

RETHINKING THE ADMINISTRATIVE PRESIDENCY: TRUST, INTELLECTUAL
CAPITAL, AND APPOINTEE-CAREERIST RELATIONS

By

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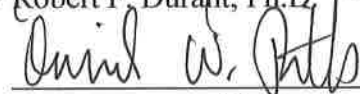
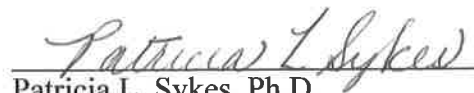
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DEDICATION

To Jaime, Ann, and Jerry

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ABSTRACT

In examining the administrative presidency from the seldom-analyzed perspective of careerists in the executive branch, in unpacking the concept of trust in unconventional ways, and in linking this expanded definition of trust to intellectual capital development as a precursor to successfully advancing presidential agendas administratively, this dissertation combines insights from cognate research fields of organization theory, social psychology, management studies, and social capital theory to offer a unique framework for studying the administrative presidency. This work investigates the means and extent by which the Bush administration, during its second term, was able to increase the reliability, and reduce the cost, of information to achieve its policy goals through administrative means (Rudalevige 2002). More precisely, I examine how Bush's use of the "administrative presidency" conditioned levels of trust between appointees and careerists, which subsequently conditioned the level of explicit and tacit knowledge sharing within organizations.

In turn, I test the degree to which the variables that produce intellectual capital are moderated by the political and organizational dynamics within which organizational

actors are embedded. The empirical models in this dissertation are constructed using data from several interrelated sources, including the Office of Personnel Management's (OPM) Federal Human Capital Survey (FHCS) and a National Academy of Public Administration survey of career members of the Senior Executive Service (SES). In doing so, I apply statistical analyses (e.g., varying intercept-and-slopes regression) that are not common in the study of the administrative presidency. The research highlights the importance of functional relationships between careerists and appointees in the interest of advancing robust policy and the narrower prerogatives of presidents and their appointees. My analysis refines, elaborates, and extends important aspects of the conventional wisdom associated with traditional approaches to the study of the administrative presidency. This includes evidence of the paradoxical effects of administrative strategies premised on distrust of careerists, of the need to reconsider if Bush's use of these strategies actually reflected a more contingency-based approach than previously thought, and of the utility and importance of incorporating previously untapped research in related fields when studying the administrative presidency.

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CHAPTER 1

INTRODUCTION

“You may be deceived if you trust too much, but you will live in torment if you do not trust enough.”

—Frank Crane, quoted in *Business Education World*, Vol. 15 (1935) p. 172

The appointment powers of the United States president have been evidenced as an effective means for advancing presidential agendas and ensuring responsiveness of the career civil service (Durant, 1992; Golden, 2000; B. D. Wood & Waterman, 1994). First named in Richard Nathan’s study (1983) of the Nixon administration, the “administrative presidency” has been explored by several scholars through the examination of four analytically separate strategies: (1) the centralization of administrative decision making and regulatory review, (2) agency reorganization, (3) the politicization of the bureaucracy through appointment powers, and (4) “wielding unilateral tools” through the issuance of executive orders, executive memoranda, and presidential signing statements (Cooper, 2002; Durant & Resh, 2010; Michaels, 1997).¹

This study focuses on appointments as an essential element of a president’s administrative strategies, and determining the degree to which this strategy effectively aligns the expert and institutional knowledge of the career bureaucracy with the president’s interest in a given policy area (Rudalevige, 2009). Modern presidents can

make up to 4,273 appointments to jobs that range from Senate-approved, executive appointments in the Executive Office of the President (EOP) and executive branch agencies to upper- and middle-management levels throughout the federal bureaucracy.²

Utilizing this function as an administrative strategy is based on the assumption that appointees wield extensive powers within agencies by (1) rewarding or punishing careerists' behavior and compliance with presidential agendas, and (2) internal reorganization strategies that "alter the skill mix" in accord with presidential priorities by fast-tracking positions symbolizing those priorities and shifting the responsibilities of tenured career executives (Durant & Resh, 2010). A fundamental tenet of the administrative presidency has been that careerists cannot be trusted to be responsive to presidential policy agendas (Moffit, 2001; Sanera, 1984). And while it is typically claimed that applying the tools of the administrative presidency is motivated by *appointees' distrust of careerists* to faithfully carry out those agendas (Ban & Ingraham, 1990; J. P. Pfiffner, 1991a), scant research exists on the extent to which applying the tools fosters *distrust of political appointees among careerists*.

Prior research is divided on the extent to which wielding the tools of the administrative presidency provokes responsiveness, furthers distrust, or promotes agency effectiveness. The literature today is largely atheoretical beyond simplistic principal-agent theories that are largely cross-sectional, fail to capture the ambiguity of goals and their evolution over time, and are incapable of capturing the complexity of the Madisonian system in affecting the success or level of difficulty in advancing presidential policy agendas administratively. By the same token, prior research has not examined in theoretically grounded and statistically sophisticated ways *when* various tools are used,

and *if* various factors intervene in accelerating or mitigating the use and effect of trust on organizational effectiveness. Nor has it incorporated and integrated with prior research on the administrative presidency the insights of cognate fields such as public administration, public management, organization theory, and social capital theory. Finally, most prior research on appointee-careerist relations has tended to focus early on in an administration, thus deemphasizing what most prior research suggests is the uniqueness of the second term of any presidency.

To begin filling this gap in our understanding, this study examines the complex nature of relationships between career executives and political appointees within varying organizational settings and the connection between trust and the development of an organization's intellectual capital. I offer and test a model that integrates in unprecedented ways the findings of prior research from the administrative presidency, public administration, public management, organization theory, and social capital literatures. In doing so, I incorporate observations regarding the second George W. Bush administration from interviews and large-N, quantitative survey analysis. The analysis reveals the relative centrality of trust to organizational relationships and how it pertains to any president's strategic use of politicization as a means to leverage bureaucratic power toward his or her intended policy ends.

Evidence is discerned as well of the paradoxical effects of administrative strategies premised on distrust of careerists, of the need to reconsider if Bush's use of these strategies actually reflected a more contingency-based approach than previously thought, and of the utility and importance of incorporating previously untapped research in related fields when studying the administrative presidency. It also indicates several

promising areas of future testing, elaborating, and extending of the model into other presidencies, policy areas, and different time periods in any administration.

The Administrative Presidency and George W. Bush

In 2004, writing on the George W. Bush administration's management style leading into its second term, Ron Suskind described the fundamental nature of the "prenuptial agreement" into which all incoming and incumbent appointees were entering with the administration: "all policies come from the White House. Read the script with ardor and good cheer" (Suskind, 2004). The president's mission in exercising this decidedly top-down managerial style was to "tame the unwieldy federal bureaucracy, not empower it," resulting in an "odd collection of quiet tacticians and loyal friends" by his second term in office (Suskind, 2004).

Such a philosophy stems from the naturally pragmatic consideration that "administration is policy" (Nathan, 1983) and, moreover, that "personnel is policy" (Moffit, 2001). Yet, pathologies can possibly develop when applying these tactics. Loyalty can become an axiomatic condition for the advancement of ideas and access to information (Golden, 2000; Hirschman, 1970). In those organizations where loyalty is deemed to be especially necessary, appointees may be "layered" through the management ranks to ensure complicity with the president's programmatic goals, often disabling information exchange through careerist ranks (Light, 1995, 2008). When expert information is needed, appointees may bypass careerists and depend on privileged contractors and interest groups—exacerbating accountability issues, discounting contrary advice or evidence, and biasing information. Journalistic accounts of the Bush

presidency, such as Suskind's, imply that only the information that comported with the president's agenda made it up the hierarchical management chain. Under such constraints, unintended consequences of policy implementation are probable without the information necessary to "backward map" and identify potential obstacles to top-down policy goals (Elmore, 1979).

Indeed, some empirical research refutes the assumption that the strategic placement of political appointees based on loyalty to the president can best achieve "effective" policy and program results (Clinton & Lewis, 2008; Gilmour & Lewis, 2006; Lewis, 2007). Other studies question how responsive career bureaucrats actually are to presidential agendas, regardless of strategy, and to which principals even presidential appointees are responsive (Eisner & Meier, 1990; Waterman, 1989). It is often argued that appointees are more responsive to special interests, oversight committees, and even the bureaucrats they are charged with overseeing (i.e., "marrying the natives") (Maranto, 2005; Nathan, 1983). Questions also remain as to whether many political appointees truly understand the functional and technical underpinnings of their agency enough to effectively and efficiently utilize incentivizing or coercive management strategies (Light, 1995; Maranto, 2005).

Various research suggests that political appointees are not likely to stay in their positions long enough to engender trust with career employees or obtain enough institutional insight to be optimally effective in their roles (Chang, Lewis, & McCarty, 2001; Gilmour & Lewis, 2006; Lewis, 2007; Mackenzie, 1987; NAPA, 1985; Wood & Marchbanks, 2007). Gilmour and Lewis' (2006) findings, in particular, raise an important question as to whether many political appointees have the institutional competence necessary

to be responsive to the president and see through agency goals in accordance with the president's preferences (Gilmour & Lewis, 2006). Presidents often choose agency executives for purposes other than their management ability (Weko, 1995). There are several political considerations, which "may or may not involve policy considerations" and can interfere or even conflict with the employment of political appointees as an administrative strategy (Wilson, 1989).

Nonetheless, there remains significant evidence that the strategic use of appointment powers is an effective technique in obtaining responsiveness from career staff (Dickinson & Rudalevige, 2004; Golden, 2000; Wood & Waterman, 1994), and that presidents' willingness to widen and strengthen its use has endured (Light, 1995, 2008; Mackenzie, 2002). There are both positive and normative theories that propose this result is inevitable (desirable). Moe (1993) follows Nathan (1983) in asserting that the president's pursuit of responsive competence encourages the politicization of the bureaucracy through appointment powers. Moe argues that presidents achieve responsiveness through the selection of appointees based on loyalty, ideological proximity to the president, or identifiable support of the president's policy prerogatives. It is argued that, by negotiating for and attaining increases in the number of appointments, presidents can achieve more responsive competence in the White House and the federal bureaucracy.

Currently, the number of appointees (not including Schedule C) in departments and agencies has grown to average more than 20 persons in some agencies (Rosenbloom & Kravchuk, 2005). And, it is believed that appointees' fealty and ideological proximity to presidential prerogatives are driving forces behind the placement of many appointees

(Durant, 1992; B. D. Wood & Waterman, 1994). Presidential policy preferences may be more easily achieved as a function of (1) constraining the discretion of agency leadership in line with the president's goals, (2) the structural flexibility allowed to leadership to see through those goals, and (3) the political leadership's capacity to shift policy direction through the reorganization of human capital within an agency (Durant & Resh, 2010).

For example, Wood and Waterman (1994) use an interrupted time-series design to measure selected agency outputs and responsiveness to specific political events ("stimuli"), including presidential appointments. With respect to specific Reagan appointments, the authors hypothesize that the strategic appointment of regulatory agency leaders sympathetic to Reagan's anti-regulatory stance would lead to a statistically significant decrease in enforcement activities. Their hypothesis is confirmed in case studies examining both the Environmental Protection Agency and the Nuclear Regulatory Commission, following the appointments of Ann Burford and Nunzio Palladino, respectively.

The authors' analysis, however, also uncovers the career personnel's pursuit of their own goals and resistance to Reagan's anti-environmentalist agenda. Consonant with Golden's (2000) analysis, careerists exercised their "voice" by leaking information detrimental to the president's goals and, thereby, mobilizing environmentalist interest groups and members of Congress. While evidence of the "two-way street" is apparent in both the Wood & Waterman and Golden analysis, the overwhelming evidence presented in the analyses points to the significant impact that "the tools of the administrative presidency had on the behavior of [...] career civil servants during the Reagan years" (Golden 2000, p. 31). Careerists' responses were largely deferential to both the stimulus

of strategic appointee placement and the “jigsaw puzzle” management techniques promoted by the administration.

An extension of the politicization strategy, the jigsaw puzzle management approach relies on the normative assumption that career bureaucrats will act to sabotage the popular mandates for presidential action in areas that do not comport with the status quo that careerists are purportedly interested in maintaining (Sanera, 1984). Therefore, the prescription is set forth that appointees should subvert these perceived careerist intentions by bypassing career SES for policy advice, using them to carry out programs “while keeping them in the dark as to the overall strategy being pursued” (Benda & Levine, 1988; Golden, 2000; Ingraham, 1995; James P. Pfiffner, 1985):

“Career staff will supply information, but they should never become involved in the formulation of agenda related policy objectives...once controversial policy goals are formulated, they should not be released in total to the career staff. Thus the political executive and his political staff become ‘jigsaw puzzle’ managers. Other staff see and work on the individual pieces, but never have enough of the pieces to be able to learn the entire picture” (Sanera, 1984).³

As Golden (2000) argues, the default reaction of career bureaucrats is to be responsive to political leadership, even in circumstances that may be adverse to their policy and political beliefs. Organizational theory and social psychology literature informs us that organizational actors rarely act on their ideological beliefs, when those actions are undesirable in the face of organizational incentive structures (Wilson, 1989). Given the flexibility appointees are afforded to sanction and reward career staff through both reorganizational tactics and demotion, we should expect a largely responsive civil service in the career executive ranks based on those premises. Yet, analysis culled from the Reagan administration should not be assumed as generalizable across administrations.

While the jigsaw puzzle management approach is based on a fundamental distrust of the career bureaucracy, careerists' reactions to the techniques do vary (Golden, 2000). At the same time, exit, voice and loyalty may be better thought of as continuums of acquiescent-to-defensive-to-prosocial behaviors (Dyne, Ang, & Botero, 2003). What looks like loyalty might actually be passive responsiveness that does not advance an appointee's ability to see through presidential prerogatives.

Therefore, the relations between careerists and appointees may have profound impacts on the political and policy successes of an administration and its legacy (Heclo, 1977; J. P. Pfiffner, 1991a). And, if the Reagan administration's stance toward the federal bureaucracy was to "stop doing what you're doing" (Reagan, 1989), the Bush administration's "big government conservatism" may have driven the strategy of appointee placement as a means of leveraging administrative capacity to see through an activist agenda (Durant, Stazyk, & Resh, 2010) in some policy areas, while attempting to limit administrative capacity in others. Consequently, when positive action is desired by an administration, the relationships that develop between short-term appointees and career staff become a paramount consideration in determining the responsiveness of career staff. If the placement of political appointees is meant to combine strategically the "expert substantive knowledge" of departments with the "single-minded devotion to the president's interest" (Andrew Rudalevige, 2002), then it is important to understand under which conditions the appointment strategy can be used to cheaply and effectively advantage the president's access to information (i.e., in order to advance presidential agendas), and how expectations of its usefulness can be shaped under each.

Finally, few studies examining strategic appointments focus on the second term of an administration, thus deemphasizing what most prior research suggests is the exceptionality of the second term of any presidency—where a president’s policy goals might be more explicit and better aligned with appointee prerogatives than during the first term. Especially in inaugural terms, appointees are chosen for reasons other than loyalty, even when loyalty is the primary objective in personnel decisions (J. P. Pfiffner, 1996; Weko, 1995). Presidents may tend to centralize operations more in the second term by cutting the agencies out of decision-making processes as much as possible, while relying on thickened layers of politically faithful appointees when agency operations must be a consideration (Aberbach & Rockman, 1991).

Exploring the Constructs of Trust and Intellectual Capital

A central tenet of loyalty, and its implied effect of reducing information costs, is that it derives from the establishment of trust (Carson, Carson, Birkenmeier, & Toma, 2006). Much of the research that examines appointee-careerist relations admits to the importance of trust in enabling the exchange of information (e.g., Heclo 1977; Michaels 1997; Golden 2000) and, hence, the development of “intellectual capital” (Nahapiet & Ghoshal, 1998). By focusing on how the strategic placement of political appointees affects the development of trust within executive agencies, we can then gauge the subsequent effect of trust on information sharing. Yet, few studies of the “administrative presidency” attempt to define the concept of trust or examine its multiple dimensions.

Hugh Heclo’s (1977) seminal work points to trust as a critical condition for appointee success, and he explicitly defines trust as a “[deep], mutual exchange of

commitments within a community... [or] mutual dependability among members of the same team” that is “only gradually earned” (p. 158). The construct of trust is often conceptualized as a “mutual dependence” between actors or as a “mutual exchange of commitments” in both political science and organization theory. In political science, this conceptualization is consistent with the rational choice account of trust, in which trust is operationalized as a function of both the frequency of exchange and the perceived strength of mutual commitment derived from those encounters (Ostrom, 1998). As discussed in greater detail in Chapter 3, this consideration of trust shares much in common with Russell Hardin’s (2006) conceptualization of trust as “encapsulated interest.” In Hardin’s encapsulated interest account of trust, “one’s trust turns not on one’s own interests but on the interests of the trusted.” Hence, the benefit that one receives from any particular exchange in which one is trusted is a function of “the potential benefit from continuing the series of interactions” (Hardin, 2006, pp., 22). Yet, we cannot simply assume the motives and goals of individuals, including presidents and appointees, without risking a serious misinterpretation of the relationships and conditions under which trust develops.

Oliver Williamson (1993) explicates the limits in thinking of trust in terms of encapsulated interest or what he refers to as “calculativeness” without considering the importance of “embeddedness.” Embeddedness is the belief that actions between individuals are based as much on social relations as on the individual goals of the actors themselves (see Granovetter (1985, 1992)). Williamson emphasizes the roles of “socialization and social approvals and sanctions” in developing an understanding of the contextual features in which calculative transactions are crafted. Additionally, he argues

that focusing on calculativeness can devalue the importance of emotionally based “personal trust”—“the confident expectations of benign intentions by another agent” (Dunn, 1990).

Social capital theory provides a parsimonious method of integrating the calculative and personal accounts of trust that guide individuals’ decisions within an organization. Social capital is the “sum of the actual and potential resources embedded within, available through, and derived from, the network of relationships possessed by an individual or social unit... [and] thus comprises both the network and the assets that may be mobilized through that network” (Nahapiet & Ghoshal, 1998). Relational conditions of an organization determine the ways in which these assets are created and leveraged. Nahapiet and Ghoshal (1998) follow Granovetter’s (1992) definition of the relational dimension of social capital as “the kind of personal relationship people have developed with each other through a history of interactions,” with the key facets of the dimension being “trustworthiness, norms and sanctions, obligations and expectations, and identity and identification” (Granovetter, 1992; Nahapiet & Ghoshal, 1998, p. 244).

Williamson (1993) argues that transactions between individuals do not only depend on the attributes of the individuals involved or “the attributes of [the] transaction but also with the trading environment of which they are a part” (p. 475). There are different types of “embeddedness attributes” which are distinctive to public organizations. As Williamson puts forth, calculative transactions embedded in different institutional conditions can be thought of as a “hyphenated” form of trust (e.g., “political-trust,” “professional-trust,” “network-trust,” etc.). Therefore, relationships that foster trust

operate under different conditions of embeddedness to form a more complete and contextually appropriate construct of “trust.”

This dissertation unpacks the multiple dimensions of this important construct within the setting of appointee-careerist relations in the federal executive branch by exploring varying political, structural, professional, and relational conditions under which “encapsulated interest” and “personal trust” might exist among appointees and careerists. In doing so, I examine how different dimensions of trust are connected to the capacity to exchange and (re)combine knowledge within organizational settings, i.e., “intellectual capital.”

Intellectual capital is the “knowledge and knowing capability of a social collectivity, such as an organization, intellectual community, or professional practice” (Nahapiet & Ghoshal, 1998). Conceptually, it provides a clear connection to the concept of human capital, which “reflects the belief that human beings in an organization and their skills and knowledge are the organization’s most important assets, more important than other forms of capital such as [physical] and financial assets” (Rainey, 2003, p. 244). Following Spender, “collective knowledge is the most secure and strategically significant kind of organizational knowledge” and therefore is the focus of intellectual capital in Nahapiet and Ghoshal’s framework (Spender, 1996). They argue that trust (representing the “relational dimension” of social capital) “facilitates the development of intellectual capital by affecting the conditions necessary for exchange and combination to occur.” Intellectual capital is created through the processes of combination and exchange. Combination refers to the incremental change and development of knowledge from existing knowledge within an organization, or more radical innovation. Both are results

of either “combining elements previously unconnected or by developing novel ways of combining elements previously associated,” respectively (Nahapiet & Ghoshal, 1998). Exchange involves a transfer of distinct knowledge between two parties. Either process is presumably facilitated by trust.

An Overview of What Follows

Of the varying elements involved in the relational conditions in the careerist-appointee nexus, trust stands out as an important variable to consider in presidents’ strategic placement of appointees. Trust (1) increases access to knowledge exchange, (2) increases the anticipated value of that exchange among actors, and (3) increases individuals’ willingness to take risks. Trust more fully establishes how actors are connected to one another—“who you reach and how you reach them” (Nahapiet & Ghoshal, 1998). And, while mutual trust can become an asset created and leveraged through relationships, these relationships are conditioned by the policy domain, individuals’ formal responsibilities, and the organization's structure, leadership, goals, and culture.

In this dissertation, I explore the following in previously unexplored ways in the literature on the administrative presidency: (1) how the trust established among career executives and presidential appointees is connected to the development of organizational intellectual capital; (2) what dimensions of intellectual capital are most valued within organizations and in discrete individual relationships; and (3) upon what conditions of embeddedness either trust or intellectual capital might be enhanced or diminished. The study focuses on appointee placement in federal agencies and its effect on the trust

established between appointees and careerists during the second term of the George W. Bush administration. Concomitantly, I ask whether and how trust affects intellectual capital capacity in these organizations? Do different conditions of embeddedness have more significant impacts on intellectual capital than others? Additionally, what are the systematic effects of careerist-appointee relations at the executive level on lower levels of the hierarchy, and how does embeddedness condition these systematic effects?

The second chapter provides a literature review of the existing scholarship addressing the “administrative” or “managerial” presidency, especially the evolution of the use of appointments as a strategic resource for presidential policymaking. The second chapter provides an intellectual background to the research questions developed in later chapters, and it provides important context to the implications of the study’s findings. The chapter also introduces the theories that propose the appointment of presidential loyalists as either a theoretically logical or normatively prescribed method of bureaucratic control. The chapter ends by identifying, throughout past scholarship on the administrative presidency, the repeated emergence of trust between appointees and career executives as a critical factor in the success of the tool’s strategic application. I argue that, despite its central importance, the construct has either been only implicitly identified or assumed as a critical factor. Still, even when appointee-careerist trust is explicitly identified as being critical to the success of a president to see through his policy preferences administratively, I find that the construct has seldom been properly defined and its effects on organizational outcomes has never been expressly or systematically tested. Also absent in this research is how the administrative presidency affects

careerists' trust in political appointees, and what that means for information flow from careerists to appointees.

The next three chapters, respectively, unpack the concept of trust in previously unexplored ways in the literature on the administrative presidency, offer an integrated model of the relationship between trust, social capital building, and administrative strategies, and test that model empirically. Throughout chapters three, four and five, I supplement the discussion and analysis with semi-structured interviews conducted of career managers, executives, and political appointees in the federal executive branch from July 2010 through February 2011. Interviewees were selected on the basis of their management rank in select Departments (namely, the Department of Education (Dept. of Ed.) and the Animal Plant and Health Inspection Service of the Department of Agriculture (APHIS)) and respective roles in policy development and implementation. The agency selections are two agencies in which policy outcomes seemed to align to the Bush administration's policy goals. They also provide variation in the administration's purported objectives. APHIS represents a regulatory agency in which the administration's alleged intent was to reduce regulatory oversight and impacts on large agribusiness. The Dept. of Ed. provides an example of the administration's attempt to leverage and enhance administrative capacity to see through an expanded role of the federal government. In total, I interviewed 6 members of the Senior Executive Service, two political appointees, and four career managers.

Chapter 3 examines the construct of trust by reviewing the existing literature on trust in organizations, generally. This literature spans the fields of public administration, organization theory, management, and political science. I find that there is little in the

way of studies on trust in organizations, generally, that examine how relationships between actors at higher levels in an organization affect the perceptions and performance of actors at lower levels of the organization. Second, as it relates to the administrative presidency, I argue that the politicization strategy's logic is based in traditional economic exchange theories of intra-organizational relationships, such as agency theory, that "place little emphasis on trust" (Whitener, Brodt, Korsgaard, & Werner, 1998, p. 514). I demonstrate the link between the development of trust among actors at executive levels to an organization's intellectual capital. Finally, the chapter highlights the importance of embeddedness attributes to the strength of that relationship.

The third chapter also presents a theoretical model, derived from the literatures reviewed. I develop a model that connects a carefully defined conceptualization of trust among stratified organizational actors within public hierarchies to the development of an organization's intellectual capital. From this model, I advance a series of hypotheses that are tested in the subsequent chapters. After discussing the model, I provide a set of testable hypotheses based on the literature reviewed in the administrative presidency, trust, and social capital literature.

Chapter 4 discusses the data collection and findings from the first empirical analysis I do in the study. The analysis involves a logit regression of survey responses in which explicit knowledge exchange is the dichotomous dependent variable, with "encapsulated interest" (i.e., the willingness to depend on another actor based on the potential benefit for both actors to engage in a mutually reinforcing relationship) as the main independent variable of interest. I utilize a 2008 National Academy of Public Administration (NAPA) survey of career Senior Executive Service (SES) members on

presidential transitions (a project on which I was a consultant). I discuss many of the relevant qualitative and univariate statistics produced in that study. I also present the results for the logit regression analysis. The chapter examines the Bush administration's preparations for the presidential transition of 2008—2009. In doing so, I am able to unpack the encapsulated interest among career executives and political appointees in order to investigate determinants of explicit policy knowledge exchange in an area of implementation for which career executives are particularly suited.

This policy area (transition preparation) provides a sensible point to begin my analysis because it is one that was simultaneously implemented across agencies, in a largely universal manner, and intended to be carried out according to a centralized presidential mandate from the White House to political appointees. Importantly, the mandate from the White House explicitly directs Bush appointees to work *with* career executives in formulating implementation plans and carrying out implementation. The analysis in Chapter 4 also serves as a logical starting point for empirically examining these relationships because the survey instrument provides conceptual measures that capture the more narrow aspects of “encapsulated interest” (as opposed to a fuller conceptualization of trust) as it was established between career executives and political appointees leading up to transition implementation. I use a logit model where the dependent variable is explicit knowledge of transition preparation—a policy that required agency-wide expertise and efforts. Covariates include respondent characteristics to improve accuracy of the estimates.

The evidence from Chapter 4's analysis suggests that information exchange was dependent upon the degree to which careerists' interests were encapsulated in the

appointees' own. In other words, Bush appointees seemed to be carrying out what Heclo prescribed as a "contingently cooperative" strategy (Heclo, 1978; Durant 1992; Golden 2000). At the same time, the evidence shows that a large number of SES were kept in the dark on policy decisions in which the White House explicitly insisted on their participation. Thus, the evidence suggests that selective recruitment and ideological identification of appointees do not necessarily make self-executing commands implicit within the executive branch. So, while not conclusive, the evidence shows that no existing account of managerial strategies is completely accurate.

