public management research contends that organizations can pursue all three strategies at once (e.g. Andrews et al. 2011; Meier et al. 2010). Accordingly, in this study, survey respondents were allowed to report that their organizations are practicing varying degrees of prospecting, defending and reacting – and most did so, reporting that mixtures or combinations of organizational strategy are being utilized. Perhaps this idea is easier to measure than understand. The real world implications are quite imposing: public managers and their organizations are simultaneously prospecting, defending and reacting in their day-to-day activities and long range planning. So when are they prospecting and for what reasons? And when is it better to defend or react and why? What happens when elements of prospecting and defending are employed at once – do they cancel out or become synergistic? The answers to these questions cannot be divined from theory or individual survey responses; yet a general picture of how various strategies coexist in dense organizational spaces begins to emerge from our statistical analysis and results. These findings need to be investigated further through field research and interviews of public managers as well as more sophisticated empirical analyses.

Finally, we have shown that social capital is an important part of the performance equation for public schools even though it lies in their external

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\(^2\) Several other popular and effective strategy frameworks exist and it might be fruitful for researchers to investigate them. For example, Porter’s (1980) model of competitive strategies might be particularly useful since modern-day public organizations operate in an increasingly turbulent and competitive environment.
environment and is not as malleable as organizational strategy. It should nonetheless be noted that public schools are much more than consumers of social capital; they are also major producers. In fact, public schools have long been recognized as bulwarks of civil society: they create social capital by imparting norms of social trust, citizenship, and ‘good government’; they are ‘brick and mortar’ institutions that help motivate networks of social action in their communities; and they provide fertile settings and opportunities for citizens to practice discursive democracy and experience the process of self-government. Researchers should therefore continue to investigate the role of social capital in public education as a vehicle for social progress.

References


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Note: **p<0.01
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### Table 3  The Impact of Social Capital and Organizational Strategy on Performance

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Note: +p<0.10, *p<0.05, **p<0.01. Slope coefficients shown.
### Table 4  The Interactive Effects of Social Capital and Organizational Strategy on Performance

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Note: +p<0.10, *p<0.05, **p<0.01. Slope coefficients shown. All equations control for the independent and control variables included in Table 3.