Chapter 5 discusses the second empirical model, including the operationalization of the variables, data collection, univariate analysis of warranted variables included in the study, and the comprehensive results of the inferential statistical model. This chapter uses Federal Human Capital Survey (FHCS) 2006 and 2008 data to examine the relationship between trust and intellectual capital. Chapter 5 expands on Chapter 4 by providing a fuller conceptualization of both "trust" and "intellectual capital." Notably, I employ a hierarchical linear model (HLM) where the level-one dependent variable is individual perceptions of the organization's capacity for intellectual capital development. At level two, the intercept (intellectual capital capacity) is allowed to randomly vary across agencies and is modeled as a function of various embeddedness attributes of the agencies. The coefficient on the trust variable is modeled as a function of level-two covariates that capture various embeddedness attributes (including the construct of "appointee layering"), while also including the dyadic trust between career senior executives and appointees in the respondent's respective agency as a level-two covariate.⁴ I, therefore, explain in this chapter the systematic effects of appointee layering and the relationship

between career executives and political appointees by measuring the relative impact that trust at the highest levels within an organization has on the development of trust among lower-level career officials.

The findings suggest that the trust that is established between appointees and careerists at the executive level of a respective agency has a “trickle-down” effect on the development of institutional competence in that organization *as a whole*. I also find that politicization has a negative and direct impact on intellectual capital. While this finding seems accordant to structural reform prescriptions that argue the federal government should reduce the overall number of political appointees,⁵ the findings more profoundly speak to why the motivations that underlie presidential administrative strategies and the interpersonal relations that develop among career and political executives as a result are a more imperative direction for analysis. These findings indicate that it is necessary to understand the dynamics of intra-organizational, interpersonal relationships in order to understand the effect that appointee-careerist relations have on organizational outcomes.

Finally, Chapter 6 provides a summary review of the findings, my interpretation of these findings and their implications for administrative strategies for advancing presidential policy agendas, as well as shortcomings of the analysis and promising next steps in this area of research. When all is said and done, readers will garner an understanding of the administrative presidency that incorporates previously unexplored insights from cognate fields that bear on this important topic. In the process, they can weigh the findings and interpretations of a wide-ranging analysis testing a set of hypotheses derived from a multi-disciplinary, scholarship-based, theoretical model of the impact of appointee-careerist trust on the development of organizational intellectual

capital. My hope is that the framework and analyses I offer will contribute to our knowledge of the effectiveness and limitations in presidents' attempts to align administrative power to advance their policy agendas. Optimally, it will also spawn future research that takes the study of the administrative presidency in new directions.

CHAPTER 2

THE HISTORICAL DEVELOPMENT OF THE ADMINISTRATIVE PRESIDENCY

Under an administrative presidency strategy a political executive should be just what the name indicates—political and executive. The basic premise is that management tasks can and should be performed by partisans. This concept is not only appropriate, but necessary, to a functioning democracy in a large and technologically advanced nation such as the United States.

—Richard P. Nathan (1983), *The Administrative Presidency*

No matter how loyal appointees are to the president, they need to know what to do and how to do it once they get their jobs. The ability to manage, design, and effectively carry out new programs, implement key legislation, or deliver services should be prominent—indeed primary—criteria for choosing appointees.

—George C. Edwards (2001), “Why Not the Best? The Loyalty-Competence Trade-Off in Presidential Appointments”

Every tool is a weapon—if you hold it right.

—Ani DiFranco (1993), *My IQ*

The institutional system of the presidency includes both the formally established organizations and ephemeral structures that are affected by (and affect) the president’s ability to marshal resources according to the incentives and constraints of his position in the American separation of powers. Critically centered in this system are the various departments, agencies, governmental corporations, and public-private partnerships that comprise the federal bureaucracy, especially those formally set in the executive branch but collectively known as the “administrative state.” This term refers to the collection of

expert agencies “tasked with important governing functions through loosely drawn statutes that empower unelected officials to undertake such important matters as preventing ‘unfair competition,’ granting licenses as ‘the public interest, convenience or necessity’ will indicate, maintaining a ‘fair and orderly market,’ and so forth” (Rohr, 1986, p. xi).

An institution in itself, the administrative state might be considered modern America’s answer to the inertia and friction inherent to a separation-of-powers system (Rosenbloom, 1983). It is the collapse of all three governmental functions into a fourth branch of government, one in which “public administrators make rules (legislation), implement these rules (an executive function), and adjudicate questions concerning their application and execution (a judicial function)” (Rosenbloom, 1983). Despite this accumulation of executive, legislative, and judicial functions, modern public administration doctrine has increasingly focused on “elected and appointed executives to be the primary sources of energy, efficiency, and leadership in managing public agencies” (Rosenbloom, 2010, p. 101). This, in turn, is endogenous to a political culture that “aggrandize[s] the importance of the presidency and presidential powers” (Rosenbloom, 2010, p. 101).

It is argued that Congress and the judiciary have (with notable exceptions) gradually deferred power to the presidency, such that the current Obama presidency has inherited “more constitutional and legal power than any president in U.S. history” (Balkin, 2008). The increased complexity of policy demands has led Congress to delegate substantial discretion to agencies, which allows administrators “ample opportunity to move in a number of different directions in enforcing the law” (F. Rourke, 1991, p. 125).

Therefore, as I outlined in Chapter 1, presidents have sought to substitute their policy judgment for that of the Congress, the judiciary, and the career bureaucracy through one or more of the following means: centralizing of administrative decision making and regulatory review, politicizing the bureaucracy through appointment powers, exercising “top-down” budget procedures, reorganizing agencies, altering decision premises and career paths of careerists and SES personnel, and applying the unilateral tools of the executive.

As I also noted in Chapter 1, the strategy itself stems from a high level of distrust by presidents that their policy aims will not be faithfully carried out by the career bureaucracy. Consequently, at the heart of the administrative presidency, the relationships between appointees and careerists become vital to understanding the relative responsiveness of career staff. If, as Andrew Rudalevige (2002) argues, politicization is intended as a means to tactically unite institutional and responsive competence, then it is important to understand how relations within the appointee-careerist nexus can successfully make this happen. Therefore, the extent to which a president’s distrust of the career bureaucracy is carried on by his appointees and to what degree this distrust is thereby reciprocated by careerists may be a critical determinant in a president’s relative success.

It is the politicization strategy on which the present study is focused. Yet, it is certainly not entirely separable from the centralization strategy or other administrative tools. Centralization and politicization, especially, have been used simultaneously, variously leading to complementary or contradictory outcomes (Newland, 1983). While centralizing policy formulation in the White House may effectively allow a president to

circumvent congressional and bureaucratic policy preferences, implementation success of a president's policies depends on the ability of the White House to "monitor, prod, and pressure [the bureaucracy] to carry out policy" (Durant & Resh, 2010, p. 580). Thus, politicization of bureaucratic ranks is thought to be complementary to, and an extension of, centralization. Indeed, if Nathan's (1983) axiom that "personnel is policy" is true, then the centralized selection of personnel by the White House is, in itself, an apt example of the complementary nature of these two strategies.

According to Terry Moe (1989), modern presidents from Roosevelt through Reagan have attempted to centralize administrative decision-making by expanding the institutional capacity of the inner-White House bureaucracy and politicizing bureaucratic agencies of the executive branch. Moe proposes that as government has taken a more aggressive role in tackling societal issues, the public has increasingly looked to the president as the generalized leader of government. Indeed, as Figure 1 indicates, political culture and public opinion has increasingly centered on the presidency or the executive branch, more generally, as the locus of societal solutions or problems.

Moe (1993) argues that these expectations have direct effects on how modern presidents, as politicians, attain three basic goals: reelection, good standing in public opinion, and a favorable historical legacy. Mainly, the effect of increased expectations is to constrain the president's ability to attain these goals.⁶ And with this reality comes a fear that is readily translatable into distrust of the bureaucracy. With a president's reelection and historical reputation overall dependent on the career bureaucracy, what if bureaucrats exercise their inevitable discretion to make and implement policies in ways that, intentionally or inadvertently, do not advance a president's policy agenda?

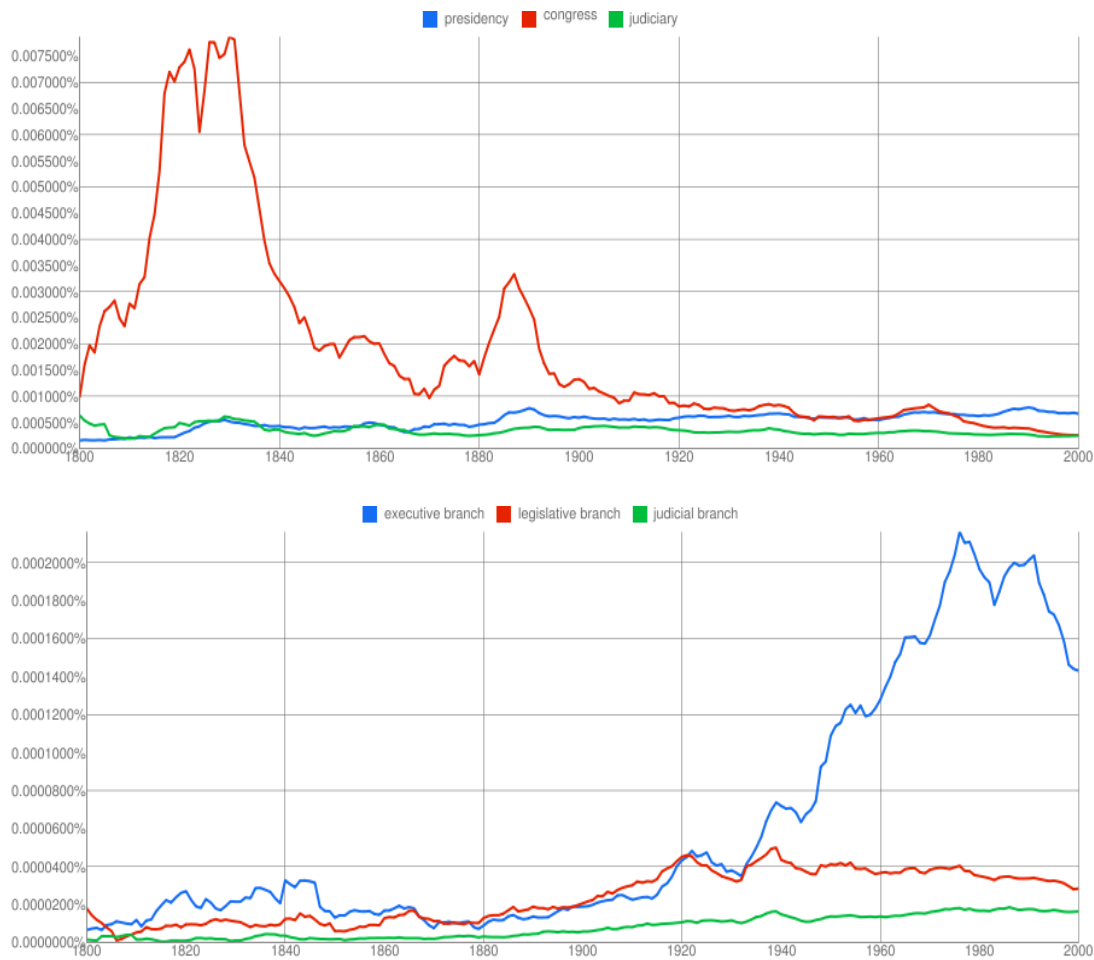


Figure 1. Use of the Terms “Presidency” and “Executive Branch” in Comparison to Competing Institutions through the Corpus of American English 1800—2000. Source: Google Labs—Books Ngram Viewer (Available at <http://ngrams.googlelabs.com/>).

Therefore, the argument follows that a president maximizes the “structures and resources closest to him” in the pursuit of responsive competence through the resources that offer him the most flexibility in changing institutional structures: centralizing policy making and the politicization of the bureaucracy through appointment powers (Terry M. Moe, 1993; Nathan, 1983). Moe’s implicit argument is that both uses of resources will, in the aggregate, accomplish better organizational coherence to presidential prerogatives.

Presidents, Moe claims, can increase the White House's organizational aptitude by centralizing the institutional presidency in the White House "through greater size, division of labor, specialization, hierarchic coordination, [and] formal linkages with outside organizations and constituencies" (p. 244).

The second, more flexible, and constitutionally legitimate resource is the increased focus on political appointments. Moe argues that presidents achieve responsiveness through the selection of appointees based on loyalty, ideological proximity to the president, or identifiable support of the president's policy prerogatives. By negotiating for and attaining increases in the number of appointments, it is believed that presidents can achieve more responsive competence in the White House and the federal bureaucracy (Durant & Resh, 2010). This act of increasing the number and managerial influence of appointees within agencies, while simultaneously isolating and centralizing organizational decision-making and its deliberation to a corps of identified loyalists, is commonly referred to as "politicization" (Lewis, 2008; Suleiman, 2003).⁷

The remainder of this chapter will provide an analytical history to the development of the politicization strategy over time. To do so, this chapter also provides a background on the institutional developments that allowed for centralization strategies to be used in conjunction with politicization in efforts to attenuate presidents' distrust of the federal bureaucracy to carry out their policy agendas without misfeasance, malfeasance, or nonfeasance. The main purpose of the chapter is to provide a context to the research questions developed in later chapters. I critically examine three themes that David Lewis (2008) identifies as common throughout the existing accounts of the politicization strategy: (1) politicization has continued and, even, increased across

administrations; (2) it is mostly reflective of Republican or conservative administrations; and (3) politicization is a threat to the development of bureaucratic competence (p. 3).

Throughout the narrative that this stream of literature creates, the reader will be introduced to the theories that debate the logic behind the strategy called “politicization” and the normative implications of this strategy as a prescribed method of bureaucratic control. I end this chapter by recognizing that throughout past scholarship on the administrative presidency, there is a repeated identification of the trust established between appointees and career executives as a critical factor in building institutional capacity through information sharing necessary for advancing a president’s policy agenda through politicization. I question how these relationships may have helped determine the relative success of Bush’s politicization strategy under varying contextual factors that influence organizational life and relationships within the very agencies through which Bush endeavored his policy agenda.

Politicization by Gradation: The Early Development of the Administrative Presidency

Consensus among presidential scholars is that the institution of the presidency, and its role within our separation of powers system, dramatically changed with the advent of Franklin Delano Roosevelt’s New Deal (Dickinson, 2005; Jones, 1999; Neustadt, 1990). By 1939, Congress approved many of the reforms proposed by Roosevelt’s 1937 Commission on Administrative Management, commonly known as the “Brownlow Report.” These reforms substantially empowered the organizational capacity of the president vis-à-vis the competing branches of government by enhancing his ability to oversee and direct administrative agencies. Roosevelt formally established the Executive

Office of the President (EOP), which introduced a “fairly coherent central capability to bring greater unity of purpose and consistency of action to the executive branch” (Heclo, 1983, p. 11). Yet, through the FDR and Truman administrations, the appointment power of the presidency retained its purpose as mainly a means of political patronage.

This was primarily the case for three interrelated reasons: (1) progressive reforms creating the merit system left little room for presidents to repay political favors to party operatives; (2) as leaders of the dominant liberal regime, personnel of newly created agencies naturally aligned with the institutional order reflective of that regime (Skowronek, 2008); and (3) the belief that politics and administration could be separated as complementary, but fundamentally different, notions was the zeitgeist of orthodox public administrative thinking at the time (Rosenbloom, 2001). As Hugh Heclo (1977) documents, “political patronage was used more as a means of managing potential political conflict than of building a network of presidential loyalists throughout the executive branch” (p. 71).

The 1953 transition to the Eisenhower administration, however, established a qualitatively different approach to the vetting of appointees than his predecessors. Eisenhower entered as a Republican president who was ideologically opposed to many of the New Deal programs that had created this vast and complex bureaucracy within the federal executive branch. Thus, given the fact that many of the departments and agencies were fundamentally created as undergirding for the construction of New Deal ideology as the dominant political regime (Skowronek, 2006, 2008), many of the career bureaucrats identified with New Deal liberal ideology. Eisenhower sought ways to compensate for his “regime outsider” status during “the post—New Deal period of liberal political

dominance” (Skowronek, 2008, p. 29) and the substantial lack of executive branch experience within the Republican Party. To do so, he “relied on businessmen and state and local politicians to staff his administration... [warning] his appointees not to trust careerists” (Maranto, 2005, p. 100).

The Eisenhower administration created a parallel decision structure in the Schedule C personnel classification system, in order to add to the number of political appointees and enhance power over the bureaucracy (Maranto, 2005; Van Riper, 1958) and push policy decisions away from the realm of legislative bargaining. Schedule C appointees were envisioned to be “ministerial staff” that could hold “substantial informal authority as experts, gatekeepers, and public spokespeople” (Lewis, 2008).⁸ Importantly, however, the aim of the Eisenhower administration was “a refinement of the customary desire for party spoils rather than at strategic presidential control over the executive establishment” (Heclo, 1977, p. 72). “Equally important,” writes Heclo (1977, p. 72), “these politicizing efforts were not the product of a monolithic White House staff system, and other factions of presidential aides could and did strongly counter the plan.”

Superficially, one could make the argument that the Kennedy and Johnson administrations were less antagonistic to career bureaucrats and existing institutional arrangements. Yet, both administrations centralized control of decision-making within the White House by expanding its internal bureaucracy with task forces and advisory committees, rejecting Eisenhower’s more independent cabinet model (Pfiffner, 1987, p. 58). Also, “the Kennedy administration enjoyed advantages similar to some of those in the Roosevelt years, that is, using the personal charisma of the President...to bring new sources of loyalty and energy into the government service” (Heclo 1977, p. 73).

Kennedy, however, faced substantial pushback from “the favored interests of the old order and their residual institutional supports” (Skowronek, 2008, p. 44). Building “new sources of loyalty” was a means of circumventing formerly established power structures in order to advance his policy agendas. In many cases, this entailed evading traditional merit principles in an effort to prioritize loyalty over competence (Heclo, 1977).

Lyndon B. Johnson, too, was tasked with maintaining and fostering the still-resilient New Deal regime under changing demands. But, Johnson had “the Rooseveltian ingredient missing during most of the Kennedy period: programs” (Heclo, 1977, p. 73). Johnson’s “Great Society” programs built loyalty through the creation of programs that attracted young people to civil service who identified with “social welfare, regulatory, and civil rights-oriented domestic agencies” (Maranto 2003, p. 101). Johnson helped secure the resiliency of the New Deal, while redefining its aims.

Increased Politicization as a Second Qualitative Shift in Presidential Strategies

The 1970s began a qualitative shift hiking up the use and visibility of administrative strategies for pursuing presidential agendas. However, it did not begin that way. In his first administration, Richard Nixon concentrated on a legislative strategy to introduce new domestic policy initiatives that sought to reform the failures he perceived in the Great Society programs. Nixon labeled himself a “pragmatic idealist” and sought to pass a legislative agenda that combined “his recognition of, and respect for, the limits of government’s role in the lives of its citizens with his conviction that some of the social and cultural achievements of FDR’s New Deal and LBJ’s Great Society were worth

preserving and even expanding” (Gannon, 2010). This legislative strategy was accompanied by an almost absent management philosophy. As Nathan (1983) documents,

“Nixon had never been directly responsible for a large organization. His notion of management in 1969 seemed to be that it was a profession or science, that expert managers from the business world could improve the performance and efficiency of the government, but that it was not an area of direct presidential responsibility and action” (p. 29).

Thus, Nixon initially relied on a “strong cabinet” approach, in which members of his cabinet were not personally or sometimes even politically close to him. He appointed secretaries who had established national reputations, independent professional identities, and represented “major interests in the inner councils of government” (Nathan 1983, p. 30). Nixon stated that he did not want a “Cabinet of ‘Yes’ men” (Nathan 1983, p. 28), and his Cabinet was true to that statement. “The White House staff concentrated its attention on Congress and its legislative agenda. Cabinet members heard from White House officials mostly in connection with legislative matters” (Nathan 1983, p. 8).

However, because Cabinet members had little input on Nixon’s legislative agenda and were “allowed to go their own way” (Nathan 1983, p. 8), a split in allegiance was created between the presidency and the administrative agencies they were tasked with leading. First, as Nathan argues, the independent and representational characteristics of the Cabinet members inherently left them divided between both external interests and the “internal needs of the president” (Nathan 1983, p. 30). Second, the Nixon administration’s inattention to managerial direction left Cabinet members and subcabinet appointees to be socialized to agency norms by career staff. This led to the perceived likelihood that appointees would “marry the natives” by a process of being “submerged on a daily basis in the agency’s own activities” and internalizing the career staff’s point

of view (Rourke 1991, p. 130). In doing so, “[the appointees’] primary concern becomes the protection of the agency’s, rather than the president’s, interests” (Rourke 1991, p. 130).

Given these perceptions by the administration, Nixon began to shift his attention to administrative issues after the second year of his first term. This shift was more dramatic upon his reelection. It was Nixon’s belief that the federal bureaucracy was predominately populated by career officials whom he could not depend upon due to philosophies of government that were antithetical to the administration’s. This belief was not necessarily unfounded. As Joel Aberbach and Bert Rockman (1995) verify, the career ranks were dominated by employees who shared a Democratic stance on the role of the federal government. “The tone of the second term and the administration’s policy positions involved a decided turn to the right,” writes Nathan, “as Nixon took a more pessimistic and conservative position on domestic issues” (p. 53).

Lewis (2008) identifies the “extent to which presidents and their appointees confront career personnel in management positions that do not share their ideology or priorities” as a major factor in influencing the “number and penetration of appointees” in specific agencies (p. 30). First coined by Richard Nathan in 1976, the “administrative presidency” was introduced by the Nixon administration through a three-pronged strategic approach to appointee placement in his second term: (1) a concerted effort to bypass the Republican party establishment’s claims for patronage in the 1972 Campaign Committee to Reelect the President; (2) a systematic focus on loyalty to the president’s programmatic goals and ideological orientation as the primary qualification for hire; and (3) an emphasis on operational control of agencies by presidential loyalists over

patronage concerns of the Republican party (Heclo 1977). The end goal was “comprehensive managerial control of the executive branch under the President” (Heclo 1977, p. 75).

Therefore, Nixon centralized personnel selection within the White House to pursue an administrative strategy that was intended to advance his policy objectives outside of legislative means. Nixon required resignations from all existing political appointees and accepted those from personnel who were seen as potentially out of kilter with, or disloyal to, the administration’s programmatic goals. Nixon also appointed several White House aides to important management positions within agencies and promoted loyal subcabinet officials (Nathan 1983). Loyalty became the key variable in appointment decisions, trumping professional or political reputation. As Nathan (1983) writes, “in every case, these appointees fit the pattern of trusted associates who were not luminaries in their own right” (p. 51).

Nixon’s unshakable distrust and resentment for the career bureaucracy, which he saw as intrinsically tied to the interests of the Kennedy and Johnson administrations, was a major impetus for his “New Federalism” approach to domestic social programs that circumvented the federal bureaucracy through various categorical grants to the states (Michaels 1997). While devolving implementation responsibilities to the states, Nixon simultaneously called for reduction-in-force of federal programs, reorganization of departments, and “the elimination of federal bureaucratic discretion in various grant-in-aid programs” (Cole & Caputo, 1979, p. 400). Nixon also reorganized the Bureau of the Budget and renamed it the Office of Management and Budget (OMB), “hoping to extend

the president's reach into how the departments and agencies were run" (Andrew Rudalevige, 2006, p. 5).

This reorganization strategy allowed the White House to promote identifiable loyalists within the senior career ranks to decision-making roles within organizations, while "burying" other careerists below these loyalists and adding layers of Schedule C appointees (Michaels 1997). This would be a management strategy to be copied by his successors. And, while subsequent Republican presidents tended to believe "that the permanent government was only lukewarm toward their political objectives" (Dickinson, 2005, p. 156), there is evidence (as we shall see) that the same was true of Democratic presidents as well.

Judith Michaels (1997) argues that Nixon's administrative strategy did "long-term damage to the concept of neutral competence...[and] added to the overall 'thickening' of government by interposing additional layers of political appointees between the top careerists and the top politicians" (p. 26). I will discuss the concepts of "neutral competence" (and the fiction that underlies it) and "thickening" in the paragraphs below. But, it is important to recognize that after the downfall of the Nixon presidency and Gerald Ford's subsequently brief and quiet maintenance of an increasingly "imperiled presidency" (Cronin, 1978), Jimmy Carter entered office with a similar distrust of the permanent Washington bureaucracy. Rhetorically, Carter argued that his distrust was based more in the established structure and processes of the federal bureaucracy than the character of career bureaucrats. Paradoxically, Carter sought to reform the civil service system in a way that (unintentionally or not) might have had more lasting effects on the

establishment of the “administrative presidency” as an enduring collective strategy and jeopardizing the role of career bureaucrats than anything Nixon ever put into practice.

Carter maintained that the programmatic goals of the liberal regime were fundamentally sound and reflective of the general public interest (Skowronek 2008). Carter, however, was a “New Democrat” who was more oriented to business interests than the interests that were traditionally aligned to the existing regime. Thus, Carter argued that the inefficiencies of a system that was made inflexible by red tape and technical complexity necessitated a comprehensive overhaul of the federal bureaucracy:

“Carter would do for the bureaucratic apparatus of the liberal regime what [Franklin] Pierce had intended to do for the patronage apparatus of the Jacksonian regime—repair the mechanical defects and realize a new level of operational proficiency. With their perfection of the apparatus, they hoped to save the old regime from its own self-destructive impulses and, at the same time, eliminate the need to make any substantive choices among interests. Political vitality was to be restored simply by making the engines of power run more efficiently” (Skowronek 2008, p. 71).

The Civil Service Reform Act of 1978 (CSRA) was the product of the Carter administration’s Personnel Management Project, which sought to “modernize human resource management by streamlining the system through simplification and decentralization, to restructure for better management by replacing the Civil Service Commission, creating the Senior Executive Service (SES), and to address such issues as productivity, job quality, workforce planning, recruiting, training, development, compensation, and performance evaluation” (Brook, 2000, p. 2). While the CSRA ostensibly sought to maintain the principle of merit “while improving the management of the federal personnel system,” the SES was founded under the premise of ensuring more responsiveness to the president’s agenda in the executive levels of the career civil service

(Huddleston & Boyer, 1996). Responsiveness was to be achieved by making career SES members subject to performance bonuses, subject to relocation within a department, and allowing ten percent of their ranks to be politically appointed.

The SES was to be a corps of, primarily, careerists presumably selected for executive positions based on their leadership qualifications, rather than their technical expertise (NAPA, 2009). A recent National Academy of Public Administration (NAPA) study argues that SES provide a key connection between appointees and the remainder of federal employees—managing and overseeing practically every federal government activity (NAPA, 2009). As indicated in the NAPA report and OPM data, most SES have long tenures in government, and a majority also possess at least 6 years of experience within their current organization (NAPA, 2009). “They bring to the table both subject matter expertise and a detailed knowledge of the ‘moving parts’ and key stakeholders that affect their agency or department” (NAPA, 2009).

Yet, such a glowing depiction of SES leadership may be a bit partial, just as employing such terms as “neutral” or “responsive” competence implies that the archaic notion of a politics-administration dichotomy is still very much assumed by advocates of the career bureaucracy. The most frequently cited definition of “neutral competence” is one filled with contradictions and conflicting principles:

“Neutral competence is a strange amalgam of loyalty that argues back, partisanship that shifts with the changing partisans, independence that depends on others.” (Heclo qtd. in Seidman and Gilmour 1986, 73)

As Aberbach and Rockman (1991) have cogently argued, the notion of “neutral competence” implies that SES are merely empty vessels of organizational knowledge and substantive expertise who willingly provide their political leadership with the information

needed to make fully informed policy decisions. Politicization proponents argue that no one can conceivably lack interests and objectives across policy domains, especially those who have such intimate and operational relationships with issue network actors. In this same vein, organization theory has long established that “people seek favorable associational conditions from their viewpoint and tend to gravitate toward organizations that share their personal values and norms and where they can work comfortably with colleagues of the same professional, educational, and social backgrounds” (Seidman, 1998). “Consequently, it follows that if all ‘parties’ have interests, the concept of ‘neutral competence’ lacks operational meaning” (Aberbach & Rockman, 1991). Instead, bureaucrats may prioritize their own goals ahead of the president’s.

This logic is consistent with the general trend of thought in public administration scholarship: “Whether through self-selection (Brehm & Gates, 1997) or indoctrination to an agency mission (Downs, 1967), one does not have to ascribe pernicious motives to public employees to believe that they have policy interests that may differ from those of the president” (Lowery, 2000, p. 93). Yet, there is little question that institutional memory and continuity is critical to the success of an organization and its leadership (see more about this distinction in the section below on bureaucratic competence). Therefore, the creation of the SES was thought to address the “conflict between the desire for greater political responsiveness and the desire for greater managerial capability and independence” (Ban, 2000, p. 58). Although it is debated whether political responsiveness to the president was indeed its intent,⁹ subsequent evaluations of the creation of the SES have identified the CSRA as giving “potent partisan powers to the party that controls the presidency” (Brook, 2000, p. 8). Thus, CSRA and the SES have

been called “Carter’s gift to Reagan”—facilitating the Reagan administration’s ability to politicize the executive branch (Michaels, 1997, p. 164).

The Reagan Revolution and the
“Republican” Tendency toward Politicization

Much of the scholarship examining the administrative presidency, and especially on politicization strategy, focuses on the Reagan administration for several interconnected reasons. First, the Reagan administration arguably marks the most successful and systematic implementation of the politicization strategy to achieve a president’s policy goals (B. D. Wood & Waterman, 1994). Second, Reagan’s rhetoric represented an acute and overt distrust of the career bureaucracy (Michaels, 1997; Pfiffner, 1985, 1987, 1991; Reagan, 1989). Third, the “Reagan Revolution” represented a blunt repudiation of the liberal political regime that fundamentally redefined the “terms and conditions of legitimate national government,” and instituted a new conservative regime that would continue for decades (Skowronek, 2008, p. 96). Finally, Reagan’s politicization strategy was implemented in conjunction with an organized managerial approach that served as a model for subsequent presidencies, but most markedly for the George W. Bush administration (Moynihan & Roberts, 2010; Warshaw, 2006).

According to Robert Durant (1992), “Upon assuming the presidency, Ronald Reagan relentlessly applied an administrative strategy to the pursuit of his policy goals in a fashion and to an extent unprecedented in terms of its strategic significance, scope, and philosophical zeal” (p. 4). While this, as noted, is a multi-pronged strategy involving contextual strategies and unilateral tools (Durant 1992), there were two foundational

elements of Reagan's administrative presidency that relate to the focus of the present study:

- (1) "Appointing 'movement' conservatives, intimate associates, and kindred philosophical spirits to key posts throughout the bureaucracy to direct and control its operations"
- (2) "Pursuing major intra-departmental reorganizations designed to symbolize and institutionalize the purposes of the president" (Durant, 1992, p. 4)

Empirical evidence indicates that Reagan appointees' fealty and ideological proximity to presidential prerogatives were, indeed, driving forces behind the placement of many appointees (Durant, 1992; B. D. Wood & Waterman, 1994). Presidential policy preferences were believed to be more easily achieved as a function of: (1) constraining the discretion of agency leadership in line with the president's goals, (2) the structural flexibility allowed to leadership to see through those goals, and (3) the political leadership's capacity to shift policy direction through the reorganization of human capital within an agency (Durant & Resh, 2010). These approaches are sometimes implemented using a management approach sometimes been referred to as "jigsaw puzzle" or "mushroom" management (Pfiffner, 1985).

This management approach relies on the assumption that career bureaucrats will act to sabotage the popular mandates for presidential action in areas that do not comport with the status quo that careerists are purportedly interested in maintaining (Sanera, 1984). Therefore, the prescription is set forth that appointees should subvert these perceived careerist intentions by bypassing career SES for policy advice, using them to carry out programs "while keeping them in the dark as to the overall strategy being pursued" (Benda & Levine, 1988; Golden, 2000; Ingraham, 1995; Pfiffner, 1985):

“Career staff will supply information, but they should never become involved in the formulation of agenda related policy objectives...once controversial policy goals are formulated, they should not be released in total to the career staff. Thus the political executive and his political staff become ‘jigsaw puzzle’ managers. Other staff see and work on the individual pieces, but never have enough of the pieces to be able to learn the entire picture” (Sanera, 1984).¹⁰

Politicization and the execution of jigsaw management, during the Reagan presidency, involved a micromanaged, top-down personnel selection effort to identify presidential (or “movement”) loyalists to place within the 10% of SES ranks who could be politically appointed, as well as the approximately 1300 Schedule C appointees. The screening process from the White House’s Office of Presidential Personnel (OPP) was singularly occupied with the criterion of “loyalty” to the president’s ideology and programmatic goals. The Reagan administration instituted a standard practice, since replicated during the George W. Bush presidency, that “the Director of the Office of Presidential Personnel approves each Schedule C appointment” (Pfiffner & Patterson, 2001). The Reagan administration also increased the number of these appointees. In the first six years of the Reagan administration, both noncareer SES and Schedule C appointments increased by 13 percent (Ingraham, Thompson, & Eisenberg, 1995).

The Reagan administration also politicized the Office of Personnel Management (OPM), which oversees the administration of the civil service system and the SES. This was accompanied by a hierarchical, top-down governance structure in many areas of government (especially regulatory and social welfare agencies), in which the means (deregulation, devolution, and downsizing) and the ends (stopping government action) were well aligned and well supported by political staff. Additionally, the administration (through OPM) took advantage of the CSRA’s provisions that allowed the reassignment

of career SES “from one job or geographic location to another” (Salamon & Abramson, 1984, pp. 46-47). With considerable expansion, each of these characteristics (e.g., centralized personnel and policy control, loyalty-focused selection patterns, increased number of lower-level appointments) reveal a good deal of “partisan learning,” in which Reagan copied his co-partisan predecessor’s (Nixon) staffing patterns (Walcott & Hult, 2005). At the same time, the amalgamation of the CSRA reforms, increases in lower-level appointees, centralized personnel selection, and the Reagan administration’s primary goal to “stop” government action in various policy areas essentially sealed “presidential political domination of the federal government’s personnel management” (Newland, 1983, p. 15).

This selection of ideological loyalists was not lost on career bureaucrats either. Seventy percent of career executives who responded to one survey “agreed that the first-term Reagan White House ‘emphasized ideology in making appointments to my agency’” (Maranto, 2002, p. 91). While the strategic appointment of loyalists and jigsaw puzzle management techniques are based on an overall mistrust and lack of respect for the professional character of careerists, careerists’ behavioral reactions to the techniques did vary. As Marissa Golden’s (2000) comparative case analyses show, there is evidence during the Reagan era of A.O. Hirshman’s “exit, voice, and loyalty”, with support for loyalty (i.e., following presidential agendas) as the default option for career bureaucrats, even in reaction to abrasive management approaches. Still, Golden finds that political appointees who acclimatize their managerial styles to agency context and the professional norms of careerists are better able to modify bureaucrats’ self-interest (Durant & Resh, 2010; Golden, 2000).

Career personnel's pursuit of their own goals and resistance to presidential agendas has certainly been substantiated (Durant, 1992; Golden, 2000; O'Leary, 2005; Wood & Waterman, 1994). Yet, while evidence of the "two-way street" is apparent, the overwhelming evidence presented in the literature examining the Reagan presidency points to the significant impact that "the tools of the administrative presidency had on the behavior of [...] career civil servants" (Golden 2000, p. 31). In other words, it is argued that careerists' actions and goals were amenable to manipulation through both the stimulus of strategic appointee placement and the "jigsaw" management techniques promoted by the administration (Wood & Waterman, 1994).

So what can one make of Reagan's ability to reconstruct existing administrative institutions to facilitate the aims of what Skowronek (2008) has called the dominant political regime he led? The Reagan administration was able to usher in the dominance of a new political regime, partly based on a stance toward the federal bureaucracy that was to "stop doing what you're doing" (Reagan, 1989). Yet, this anti-bureaucratic stance may have only served as conceptual evidence of his administration's effort to reconstruct the institutional infrastructure of the old liberal regime. Reagan did not as much "[clear] the ground of obstructions to his alternative," as much as he was able to make rhetorical assaults that undermined the legitimacy of liberal government while simultaneously generating lasting norms within the existing institutional arrangements that favored his preferred ends (Aberbach & Rockman, 1995; Skowronek, 2008, pp. 97-98).

When George H. W. Bush entered the White House, there was a general expectation that he would continue to deliver on the Reagan's ideological and programmatic commitments. Yet, Bush entered the 41st presidency without an ability to

exactly define “what these commitments entail, how they are to be adapted to new conditions, [or] what else they can accommodate” (Skowronek, 2008, p. 101). So, Bush introduced a “kinder and gentler” conservative policy agenda that was epitomized in the Clean Air Act Amendments of 1990 and in policies for the disabled. He came from a more centrist and non-partisan ideological background and “felt at home with a centrist, expert bureaucracy” (Maranto, 2002, p. 97). This meant that his personnel decisions were based on the premise of appointed leaders to provide “stewardship” to agencies, rather than any need for radical change from the previous administration’s policy agenda. Thus, Bush emphasized personal loyalty, but without the ideological baggage of “movement” conservatism that was accompanied by any overt distrust of the career bureaucracy (Maranto, 2002). Bush also highly valued “competence” in his personnel selections, which entailed a focus on Washington insiders who were professionally oriented with the agencies in which they were placed (Maranto, 2002; Michaels, 1997).

Bush was a president who had a Washington resume unmatched by most career politicians *and* bureaucrats. His familiarity with the career bureaucracy led to an acceptance of, and support for, senior career bureaucrats that was at odds with movement conservative views. And, while Bush retained a large number of appointees from the Reagan administration, his personnel selections and appointee placements were not a continuation of the politicization techniques that were central to the Reagan administration.

The Bush administration did not layer lower-level appointees throughout middle-management ranks of targeted agencies. Rather, the White House used its appointments more to reward supporters who were more centrist and perceived as competent to career

government workers (Ingraham, et al., 1995; Maranto, 2002, p. 100; Pfiffner, 1990). This was accompanied by considerable flexibility for Cabinet secretaries to select sub-cabinet appointments (Pfiffner, 1990). However, the administration did allow for about half of Schedule C positions to be set aside for “campaign workers and key supporters,” which “caused some administrative problems” (Pfiffner, 1990). But, for the most part, Bush was credited by the career civil service as appointing competent, and trustworthy, people. Fifty percent of respondents to Robert Maranto’s (1993) survey of members of the Senior Executive Service indicated “trusting Bush appointees,” compared to “37 percent trusting first-term Reagan appointees” (Maranto, 2002, p. 99).

Indeed, the years of the Bush administration saw only modest increases in the number of Schedule C appointments, as opposed to the 17% increase during the first six years of the Reagan administration (Ingraham et al., 1995). Additionally, the number of non-career SES positions actually decreased during the Bush administration. He also came *closer* to implementing the “multiple advocacy” approach to managing the White House than any president since Eisenhower. A multiple-advocacy approach is one in which the president creates a “basis for structured, balanced debate among policy advocates drawn from different parts of the organization (or, as necessary, from outside the organization)” (George, 1972, p. 751).

Although Bush vigorously pursued his preferred policy ends through other strategic tools of the administrative presidency, he pursued a largely nonpartisan management style in respect to personnel selection and placement (Maranto, 2001). Thus, the George H. W. Bush administration serves as counter-evidence to the idea that the politicization strategy is inevitably implemented by Republican presidents. But, as

reflected in many reports of his son's administrative presidency and as we will see below, politicization remains a strategy that has been implemented by subsequent presidents of both political parties.

Clinton, Change, and Continuity

Initial evidence of a political management strategy during the Clinton administration was lacking (Ingraham, et al., 1995), partly due to systematic turnover of appointees from the Bush administration. However, as Ingraham and her associates (1995) document, there emerged "anecdotal evidence [pointing] to a careful and somewhat punitive reexamination of the line between political and career authority" (p. 269). There was a higher rate of turnover within the career SES ranks than in the previous two presidencies, as careerists who were put into political positions by the previous administrations were scuttled to lower level "career-reserved" positions, and others left their agencies or government all together (Ingraham, et al., 1995).

As David Lewis (2008) notes, a "frontal assault" technique in which career managers are pressured to leave, transferred to organizational "Siberia," or otherwise isolated from important organizational decision-making, is a common political management technique (p. 33). The Clinton administration was reported as applying this technique in its first year, targeting career SES in the George H. W. Bush administration who were centrally involved in the implementation of policies adverse to their preferences (Pear, 1992). And as Lewis' (2008) work also demonstrates, party changes tend to lead to increased politicization (p. 109).

Importantly, the Clinton administration's stance toward bureaucratic *action* (rather than stopping things from happening) was one of the most active of any administration since Carter. Like Carter, Clinton used an administrative strategy to advance his policies. Moreover, Clinton sought to implement an active agenda that required bureaucratic expertise in developing regulations, actively pursuing enforcement, and administratively reversing countless Reagan initiatives. Thereby, Clinton sought to leverage administrative power to see through a liberal activist agenda, one that was purportedly more in line with the preferences of the career bureaucracy staffing domestic agencies (which might have made it easier to implement).

The implementation of the politicization strategy is ostensibly meant to align the expert and institutional knowledge of the career bureaucracy with the president's agenda in a given policy area (Rudalevige, 2009). Therefore, the apparent need for that very strategy is attenuated if the careerists' ideological and programmatic proclivities align with the president's without the stimuli of appointed loyalists. Administrative actions that Clinton pursued included increasing consumer protection regulations, prioritizing research and development in renewable energy, aggressive enforcement of National Labor Relations Act and OSHA regulations, increased oversight within the financial sector, among others (Rothstein, 2002).

Each of these areas empowered regulatory agencies and programs created by traditionally Democratic constituencies that had, in many ways, been prevented from pursuing legislatively mandated means of enforcement under Reagan and Bush. Yet, a broad characterization of the Clinton administration simply "turning the power on" for agencies to pursue regulatory enforcement lacks a nuanced understanding of the varying

opportunities that presidents have to influence bureaucratic discretion. This also lacks an understanding of Clinton's policy agenda, which he pursued as a "New Democrat" who accommodated many of the Reagan regime's principles that industry groups favored.

It is often argued that the Clinton administration lacked a "clearly defined policy vision" (Greenstein, 2005, p. 227) (but see Durant, 2006, among others, who contests this characterization). Instead, as a Democratic president in the post-Reagan era, Clinton seemed to have undertaken a preemptive stance toward the Republican revolution with a decidedly centrist and strategically coordinated, "third way" (Skowronek, 2008). In many ways, however, Clinton was captured by the liberal wing of the Democratic Party for the first two years of his presidency (a wing he later turned to in his last two years during the Lewinsky controversy and impeachment hearings). Clinton, however, moved decidedly to the center and campaigned on a centrist agenda in response to the Republicans' takeover of the House in 1994.

In many ways, this seeming shift in ideology was consonant with an identifiable centrist strategy from the start of his presidency. For example, with Clinton's election, many thought that centralized regulatory review would be abandoned (Katzen, 2009). However, Clinton issued EO 12866, in 1993, and undoubtedly retained the essential framework of EO 12291. The technical differences between Clinton's EO and its progenitor were relatively modest. According to West (2005), "EO 12866 was crafted in such a way that it pleased everyone from the Sierra Club to the US Chamber of Commerce" (p. 81), reflecting Clinton's centrist policy agenda. As Shapiro (2004) argues, it "cemented the place of regulatory impact analysis and OIRA's review authority in the regulatory process" while making rather nominal changes to how this review took

place (p. 4). Clinton also introduced the use of “prompt letters” in which OIRA would preemptively advise agencies to prioritize and take specific regulatory actions through the suggestion of OIRA’s own unsolicited analysis.

In respect to the executive-administrative complex, the Clinton administration’s preemptive approach was especially evident in the Clinton-Gore National Performance Review (NPR):

“...a bold and radical call for governmental reinvention...NPR was premised on a theory of reinvention that differed sharply from the traditional theories guiding earlier presidential reform efforts. At the same time, however, NPR was driven by many of the same political calculations and institutional incentives that have governed executive-administrative reform proposals from the Keep Commission to the Grace Commission.” (Lowery, 2000, p. 80)

Thus, NPR seemed to represent an alternative approach to administrative reform that attempted to appeal to “ideologues of all stripes” (Skowronek, 2008, p. 109) by proposing an amalgamation of managerial philosophies that were not that different to preexisting prescriptions from the Reagan era (e.g., the Grace Commission). More accurately, the effort “promised a government closer to the people (smaller, more effective, with better customer service)... [that was] clearly designed for its political potential in luring Perot voters and defining a ‘new Democrat’ approach to governance” (Kettl, 2000, p. 25).

NPR, borrowing heavily from “management-light” appropriations of “public choice theory’s critique of bureaucracy, agency theory’s perspective on the contractual relations between principals and their agents, and transaction cost theory’s attention to more than production costs,” simultaneously represented a departure from traditional hierarchical control models of presidential dominance while promoting the reduction or

elimination of legislative controls on the bureaucracy (Lowery, 2000, p. 81). NPR sought to empower the bureaucracy through calls for increased entrepreneurship in middle management, while eliminating “red tape” that presumably emanated from legislative “micro-management” through procedural mandates (Shipan, 2005). Like Clinton’s approach to regulatory oversight, NPR was intended to “facilitate the ‘moderately activist government’ favored by President Clinton” (Lowery, 2000, p. 87).

The critical proposal in *The Gore Report* was to reform the budget process by establishing an “executive budget resolution” that was criticized as calling for the centralization of agency budget proposals in the White House (Lowery, 2000). Lowery argues that, at its heart, NPR “misdiagnosed the locus of the management problem” by concentrating on administrative procedures rather than the institutional politics between Congress and the presidency that contested the authority over the administrative state (p. 92). As Kettl (1994) saw it, “almost all of what the NPR recommends, in fact, requires that Congress give up power... with no strategy for convincing members of Congress why they should go along” (p. 309). As a result, the reforms that ensued were predictably half-hearted, halting, incremental, or ignored. Nevertheless, even the half-hearted outcomes of this reform provided substantial changes to the structure and processes of agencies that would affect any subsequent president in implementing a politicization strategy. Indeed, these changes presented both constraints and opportunities to which any subsequent president’s administrative strategy would have to adapt.

Rhetorically, NPR intended to reduce middle-management ranks within the career bureaucracy, eliminating approximately 300,000 career jobs (Shoop, 1994). This would allow for the locus of decision-making to rise higher up along agency hierarchies, while

simultaneously allowing more room for Schedule C and non-career SES appointees to operate within that void, expanding their discretion. But, the results of reform were quite the opposite. As Kettl (2000) documents, the rhetoric that drove the federal government's downsizing during the Clinton era actually resulted in the biggest reductions coming in the support positions of frontline workers:

“Workers in the government's general schedule (GS) levels 1—4 (low-level clerical and blue collar workers) shrank by about half. The number of mid-level clerical workers (GS 5—8) as well as entry- and mid-level professional and technical workers (GS 9—12) decreased. However, the number of managers (GS 13—15) actually increased a bit. Quite simply, the reality did not match the rhetoric” (p. 22).

At the same time, the evolution of the administrative state to a “neoadministrative state” was realized with the responsibility and authority for the delivery of public services exceedingly shifted “outward” through contracted relationships with private and nonprofit organizations (Durant & Warber, 2001). From 1990—2002, Paul Light (2008) estimates that there was an overall 420,000-person reduction of non-military and non-postal service civil servants. Over the same period, jobs generated by government contracts or grants increased from a total of 7,474,000 to 8,028,000 (p. 197).

The reduction of federal employment did not adversely affect, however, the number of political appointees. As Paul Light (1995) concludes, over the period of outward expansion and the development of the neoadministrative state, there has been a forceful “thickening” of government “marked by a proliferation of deputy secretaries, undersecretaries, deputy undersecretaries, assistant secretaries, deputy assistant secretaries, associate deputy assistant secretaries, and chiefs of staff” (Seidman, 1998, p. 112). Yet, accompanying the increased layering of appointees at the upper echelons of

organizational structures, federal agencies remained only marginally capable of changing their “[overall] structures, budgets, personnel decisions, priorities, and decision rules” to accommodate this outward and upward expansion (Durant & Warber, 2001, p. 222).

From the Clinton through the subsequent Bush administration, the number of contract managers across government decreased or remained relatively static as the number of contracts exponentially increased over time.¹¹ Therefore, diminished contract management capacity, combined with an increasing role for Schedule C and non-career SES in middle management roles, allowed for the possibility of presidential control over the letting of contracts, while simultaneously diminishing “the control that presidents and their appointees have over the ends, means, and outcomes of the policies they wish to pursue” (Durant & Warber, 2001, p. 226). This, in turn, requires appointees who appreciate the realpolitik of federal procurement, who are oriented with the networks of actors in a given policy domain who can best advance presidential policy goals, and who can adroitly operate in an environment that is replete with the procedural hurdles of “budget accounts, grant-in-aid regulations, personnel classifications, and decision rules that vary across agencies [and partnerships]” (Durant & Warber, 2001, pp. 233-235). This may be especially important if the intent of a subsequent administration is not to impede bureaucratic action, but to aggressively wield administrative power toward an activist agenda.

George W. Bush, “Big Government Conservatism,”
and Politicization

President George W. Bush began his transition into the White House by “quietly building the most conservative administration in modern times, surpassing even Ronald

Reagan in the ideological commitment of his appointments” (Milbank & Nakashima, 2001). Inheriting eight years of Clinton’s administrative mark compelled the Bush administration, like Reagan and Clinton before him, to target strategically those agencies and programs that were presumably opposed to its goals (Lewis, 2008, p. 113). The Bush administration pursued a coordinated personnel selection process that eclipsed even the Reagan administration’s in its zeal for comprehensive loyalty to the president (Moynihan & Roberts, 2010).

Clay Johnson, Bush’s Yale classmate and Chief of Staff in Texas, was quickly put in charge of political appointments as Assistant to the President and Director of Presidential Personnel (and soon after named Deputy Director of Management at OMB). The Bush transition team assembled, perhaps, the most sophisticated and comprehensive database of appointee applicants that had ever been created by an incoming administration (Patterson, Pfiffner, & Lewis, 2008). Johnson kept the opinion that one measure of effectiveness was the degree to which the preferences and identity of candidates for appointment were aligned with the administration’s (Romano, 2007; Warshaw, 2006).

Johnson’s very first question in interviews was “Do you want to work in the White House, or do you want to work in George Bush’s White House?” (Romano, 2007). Yet, Bush was faced with considerable pressures to appoint campaign workers and members of supportive coalition constituencies to Schedule C appointments. While the definition of loyalty is “not a fixed target,” the Bush administration, like Reagan’s, saw it as a primary criterion for appointment (Moynihan & Roberts, 2010; Patterson, et al., 2008, p. 20). To balance the focus on loyalty with these demands, incoming Cabinet

secretaries were given their choice of three candidates to subcabinet-level appointments that were preselected by the Office of Presidential Personnel (OPP) and the White House's political affairs office (Warshaw, 2006).

Yet, Bush faced different demands from a broader swath of conservative constituencies than his most immediate partisan predecessors. Bush "entered the presidency in the late stages of a still-dominant and resilient regime reconstructed initially by Ronald Reagan in the 1980s," but felt that he had to adapt that majority's focus to changed circumstances (institutional, demographic, cultural, and philosophical) (Durant, Stazyk & Resh, 2010, p. 387). The orthodoxy of the Reagan regime, while resilient, was less than coherent.

To win election, Bush attempted to reconstitute the conservative electoral coalition, one that simultaneously absorbed the principles of social and economic conservatism, while promoting government activism to reach those objectives (Robert F. Durant, Edmund Stazyk, et al., 2010, p. 373). Bush's effort to build a permanent conservative electoral coalition was labeled by both supporters and opponents as "big government conservatism" (Durant, Stazyk, & Resh, 2010, p. 373). As conservative pundit Fred Barnes so aptly described it, "The essence of Bush's big government conservatism is a trade-off. To gain free-market reforms and expand individual choice, he's willing to broaden programs and increase spending" (Barnes, 2003).

Undeniably, the Bush administration oversaw a larger increase in spending on domestic programs than any president since Richard Nixon. And while the "war on terror" played an undeniable role in this increase, Bush also oversaw aggressive and increased roles for programs that were traditionally associated with Democratic

constituencies. As Karl Rove explained in the concluding passage of his memoir, Bush “went deep into Democratic territory to show how government can use the tools of capitalism to soften its rough justice” (as cited in Shirley & Devine, 2010). When asked if he considered himself a “small government conservative”, however, Bush replied in the negative, qualifying himself as an “efficient government conservative” (Shirley & Devine, 2010). Although difficult to define precisely, this conception of executive management seemed to emphasize instituting market mechanisms in the public sector through the increased use of outsourcing and “smart regulation,” while relying on a decidedly hierarchical, top-down management approach within the confines of executive agencies to implement an activist agenda that expanded the scope of the federal government in several areas pleasing his diverse electoral base (Anrig, 2007; OMB, 2000; Pfiffner, 2007).

The Bush administration increased the pressure to outsource the implementation of federal services through contracting (Cooper, 2011), increasing substantially the Clintonian trend of increasing the number of contract-generated jobs. Light (2008) documents an increase of 2,466,000 contract jobs from 2002—2006, relative to a mere 54,000 job increase in the civil service and a 20,000 job decrease in military personnel (p. 197). Preceding this growth in the contract state, “there was an additional decline of 22 percent [of the federal contract management workforce] from 1991 to 2001” (Cooper, 2011, p. 9). Over time, scandals arose focused on the increasing use of “pinstripe patronage” schemes—such as no-bid contracts to corporate sponsors of the Bush campaign (Feeney & Kingsley, 2008; Tolchin & Tolchin, 2010); exploitation of small-business contracting set-asides (Scherer, 2005); revolving door practices established

between contractors and political appointees (Thompson, 2009); and the growth of inherently governmental responsibilities carried out by private contractors (Durant, Girth, & Johnston, 2010; Scahill, 2007).

Substantiating the institutionalization of OIRA regulatory review, and marking a continuation of centralized policy making from the EOP, was the apparent wholesale acceptance of Clinton's EO 12866 as the guiding instrument of George W. Bush administration's regulatory review procedures. There was every indication that OIRA oversight was coordinated with appointees who were deferential to OIRA opinions. As John Graham notes in his memoir of his tenure as OIRA Director, "In making appointments to regulatory agencies, President Bush looked for candidates who understood the need to approach federal regulation from a benefit-cost perspective" (Graham, 2010, p. 258). Graham also continued the Clinton-era practice of "prompt letters" that were used in a manner sympathetic to industry interests.

Moreover, OIRA targeted regulatory analysis performed by careerists who were asked to do more analysis with fewer resources (leaving appointees more likely to depend on industry to provide potentially biased data), while Congressional oversight of the review process was largely absent under unified Republican branches (Katzen, 2009). By 2007, Bush amended EO 12866 with EO 13422 that required each agency to name one appointee as the "regulatory officer" to vet all regulations proposed by their respective agencies and prioritize the issuance of rules that diminished environmental safeguards and additional checks on industry (Katzen, 2009). This action infuriated many public interest and environmental groups, helped justify the policy politicization characterization, and signaled fast-track considerations for regulatory development for

several identified policy areas by the incoming Obama administration (OMBWatch, 2009; Savage, 2009). He also sought to have agency guidance documents reviewed by OMB, documents which instructions about how to interpret existing laws and regulations (new and old).

In line with the efforts of his predecessors, Bush sought to centralize policymaking in the White House and the Executive Office of the President (EOP) to circumvent the collective action problems of Congress, and to avoid the “shirking, moral hazard, and adverse selection problems with the bureaucracy” (Durant & Resh, 2010, p. 579). And the first six years of the Bush administration were accompanied by intermittently unified party government that enabled the president to formulate policy within the confines of the White House without a consistent challenge of congressional oversight. Consequently, the Bush administration built an internal White House bureaucracy that replicated agency policy-making capabilities within it to assure a top-down decision structure, in many ways, echoing that of the Reagan White House.

The implicit assumption underlying this strategy is that such a path is necessary to achieve desired results for the presidency (Moe, 1993). Yet, the increased centralization of policy-making capacity in the EOP calls for more top-down management that disregards the potential development of the same “bureaucratic pathologies” that are present in any large, hierarchical organization (i.e., stovepiped responsibilities, lack of integration and communication across hybrid policy domains, lack of “on-the-ground” perspectives and anticipation of implementation problems, and so on.) (Durant, 2009; Durant & Resh, 2010).

The 2006 shift to a Democratic majority in Congress was accompanied by an overt readiness to exercise its inherent oversight powers. This may have forced President Bush to look inward to the structure he created within the White House, where he identified many of the organizational dilemmas enumerated above. Reacting more to the grievances of his internal staff, however, Bush sat down with Clay Johnson to review the organizational chart of the White House. What he found was “a tangled mess, with lines of authority crossing and blurred... it started with ‘cluster’ and ended with four more letters” (Bush, 2010, p. 95). Although this realization led to the replacement of Andrew Card with Josh Bolton as Bush’s Chief of Staff, it is uncertain as to whether the president as clearly recognized another paradox of centralization: especially when a president is trying to make things happen (rather than stop them from happening), “implementation depends on precisely those actors the White House has tried to circumvent through centralization” (Durant & Resh, 2010, p. 580).

If Bush was cognizant of this paradox, the White House’s solution was a familiar one: expanded outsourcing, centralized regulatory development and oversight, and the centralization of policymaking in the White House. These efforts were supplemented by a personnel management strategy in which the Bush administration politicized agencies by layering appointees who were antagonistic to the career bureaucracy in “liberal” domestic and regulatory agencies, while layering patronage appointments in “friendly” ones (Hedge, 2009; Lewis, 2008; Moynihan & Roberts, 2010; Warshaw, 2006). Much like the Reagan administration, and a sign of the Republican “partisan learning” that Hult and Walcott (2004) predict across copartisan administrations, the Bush administration employed a management style “marked by secrecy, speed, and top-down control”

(Pfiffner, 2007, p. 6). Even if the Bush administration's objectives were not the same as Reagan's more small-government conservatism, the management approach appeared very similar to Reagan's. Screening appointees for loyalty to the president's agenda was consistent with the Reagan White House, and one element of Reagan's management strategy included a significant increase in the number of noncareer SES and Schedule C appointees.

Certainly, the personnel management advice emanating from Washington's most prominent conservative think tank was evocative of the same advice the organization proffered to the Reagan administration two decades earlier. In a document that clearly outlines the hostility the writers held toward the career civil service, Moffit and his colleagues (2001) outline the following propositions (among others) that resonate with the jigsaw puzzle management approach of the Reagan administration:¹²

- (1) "The new President must make liberal use of his power of appointment, get a loyal team in place to carry out his agenda, and insist on accountability while maintaining a clear distinction between career and non-career employees."
- (2) "Political appointees must be in charge of implementing the President's policies and readily available to speak for the Administration."
- (3) "Political appointees should make key management decisions; such decisions should not be delegated to the career bureaucracy."
- (4) "The new Administration should provide a clear rationale for continued reductions in the size of the federal workforce and for management changes; workforce reductions should be well planned and systematically implemented."

If this strategy were implemented by the Bush administration (and I will return to this question in Chapter 4 offering analysis that qualifies this judgment), we would expect to see an increase in the number of lower-level, at-will appointments, especially during the second term when patronage appointments seem less likely and appointments for the

purpose of aligning agency actions to a president's preferences are more likely. And, indeed, as reflected in Table 1, we find that the second term of the Bush administration saw a substantial increase in these at-will presidential appointments in Cabinet departments. From 2003—2007, there was over a 13% increase in the number of Schedule C and noncareer SES appointments, including the Department of Homeland Security (DHS) (and a 12% increase from the seventh year [1999] of the Clinton administration in non-DHS appointments).¹³

Table 1. Change in Number of Schedule C/Noncareer SES Appointees in Cabinet Departments, 1998—2007; Source: Office of Personnel Management's Central Personnel Data File (Available at <http://www.fedscope.opm.gov/>)

Cabinet Departments	9/30/1999		9/30/2003		9/30/2007	
	Schedule C	Noncareer SES	Schedule C	Noncareer SES	Schedule C	Noncareer SES
Agriculture	204	50	164	42	142	96
Commerce	68	49	88	41	181	42
Defense	114	75	101	88	101	42
Justice	44	45	83	54	78	51
Labor	65	26	98	24	104	17
Energy	98	42	72	34	79	37
Education	126	15	131	18	138	17
Health and Human Services	55	55	54	43	72	48
Homeland Security	*	*	62	32	119	59
Housing and Urban Development	65	17	67	16	56	15
Interior	35	39	37	32	39	30
State	56	26	105	35	127	36
Transportation	37	27	35	24	37	31
Treasury	39	26	35	22	52	26
Veterans Affairs	14	8	12	11	2	6
Year Total	1020	500	1144	516	1327	553
	1520		1660		1880	
Increase	*		140		220	

Percentage	*	9.21%	13.25%
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As a recent study by the Institutions of American Democracy Project indicates, proponents of politicization strategies for the Bush administration may be, on the surface, warranted in the above reasoning (Aberbach & Peterson, 2005). That study found that SES views were often incongruous to the views of Bush appointees. For instance, while most SES described themselves as independents, Democrats outnumbered Republicans within SES ranks by a 2-to-1 ratio (Aberbach & Peterson, 2005). Also, the concept of a president's popular mandate to change policies in his preferred direction was not a shared one among appointees and career SES: "while almost 70 percent of the George W. Bush appointees agreed that 'if a president believes that something should be done about an important national issue, other policy makers should defer to him,' only 43 percent of the SES career civil servants felt this way" (Aberbach & Peterson, 2005).

However, as I noted earlier, there is substantial evidence that bureaucratic shirking of presidential authority has been rare (also see Edwards, 2001). As Wilson (1989, p. 279) notes, "What is surprising is not that bureaucrats sometimes can defy the president but that they support his programs as much as they do" (as quoted in Edwards, 2001). As I mentioned in the introductory chapter, given the flexibility appointees are afforded to sanction and reward SES through both reorganizational tactics and demotion, we should expect a largely responsive civil service in the career executive ranks based on those premises. And, in the case of the Bush administration, the placement of political appointees is meant to strategically combine the "expert substantive knowledge" of

departments with the “single-minded devotion to the president’s interest” in a given policy area (Rudalevige, 2002).

Consequently, it is important to understand under which conditions the appointment strategy can be used to cheaply and effectively advantage the president’s access to information (i.e., in order to advance presidential agendas). It is also important to understand how expectations of its usefulness can be shaped under each. Nonetheless, while a contingent approach to management strategies has been recommended (Durant, 1992; Heclo, 1977), jigsaw puzzle management prescriptions appear to have a far more enduring legacy.

It is questionable, however, whether such prescriptions make sense. For instance, as I will explore later in Chapter 4, even the Bush administration recognized the need for careerist input and expertise in policy decisions. At the end of the Bush administration, the President issued a memo (through OMB director, Clay Johnson) to work with careerists to implement a coordinated and coherent transition to the incoming administration. Ironically, the application of jigsaw puzzle management leading up to this effort may have sabotaged its success. I will discuss this in greater detail in Chapter 4, but for now it suffices to say that scholars studying the administrative president conclude that management approaches based on contingency have not won the day.

Getting Beyond Neutral & Responsive Competence:
Trust, Institutional Competence, and
the Administrative Presidency

Terry Moe (1993) concludes his influential work by criticizing the conventional reliance on “neutral competence” as incompatible with expectations of the modern

presidency. However, we should look for empirical support for the proposition that these tactics will actually strengthen the modern presidency. To this point, we have scant empirical evidence supporting, negating, or refining this proposition. Moreover, on logical grounds, there is great reason to question this premise. For example, the increased politicization within the executive levels of federal agencies might result in increased layers separating the Secretary from career bureaucrats who possess the institutional memory and competence necessary to avoid unanticipated consequences of presidential directives (Light, 1999; Dickinson, 2005). Furthermore, the scarcity of resources (especially time) should prevent presidents from utilizing both the politicization and centralization strategies at once, when it isn't perceived as necessary (Rudalevige, 2009). Moe and, ostensibly, politicization advocates of the Bush administration seem to see these strategies as simultaneous and complementary.

Although Moe (1993) assembles selective historical evidence from the perspective of past presidents, is this approach sufficient to explain the constraints and incentives that presidents have advancing their presidential goals administratively, especially a Bush administration that sought to wield bureaucratic power toward the ends of an activist agenda? As Hess (2002) convincingly notes, "Even an overblown White House staff is simply too inadequate a fulcrum for moving the weight of the executive branch, which employs nearly 5 million people and spends over 2 trillion dollars annually" (p. 6).

Perhaps the greatest shortcoming of Moe's otherwise informative theoretical framework is that he does not account for how events, ideologies, prevalent intellectual tides of management philosophy, and various contingencies affect when and where

presidents choose to centralize and politicize (Campbell, 2005; Rudalevige, 2009). If the intentions and environmental conditions of the Bush administration differed substantially from the Reagan administration, why should the combined centralization and politicization strategies of the two administrations be so isomorphic and work in the same way? Even the time *within the same administration* may be important as to whether one strategy is emphasized over another, or whether either is employed and to what degree. Politicization advocates seem to prescribe this approach across the board (Moffit, 2001; Moffit, et al., 2001; Sanera, 1984); but it would seem that there will never be enough resources to achieve any president's preferred ends, let alone those available to the Bush administration.

As David Lewis (2008) argues, pure responsive competence is not adequate, even if the intention of all conservative presidents is to limit the activity of agencies:

“We might think, for example, that conservative presidents want OSHA or the EPA to fail, thinking that a low-competence OSHA or EPA is going to regulate less. Perhaps this is true, but would presidents prefer a low-competence EPA to an EPA that shares the president's conservative ideology and is extremely competent? It is not clear. It is also worth considering whether a low-competence regulatory agency actually regulates less or whether it just regulates erratically. Equally plausible is the case that a low-competence agency produces poorly written regulations that hurt business by increasing uncertainty or by imposing unforeseen political or economic costs” (p. 62).

Yet, limiting the scope of bureaucratic activity was not necessarily the objective in many areas of the Bush administration's policy agenda. OIRA's “smart regulation” standard actively pursued the issuance of regulations that favored industry, much to the chagrin of advocates of neoclassical economics (Dudley, 2005). In several areas of domestic policy, too, the administration attempted to leverage administrative capacity to see through an expanded role of the federal government. The Department of Education,

for example, was responsible for the implementation and guidance of Bush's signature domestic policy and legislative victory (No Child Left Behind (NCLB)).

NCLB is an apt illustration of the “big-government conservatism” label which the Bush administration's legacy will most undoubtedly carry. The law profoundly changed, and exponentially increased, the role of the federal government in primary and secondary education, counter to the calls emanating from the Republican party of the 1990s to “abolish the U.S. Department of Education and roll back the expanse and power of the federal government more generally” (Hess & McGuinn, 2009). Although NCLB “fundamentally altered the role of the Department of Education” from a passive grant-making role to a more forceful oversight role (Hess & McGuinn, 2009), the nature of cooperative federalism necessitated some acquiescence on the part of the administration to temper some of their more ambitious policy objectives. And there was a critical role for both career executives and managers to play in facilitating negotiations between state and interest group concerns and the administration's aspirations.¹⁴

Thus, a final reason for avoiding simple dichotomies between “neutral” and “responsive” competence involves the aims of the presidential agenda. Again, and with the notable exception of research studying unilateral tools of the administrative presidency (Moe & Howell, 1999; Howell, 2005), most research on the administrative presidency has focused on presidents trying to stop things from happening (e.g., aggressive regulation) during the first term of their administrations. But as noted with Clinton’s prompt letters and Bush’s “big government” conservative agenda, there are important instances where presidents are trying to make things happen. In these instances, careerists will be called on to take active steps toward realizing a president’s policy

agenda. Providing a network of communication, institutional memory, and professional or technical expertise is a matter of neither neutral nor responsive competence; it is a matter of providing “institutional competence”.

Institutional competence means that “to understand an agency’s organization and behavior [retrospectively or prospectively], one must first know its history, program patterns, administrative processes, professional hierarchies, constituencies, and budget structure” (Seidman, 1998, p. 125) and how these characteristics can be employed toward specific actions. This, in turn, requires reciprocal information sharing between careerists and political appointees, a reciprocity that prior research suggests depends on trust among individuals. And yet politicization strategies are inherently predicated on distrust. What is more, the politicization strategy itself may render distrust among bureaucrats toward political appointees, thus further diminishing the exchange of information (i.e., the capacity for intellectual capital building necessary for success) to develop. Moreover, to merely be responsive to the entreaties of presidents and their staff risks not only ethical dilemmas, but also short-term political gains may come at the expense of longer range goals and presidential effectiveness if policies are misguided.

As such, advancing an activist agenda requires candid conversations with presidential emissaries about the institutional capacity to advance those goals effectively, even if other presidential goals (e.g., budget cuts) fly in the face of developing capacity. Nor is this conversation helped by placing additional political appointees within management ranks who do not possess the agency understanding necessary for improved competence. As I pointed to in the introductory chapter, path-breaking quantitative analyses by Gilmour and Lewis (2006a, 2006b) and Lewis (2007, 2008) show that

“agencies run by appointees or appointee-laden management teams perform significantly worse than those administered by career managers” (Lewis, 2008, p. 62).¹⁵ However, this work assumes that management effectiveness is actually the aim of a president’s policy agenda rather than diminishing agency effectiveness (as Reagan appointees did at EPA in the 1980s) (Durant, 2010). Regardless, all this leaves us with little understanding of how appointee-careerist relations can maximize institutional competence in order to advance presidential agendas—even if objective measures of management effectiveness exist (Durant, 2010). Indeed, the more validly objective the measures are, the more weakly they may convey a president’s actual success in the policy area that a respective agency is tasked.

As West (1995) argues, application of the politicization strategy and reorganizing the management structures of agencies “only allow the president to influence the general contours of policy implementation rather than specific actions” (p. 88). Largely missing from the literature examining appointee-careerist relations is a systematic examination of the factors that enable a president’s ability to leverage institutional competence in implementation (Durant & Resh, 2010). Krause and his colleagues (2006) demonstrate that a potential balance can be obtained between career and political managers that may lead to the optimal performance of an agency. Yet, their analysis focuses on one particular function (macroeconomic forecasting), within one particular level of government (states), that may not be generalizable to other kinds of agencies (Lewis, 2008, p. 173). This work also does not unpack the dynamics of the process in which these relationships lead to various outcomes.

In order to understand the effect of appointee layering on organizational effectiveness within executive branch agencies, we must delve further into the institutional dynamics of these agencies to understand how everyday transactions between appointees and careerists evolve into the institutional competence necessary for a president's agenda to be effectively implemented. To do so, we must identify the potential areas of conflict between individual careerists and appointees (Maranto, 2005), the varying contexts in which this nexus operates, and how these variables might interact to lead to differing outcomes.

Most of the work that has addressed the causes of conflict between career executives and political appointees concludes by attributing the cause to "the incompetence or extremism" of goal-obsessed political appointees (Maranto, 2005) or the intransigence or "shirking" of process-obsessed career bureaucrats. Maranto (2005) asserts that much of this conflict boils down to a battle for control over the direction of an organization or its policies. Yet the very organizational processes and norms that appointees may conceive as obstructive to their ability to see through presidential objectives may be products of the legislative and legal "constraints" imposed by a shared-powers system that created the organization in the first place. In other words, careerists operate within a separation of powers system and are answerable to multiple "principals" over time whose values conflict over both processes and ends (Rosenbloom, 1983).

At the same time, career bureaucrats have their own principled preferences toward policy, have established organizational cultures, have discrete role identities that carry inherent obligations and expertise, and can vary among principals who share their preferences. Therefore, the gradual appreciation by both appointees and careerists for

their respective perspectives can lead to what Pfiffner (1987) refers to as a “cycle of accommodation” between careerists and appointees. Consequently, in order to wield organizational capacity toward a president’s goals in implementation entails a process of expanding the careerists’ “zone of acceptance” (Simon, 1997) and (possibly) altering the appointed leadership’s goals to fit within that zone.

This *realpolitik* notwithstanding, much of the work examining the administrative presidency, and appointee-careerist relations more specifically, points to the trust (or the lack thereof) established between appointees and careerists as inherent (inhibitive) to the process of mutual accommodation (Durant, 1992, 2000; Heclo, 1977; Michaels, 1997; Pfiffner, 1987; F. Rourke, 1991; F. E. Rourke, 1992). Hugh Heclo (1977), for instance, points to the trust established between appointees and careerists as a critical condition for appointee success and defines trust as a “deep, mutual exchange of commitments or mutual dependability” (p. 158). This definition of trust might be operationalized as both the frequency of exchange and the perceived strength of mutual commitment that is derived from those encounters (Hardin, 2006; Ostrom, 1998).

As I will discuss in greater detail in Chapter 3, prior research in cognate fields not typically incorporated in research on the administrative presidency (such as private management, organization theory, social capital theory, and economic theories of the firm) might help inform our understanding of trust better. I will draw from this cognate literature in Chapters 3-5 to inform and draw propositions from the model I offer. Still, a variety of methodological issues (some of which I will address in my model) limit a complete understanding of the role of trust and intellectual capital building generally, and hence, in the study of the administrative presidency.

Trust, for example, is conceptualized in varying ways (Hardin, 2006; Mayer, et al., 1995). Other authors identify the trust established between appointees and careerists as critical to success (Michaels, 1997), or they identify distrust as a critical condition of failure in implementation (F. E. Rourke, 1992). Yet, the scholarship generally does not succeed in providing an operationalizable (and, hence, commonly accepted and replicable) definition of the construct. Or, the authors simply rely on the term without attempting to define it at all, perhaps assuming a universal definition exists.

Some of the work is less explicit, but nonetheless offers obstacles to improving our understanding. For instance, the areas of appointee-careerist conflict that Maranto (2005) identifies—technical credentials or professional reputation versus incompetence, insularity versus outsiders, ideological differences, and timelines of interaction—are connected to critical dimensions of the concept of “trustworthiness of managerial leadership” (Cho & Ringquist, 2011), which is argued to be an antecedent of trust (Mayer, Davis, & Schoorman, 1995). Additionally, much of the survey analysis of political appointees and the career Senior Executive Service addressing appointee-careerist relations asks respondents whether, or the degree to which, they trust their counterparts (Maranto, 1993; Michaels, 1997). Yet, none of this work explicitly connects the level of trust established in these relationships to organizational outcomes or effectiveness.

If appointees must depend on careerists to implement presidential agendas, and build institutional competence to do so, then how appointees build trust with career employees will be determined within the very areas of potential conflict that Maranto discusses. At the same time, the conditions and context under which these relationships

take place may have an effect on the ability to build trust and, in turn, the effect this trust has on organizational outcomes. One might be keen to question what conditions of trust the layering of appointees throughout an agency's management levels may create.

For example, with the Bush administration's strategy of layering appointees throughout an agency's management levels based on a fundamental distrust of careerists and meant to align agency expertise toward presidential prerogatives, might such a strategy cause distrust of appointees among careerists? And might this distrust disable information exchange within organizations. Paradoxically, this is likely to inhibit the ability of an administration to effectively advantage the president's access to information or to further develop organizational capacity in order to see through his goals. Before assessing these possibilities empirically, however, the link between trust, institutional competence, and organizational performance must be explored more fully. It is this phenomenon to which I turn in the next chapter.

CHAPTER 3

TRUST, INTELLECTUAL CAPITAL, AND THE
ADMINISTRATIVE PRESIDENCY

“[Appointees] probably had been taught, to some degree, that we weren't to be trusted.”

—Anonymous Senior Career Executive

“[Appointees] not only impact you, they impact everything that's going on—your colleagues and through you, at least, the people under you. [A bad relationship with a political appointee] doesn't just hurt you; it hurts the people who work for you.”

—Anonymous Senior Career Executive

“How can people trust the harvest until they see it sown?”

—Mary Renault, *The King Must Die* (1958)

As I established in the preceding two chapters, a fundamental tenet of the administrative presidency has been that careerists cannot be trusted to be responsive to presidential policy agendas. And while it is typically claimed that applying the tools of the administrative presidency is motivated by distrust of careerists to carry out those agendas faithfully, no research exists on the extent to which applying the tools may foster a reciprocal distrust of political appointees among careerists themselves. This reciprocated distrust may, in turn, reduce the ability of the strategy to advance presidential policy goals in more subtle ways than the overt exit or voice of career employees (Golden, 2000).

Both exit and voice may be conceptualized better as multidimensional constructs that fall along a continuum of acquiescent-to-defensive-to-prosocial behaviors (Dyne, Ang, & Botero, 2003). Acquiescent voice, or silence, may equate to routinized and passive responsiveness. This may look like loyalty, but it can effectively *limit* the ability of a president and his appointees to exploit institutional competence, wield administrative power, and aggressively pursue a positive policy agenda. This is especially true when presidents and their emissaries are trying to make things happen, rather than merely stop things from happening, as was the case in many areas of George W. Bush's "big government conservatism" (Barnes, 2003). As one (self-identified liberal) career Senior Executive Service (SES) member I interviewed described his relationship with Bush appointees at the Department of Education, "What's my alternative? I know who I work for. I understand that. I'm an adult. And so let's make this as pleasant as we can."¹⁶

As I also pointed out in the last chapter, while some research identifies trust as a critical factor in appointee-careerist relations for facilitating openness and innovation (Heclo, 1977; Michaels, 1997; Pfiffner, 1991), studies of the administrative presidency often fail to define the concept of trust or systematically examine its connection to organizational outcomes. Nor, more generally in the governance literature in public administration and public management can one find ways in which this concept has been imported into studies of the administrative presidency. Similarly unhelpful is literature in the generic management literature; little exists in the way of studies on trust that examines how the discrete relationships between actors at higher levels in an organization—the common locus of appointee-careerist relations—affect the perceptions and performance of actors at lower levels of the organization. While studies exist that

examine the different effects that dyadic (i.e., person-to-person) trust in immediate supervisors has on their subordinates' behavioral responses, no one has yet examined how dyadic trust established between higher-level employees and their supervisors affects *organizational* outcomes.¹⁷ Thus, as yet, no one examined how the trust (distrust) that develops between career executives and political appointees affects the perceptions and behaviors of lower-level civil servants (i.e., the subordinates of career employees). Uncharted as well are effects of these factors on organizational outcomes—in the case of the administrative presidency, if presidential goals are advanced or not.

As stressed in Chapter 2, the Bush administration is characterized by observers as relentlessly applying jigsaw puzzle management strategies to advance their policy agenda. In this dissertation, I am interested in seeing if career employees perceived the same during the second term of the Bush administration, how they reacted, and on what happened at the end of the Bush administration when the White House called explicitly for appointees to pursue a transition strategy that required the involvement of SES members and their subordinates. As I noted in the preceding chapter, and as I will discuss in Chapter 4, the latter involved a July 18, 2008, memo from the Deputy Director of the Office of Management and Budget to the Presidential Management Council directing agency political appointees to “do transition planning with (not to) career officials” (emphasis added in Kamensky 2008).

Recall also from Chapter 1 that I expect that politicization—the layering of loyalist appointees through executive and managerial ranks within agencies and the management techniques that they purportedly used (i.e., jigsaw management)—will have self-frustrating effects in situations like this (making something happen). Why? The

strategy's logic is based in traditional economic exchange theories of intra-organizational relationships, such as agency theory, that "place little emphasis on trust" (Whitener, Brodt, Korsgaard, & Werner, 1998, p. 514). And prior research in cognate fields—in particular, the multi-disciplinary research informing social capital theory—illustrates how vital trust is in reaching organizational goals. It also indicates that control mechanisms may negatively affect employees' willingness to trust management (Gary J. Miller, 2004).

To show how and why this is the case, I turn in this chapter to research in cognate fields like private management, organization theory, and organizational development for explanation. As I noted in Chapter 1, despite the obvious relevance of these literatures to the study of the administrative presidency, only a few recent studies have applied these insights to its study. In this chapter, I correct this oversight and cull from it—and prior research on the administrative presidency—a theoretical framework that will guide the empirical analyses in Chapters 4 & 5. I focus on research related to three important concepts from this multi-disciplinary literature: trust, social embeddedness, and intellectual capital.

This chapter begins by briefly reviewing research addressing the role of interpersonal trust in organizations and its connection to organizational outcomes. Most of this literature emanates from studies that examine private sector organizations, but I will also review the limited existing work in the public administration field that examines managerial trust. I then illustrate the points made above regarding the definitional ambiguity of trust as a theoretical construct in prior research.

Next, I discuss the two most conventional definitions of trust employed in the organization theory literature: Mayer, Davis, and Schoorman's (1995) "character-based" model and Russell Hardin's (1993) "encapsulated interest" account. I integrate these definitions with Oliver Williamson's (1993) concept of "embeddedness" and Janine Nahapiet and Sumantra Ghoshal's (1998) concept of "intellectual capital." In the process, I connect the latter to the concept of institutional competence. The chapter concludes by offering a theoretical framework grounded in these literatures and from which I will generate testable hypotheses for the empirical chapters that follow. In integrating this literature in unprecedented ways in that framework for the study of the administrative presidency, it demonstrates how trust is shaped by the organizational environment in which actors are embedded (Granovetter, 1985, 1992; Williamson, 1993), the incentives for hierarchical superiors to take the initiative in establishing a foundation for trust (G. J. Miller & Whitford, 2007; Whitener, et al., 1998), and the role of trust as a theoretical antecedent to the development of intellectual capital (Nahapiet & Ghoshal, 1998). With the logic of the model established in this fashion, I preview the research questions, methods, and findings of the subsequent empirical chapters.

Bureaucracy, the 'Control Paradox,' and the Role of Trust in Organizations

The topic of trust within interpersonal relations has been one of central importance in the history of philosophy. Regardless of whether the conclusions of different philosophers were that man should or could trust one another (e.g., Hobbes' conclusions on the nature of man versus Rousseau's); the centrality of the construct is undeniable (Hosmer, 1995). As Golembiewski and McConkie (1975) remark, "Perhaps

there is no single variable which so thoroughly influences interpersonal and group behavior as does trust, on this point ancient and modern observers typically agree” (p. 131; as quoted in Hosmer 1995, p. 379). Trust is seen as the essential, yet nebulous, basis of social stability (Blau, 1964; Fukuyama, 1995), and the foundation of both social and economic exchange (Hirsch, 1978). Recently, the concept has been revisited as a key variable in the development of, or as a dimension of, “social capital”—the value of social connectivity as a resource to be used by individuals within a given network (Coleman, 1990; Putnam, 2000).

Modern scholars, such as Robert Putnam (2000) and James Coleman (1988; 1990) have emphasized the role of trust within social systems, “involving its component parts, or units at a level below that of the system” (Coleman, 1990, p. 2). Using the same form of methodological individualism (expressed in different terms), Francis Fukuyama (1995) argues that there is a “single, pervasive cultural characteristic” that determines the very success of a nation’s well-being: “the level of trust inherent in the society” (p. 7). But for a variety of reasons, distrust, rather than trust, is the foundation for modern bureaucratic organization.

As Weber put forth, the very purpose of structuring organizational life in a rational bureaucratic form was the unreliability of charismatic leadership or the limited effectiveness of tradition as authority (Handel, 2003b, pp. 5-6). In fact, there is perhaps no social structure from which we seek to ensure reliable behavior in social and economic exchanges between individuals than that of hierarchical organization. Organizations are intended to induce “coordinated action among individuals and groups whose preferences,

information, interests, or knowledge *differ*” (March & Simon, 1993, p. 2; emphasis added).

Stated more directly, the rational bureaucratic form of organization allows for the establishment of rules and sanctions that recognize that “all people cannot be trusted at all times to live by internalized ethical rules and do their fair share” (Fukuyama, 1995, p. 25). Reaped in the process, it is assumed, will be predictable, honest behavior and credible commitments among organizational actors. This reliability is then intended to lead to the efficient maximization of individual talents toward a set of collective goals; or, in the case of federal agencies, to ensure that policy implementation adheres to the public interest (Finer, 1940; Friedrich, 1940). After all, to paraphrase Herbert Simon (1997), why else would we spend most of our waking lives in organizational roles?

On the other hand, we can make some very basic observations about the limitations these rationalized characteristics—and by extension to the logic of the administrative presidency—place on developing “norms of reciprocated cooperation and effort” under varying conditions of individual organizational commitment (Gary J. Miller, 1992, p. 217). As Miller (1992) contends, the “constitution” of any hierarchically organized institution is comprised of “the allocation of generally accepted responsibilities, rules of the game, and property rights that provide the long-run incentives for investment in the firm” (p. 217).

In the context of the appointee-careerist nexus, for instance, short-term political appointees may have little interest in maintaining or protecting the rank and job responsibilities (re: “property rights”) of long-term careerists who they perceive as obstructive of short-term political gains. They may choose, therefore, to alter property

rights (i.e., redefine the careerist's position and organizational responsibilities) to accord with their goals through internal reorganization strategies (Durant & Resh, 2010; Pfiffner, 1987). This may have the paradoxical converse effect, however, of decreasing the careerists' incentive for investing effort, by exacerbating their level of distrust in appointee intentions. Also, as Fukuyama (1995; Chapter 19) hypothesizes, there may quite often be an inverse relationship between the institution of control mechanisms in organizations and trust among organizational actors. The more mechanisms of control that an organization puts into place, the less employees may trust managers, and vice versa (Fukuyama, 1995, p. 224).

All this is consistent with a "control paradox" proffered in economic theories of bureaucracy (Gary J. Miller, 2004). In terms of agency theory, there is simply no way for a principal to "specify in advance all the behaviors that the organization will require from its employees if it is to survive and thrive" (Gary J. Miller, 2004, p. 100). And many tasks within public bureaucracies are difficult to monitor and measure without significant resources allocated to oversight (c.f., Wilson's (1989) taxonomy of agency types). Also, "most public bureaucracies are organizations in which individual members are unlikely to produce an *individual* outcome that is measurable and rewardable" (Gary J. Miller, 2004, p. 104; emphasis is the author's own). Yet, in order to control employees' behavior, hierarchy, monitoring mechanisms, and exceptionally detailed rules are often instituted by political principals to prevent agency loss. Politicization and centralization represent two characteristic strategies from this perspective for the executive.

There is considerable evidence in the public administration literature that cross-cutting control efforts among competing principals are typical and will lead to goal

ambiguity and the possibility of goal displacement (Bohte & Meier, 2000; Chun & Rainey, 2005; Merton, 1940; Rainey, 1993). In addition, even when clear goals and tightened control are possible, they may only lead to acquiescent compliance (Dyne, et al., 2003). This acquiescence could be manifest in such manners as (1) silent deference to a misinformed or incompletely informed manager, (2) withholding contrary information based on fear of reprisal, (3) “expressing [only] supportive ideas based on resignation” to managerial preferences, or (4) simply agreeing for the sake of agreement (Dyne, et al., 2003, p. 1363). There is empirical substantiation that this can result in “inferior outcomes” (Gary J. Miller, 2004, p. 117; See below).

The point that imposing control mechanisms can lead to paradoxical effects has had substantial traction since the “human relations” movement of management studies in the 1930s. Chester Barnard (1938, 1968), for example, argued that one of the most important functions of the executive was to cultivate a culture of trust within the organization to act as a supplement to authority, encourage productivity, and promote loyalty. Yet, economic theories of the firm have been less susceptible to the human relations influence than other strands of organization theory (Handel, 2003a). In addition, even in terms of economic theories of the firm, the “contractual incompleteness” (Coase, 1937) of the principal-agent relationship necessitates some form of *cooperative leeway* given to the agent to see through the interests of the principal. As game theory illustrates, both players (in this case, the political appointee as principal and the careerist as agent) would be better off if each trusted the other to pursue their collective, long-term interests; and prior research suggests that perhaps only the establishment of trust through the

expectation of reiterative mutual dependence (i.e., foreshadowing the future) will lead to that end (Kreps, 1990).

In organizational contexts generally, prior research applicable to the administrative presidency suggests that managers might do better to *avoid* monitoring employees on the basis of ensuring a minimum level of effort. Alvin Gouldner (1954), for example, found in his classic study that employees at a gypsum plant were willing to expend additional discretionary effort than managerial control mechanisms called for—but only when those mechanisms signaled trust in employee intentions. In the absence of perceived trust and when stricter enforcement signaled expectations of *minimum effort*, employees were less likely to comply with those expectations (Gouldner 1954; as cited in Miller 2004).

Likewise, Peter Blau's (1964) often-cited study of a state employment agency found that a supervisor who was less concerned than a comparable supervisor with monitoring increments of productivity through measurement actually "*encouraged the development and persistence of co-operative norms*" (emphasis added) (p. 65). The establishment of these co-operative norms then led to superior information sharing among employees, which in turn led to better overall productivity. Therefore, despite any rational efforts at enforcing consistent, predictable, and trustworthy behavior among organizational actors through overt control mechanisms, basic interpersonal trust is still necessary to ensure *optimal* organizational performance. Be clear: this does not negate the effectiveness of monitoring and control. Rather, "it is the credible threat of tightened monitoring that encourages the employee to provide high levels of effort 'voluntarily'" (Gary J. Miller, 2004, p. 112). Nonetheless, recent work in generic management studies

confirms that hierarchy and centralization limit individual creativity and innovation (Hirst, Knippenberg, Chin-hui & Sacramento, 2011).

It is important to note, however, that organization theorists remain divided on the extent to which trust plays an important role in *interpersonal, intra-organizational relationships*. In their own volume of the seminal *Russell Sage Series on Trust*, the *Series*' principal editors argue that there is not yet sufficient support for the argument that trust relations are a critical factor in inducing credible commitments among organizational actors. Rather, they argue that "*trust relations and trustworthiness are, at best, complements to organizationally induced incentives*" (Cook, Hardin, & Levi, 2005, p. 134; emphasis is the authors' own). Indeed, contractual theories of organization are premised on assumptions of *distrust* between principals and agents, rather than the possibility of establishing trust. Moreover, many studies assert the importance of employee trust in leadership, but fail to link it to organizational outcomes. Rather, these studies examine theoretical antecedents of trust within organizations and model trust in (or trustworthiness of) leadership or management as the dependent variable based on the leader's communication style (c.f., Gimbel, 2001), ability to preserve organizational norms (c.f., Woolston, 2001), consistency between rhetoric and actions (c.f., Simons, 1999), and procedural justice (c.f., Flaherty & Pappas, 2000).

Recent empirical studies of private organizations, however, do offer some evidence that organizational performance improves when trust exists between managers and their subordinates. Dyer and Chu (2003), in an important cross-national study of the automobile industry in Korea, Japan, and the United States, argue that trust lowers transaction costs to provide "more flexibility to respond to changing [...] conditions" and

leads to “superior information sharing that improves coordination and joint efforts to minimize inefficiencies” (p. 57). In their review of the empirical literature, Dirks and Ferrin (2001) were unable to find a conclusive link between (1) trust in leaders or managers and (2) behavioral and performance outcomes; though they were able to reliably confirm a positive relationship with employee perceptions and attitudes. Later, in a more sophisticated meta-analysis of empirical studies that included different conceptualizations of trust as an independent variable, they found that “trust in leadership is significantly related to each of the attitudinal, behavioral, and performance outcomes” exhibited (Dirks & Ferrin, 2002, p. 621).

Meanwhile, Davis and colleagues (2000) found that trust is linked to profits and employee turnover in restaurants. Simons and Parks’ (2002) findings also indicated that employees’ trust in senior management led to increased customer satisfaction and profits in the hotel and hospitality industry. The limited research on the topic in public administration also points to an important link between organizational performance and trust. Brehm and Gates (1997), for example, find evidence of the control paradox noted by Miller, in that increased monitoring exacerbated sabotage and shirking. In a later study, they find that subordinates who trust their supervisors report that they work harder, and this effect is the single largest in their model (Brehm & Gates, 2008). In their analysis of U.S. federal agencies, Cho and Rinquist (2011) also find a link between the perceived trustworthiness of managerial leadership and employee perceptions of organizational productivity.¹⁸

Nonetheless, and significant in terms of this dissertation, Dirks and Skarlicki (2004) note the scarcity of systematic research on the construct of trust and the

relationship between trust in leadership and organizational effectiveness. There may be important differences in the referents of trust in leadership, depending on the organizational context and the levels of hierarchy in the organization—a point that I will test empirically in Chapters 4 and 5. These scholars argue that lower- and middle-management carry out more routine activities such as performance management and supervision, whereas “[s]enior executives perform more strategic functions such as setting strategic direction, allocating resources to various projects and departments, communicating to employees the goals of the organization, and so on” (Dirks & Skarlicki, 2004, pp. 30-31). Because executives may have the authority to make decisions that affect the overall performance of an organization and lower- and middle-managers may have more impact on individuals’ job-related outcomes, it may be that there are “differences in the consequences of the different referents of trust in leadership” (Dirks & Skarlicki, 2004, p. 31).

Carrying these insights from the private sector further and extending them to federal agencies and appointee-careerist relations, if individual employees are less likely to generate measurable outputs (Gary J. Miller, 2004; Radin, 2004), then the relational dynamics among career executives and their political superiors in setting strategic direction may have a significant impact on how middle managers assess individual performance. Executive decision-making involves setting an organization’s strategic course, defining its mission, and prioritizing its objectives. Therefore, the relations at the top of the organization’s hierarchy may also affect dyadic (i.e., supervisor-subordinate) relations at lower levels of the hierarchy. Employees who do not perceive trust established between career executives and political leadership at the top rungs of the

organization may depend more heavily on trusting their immediate supervisors in order to obtain the information necessary to do their jobs well. At the same time, executive relations may also impact lower-level employee perceptions of leadership's trustworthiness, procedural fairness, and the extent of political management techniques (e.g., jigsaw puzzle management) employed within their agencies by appointees.

Therefore, while signals of reliability in top organizational leadership may elicit increases in production by frontline employees (Cho & Ringquist, 2011), Dirks and Ferrin (2002) find in their meta-analysis of studies measuring trust that *direct* (i.e., *immediate supervisor*) are more likely to be referents for trust relations. Brehm and Gates (2008) also find that the ability of immediate supervisors to insulate their subordinates from political interference cultivates trust. They posit that middle managers have more capacities for influence than what are generally recognized, in that they are able to minimize the effects of organizational ambiguities on subordinates.

Yet, an important limitation in the Brehm and Gates (2008) model is that they examine only relatively flat hierarchies of street-level bureaucracies with "bottom heavy" discretion (i.e., that can't be programmed or routinized completely—like the decision to pull speed violators over, issue a ticket or merely give a warning, or final criminal charges). Consequently, their findings may not be generalizable to other public organizations, especially comparatively large, stratified executive branch agencies that are of interest in my dissertation, and more broadly in research on the administrative presidency. Indeed, a study of 60 large private organizations in the U.S. and Italy by Ellis and Shockley-Zalabak (2001) found that trust in *top management* was more strongly associated with employees' perceptions of job satisfaction and effectiveness than trust in

one's immediate supervisor. Therefore, the evidence is mixed across an array of organizational and sectorial contexts.

The Blind Man and the Elephant: Conceptualizing Interpersonal Trust in the Workplace

As it relates to relationships within workplace organizations, how do the studies reviewed above conceptualize trust, and how applicable are these to the study of the administrative presidency? As I noted earlier, some fail to give a precise definition of the construct. Most rely on survey respondents' own conceptualization, asking them to gauge the amount of trust they have in their superiors, coworkers, or leadership through Likert-scale items. As Russell Hardin (2006b) laments of research on trust, generally: "It is a peculiar fact that most of the current research [...] does not use clear accounts of what is being measured. [...] Trust is therefore treated as an a-theoretical term. It is, for example, all of the things that survey respondents think it is" (p. 42). To understand their arguments and their application to the study of the administrative presidency, it is useful to conceptualize two types of studies assessing trust and trustworthiness in the literature. One type stresses dyadic interpersonal relationships, or put more colloquially, superior-subordinate relationships. The other stresses socially embedded notions of trust building. Both consider context, processes, and history but in different ways.

Dyadic Relationships

Conceptualizations of trust at the micro-level are divided between two camps of researchers in cognate fields related to the administrative presidency like private management, organizational theory, social psychology, and organizational development: those who conceptualize trust as a process of either communal relationships and those

who see them as exchange relationships. In practice, this is similar to what Durant (1992) classifies for simplicity as a split among political appointees into “bureauphobes” (those who instinctively fear careerists and seek to control their actions through politicization) and “bureauphiles” (those who instinctively view careerists as assets adding intellectual capital that they need to tap into to be successful). More broadly in public administration, this split is roughly analogous to arguments made in the classic Friedrich-Finer debates in the late 1940s on the utility of “inner checks” (conscience, ethical standards, professionalism) versus “outer checks” (rules, regulations, close monitoring).

More explicitly in terms of this cognate literature, theorists tend to align the concept of trust with either calculative (exchange) or non-calculative (communal) accounts of human behavior and motivation. Another camp of researchers, however, tends to avoid the distinction between the two by drawing from the work of Mayer, Davis, and Schoorman (1995). They developed a model of trust that concentrates on exchange-partners’ evaluations of one another’s “trustworthiness” or assessments of the trustee (i.e., the person who is being trusted) as capable, benevolent, and having integrity. The Mayer, Davis, and Schoorman model conceptualizes the development of trust as a cognitive process. Feedback from outcomes in risk-taking relationships, and the trustor’s (i.e., the person who is doing the trusting) perception of signals of “trustworthiness” from the trustee (namely, ability, benevolence, and integrity), inform the trustor’s judgment. They determine his or her “willingness to be vulnerable to the actions of [the trustee] based on the expectation that the [trustee] will perform a particular action important to the trustor, irrespective of the ability to monitor or control [the trustee]” (Mayer, Davis, & Schoorman, 1995, p. 712). Stated in terms of the application of the tools of the

administrative presidency, for example, this involves a political appointee's (the trustor's) view of the trustworthiness of the careerists (the trustees) who must carry out the president's agenda, and vice versa.

In this character-based account of trust, the factors that determine the trustor's assessment of trustworthiness are all domain specific. That is, for example, appointees will vary their judgments based on the context in which they are dealing with careerists—e.g., time frames, needs and availability of particular skills to advance a president's agenda, or placid versus turbulent task or political environments in which to pursue those agendas) (Mayer, et al., 1995; Zand, 1972). Consequently, domain-specificity leads to complications in the model.

Applying this realpolitik to the administrative presidency, the organizational context in which actors operate will define the manner in which a political appointee perceives a careerist's ability to perform needed tasks —“the group of skills, competencies, and characteristics that enable a party to have influence” (Mayer, et al., 1995, p. 717). Indeed, the organizational theory literature indicates that one cannot separate the trustor's assessment of an organizational actor's skills and competencies from the trustor's expectations of that actor's organizational role, because it is by those skills and competencies that they are presumably fit for that position (Katz & Kahn, 1966). Moreover, through the very premise of bureaucratic rationalization, an appointee or careerist's organizational role may be tied to any other organizational actor's goals, regardless if they share those particular goals. Alternatively, it might be a careerist's *willingness* to carry out an appointee's goals, rather than her superior competence in comparison to other employees, that determines an appointee's trust in a careerist

reporting to her (if one is even available). Likewise, a careerist's willingness to respond positively to a political appointee's wishes may be a function of the goal congruence between these actors, rather than perceptions of trustworthiness or established trust. And that careerist's willingness to carry out an appointee's goals may be dependent on the level of trust that the appointee invests in the careerist (i.e., the "control paradox" reviewed above).

Still, prior research suggests that we cannot leave the issue there. A trustee's benevolence—that is, "the extent to which a trustee [let's say, a careerist] is believed to want to do good [for] the trustor [i.e., a political appointee], aside from an egocentric profit motive"—is non-calculative by definition (Mayer, et al., 1995, p. 718). In non-calculative relationships, "one is expected to give to the other according to what the other needs as soon as those needs become apparent, rather than treat the other as a partner in an exchange relationship" (Darley, 2004, pp. 136-137). Put more colloquially, there is more to compliance than merely carrots and sticks.

Definition-wise, organization theorists posit that non-calculative trust is related to the idea of emotionally based "personal trust"—that is, to "the confident expectations of benign intentions by another agent" (Dunn, 1990, p. 74). Granted, political-appointee relationships are inherently dominated by the need for exchanges specific to that particular context. There is a job, that is, that must be done if the president's agenda is to move forward. But aside from this "logic of consequences, a "logic of appropriateness" also frames responses by careerists (March and Olsen 1976). Thus, for a mutually beneficial relationship between an appointee and a careerist to occur and advance a president's policy or program agenda, what the appointee is asking the careerist to do

must not violate established norms, professional values, and agency procedures. The same logic of appropriateness applies to career managers' orders to their subordinates.

As noted, a major component of appropriateness is goal congruence. To the extent that a political appointee is pursuing a policy that careerists perceive as inconsistent with legislative intent, for example, the latter may find ways to resist (overtly or covertly, actively or passively). And to the extent that political appointees perceive this, or see real or imagined "bureaucratic drift" from legislative intent (real or contrived), their trust in careerists diminishes.

Complicating this relationship further, of course, is research indicating that one's perception of benevolence (i.e., benevolent intentions) might go beyond congruence of policy goals. A sense of procedural duty or normative perceptions of one's role is important. Thus, perceptions of an appointee's infidelity to the letter and spirit of the Administrative Procedure Act, for example, may provoke resistance from careerists. So, too, might normative perceptions of the role of presidents, of the proper executive-congressional relationship, and of the appropriate role of the career bureaucracy in a democratic republic be also likely to matter in careerists' perceptions of an appointee's benevolence. Illustrative is the extensive literature in public administration on public service motivation spawned by Perry and Wise's (1990) seminal work on this topic.

Similarly, subordinates' perceptions of the benevolence of mid-level career managers is likely to depend on the psychological "contract" (Simon 1947) when they joined the public service. Specifically, friction can ensue if they perceive that anyone's orders to them are beyond their skills, not part of the original job they were hired for (e.g., contract monitoring rather than doing scientific research), or are illegal or immoral.

Of course, “outcomes perceived as fair [by supervisors] are not always favorable to the perceiver [i.e., to careerist subordinates]” (Adams, 2005, p. 154). Thus, careerists’ perceptions of the likely outcome of presidential or legislative drift playing out in their managers’ orders to them may sour trust—even established personal (i.e., dyadic) trust.

Concomitantly, prior research warns us not to view the appointee-careerist relationship as trustful or distrustful based solely on specific interactions at a particular point in time. For example, perceptions of integrity as an aspect of trustworthiness must be conceptualized as a “broader concept involving issues such as (1) the consistency of the trustee’s past actions, (2) belief that the trustee has a strong sense of justice, and (3) the extent to which the trustee’s action and words are consistent” (Cho & Ringquist, 2011, p. 56; citing Mayer et al, 1995).

Expectations matter—and not just at the individual superior-subordinate level. Public agencies—and careerists—have (or have access to) an institutional memory regarding reputations of “in-and-outer” (Hecklo 1978) political appointees based on their prior federal stints in federal agencies. So, too, do appointees have similar expectations about careerists generally and in particular agencies, based on personal or shared experiences among members of issue networks in any given policy areas (Hecklo 1978).

More explicitly, careerist’s expectations of appointee behavior may be premised on what I will call “inverse partisan learning.” Adapting Walcott and Hult’s (1994) concept of “partisan learning” to appointee-careerist relations, over time and across different administrations, careerists learn to anticipate the “tendency [for presidents and their appointees] to transmit organizational philosophy along party lines” (C. E. Walcott & Hult, 2005, p. 305). Because careerists may base their approximations of an

appointee's trustworthiness on past relations with appointees from administrations of the same party, it will become incumbent upon new appointees to establish their own respective capacity for credible commitment. For instance, in one interview I conducted with a career member of the SES at the Department of Education, the respondent characterized his ability to establish trust in his relations with incoming appointees as dependent upon their partisan orientation, among other factors:

“Obviously it depends on the individual and the context. I’ve found pretty much whoever comes in there’s an initial distrust... [or] not total confidence in the career staff. [This distrust is] probably a little stronger with Republicans because I think they tend to think, A, they have a probably less positive notion of government to begin with, B, they kind of think the Department of Education is probably mostly Democrats here... Sometimes I think that Republicans are a little more suspicious coming in.”

Another SES interviewee from the Department of Education provided a similar characterization: “Any politicians can be distrustful of career people. My experience is that tends to be truer of Republicans than Democrats.” Both of these comments reflect the careerists’ own proclivity to assume a tendency for Republican appointees to be distrustful based on their partisan affiliations, within the context of a traditionally Democrat-aligned agency.

In addition, any competent presidential transition routinely offers these perspectives to incoming administrations, as do Washington think tanks with ideological moorings to particular presidents. Consider, for example, the Heritage Foundation’s *Mandate for Leadership* series for the incoming Reagan and George W. Bush administrations, the Democratic Leadership Council’s efforts for the Clinton Administration, and the Center for American Progress for the Obama administration. All are credited in shaping the expectations of political appointees in these administrations,

and helping to inform their use of the administrative presidency to advance presidential agendas.

Again, I want to emphasize that objective conditions or reasons are not as determinative of evaluations of trustworthiness as are perceptions. For example, prior research from cognate fields shows that students of the administrative presidency should expect that “it is the perceived level of integrity that is important rather than the reasons why the perception is formed” (p. 720). Thus, the use of perceptual data in studies of trust are not only commonplace, but are critical to assess. For example, Cho and Ringquist’s (2011) work on trust use perceptual measures collected from survey data, measures which load into a single factor that they label “integrity.”

These approaches, of course, have limitations of their own. For example, with the possible exception of the second sub-construct (the trustee’s sense of justice), it is difficult to draw the conclusion from Cho and Ringquist’s study that they are objectively measuring the broader concept of “integrity.”¹⁹ Even then, it seems the survey items they use capture the procedural justice, or the extent of apolitical management practices, of the organization more than perceptions of leaders’ sense of interpersonal justice. And, if they are measuring integrity through the respondents’ perceptions of procedural justice, it is not far-fetched to think that a respondent’s perception of justice could be tied to his perceptions of the organization’s purposive goals (Folger, 1996). Even more plausibly, organizational context might be determining respondents’ perceptions of procedural justice. And, that context would also determine the extent of the respective actors’ personal goals. Still, these perceptions are critical to tap in order to determine trust.

It is also important to understand from prior management research that a one-way relationship seldom exists in which it is simply the trustor's assessment of the trustee that determines the action of trust. In the political appointee-careerist nexus, for example, organizational actors are mutually dependent on one another to attain their respective goals (Heclo, 1977). If the president or his appointees had the means to accomplish their policy prerogatives without the career bureaucracy, they would certainly do so, and vice-versa. Such is part of the purpose of contracting previously federal activities to private and nonprofit actors.

Of course, even if the actors involved in a dyadic relationship perceive competence and benevolence in each other for the purposes of one particular risk-taking exchange, prior research in cognate fields suggests that they may not do so if they do not "see the shadow of the future" (i.e., repeated exchanges over time) or if the risk outweighs the mutual trust involved. The "shadow of the future" may play heavily into a person's calculations. As (Axelrod, 1984, p. 182) writes, "when the interaction is likely to continue for a long time, and the players care enough about their future together, the conditions are ripe for the emergence and maintenance of cooperation" (Axelrod, 1984, p. 182).²⁰

At the same time, if a manager starts from the basis of distrust and imposes control mechanisms out of his fear of agency loss, he will not be able to learn from risk-taking exchanges to develop a level of trust that will, in turn, diminish the risk of opportunism. Thus, critical to my arguments in this dissertation, research indicates that limiting oneself to an incomplete range of alternatives means that a manager will also limit her ability to combine or access information that can lead to innovation (Nahapiet &

Ghoshal, 1998). Each actor will only come to this realization through a process of learning and attempts at cooperation (Hardin, 2006a).

All this is consonant with the theory of social exchange, in which one actor “voluntarily provides a benefit to another, invoking an obligation of the other party to reciprocate by providing some benefit in return” (Whitener, et al., 1998, p. 515). Yet, the benefits “are rarely specified a priori or explicitly negotiated in social exchanges. Thus providing benefits is a voluntary action” (Whitener, et al., 1998, p. 515; citing Blau, 1964). Therefore, it goes beyond conventional notions of calculative trust used in most agency theories of principal-agent relationships. That is, there is no assurance that there will be any reciprocation of benefits in a given exchange, nor is there a guarantee for future benefits. But, through the exchange, each actor is able to reveal their credibility to the other for the purpose of future exchanges that will presumably escalate to “higher-value benefits” to both parties (Whitener, et al., 1998, p. 515; citing Blau, 1964). Thus, if establishing trust in supervisors or organizational leadership improves organizational outcomes (as the literature review above indicates), then it is incumbent upon hierarchical superiors to engage in this behavior to “increase the likelihood that employees will reciprocate and trust them” (Whitener, et al., 1998, p. 516).

Two SES interviewees, in particular, spoke about their efforts to establish trust in their relations with their appointed superiors, both acknowledged that this would have been easier if the political appointees entered the relationship as (what Russell Hardin would call) “optimistic trusters.”²¹ In other words, the appointees’ inherent distrust in the career executives (1) legitimated the careerists’ “inverse partisan learning,” and (2) inhibited their own ability to leverage institutional competence. For instance, as one

interviewee opined, “In the end you usually develop a very good relationship. The way you do it is you’re loyal to whoever’s [sic] here, and you work hard for them. If they’re any good, they discover quickly that you’re quite an asset to them.” The implication here is that appointees who were not “good” were those that did not quickly discover this person’s worth and entered the relationship with distrust.

Building on this point, I separately interviewed one middle manager who reported to this particular career executive.²² The way she characterized her boss’s relationship with Bush appointees indicated that it was less than optimal: “You (appointees) come in and you behave as though you have nothing to learn from the career people. You don’t need them. You don’t respect or want their input. I mean that’s all trust and respect. They (Bush appointees) did not have people (careerists) at the table. My boss who has been in [his position] for many years and is well respected, he was not involved in the conversations. It was only until much later that he became involved in the conversations.”

These are disturbing perceptions if widely shared, and point to the importance of cultivating and nurturing trust-based appointee-careerist relations over time. Noting the reciprocal and ongoing relationship involved, Hugh Heclo’s classic, *A Government of Strangers* (1977), defined trust between career executives and political appointees as a “[deep], mutual exchange of commitments within a community... [or] mutual dependability among members of the same team” that is “only gradually earned” (p. 158). What is more, the management literature indicates that a “reciprocal trusting relationship is mutually reinforcing for each” (Hardin, 1993, p. 506).

Trust as Socially Embedded

Premised on such widespread empirical conclusions in the management literature, important implications for modeling of appointee-careerist relationships arise. Yes, one might try to account for these relationships parsimoniously through the rational choice account of trust, in which there are two central elements: (1) “incentives of the trusted to fulfill the trust,” and (2) “knowledge to allow the truster to trust (or recommend distrust)” (Hardin, 1993, p. 505). However, a more empirically accurate model of trust building would incorporate more heavily the idea of context within which these dyadic relationships marinate. Such a literature does exist, and will play a major role in the model I develop in Chapter 5, as well as in the hypotheses I derive and test from it. Presently, I will focus on social, professional, and structural aspects of this context as they relate to the administrative presidency.

Prior research from cognate fields of study applicable to the administrative presidency indicates that understanding trust in relationships between appointees and careerists is improved if Russell Hardin’s (1993, 2006b) conceptualization of trust as “encapsulated interest” is incorporated in modeling exercises. In the encapsulated interest account of trust, “one’s trust turns not on one’s own interests but on the interests of the trusted” (Hardin, 1993, p. 505). Progress in our understanding will also be made if we consider work by Oliver Williamson (1993). He identifies the importance of “social embeddedness” in understanding the exercise of individual choices in organizations generally. “Embeddedness” means that the actions between individuals are based as much on social relations as the individual goals of the actors themselves (See Granovetter (1985, 1992)). As Williamson puts it, the calculation of self-interest by individuals

“varies systematically with the institutional environment within which transactions are located” (p. 476). Thus, claims Williamson, while the assumptions of opportunism (incentives) and bounded rationality (knowledge) are adequate for some purposes of analysis, the logic of appropriateness also holds: “social approvals and sanctions” have to be accommodated into the behavioral calculus (p. 475).

In the encapsulated interest account of trust, trust must be learned like any other generalization. In Hardin’s account, “trust is a three-part relation: A trusts B to do X [or in matters Y]” (Hardin, 1993, p. 506). That is, there are third party effects (X or Y) on the relationship that affect the incentive A or B has to be trustworthy. These may be “reputational effects” (such as those I noted earlier regarding the reputations of political appointees and their prior experiences with careerists), “institutional rewards and sanctions,” or intrinsic rewards. To be sure, Mayer, Davis, and Schoorman’s (1995) character-based assessment model remains applicable. But, prior research indicates that researchers studying trust within the context of the administrative presidency must understand that assessments of trustworthiness will also be shaped by the organizational context in which they operate, the personal and policy goals each actor seeks to further through exchange, and the exchange process itself.

Nor can anyone—appointees, careerists, or researchers—simply assume the motives or goals of the actors involved within that organizational context. Thus, prior research by students of management suggests how unwise it is likely to be for appointees to go into agencies with a priori “bureauphilic” or “bureauphobic” expectations and strategies (Durant 1992). As Heclo (1978) puts it, only contingently cooperative strategies on the part of appointees (and careerists for that matter) make sense. Thus, a

top-down control strategy like jigsaw puzzle management may be self-defeating for political appointees, as might unconditionally sharing all their information with careerists. Understanding the appropriate strategy will only come about through experience. Indeed, even Mayer, Davis, and Schoorman (1995) concede this point:

“[T]he trustor’s perception and the interpretation of the context of the relationship will affect both the need for trust and the evaluation of trustworthiness. Changes in such factors as the political climate and the perceived volition of the trustee in the situation can cause a reevaluation of trustworthiness. A strong organizational control system could inhibit the development of trust, because a trustee’s actions may be interpreted as responses to that control rather than signs of trustworthiness” (p. 727).

The literature also indicates that a key component of how careerists evaluate trust relationships is whether or not appointees or supervisors respect them as professionals with expertise. When I asked one interviewee to define trust in the context of her working relationships with political appointees, she recounted the attitude she would like to perceive: “I respect that you’re a professional, and I respect that you have knowledge. I respect that you are intelligent, and I respect that you have something to offer because of all those things.”²³ Thus, professional reputation (in this instance) can supersede (or takes the place of) the need for “personal trust” (i.e., “the confident expectations of benign intentions by another agent” (Dunn, 1990, p. 74). Protections for careerists from arbitrary, partisan political purposes (e.g., the extent of “jigsaw puzzle management techniques”) should also determine the extent to which trust is developed. As she put it, “We (careerists) know who gets to call the tune, and for the most part we’re happy to oblige, unless they ask us something totally unethical or illegal.”²⁴

Finally, prior research in public administration and public management indicates that organizational structure, too, will be an important determinant of how, or if, trust is

established, and with whom. Organizational roles, hierarchy, and specialization will determine who a careerist or appointee has access to, and how they perceive the importance (or incentives) attached to different individuals within the organization: As one interviewee opined, “What affects your life is who your boss is. You could either love or hate the Secretary, but that may be mostly irrelevant to you.”²⁵ One SESer who I interviewed was in charge of a policy analysis shop within one agency. This was a position that (by statute) enjoyed exceptional insulation from political interference. As she put it, “They (appointees) can trust me as little as they want. Unless they want to tell each of the Board members why I was fired, they *have* to listen to what I have to say and the analysis we produce out of this office” (emphasis added).

The relative “looseness” of the broader network in which an organization is a part has also been argued to be a determinant of how trust develops within an organization. Ronald Burt (1997) argues that “cohesive contacts—contacts strongly connected to one another—are likely to have similar information and therefore provide redundant information benefits” (1997, p. 340). On the other hand, Burt (1997) and Granovetter (1973) argue that “weak ties” facilitate the ability to absorb non-redundant information benefits if the network actor in question is placed at a central cog of the network schema—what Burt refers to as spanning the network’s “structural hole” (p. 317). Somewhat related, Williamson (1993) identifies “embeddedness attributes.” These include the broader cultural expectations and traditions that help regulate exchanges (p. 476), the legalistic rules and procedures that are in place to sanction bad behavior and ensure credible commitments (p. 477-478), “the obligation to fulfill the definition of a role that is especially important for professionals” (p. 478), or the reputational demands

of the network in which one operates (p. 478). Within workplace relationships, each of these embeddedness attributes is presumably manifest through the interaction of formal and informal organization (Barnard, 1938, 1968, p. 122). And most importantly, all these affect the development of social capital in organizations, a relationship at the heart of my dissertation.

Connecting Trust to the Development of Intellectual Capital

With the preceding in mind, this study assumes that the underlying motivation for any president's administrative strategy is to increase the reliability, and reduce the cost, of information in order to advance presidential agendas (Rudalevige, 2002). Presumably, the strategic placement of political appointees is thought to be an efficient means for a president to achieve this goal. If so, it is important to understand under which conditions this tool can most effectively be used to cheaply and effectively advantage the president's access to information (i.e., in order to advance presidential agendas), and how expectations of its usefulness can be shaped under each.

Fundamental to my thesis is that prescriptions for withholding information from careerists, or "jigsaw-puzzle management" techniques (Sanera, 1984), ignore the fact that to advance presidential agendas successfully, appointees will need information and capacity that only careerists can provide. As one interviewee said, "I'm going to share information with you (the appointee) and I'm going to solicit information from you, because I believe you have something to offer and I respect that you do."²⁶ Therefore, the development of an organization's intellectual capital—the "knowledge and knowing capability of a social collectivity, such as an organization, intellectual community, or

professional practice”—becomes pertinent to all organizations (Nahapiet & Ghoshal, 1998, p. 245), and especially to any study of the appointee-careerist nexus.

Intellectual capital provides a clear analogy to the concept of human capital, which “reflects the belief that human beings in an organization and their skills and knowledge are the organization’s most important assets, more important than other forms of capital such as [physical] and financial assets” (Rainey, 2003, p. 244). Personnel develop organizational capacity and the organization’s ability to innovate in order to implement policy and react to environmental contingencies. Importantly for assessment of jigsaw puzzlement management techniques built on an inherent distrust of careerists in public agencies, this entails the development of knowledge that only the organization as a whole can possess. It is “not reducible to what any single individual knows, or even to any simple aggregation of the various competencies and capabilities of all the various individuals” (Nelson & Winter, 1982, p. 63; as cited in Nahapiet & Ghoshal, 1998).

This conceptualization of intellectual capital is intimately tied to the idea of “institutional competence,” outlined in the preceding chapter. Institutional competence means that “to understand an agency’s organization and behavior [retrospectively or prospectively], one must first know its history, program patterns, administrative processes, professional hierarchies, constituencies, and budget structure” (Seidman, 1998, p. 125) and how these characteristics can be employed toward specific actions or adapted to contingencies. Thus, like intellectual capital, it “acknowledges the significance of socially and contextually embedded forms of knowledge and knowing as a source of value differing from the simple aggregation of the knowledge of a set of individuals” (Nahapiet & Ghoshal, 1998, p. 246). In turn, the notion of intellectual capital expands on

institutional competence by recognizing how its development increases the capacity of an organization to (re)combine or exchange knowledge to bring about change.

Two private management scholars—Nahapiet and Ghoshal (1998)—offer a framework for understanding these concepts that incorporates two types of knowledge: tacit and explicit. Tacit knowledge is characterized as “knowing” that is intuitive, incommunicable, and intrinsically linked to professional skills and experiential knowledge. Explicit knowledge is knowledge that is available in the form of “facts, concepts, and frameworks that can be stored and retrieved from memory or personal records” (Nahapiet & Ghoshal, 1998). Both are further qualified as conditionally separable, depending on the level of analysis (i.e., collective or individual levels). Neither level is independent from one another. However, following Spender, “collective knowledge is the most secure and strategically significant kind of organizational knowledge” and therefore is the focus of intellectual capital in Nahapiet and Ghoshal’s framework (Spender, 1996, p. 52).

How collective knowledge is capitalized on is dependent on the level of uncertainty to which an organization must adapt. Consonant with the premises of the administrative presidency (and especially jigsaw puzzle management), the logic of the ideal Weberian bureaucracy assumes that structures are “formed on the basis of knowledge rather than the basis of power alone. Thus it presupposes that all the “knowledge necessary to the strategizing and organizational design processes is available at the top of the organization and this underpins its authority base” (Spender 1996, p. 46). But there is no reason to think that this is so. Organizational learning may be *less* likely if a top-down management approach limits employees ability to know “what and how to

invent or observe about their environment” (Spender, 1996, p. 47). This is especially true if the organization is expected to respond to a wide and complex array of environmental uncertainties (Chandler, 1962), a typical fate for public agencies. In these cases, as Chandler (1962) found, centralization of the decision-making process at the top levels of management will not be able to accommodate this complexity. In other words, the various functional units of the organization that need to be coordinated to respond to a particular contingency may be “centralized *above* the level at which response” to that contingency should be organized (Stinchcombe, 1990, p. 100).

Still, not all the literature supports this position, and cautions a contingency approach. Applying agency theory to the appointee-careerist nexus, prior research in political science has shown that information asymmetries can favor *either* the agent (career bureaucrats) or the principal (political appointees). In a study of the Department of Homeland Security, for example, Waterman and Gill (2005) find that bureaucratic policy expertise does not necessarily imply an information advantage on the part of the careerists because “principals can offset this advantage by turning to lower cost political information” (p. 28). Thus, while policy expertise tends to be cited as advantaging the agent with greater levels of information than principals possess, the authors argue that tools such as appointee layering *help* the principals shift the focus from policy expertise to political information—“through the articulation of defined incentive structures” (p. 12). Still, this does not guarantee that a president’s policy agenda will advance administratively. And the principal-agent relationship advantage for appointees dissipates when the complexity of agency missions is added to the mix; in this situation, goal conflict has the potential to increase based on the actors’ tacit or explicit

understanding of those goals. Therefore, the ability to see through either party's goals may necessitate the exchange or combination of the particular types of knowledge that each possesses; and centralization at the top of an organization may preclude this from happening (Chandler, 1962).

Regardless, Nahapiet and Ghoshal argue that trust (representing the "relational dimension" of social capital) "facilitates the development of intellectual capital by affecting the conditions necessary for exchange and combination to occur" (p. 254). Trust increases (1) access to knowledge exchange, (2) the anticipated value of that exchange among actors, and (3) individuals' willingness to take risks. Trust also more fully establishes how actors are connected to one another—"who you reach and how you reach them" (Nahapiet & Ghoshal, 1998, p. 255). Additionally, research in the generic management literature suggests that trust increases the ability to cope with complexity (Luhmann, 1979), as well as ambiguity or uncertainty (Boisot, 1995). But while mutual trust can become an asset created and leveraged through relationships, these relationships are conditioned by the policy domain, individuals' formal responsibilities, and the organization's structure, leadership, goals, and culture.

This cognate literature also has additional implications for administrative strategies to advance a president's agenda through reorganization, a common contextual tool of the administrative presidency. In contradistinction to the logic of the administrative presidency, this body of research indicates that the stability of an organization and the relational conditions therein are important to the development of intellectual capital. It takes time to build trust. And the relationship between trust and knowledge exchange is reciprocal, reflexive, and cumulative. That is, each exchange and

combination of information and knowledge is a building block of trust. Moreover, if each exchange or combination is reinforced by a perception of value toward the achievement of individual and collective goals (accordant with calculative accounts of trust), then increased “anticipation of value through such exchanges” follows (Nahapiet & Ghoshal, 1998).

Still, Nahapiet and Ghoshal argue that potential exchange partners within organizations must *expect* that engagement will create value: “they must anticipate that interaction, exchange, and combination will prove worthwhile, even if they remain uncertain of what will be produced or how” (p. 249). This position is consistent with Hardin’s (1993) argument, discussed earlier, that the willingness to trust will lead to superior information exchange. It is also consonant with Whitener and her colleagues’ (1998) argument that the role of optimistic truster is incumbent upon hierarchical superiors. They write that the exercise of trust through “sharing and delegation of control, may be experienced by the subordinate as a social award: it represents a form of approval extended to the subordinate by the manager” (p. 518). Likewise, Williamson’s (1993) argument that the embeddedness attributes of the organization will regulate these exchanges resonates with Nahapiet and Ghoshal’s (1998) other claim that “knowledge and meaning are always embedded in a social context—both created and sustained through ongoing relationships in such collectivities” (p. 253). As such, another dimension of the “control paradox” noted earlier arises.

In sum, research in cognate fields of study suggest that students of the administrative presidency must anticipate, first, that the structural and relational embeddedness attributes of the organization will condition the opportunity to “make the

combination or exchange” through accessibility (p. 249). Second and innately tied to the encapsulated interest that is shared between actors within the organization, they must understand there must be some shared anticipation of the value in combining and exchanging intellectual capital—that is, appointees, mid-level career managers, and their subordinates—must perceive willingness by their counterparts to exchange quality information and engage in trusting relationships. Finally, researchers studying politicization strategies must appreciate that even when the three previous conditions are satisfied to some degree, “the capability to combine information or experience must exist” (Nahapiet & Ghoshal, 1998, p. 250). Therefore, structural and cultural embeddedness attributes may diminish or increase the capacity of organizational actors to participate in exchange relationships.

Bringing Trust & Intellectual Capital Together (Theoretically and Empirically)

The previous section illustrates the complex relationship among three important concepts in the literature on management and organizations: trust, embeddedness, and intellectual capital. Earlier in the chapter, I discussed the extent of research that explores the construct of trust, and how it can potentially be developed to optimize organizational performance. In doing so, I found that research and theory remain divided on the degree to which trust plays a role in interpersonal, intra-organizational relationships. To that point, there remained extensive ambiguities in how trust is defined in these contexts. Therefore, I proposed an operational definition of trust that incorporates major theories, while providing some parsimony as to how trust might be conceptualized and connected to organizational outcomes. I relied on Russell Hardin’s (1993) “encapsulated interest”

account of trust, defining it as the willingness to depend on another actor based on the potential benefit for both actors to engage in a mutually reinforcing relationship. The willingness to sustain such a relationship is a process of learning, and this process is conditioned by the institutional context in which it is embedded.

I suggested that the establishment of trust is incumbent upon hierarchical superiors to engage in trusting relationships with their subordinates. I also found that previous research neither tests this proposition, nor does it identify how this will affect organizational outcomes. Rather, research connecting superior-subordinate trust to organizational outcomes is limited, especially in the public administration literature and in studies of the administrative presidency (Cho & Ringquist, 2011). And, that which exists does not formally test the role that trust plays in developing an organization's intellectual capital as a precondition to success.

I argue that to understand how trust is connected to organizational outcomes relevant to using administrative strategies to advance presidential agendas, we must first unpack the construct of trust as a function of managerial initiative and the embeddedness attributes of interpersonal relationships within organizational settings. Only then can we recognize how these concepts interact to produce organizational intellectual capital, and test hypotheses derived from a theoretical model encapsulating these dynamics. To this end, I now provide in Figure 2 a heuristic model that helps explain how trust might affect the development of an organization's intellectual capital.

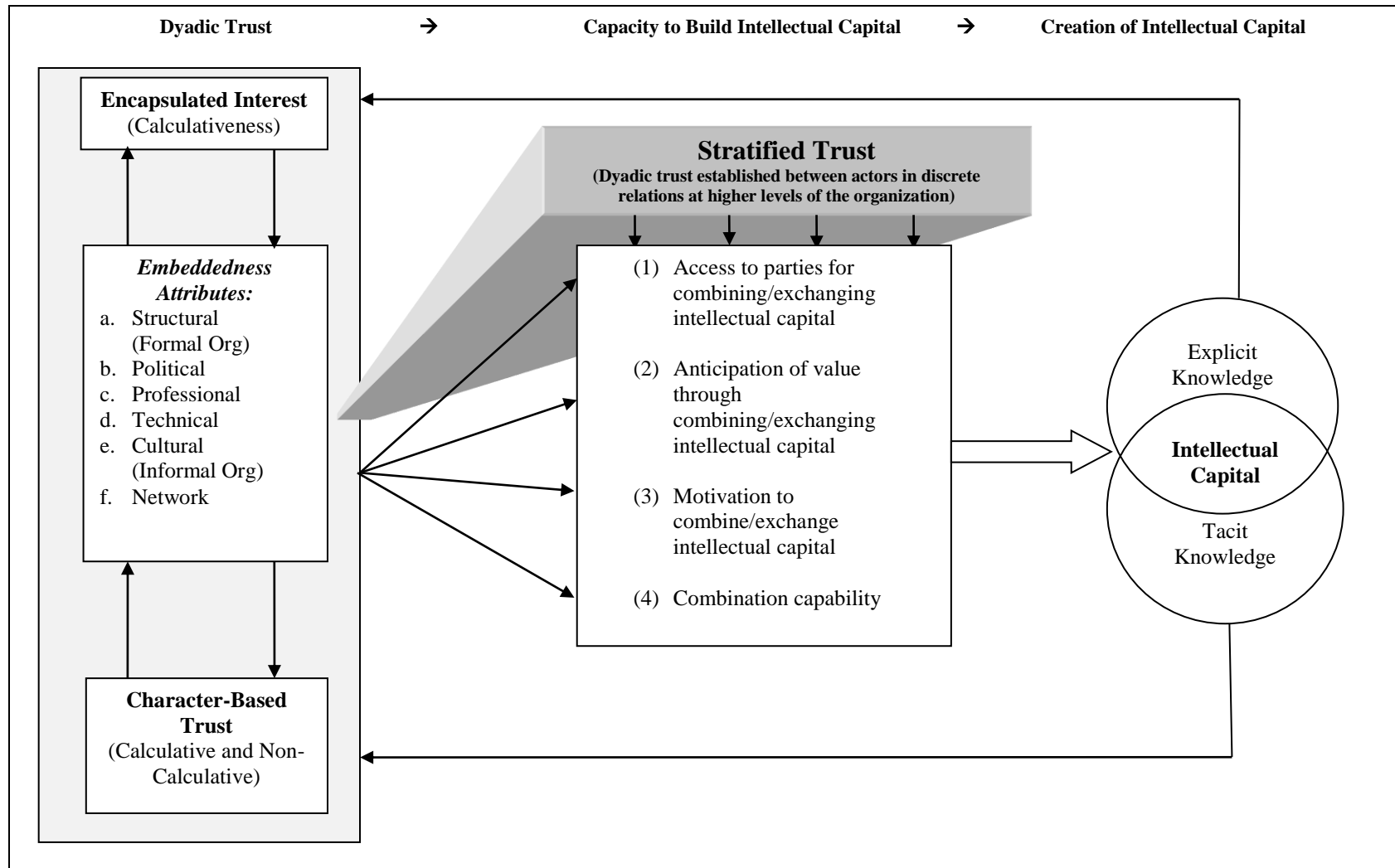


Figure 2. A Heuristic Model of Trust and the Creation of Intellectual Capital

The model posits a reciprocal relationship between knowledge exchange and mutual dyadic trust between principals and agents. The development of intellectual capital provides a feedback effect that encourages participants to sustain or increase trust in dyadic relationships between superiors and subordinates. Trust is conceptualized as both “encapsulated interest” and character-based assessments that can be both calculative and non-calculative in nature. Like Williamson (1993), I am careful not to discount the importance of non-calculative, personal trust completely. Nonetheless, in the succeeding empirical chapters, I also follow Williamson (1993) and Hardin (1993) in arguing that it is extremely difficult to separate non-calculative trust from the calculative “encapsulated interest” account in the domain of workplace relationships, because such relationships are so innately purpose-oriented.

Figure 2 also illustrates that the connection between trust and an organization’s capacity to build intellectual capital will be moderated by the institutional environment in which actors are embedded. Therefore, the conceptualization of “dyadic trust” is the gray box on the left-hand side of the heuristic. Encapsulated interests are informed by character-based assessments and, thereby, interact with different embeddedness attributes of the institutional environment to form the complete construct. This is consistent with my definition of trust as a cumulative product of the calculations of the individuals involved, the transaction’s elements, and the trading environment of the transaction. In the chapters that follow, I will construct measures for several different embeddedness attributes that are common to public organizations.

Additionally, I argue that politicization (i.e., appointee layering) is, in itself, an embeddedness attribute. It is an attempt by presidents to change the structural

arrangements of an organization and control careerist discretion. Yet, (again) I point to West's (1995) argument that the application of the politicization strategy and reorganizing the management structures of agencies "only allows the president to influence the general contours of policy implementation rather than specific actions" (p. 88; what Durant (1992) refers to as "contextual" strategies for the administrative presidency).

The various embeddedness attributes that are defined in the chapters that follow will be hypothesized to moderate the impact of trust on intellectual capital capacity in varying degrees and in differing directions in federal agencies. I propose that, namely, politicization will negatively affect an organization's capacity to build intellectual capital. Specifically, I propose that lack of trust will become even more important to knowledge exchange under conditions of politicization and when appointees are trying to "make things happen" rather than merely stop things from happening" in order to advance a president's policy or program agenda. Politicization diminishes the capacity to build intellectual capital because it signals distrust in careerists, especially career executives.

Therefore, in one set of relationships, politicization diminishes the ability to build trust between career executives and appointees. In a second set of relationships, the trust that is established between career executives and appointees under such conditions will become even more important to the organization's ability to build intellectual capital. As one career executive who I interviewed put it (and as the epigram to this chapter repeats), "initially you want to know what the heck's going on with them (appointees) because they not only impact you, they impact everything that's going on—your colleagues and

through you, at least, the people under you... [A bad relationship with a political appointee] doesn't just hurt you, it hurts the people who work for you.”²⁷

Figure 2 also illustrates four additional propositions on how the complete construct of dyadic trust among political appointees, careerists, and their front-line subordinates, as regulated by its institutional environment, will determine the means by which intellectual capital is developed: Trust will increase (1) the accessibility to organizational actors to combine and exchange information, (2) the anticipated value of these exchanges, (3) individuals' motivation to participate in these exchanges, and (4) the capacity of individuals to participate in exchange.

Each of these relationships, I argue, is also a function of the trust that is established between actors at the top level of the organization. In the heuristic offered in Figure 2, you will see the dyadic trust construct projected to a separate conceptualization that I label “stratified trust.”²⁸ Here, I propose that the relationship between trust and intellectual capital for lower-level employees will be conditioned by the level of trust that is established between actors in discrete relations at higher levels of the organization.²⁹ At the same time, regardless if the purpose of politicization is to inhibit, exploit, or leverage administrative power, I argue that to accomplish any of these actions requires competent direction and organizational innovation in order to have a lasting, substantive, or intentional effect. As Lewis (2008) argues, no matter what the design of appointee or presidential intentions, one would assume that they want their policy goals achieved competently (p. 62).

Thus, I argue that the trust that is established between career executives and political appointees will affect the connection between trust and knowledge exchange

throughout the organization. Most of the literature that unpacks the appointee-career nexus focuses on the relationships that develop between career executives and appointees. Following Dirks and Skarlicki (2004) in the private sector management literature, I posit that executives (those at the top of federal agencies) play a distinct role in setting strategic direction for the organization. How relations at this level of the organization play out between appointees and SESers should have a significant impact on employees' access to various exchange partners, the value they perceive in knowledge exchange, and their motivation to do so. Specifically, stratified trust (again, the trust developed between actors in discrete relations at the executive level of the hierarchy) should have a significant impact on the trust that is established between middle managers, who must articulate the product of executive relations into definitive expectations of employee performance, and their subordinates.

The chapters that follow employ various empirical techniques to test the theoretical model in Figure 2. In the next chapter, I use both descriptive analysis and a logit regression where the dependent variable captures a measure of explicit knowledge exchange. In the subsequent chapter, I use an intercept-and-slopes-as-outcomes model where the level-one (individual-level) dependent variable captures the capacity for intellectual capital at various levels of organizational hierarchies. In the process, I hope to explicate the multi-level nature of superior-subordinate relationships within varying organizational settings and the connection between trust and the development of intellectual capital. Ultimately, I hope to reveal the relative centrality of trust to organizational relationships and how it pertains to any president's strategic use of politicization as a means to leverage bureaucratic power toward his intended ends.

CHAPTER 4

ENCAPSULATED INTEREST AND

EXPLICIT KNOWLEDGE EXCHANGE:

A CASE STUDY OF PRESIDENTIAL TRANSITION

“Thus the political executive and his political staff become ‘jigsaw puzzle’ managers. Other staff see and work on the individual pieces, but never have enough of the pieces to be able to learn the entire picture.”

—Michael Sanera, *Mandate for Leadership II* (1984)

“There’s a sense that all federal agencies are information sieves, that if you share information with the career people you might as well be [...] putting it out on the Web. That’s not really the case. I think very little leaks. I think what does tend to leak are, frankly, deliberate leaks from the top or occasionally leaks by political.”

—Anonymous Senior Career Executive³⁰

At the center of the administrative presidency, the relationships between appointees and career executives are critical to understanding a president’s effectiveness in advancing his policy agenda. As I outlined in the second chapter, evidence indicates that appointees’ ideological loyalty to presidential prerogatives are often driving forces behind the placement of many appointees (Durant, 1992; Wood & Waterman, 1994). The logic underlying presidents’ emphasis on loyalty is that appointees can limit career bureaucratic discretion, shift the responsibilities and goal-orientation of employees, and broadly reorganize human capital (Nathan 1983; Waterman 1989; Durant & Resh, 2010). Given this power, presidents identify appointees who are loyal to their own prerogatives based on an assumption that career bureaucrats have the potential to sabotage popular

mandates for action when they do not comport with careerists' policy preferences (Sanera, 1984). Presidents hope that appointees will subvert any careerist sabotage by bypassing career SES for policy advice and using them to carry out programs "while keeping them in the dark as to the overall strategy being pursued" (Benda & Levine, 1988; Golden, 2000; Ingraham, 1995; Pfiffner, 1985).

In Chapter 2, I reviewed the literature that put forth the argument that presidents achieve responsiveness to their executive authority through the strategic use of appointment powers and increases in the number of appointments (especially non-Senate confirmed appointments), while simultaneously centralizing policy making to a cadre of identified loyalists. I also documented how these tactics were aggressively implemented in the George W. Bush administration. I identified a management technique that extends from this strategy, known commonly in the administrative presidency literature as "jigsaw management" (Ban & Ingraham, 1990; Benda & Levine, 1988; James P. Pfiffner, 1987), which is based on a fundamental distrust of the career bureaucracy. Finally, in Chapter 3, I reviewed the literature that explores the importance of interpersonal trust in organizations, especially at the executive ranks. I unpacked the idea of trust from cognate literatures, showed its previously unexplored implications for advancing presidential agendas administratively, and offered a model of trust building and its role in advancing those agendas.

In this chapter, I test some of the propositions I put forth in the theoretical framework offered in Chapter 3. I focus here on a very narrow piece of the heuristic model previously presented as Figure 2 (on page 109 in Chapter 3): the "encapsulated interest" account of trust and its connection to explicit knowledge exchange between

appointees and career executives. As discussed in Chapter 3, mutual trust can be understood as the areas of interaction in which two or more actors find continuing value in both the exchange and content of information. I have referred to this conceptualization of mutual trust as the “encapsulated interest” or “calculative” account of trust. As I defined it in the preceding chapter, encapsulated interest refers to the idea that the benefit that one receives from any particular exchange in which one is trusted is a function of “the potential benefit from continuing the series of interactions” (Hardin, 2006, p. 22).

Also, as I argued in Chapter 3, encapsulated interest represents only one dimension of trust. It excludes the character-based (Mayer, Davis, and Schoorman, 1995) and emotional (Dunn, 1990) dimensions of the construct, as well as how social norms and obligations may regulate purely calculative exchanges between individuals (i.e., “embeddedness attributes” of an organizational setting) (Williamson, 1993). Therefore, the focus of this chapter provides a narrow conceptualization of trust as “encapsulated interest.” Additionally, the dependent variable in this chapter is just one dimension of intellectual capital: explicit knowledge. I examine the extent to which explicit policy knowledge is exchanged. I do not, however, include implicit knowledge or examine the manner in which knowledge is combined or exchanged. I also do not examine the organization’s capacity to develop intellectual capital in this Chapter, but rather wait to do this in Chapter 5. Here, I am specifically interested in how the establishment of encapsulated interest between career executives and political appointees is associated with explicit knowledge exchange.

I study this question in a policy area that provides a practical focus for analysis because it is one that was simultaneously implemented across agencies, in a largely

universal manner, and intended to be carried out according to a centralized presidential mandate from the White House to political appointees. The policy that I examine is the Bush administration's preparations for the presidential transition of 2008—2009. Importantly, the mandate from the White House explicitly directs Bush appointees to work *with* career executives in formulating implementation plans and carrying out implementation.

Studying the implementation of a centrally-mandated policy from the White House calling for career involvement to make for a smooth transition allows us to indirectly assess the effects of prior appointee-careerist relations in the Bush years. If we find empirically that a jigsaw puzzle management technique was used to implement a policy requiring careerist involvement more broadly, a curious paradox is identified, one that may indicate why knowledge of transition activities was limited (as the following section will discuss in greater detail). If we don't find it, or we find some modified or more nuanced version of jigsaw puzzle management, we will have some evidence that conventional wisdom may have to be rethought and alternative metaphors considered that better fit the data from these surveys.

To test the question of how much careerist input and participation was valued by the Bush administration as input to facilitating the transition; this chapter uses a survey of members of the Senior Executive Service (SES) administered by the National Academy of Public Administration (NAPA) in October 2008. This survey addresses SES involvement in the 2008-2009 transition, as well as their general perceptions of presidential transitions. The respondents' general perceptions of presidential transitions

help inform what factors between appointees and careerists are commonly inhibitive to good appointee-careerist relations.

The unit of analysis for this chapter is a career member of the Senior Executive Service (SES). Data were collected from an electronic survey conducted by the National Academy of Public Administration (NAPA) from September 29th to October 24th of 2008. The population was based on a census of all career SES working at the time of the survey. According to September 8, 2008 administrative data provided by the U.S. Office of Personnel Management (OPM), the population of filled career SES positions in the United States federal government was 6,481. To protect anonymity, the online survey was available to all agencies with at least 3 career SES positions filled. The original sampling frame, therefore, was composed of 6,456 people occupying SES positions in 51 departments, agencies, boards, and commissions. The survey was distributed to approximately 4,799 potential respondents and was returned by 1,116, a 23% response rate. The sample appears to be representative of the broader population on key dimensions, but certainly caution is warranted with this response rate.

At the time the survey was implemented, the 2008 presidential election was yet to be decided. By then, the Bush administration had begun extensive activities in preparation for the upcoming transition (Kamensky, 2008; Pear, 2008). As noted in Chapter 2, a memo was issued on July 18, 2008 to members of the Presidential Management Council by Clay Johnson, Deputy Director of the Office of Management and Budget (OMB). The memo directed agency political leaders to (1) name a career executive as the transition coordinator at each agency, (2) name a career executive “to serve in place of departing political officials in each major bureau”, (3) develop a briefing

book identifying each agency's organization, performance goals, and key personnel, and (4) "identify 'hot' issues that need the attention of the new administration" (Johnson, 2008; Kamensky, 2008). As I also observed in that chapter, Johnson encouraged appointees to "do transition planning with (not to) career officials" (emphasis added in Kamensky 2008). Therefore, NAPA's October 2008 survey presented an opportunity to gain an insightful look at the activity involved with the Bush administration's transition management plan.

As I also discussed in Chapter 2, the general perception of presidency scholars and journalists prior to that memo was that the Bush administration replicated the jigsaw puzzle management practices of the Reagan administration in many ways. The White House had: (1) centralized WHO approval for each Schedule C appointment (Pfiffner & Patterson, 2001; Warshaw, 2006); (2) developed a hierarchical, top-down governance structure in many areas of government (Suskind, 2004); (3) emphasized ideological loyalty as appointee selection criteria (Warshaw, 2006; Romano, 2007); and (4) exercised a general rejection of the career bureaucracy's involvement in day-to-day implementation and policymaking decisions (Hedge, 2009; Lewis, 2008; Moynihan & Roberts, 2010; Warshaw, 2006).

Thus, in many ways this chapter offers a critical case analysis; if anywhere, we should see evidence of faithful implementation given the White House's explicit call for appointees to cooperate with careerists. Moreover, the analysis allows us to examine how the administration's general management approach *prior* to transition activities might affect how the administration made use of the career SES in an area for which the creation and existence of SES is particularly suitable. That is, as noted, the SES was

ostensibly created to establish a cadre of top-level career officials who can provide both continuity of institutional purpose and responsiveness to political officials (Ingraham, 2005). At question is whether managerial tactics that were prevalent within the Bush administration inhibited the ability for the administration to later leverage the institutional competence of the SES to facilitate the transfer of political leadership. In other words, how did management activities prior to the transition affect the involvement of career SES during the transition?

In the remainder of this chapter, I will first afford a brief introduction considering the nature of presidential transitions generally, and some introductory perceptions of career SES members of how the Bush administration approached its transition planning. I find evidence of careerists being “kept in the dark” on policy decisions, which is consistent with jigsaw puzzle management. At the same time, explicit policy knowledge varied among respondents based on the degree to which their interests were encapsulated in the appointees own—indicating that a conditional cooperation strategy was being employed by Bush appointees. To further explore this, however, I next turn to the survey data to discern, first, what SES members think are the major impediments to successful transitions, and then I try to assess the extent to which these impediments are occurring during the Bush transition. I then assess the importance of encapsulated trust from the model in Chapter 3 to assess its importance in explaining these perceptions.

Presidential Transitions, Jigsaw Puzzle Management, and the Bush Administration

Presidential transitions have been characterized as a time that brings about “scramble, discomfiture, reshuffling, [and] adjustment” within issue networks and the

agencies with which they interact (Neustadt, 1990, p. 257). Therefore, this changeover, especially accompanied by a change in the partisan identification of the administration, presents a particularly interesting time at which to study how the outgoing administration's administrative strategies affect an incoming administration's ability of a subsequent administration to "hit the ground running" (Pfiffner, 1996). It also provides an example of a policy in which careerist input and participation is expressly requested by a standing president, and that cooperation, access, and trust are critical for success. It also begins filling a gap, noted earlier, in our current understanding of the administrative presidency in the second term of a presidential administration.

Presidential Transitions

It is commonly understood that the turnover of executive power presents a great challenge in the United States' system of governance. It is probably, in many ways, amazing to observers outside of the United States to believe that we can maintain relative continuity between administrations, given the institutionalized advantages a parliamentary system has over our separation of powers. In most parliamentary systems, only the top cabinet offices change hands between governments, the transitions are completed quickly, and cabinet members are usually experienced members of the legislature with substantive expertise in their assigned areas and anticipated assignment to these chairs once their party is in power (i.e., members of the "shadow government") (J. P. Pfiffner, 1996).

In the United States, however, the transfer of executive power is more complex. Indeed, new presidents face the personnel challenges I alluded to in chapter 2—including

more than 4000 appointments throughout different layers of the bureaucracy and appointments often made with political considerations outside of substantive or institutional expertise. They also must take place amid considerable albeit unrealistic public expectations that delay is an indication of an administration in disarray, as well as a need to take advantage of a limited window of time to leverage popularity, to see through a general policy platform consistent with campaign promises, and that can be framed as a public “mandate” (Aberbach & Rockman, 1988; Beckmann & Godfrey, 2007).

Contributing to this problem, delays in Senate confirmation of political appointees compound the difficulties modern presidents face in seeing through their electoral agendas (Mackenzie, 1987; Light, 1995; O’Connell, 2009). A report by the Center for American Progress noted that the average number of days it takes to fill a Senate-confirmed agency position for the first time for the last four presidencies ranged from 193.69 days (Reagan) to 267.39 days (Clinton) (O’Connell, 2009). In fact, 100 days after President Obama’s inauguration, a total of just 12.8% (66) of Senate-confirmed appointee (PAS) positions had been filled, an additional 20.8% (107) had been nominated, and another 7% (36) announced, leaving 300 PAS jobs vacant in both name and practice by April 27, 2009.

Yet the modern lexicon of presidential politics places an unrealistic or misplaced emphasis on the “honeymoon” period of the first 100 days in office, with appointment delays indicating that something is amiss with a new administration by not “hitting the ground running.” The implication is that this incongruence of timing between this agenda-setting “opportunity window” with the absence of appointed leadership

accurately perceived as in the hands of careerists in place at the time of initial transition (Kingdon, 2003; Kumar, 2002).

In the eyes of some, this is not a problem. As a report by the National Academy of Public Administration states:

“It is not unusual for SES members to serve as the interim agency leadership, temporarily taking on roles normally reserved for appointees. They are the stewards of their agency, responsible for ‘making the trains run on time’ and maintaining routine business during a time of leadership transition” (NAPA, 2009).

However, as O’Connell (2009) writes, these officials “generally lack sufficient authority to direct career civil servants,” may be reluctant to initiate action, and may result in careerists regressing to inertia in reaction to an environment of uncertainty and out of fear of future reprisal for decisions antithetical to future appointees’ preferences.

Arguably, however, scholars should think of transitions in broader terms than the period following inauguration day. Transition activity also takes place prior to election and in the eleven-week period between election and inauguration. These activities have been institutionalized through budget appropriations and practice since the Truman presidency (J. P. Pfiffner, 1996). Prior research suggests that significant support is provided to incoming presidents and their appointees by the outgoing administration, “good government” organizations (e.g., The White House Transition Project, NAPA), and think tanks (e.g., the Presidential Appointee Initiative of the Brookings Institution) (Pfiffner, 1996; Felzenberg, 2000; Kumar, Pfiffner & Sullivan, 2000; Burke, 2002; Kumar, 2002).

Thus, without question, a great deal of information is exchanged between administrations during the periods preceding inauguration, most of which is

communicated through the channels of the federal bureaucracy. How complete, accurate, and timely that this information is, and how prior appointee-careerist relations affect this transfer of information has not been systematically explored in prior research. To be successful in ensuring that ongoing government operations are maintained (and substantive policy emphases in a transition to an administration of the same party), political appointees must convey to careerists the importance of information sharing, careerists must have the information to convey, and they must be predisposed toward sharing that information. I would contend that if any one of these factors is missing, a policy of cooperation will be less than successful. And a prerequisite to realizing these factors is the way information, appointee-careerist relations, and trust of careerists has materialized in previous years.

The Bush Transition and Jigsaw Puzzlement Management

As noted, the transfer of leadership between administrations provides an opportunity for officials to make the most of institutional and substantive expertise as central values. As Chang et al. (2001) exhibit, the end of an administration's term is a time in which political appointees are more likely to resign before the term has ended. Therefore, the Bush administration's preparation for the transition was timely, and its reliance on selecting career officials who were knowledgeable and predisposed to help was particularly necessary. Moreover, the 2008-2009 transfer of presidential administrations presented only the fourth time since the passage of the Twenty-Second Amendment (1947) that Americans and the career bureaucracy knew that "they could

anticipate a fresh face in the next presidency” (Kumar, 2002, p. 7)—as neither party’s nominees were incumbent or former vice presidents or presidents.

Descriptive evidence from the 2008 NAPA survey of SES members I use to inform this chapter suggests that—despite Bush’s announced aim to have appointees “do transition planning with (not to) career officials” —transition activities in the Bush administration were not thoroughly coordinated throughout the career executive levels. In fact, there is evidence that SES members were “left in the dark” on critical transition decisions, characteristics consonant with “jigsaw puzzle management.” For example, over 70 days after the Johnson memorandum was issued, 21.5% of the SES respondents indicated that they had “no knowledge of transition activities” in their agencies (See Table 2), despite indications of activity awareness by at least some respondents within each agency. Moreover, shortly after the data were collected and a preliminary analysis was conducted, NAPA hosted a panel during its annual meeting that reviewed the results publicly. One panelist made clear how surprising and normatively problematic it was that so many SES were unaware of any transition activities:

“I’m a charter member of the SES, and the response of 20 percent of existing senior executives who said they could not answer the question of the transition activities under way at their agencies—that’s deplorable... The whole premise of the Senior Executive Service is that you have the management skills and the leadership skills to step up to the plate.”

Table 2. Explicit Activity Awareness. Source: National Academy of Public Administration (NAPA), Presidential Transition Survey of the SES (Question #13).

Which of the following activities is your organization currently doing, or planning to do in the next few months, to prepare for the next transition? (Select all that apply.)	YES	NO
Preparing information describing the mandate of the agency and any scheduled reauthorizations	751 (67%)	365 (33%)
Examining the agency's programs strategically, in relation to the new president's agenda	401 (36%)	715 (64%)
Scheduling briefings on key programs/initiatives within the agency	577 (52%)	539 (48%)
Arranging briefings on who-does-what in the agency, including areas of staff expertise and existing gap areas	529 (47%)	587 (53%)
Preparing information about budget, funding issues, and if applicable continuing resolutions within the agency	775 (69%)	341 (31%)
Describing relationships with relevant Congressional Committees and Members	422 (38%)	694 (62%)
Outlining relationships and initiatives with other federal agencies, including involvement on interagency councils	414 (37%)	702 (63%)
Developing descriptions of key external stakeholders and the status of their relationship with the agency	466 (42%)	650 (58%)
Developing a list of predecessors and other subject matter experts who might advise the new leadership on targeted issues	152 (14%)	964 (86%)
Assessing sensitive issues that pose a threat to the agency and the administration	550 (49%)	566 (51%)
<i>Cannot answer; I have no knowledge of transition activities in this agency</i>	240 (22%)	876 (78%)

Therefore, a centrally-mandated policy from the White House calling for career involvement in transition planning had major gaps in implementation that varied across respondents. Indeed, these responses imply that some form of jigsaw management was occurring, at least to some extent. But further evidence is needed to confirm this. It also raises two important questions:

- (1) Do the responses of SES members indicate that jigsaw managerial tactics are identifiable across organizations in the George W. Bush administration?

(2) Does the encapsulated interest I discussed in Chapter 3 regarding trust account for variation in a career executive's explicit knowledge of transition preparation activities?

The questions in the SES survey allow me to address these questions, first, by ascertaining what respondents think impede transitions generally, then whether they perceive that these largely jigsaw puzzle management-impediments were occurring during the Bush transition. The survey also allows me to see whether encapsulated trust is a significant predictor of these perceptions in a regression model.

SES Perceptions of Transition Impediments

The NAPA survey provided career SES respondents an opportunity to identify what they perceive to be the impediments to a successful presidential transition generally (NAPA, 2009). The survey instrument provided a list of thirteen potential impediments to a successful presidential transition. The respondents were to rank the top three impediments. As one might imagine, delay in Senate confirmations of appointed agency leaders was ranked as having the biggest impact on slowing transition. Approximately 58% of respondents ranked it as one of three potential impediments.

However, there were several other impediments that ranked highly and speak directly to relations between career SES and political appointees in practice. The evidence provided by the respondents indicates that an undervaluation of the institutional knowledge and experience that SES presumably provide will present a significant impediment to presidential transition. Of the thirteen potential impediments, over 25% of respondents ranked at least one of the following as a significant impediment:

- Delays in confirmation of Senate-confirmed appointees (58%)
- Reticence to identify and leverage career staff expertise (38%)
- Appointees' eagerness to change organizational structure (35%)
- Distrust (34%)
- Appointees' eagerness to change policy (28%)
- Lack of preparation by the appointee (25%)

While both delays and lack of preparation are commonly identified as obstacles to transition (Gilmour & Lewis, 2006; Lewis, 2007; Mackenzie, 1987, 2002), both speak more to the procedural impediments preceding confirmation that fall outside the direct interaction between careerists and appointees (Mackenzie, 2002). After weighting the responses according to the ranks the respondents assigned to each, I find that “appointees’ eagerness to change organizational structure,” “distrust,” and “reticence to identify and leverage career staff expertise” become the second, third, and fourth biggest potential impediments to successful transitions, respectively (see Table 3).

Table 3. Common impediments to successful transitions. Source: NAPA, Presidential Transition Survey of the SES (Question #11).

“Which of the following challenges have the biggest impact on slowing the transition?”	Unweighted Sum	Unweighted Rank	1st Rank	2nd Rank	3rd Rank	Weighted Sum	Weighted Rank
Delays in confirmation of Senate confirmed appointees	644	1	1395	198	80	1673	1
Appointees’ eagerness to change organizational structure	385	3	468	266	96	830	2
Distrust	377	4	408	256	113	777	3
Reticence to identify and leverage career	425	2	246	290	198	734	4

“Which of the following challenges have the biggest impact on slowing the transition?”	Unweighted Sum	Unweighted Rank	1st Rank	2nd Rank	3rd Rank	Weighted Sum	Weighted Rank
staff expertise							
Appointees’ eagerness to change policy	313	5	324	206	102	632	5
Lack of preparation by the appointee	282	6	249	232	83	564	6
High number of appointees throughout multiple levels in the agency	177	7	99	130	79	308	7
Partisanship	163	9	102	146	56	304	8
Role confusion of the appointee	171	8	87	140	72	299	9
Role confusion among staff resulting from change	160	10	57	108	87	252	10
Level of planning within the agency	131	11	81	110	49	240	11
Level of SES receptivity to new ideas and directions	94	12	27	74	48	149	12
Other	75	13	75	38	31	144	13

These perceptions suggest that jigsaw management techniques are prevalent in appointee practice generally—distrust of careerists, leaving them “in the dark” on important policy decisions, and the reorganization of human capital within an agency. In the analysis that follows, I use other survey indicators for the main inferential model to measure the construct of mutual trust between SES and Bush appointees. Specifically, I am interested in how the establishment of trust between career executives and political appointees is associated with knowledge exchange. This exchange is not only a key to

carrying out the Johnson memo, but also a key component of intellectual capital building for advancing administratively a president's program agenda more broadly. Moreover, if it was not present in carrying out a procedural or management agenda like what the White House was proposing, it is unlikely that policy initiatives pursued administratively would fare any better in terms of needed sharing of information (and most likely, worse).

Awareness of Planned or Ongoing Transition Activities

The dependent variable is a dichotomous variable indicating whether the respondent is aware of any transition activity within their organization during the Bush transition period. Data for this measure were collected via a survey item asking respondents to identify whether their agencies were involved in any number of 11 different activities in preparation for the upcoming transition (Table 2).

While a variable could have been constructed that counted the number of activities of which the respondents were aware, I am more interested in capturing why such a large proportion of the respondents are *completely unaware* of transition activities in their respective organizations. Also, the organizational and policy dynamics of the different agencies may be more of a determinant of the types of activities that are taking place than anything else. Therefore, a dichotomous variable of whether or not they are aware of any activity (*activity awareness* = 1; *no activity awareness* = 0) is all that is necessary to capture the construct of "explicit activity awareness." The dichotomous variable was scored as a "1" if any of the activities were checked by the respondent and as a "0" if the respondent checked "Cannot answer; I have no knowledge of transition activities in this agency."

As I pointed out in the previous chapters, explicit knowledge exchange is critical to the development of intellectual capital. Explicit knowledge is available in the form of “facts, concepts, and frameworks that can be stored and retrieved from memory or personal records” (Nahapiet & Ghoshal, 1998, p. 247). Here, the dependent variable is a good example of explicit knowledge that is either available to the respondent or not. The policy context is equally important to examining the concept of intellectual capital because how collective knowledge is capitalized on is dependent on the level of uncertainty to which an organization must adapt. As Neustadt (1990) described presidential transitions, the ability to cope with its inherent uncertainty depends on the operational capacity of the standing presidency: “Can a president keep the presidency going, turn out the work that keeps government going, and hand both on, reasonably intact, to his successor?” (p. 232).

Appointee-SES Relations

The variables of interest are drawn from the respondents’ perceptions of their relationships with political appointees. The information that political appointees share with members of the SES is often a reflection of the level of personal involvement that SES have with political appointees, with mutual trust playing a major role in developing that relationship. As I pointed out above, “distrust” was selected by a sizable proportion of the respondents as a potential impediment to a successful 2008-2009 transition. “Distrust” was selected by 33.78% of respondents as presenting one of the three biggest impediments to a successful transition. After weighting responses according to rank,

distrust fell only slightly behind “delays in confirmation of Senate confirmed appointees” and “appointees’ eagerness to change organizational structure.”

As noted in earlier chapters, rational choice theory posits that trust can be seen as an individual’s calculation of the expected value of future informational interactions with another individual to achieve individual and collective action goals (Coleman, 1988; Lundin, 2007; Olson, 1965; Ostrom, 2000). By this account, mutual trust can be understood as the areas of interaction in which two or more actors find continuing value in both the exchange and content of information. I have referred to this conceptualization of mutual trust as the “encapsulated interest” or “calculative” account of trust, in which the benefit that one receives from any particular exchange in which one is trusted is a function of “the potential benefit from continuing the series of interactions” (Hardin, 2006, p. 22).

The presumed benefit for career executives is involvement in policymaking and explicit possession of knowledge critical to policy implementation. A common refrain from my interviews with career SES was succinctly summarized by one career senior executive: “I like being at the table. I like being part of the decisions. And, my job is to demonstrate loyalty and value to politicals so I can do that.”³¹ Accordingly, rational choice theorists operationalize trust as a function of both frequency of exchange and the perceived quality of information shared among actors (Ostrom, 1998).³²

The NAPA survey offers four indicators of the relationship between political appointees and SES that capture the “encapsulated interest” established over the span of the administration. Survey respondents were asked how often they interact with Senate-confirmed presidential appointees (PAS) and non-Senate-confirmed presidential

appointees (PA), on a five-point scale from “Very Frequently (at least weekly)” to “Not at All.” Subsequent to these two questions, respondents were asked to rate the overall influence of their interactions with both PAS and PA, on another five-point scale ranging from “Great Influence” to “No influence.” If the data conform to the construct of encapsulated interest between SES and appointees, responses to the individual questions should be highly correlated and a linear function of the underlying construct (i.e., encapsulated interest) (Langbein & Felbinger, 2006). This is supported in these data by a Cronbach’s alpha of 0.85 and factor analysis coefficients that are positive and account for 64% of factor space (Table 4).

Table 4. Factor analysis: Encapsulated interest

Construct: Appointee-SES Mutual Trust	
Variable	Factor Loading
Interact w/ PAS	0.779
Interact w/ PA	0.827
Influence w/ PAS	0.734
Influence w/ PA	0.847
Eigenvalue	2.547
Factor Space	4.000
Variance	0.637

If trust is partially a function of the interactions in which trusting actors anticipate quality in both the frequency of exchange and the perceived quality of past interactions, then we can reasonably assume some connection between the identification of policy goals and trust—as has been evidenced in studies of policy implementation (Lundin, 2007). Therefore, I use these indicators to test the following hypotheses:

H₁: Frequency of interaction with Senate-confirmed appointees (PAS) will increase the probability that respondents have explicit awareness of transition activities within their organization.

H₂: Frequency of interaction with non-Senate-confirmed appointees (PA) will increase the probability that respondents have explicit awareness of transition activities within their organization.

H₃: The overall influence that respondents' interactions have over PAS will be positively associated with the probability that they have explicit awareness of transition activities within their organization.

H₄: The overall influence that respondents' interactions have over PA will be positively associated with the probability that they have explicit awareness of transition activities within their organization.

Other Actors' Involvement

The survey provides respondents with the opportunity to indicate which actors are potentially involved in the preparation for transition in their organization. It is important to clarify the difference between this set of indicators and transition activity. I am interested in explicit knowledge exchange within organizations, and the role that trust has in leading to such exchanges. In this model, my dependent variable is knowledge of specific activities that prepare the organization for leadership transition from one presidential administration to the next. The possibility that a respondent is aware of *who* is involved in transition preparation is not necessarily associated with the knowledge of

exactly *how* it is being implemented. I argue that explicit knowledge of *how* the transition is being implemented is a function of trust.

In reality, the participation of different actors should lead to different outcomes, if appointees are indeed practicing jigsaw management techniques or using parallel institutions (such as contractors or think tanks) to carry out the president's agenda. Additionally, the respondent's own participation could be nominal. The correlation between whether the respondent is personally involved in transition preparations and activity awareness is a moderate 0.41. This indicates that appointees might name SES as titular heads of transition preparation, while carrying out the preparations (if at all) through other means. Conversely, the respondent's knowledge of who is involved in transition preparations does not necessarily preclude their general knowledge of ongoing transition preparations. The correlation between the indicator "unsure/don't know who is involved" and explicit activity awareness is negatively correlated, but again only moderately at -0.39.³³ Table 5 provides the range of actors provided in the survey who could possibly be involved in transition implementation for a given agency.

Table 5. Agent transition involvement. Source: NAPA, Presidential Transition Survey of SES (Question #10)

Agent Involved in Transition Implementation	n	% Respondents Identifying
Current Presidential Appointees	648	58.06%
The Respondent	630	56.45%
Other Members of SES	938	84.05%
Administrative Staff	720	64.52%
External Agencies	104	9.32%
Contractors	115	10.30%
“Good Government” Orgs	52	4.66%
Non-SES Program Experts	460	41.22%
Unsure/Don't Know	131	11.74%

Note that only 56% of the respondents are directly involved in transition implementation, while 58% identify appointee involvement and 84% identify other SES as involved in transition implementation. Only 12% respond “unsure/don’t know” to who is involved in transition implementation. If jigsaw management is prevalent across organizations, we should expect that appointee involvement would be negatively associated with a respondent’s explicit awareness of implementation activities. We should also expect that the respondent’s involvement should be directly associated with activity awareness. The involvement of other careerists (both SES and staff) should also provide the respondent access to knowledge exchange. Finally, as I documented in the second chapter, the use of contractors to circumvent the career bureaucracy was a prevalent theme noted in media coverage of the Bush administration. Contractor involvement in transition implementation should be negatively associated with the probability that the respondent is aware of transition implementation activities within his respective organization.

H₅: Appointee involvement with transition implementation will decrease the probability that respondents have explicit awareness of transition activities within their organization.

H₆: The respondent's involvement with transition implementation will increase the probability that respondents have explicit awareness of transition activities within their organization.

H₇: Other SES members' involvement with transition implementation will increase the probability that respondents have explicit awareness of transition activities within their organization.

H₈: Administrative staff involvement with transition implementation will increase the probability that respondents have explicit awareness of transition activities within their organization.

H₉: Contractor involvement with transition implementation will decrease the probability that respondents have explicit awareness of transition activities within their organization.

Tenure

The expectations regarding tenure that follow may seem counterintuitive. However, I base them on the findings of previous research that indicate that the more experienced SES will be more susceptible to jigsaw management techniques, with political appointees bumping down those career SES with more experience and assigning

them tasks that largely keep them “in the dark” from higher level decision-making (Benda & Levine, 1988; Golden, 2000; Ingraham, 1995; Lewis, 2005; James P. Pfiffner, 1985).

If encapsulated interest is a function of the expected benefit a careerist receives from continuing interactions with appointees, then the anticipation of a short tenure by the political appointee is likely to attenuate the strength and level of trust that members have in appointees. This should be especially true of those respondents who have a longer tenure as SES and have been through previous transitions. As evidenced in previous studies, the average tenure of political appointees tends to be rather short in comparison to the tenure of career executives (Chang, Lewis, & McCarty, 2001; Wood & Marchbanks, 2007). Therefore, members of the SES who have experienced the turnover of previous appointees may be less likely to develop a trusting relationship with new appointees, given the expectation of another impending turnover.

As explained above, political appointees exercising jigsaw management approaches are also likely to distrust careerists. Appointees could potentially associate careerists with the status quo that they have presumably been appointed to change to some degree. Appointees may perceive bureaucrats as synonymous with resistance to change. Yet, especially as it pertains to presidential transitions in particular, career senior executives are typically more likely to have experience in the area of leadership change.

The NAPA survey includes indicators of tenure in SES, in government, and in the respondent’s current organization. NAPA researchers used the same ordinal scale that is employed in OPM surveys, such as the Federal Human Capital Survey, instead of asking the respondent to state an exact number of years. Two other indicators serve as rough

proxy indicators of transition experience, asking the number of appointee transitions the respondent has experienced during his or her tenure and the number of presidential transitions during his or her tenure. I use these indicators to test the following hypotheses:

H₁₀: Respondents with longer SES tenure are less likely to be aware of transition activities within their organization.

H₁₁: Respondents with more appointee transition experience are less likely to be aware of transition activities within their organization.

H₁₂: Respondents with more presidential transition experience are less likely to be aware of transition activities within their organization.

Controls

A range of other circumstances may determine whether members of SES are aware of important decisions and activities within their respective agency. In this study, structural characteristics of the organizations are included to account for differences in activity awareness. One survey item asks the respondent to identify his or her location as “Headquarters” or “Field.” A dummy variable for headquarters (HQ = 1; Field = 0) was used to capture whether the respondent had physical proximity to his or her political principals.

I expect that SES with closer proximity to political appointees (who are presumably more likely to be located at an agency’s headquarters) will be more aware of transition activities taking place within the organization. This would especially be true if a centralized top-down management approach is being employed by the political staff in

charge. Also, there are dummy variables included for whether the respondent identifies his or her position as housed in a “department, agency/bureau, or commission/board.” Dummy variables are also included to determine whether the respondent reports to an appointee or careerist. Finally, agency fixed effects are included to account for any unobserved between-agency heterogeneity.

Table 6 provides summary statistics for each of the above measures.

Table 6. Summary statistics

X	n	Mean	SD	Min	Max
Activity Awareness	1116	0.785	0.411	0	1
PAS Interaction	1109	2.904	1.217	0	4
PAS Influence	1083	2.677	1.501	0	4
PA Interaction	1099	2.303	1.180	0	4
PA Influence	1041	2.174	1.316	0	4
Appointee Transitions	1116	3.039	4.303	0	22
Presidential Transitions	1116	1.699	2.382	0	9
PA Involvement	1116	0.581	0.494	0	1
Personal Involvement	1116	0.565	0.496	0	1
Other SES Involvement	1116	0.841	0.366	0	1
Admin Staff Involvement	1116	0.645	0.479	0	1
External Agencies	1116	0.093	0.291	0	1
Contractors	1116	0.103	0.304	0	1
"Good Govt" Orgs	1116	0.047	0.211	0	1
Non-SES Govt Experts	1116	0.412	0.492	0	1
Unsure/Don't Know Who's Involved	1116	0.117	0.322	0	1
SES Tenure	1115	3.078	1.414	1	6
Report (PAS)	1116	0.237	0.426	0	1
Report (PA)	1116	0.092	0.290	0	1
Report (NCSES)	1116	0.057	0.233	0	1
HQ	1116	0.726	0.446	0	1
Dept	1116	0.402	0.491	0	1
Bureau	1116	0.473	0.500	0	1
Commission	1116	0.077	0.267	0	1

I use these measures to construct a regression model with the binary outcome of whether the respondent is aware of transition activities within his or her organization

($\Pr[\text{Activity Awareness} = 1 \mid \alpha + \sum X_k \beta_k + \varepsilon_i]$):

$$\begin{aligned} \text{ActivityAwareness}_i = & \alpha + \Lambda_{1-4} \text{Trust}_i + \Omega_{5-14} \text{Involvement} + \beta_{15} \text{PASTransitions}_i + \\ & \beta_{16} \text{PrezTransitions}_i + \beta_{17} \text{Tenure}_i + \beta_{18} \text{PASReport}_i + \beta_{19} \text{PAReport}_i + \\ & \beta_{20} \text{NCSESReport}_i + \beta_{21} \text{HQ}_i + \beta_{22} \text{Dept}_i + \beta_{23} \text{Bureau}_i + \beta_{24} \text{Commission}_i + \varepsilon \end{aligned}$$

ActivityAwareness = Survey Question 11A-F (1), 11G (0)

Trust = Vector of Encapsulated Interest Measures (i.e., frequency and influence of exchange) (Ordinal)

Involvement = Vector of Transition Participant Dummies (e.g., appointees, respondent, other SES, administrative staff, contractors) (1,0)

PASTransitions = Number of Appointee Transitions Experienced Over Career (Continuous)

PrezTransitions = Number of Presidential Transitions Experienced Over Career (Continuous)

Tenure = Length of Service as SES (Ordinal)

PASReport = Reports directly to a Senate-confirmed political appointee (1,0)

PAReport = Reports directly to a non-Senate-confirmed political appointee (1,0)

NCSESReport = Reports directly to a non-career SES (1,0)

SESReport = Reports directly to another career SES (1,0)

HQ = Located at Agency Headquarters (1,0)

Dept = Works at the Departmental Level (1,0)

Bureau = Works at the Bureau or Subagency Level (1,0)

Commission = Works at an Independent Commission or Agency (1,0)

Methods and Results

Table 7 reports the results of the logistic regression for transition activity awareness of SES members.³⁴

Table 7. Logistic regression analysis: Explicit transition activity awareness

	Coefficient	Robust Standard Error
<u>Encapsulated Interest Index:</u>		
PAS Interaction	-0.031	0.154
PAS Influence	0.343**	0.159
PA Interaction	0.541***	0.149
PA Influence	-0.089	0.166
<u>Involvement:</u>		
PA	-0.105	0.239
Personal	1.200***	0.282
Other SES	0.795***	0.303
Admin Staff	0.401*	0.246
External Agencies	0.573	0.521
Contractors	-0.102	0.377
"Good Govt" Orgs	0.134	0.641
Non-SES Govt Experts	0.412**	0.247
Unsure Who	-1.114***	0.379
Appointee Transitions	0.024	0.033
Presidential Transitions	0.005	0.053
SES Tenure	-0.064	0.082

	Coefficient	Robust Standard Error
Report (PAS)	0.145	0.320
Report (PA)	0.087	0.437
Report (NCSES)	-0.221	0.509
HQ	0.631**	0.260
Dept	-0.796†	0.593
Bureau	-0.125	0.585
Commission	-0.902	0.89298
Constant	-1.030	0.991
N = 1025; *** p < 0.01, ** p < 0.05, * p < 0.1 (two-tailed); † p < 0.1 (one-tailed); Psuedo-R ² = 0.414; Agency fixed effects are included in the model, but not included in this output.		

In the model, the PAS-influence, PA-interaction, SES-tenure, personal-involvement, other-SES-involvement, and administrative-staff-involvement variables are all statistically significant in the hypothesized directions. I use King et al.'s (2000) *Clarify* program to more clearly convey the substance of the results. *Clarify* allows Stata users to compute predicted probabilities for the outcome categories of binary, ordinal, and nominal dependent variables. It can also be used to estimate changes in the probability of an outcome when the value of an independent variable changes. Importantly, *Clarify* computes confidence intervals for these changes, allowing the user to assess their statistical significance.

For each of the key independent variables—PAS interaction, PAS influence, PA interaction, and PA influence—Table 8's top panel reports the following results: (1) the predicted probability of activity awareness when the independent variable of interest is set to “1” (i.e., “rare interaction” and “little influence”), holding all other variables at their mean values; (2) the predicted probability of observing a given outcome category when the independent variable of interest is set to “4” (i.e., “very frequent interaction”

and “great influence”), holding all other variables at their mean values; and (3) the change in predicted probability that accompanies this shift in values, holding all other variables at their means.

In addition to reporting changes in predicted probabilities for these shifts in the independent variables of interest, table 4.7 also shows changes in predicted probabilities for the dichotomous “agent involvement” variables of interest and the mean-centered standard deviation increase in the SES tenure variable. Note that table 4.7 shows 95% confidence intervals for (3). When these intervals do not contain zero, we can consider the estimated change in predicted probability to be statistically significant at the 0.05 level.

Table 8. Predicted probabilities and first differences for activity awareness

			Pr(Activity Awareness = 1)		
			Prob.	Diff	95% CI
All IVs set at mean			0.899		
Encapsulated Interest					
PAS-Interaction	Rare		0.895		
	Very Frequent		0.901	0.006	-0.083 0.083
PAS-Influence	Little		0.826		
	Great		0.930	0.104	0.009 0.216
PA-Interaction	Rare		0.814		
	Very Frequent		0.957	0.143	0.065 0.229
PA-Influence	Little		0.907		
	Great		0.880	-0.027	-0.128 0.067
Agent Involvement					
Appointees	No		0.904		
	Yes		0.895	-0.009	-0.051 0.037
Respondent	No		0.819		
	Yes		0.937	0.117	0.062 0.175
Other SES	No		0.818		
	Yes		0.911	0.092	0.022 0.178
Staff	No		0.873		
	Yes		0.911	0.038	-0.008 0.090
Contractors	No		0.901		
	Yes		0.887	-0.013	-0.094 0.046
Tenure					
SES	Mean-1SD		0.906		
	Mean+1SD		0.899	-0.016	-0.059 0.027

Note: First differences were calculated for a specified change in the given independent variable, holding all other variables in the model at their means. Statistically significant changes at the 0.05-level are bolded.

The results in table 8 generally support the hypotheses 2 and 3; i.e., influence over PAS decision-making and interaction with PA are both positively associated with explicit knowledge exchange. As PAS-influence and PA-interaction increase, activity awareness becomes more probable. The top panel of table 8 shows, for instance, that as PAS-influence goes from its “little” to “great” value (holding all other independent variables in

the model at their mean values), the predicted probability of “explicit activity awareness” increases by 10.4 percentage points, from 82.6% to 93%. Moreover, since the 95% confidence interval for this change does not contain zero, we can consider this change to be statistically significant at the 0.05 level. The results for PA-interaction are also noteworthy. As PA-interaction increases from its “rare” to “very frequent” value, the probability of “explicit activity awareness” increases by 14.3 percentage points. This change is statistically significant at the 0.05 level.

I find mixed results for the agent-involvement hypotheses. I hypothesized negative relationships for both appointee-involvement and for contractor-involvement. While both signs are negative, the relationships are not statistically significant. However, I also hypothesized that the involvement of other SES would lead to the respondent’s explicit awareness of transition implementation activity. I find that when other SES are involved in transition planning and implementation, the respondent is 9.2% more likely to be explicitly aware of what activities are being implemented. This implies that horizontal knowledge exchange is prevalent among SES, thereby providing access to intellectual capital building in these organizations.

Figure 3 provides a clearer illustration of the connection between encapsulated interest and explicit knowledge exchange within the federal executive ranks. The y-axis of the graph shows the predicted probabilities of activity awareness generated from the specified model. The x-axis is the level of influence respondents perceive in their interactions with Senate-confirmed political appointees (PAS). The graph shows that SES with rare interaction with lower-level appointees (PA) are less likely to know about transition activities than SES with frequent to very frequent interaction with PA. The

graph also indicates that SES with less influence over PAS are less likely to know about transition activities in their organization.

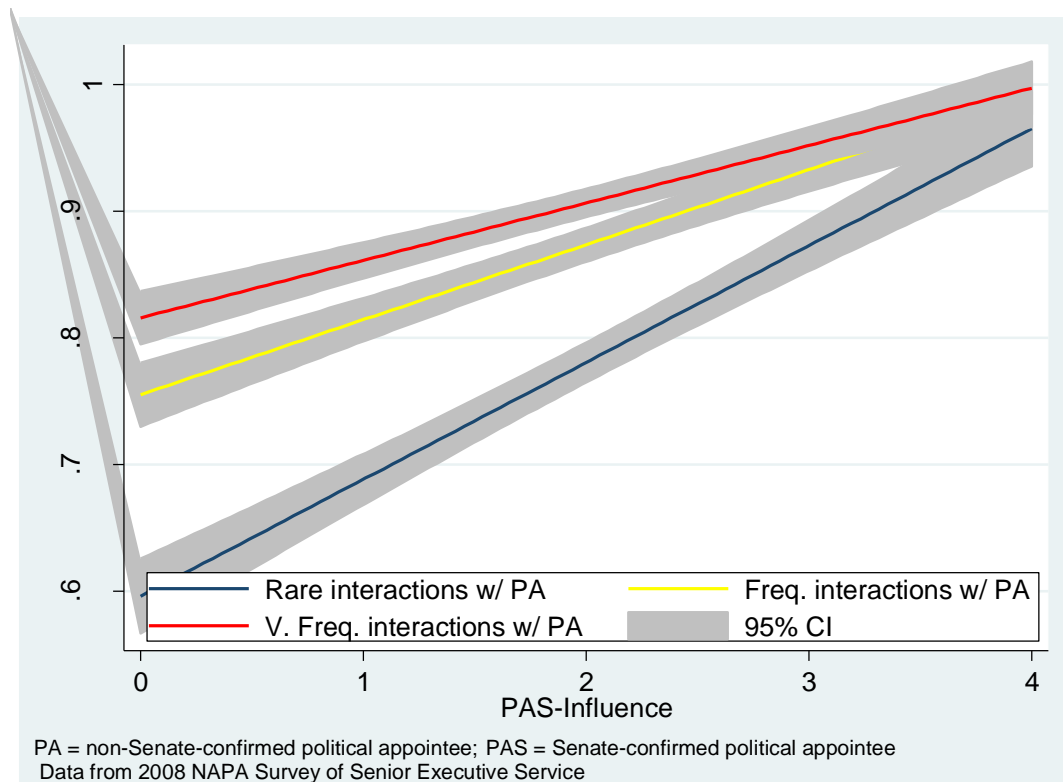


Figure 3. Illustrated impact of encapsulated interest on activity awareness

These findings support the notion that encapsulated interest is critical to explicit knowledge exchange in organizations. First, the relationship between PAS-influence and explicit activity awareness implies that trust “turns not on one’s own interests but on the interests of the trusted” (Hardin, 2006, p. 22). Career SES who advance the interests of PAS are more likely to be aware of transition activities in their organization. Just as importantly, the graph implies that influence over PAS is conditioned by the frequency of interactions that SES have with lower-level appointees. Therefore, the benefit that a career executive receives from a particular exchange in which he or she is trusted is a

function of “the potential benefit from continuing the series of interactions” with the lower-level appointees who presumably act as emissaries of the higher-level appointees’ interests (Hardin, 2006, p. 22).

Figure 3 is telling in respect to the potential practice of jigsaw management techniques. If, indeed, Bush administration appointees were generally exercising such techniques—centralizing decision-making and altering the skill mix of people in the organization by layering lower-level appointees through executive ranks—the pattern indicated in the graph should emerge. The correlation between activity awareness and influence over PAS, conditioned by the level of PA-interaction, leads to support of such a conclusion. Thus, I argue that these findings provide strong evidence that explicit knowledge exchange across the Bush administration was dependent on the relationships established between career SES and political appointees. More broadly, the evidence speaks to the importance of establishing trust between appointees and the career executives who run the day-to-day operations of federal agencies. If the inability to establish trust is, indeed, a result of jigsaw management practices across the Bush administration, such a strategy contradicts some of the fundamental reasons for the existence of the SES.

While the evidence I present here does not directly test the presumption that jigsaw management practices were in fact prevalent, the picture that emerges from the data is consistent with those accounts. To be successful in ensuring that ongoing government operations are maintained (and substantive policy emphases in a transition to an administration of the same party), political appointees must convey to careerists the importance of information sharing, careerists must have the information to convey, and

they must be predisposed toward sharing that information. I would contend that if any one of these factors is missing, a policy of cooperation will be less than successful. And a prerequisite to realizing these factors is the way information, appointee-careerist relations, and trust of careerists has materialized.

Conclusion

In this chapter, rather consistent evidence is presented that, despite the White House's charge in Johnson's memorandum, a modified "targeted" or "contingent" version of jigsaw puzzle management was implemented by the Bush administration during the time period analyzed. Not all career executives felt excluded from information about the transition; trust between an appointee and a career SES member was a significant factor in participation: Bring in careerists you trust, but exclude those who have not established trustworthiness.

In turn, we also have indirect evidence from the analysis of the "contingently cooperative" strategy that Heclo (1978) initially prescribed (also see, for example, Durant 1992 and Golden 2000). A tit-for-tat strategy (Axelrod 1984) thus appears to have emerged. Whether it actually "emerged" during the second term of the Bush administration we cannot know; it could have been inaugurated at some earlier point during the Bush administration. This means, too, that blanket descriptions by scholars of the administrative presidency in general, and the Bush administration in particular, may have exaggerated the cohesiveness of the strategy, along with critics of the administration who might have used it for political purposes. Indeed, this targeted strategy might really

be a manifestation of what one of the most astute scholars of appointee-careerist relations prescribed for a “government of strangers”: conditional cooperation.

Equally plausible is that proponents of the jigsaw puzzle management strategy, like the Heritage Foundation, underestimated the reality of operating in this manner. Or we might interpret the findings as offering indirect evidence of Pfiffner’s “cycle of accommodation” between appointees and careerists—or as one of the earlier SES quotes indicated, eventually they come to see that they need careerists. But if one takes that approach, the analysis indicates that the cycle of accommodation thesis—at least in a second term—remains conditional. Again, we simply cannot tell from these data, but these findings beg refinement in future research.

Nor can we tell if these findings hold up when other factors identified in the model I offered in Chapter 3 are included, or if this lack of trust translates into a diminution of the intellectual capital which the literature in cognate fields covered in Chapter 3 indicates is likely to be the case. Indeed, we still do not have a full understanding of the two central concepts in this dissertation: trust and intellectual capital. In this chapter, I sought to establish the connection between one dimension of trust (i.e., encapsulated interest) and a singular dimension of intellectual capital development (i.e., explicit knowledge exchange). Thus, the relationship modeled in this chapter does not account for the moderating contextual effects of structural, relational, and environmental embeddedness attributes as I outlined in the framework presented in Chapter 3. At the same time, both trust and intellectual capital are both complex constructs that must be more fully measured to accommodate their multidimensional natures. It is to this enterprise that I turn next in Chapter 5.

CHAPTER 5

CONNECTING TRUST TO INTELLECTUAL CAPITAL

THROUGH LEVELS OF A POLITICIZED

EXECUTIVE BRANCH

“The career staff that I’ve worked with who are even high level, they have the institutional knowledge. They can say, ‘This didn’t work before.’ Or, ‘This is what happened in the past when we tried that.’ Or, ‘We tried that 15 years ago under blah-blah-blah, and this is what happened. Terrible idea.’”

—Anonymous Career Middle Manager at Dept. of Ed. ³⁵

“I think one of the hardest things for new leadership is to involve career staff who’ve been there, who have been with the programs, with the operations, but to move ahead with your agenda. I think a lot of times, I know in the Bush administration they were very closed-door for a long time. That loosened up over time, but it was just such an obviously short-sighted technique.”

—Anonymous Career Middle Manager at Dept. of Ed. ³⁶

“So I think that’s important. If you’re going to have a meeting and talk about a sensitive topic, you know not to invite career staff because it’s going to put them in an awkward position. So I think you just have to think about who you’re involving and how and at the right time. Because not only are you protecting conversations you might be having that are more political in nature, but you want to protect the career employee from hearing that also. Too many times you can portray to the career employee that they’re not part of a discussion. Just don’t even get into that. They know when there are political discussions that they don’t even want to be a part of, and you should just make that very clear and go on down the road. I think too often you get into this gray area where you’re not making that clear to the career employee and having a general understanding that, ‘You know what? Some things are more political within the department, and we’re not going to ask you to engage in that because you shouldn’t and you don’t need to.’”

—Former Bush appointee at Dept. of Ed. ³⁷

In Chapter 4, I provided evidence on how the encapsulated interest account of trust, measured as the frequency of exchange and the trustor's (appointee's) perceived value of those exchanges, led to a trustee's (careerist's) explicit awareness of organization-wide decision-making processes (transition preparation). In this chapter, I seek to directly test the framework I introduced in Chapter 3 more robustly. I seek to evaluate the impact of trust (measured as a fuller, more multidimensional construct than purely "encapsulated interest") on intellectual capital within executive agencies and the indirect impacts of embeddedness traits on that relationship.

This chapter will focus on how the trust established between career executives and political appointees (i.e., what I referred to in Chapter 3 as "stratified trust") and politicization (i.e., the number and character of appointees in a given organization) affect an agency's capacity to develop intellectual capital. Additionally, I examine how trust that subordinates have in their respective superiors (i.e., "dyadic trust") and the generalized trust that employees have in their organization's leadership are associated with the intellectual capital capacity that is critical to advancing agency effectiveness (Light 2008). Finally, I examine how different embeddedness attributes moderate these associations.

The main research questions asked in this chapter are the following:

1. Is an employee's trust in his or her immediate supervisor positively associated with an organization's capacity to build intellectual capital?
2. Is an employee's trust in leadership (TIL) positively associated with an organization's capacity to build intellectual capital?
3. Was the George W. Bush administration's use of politicization (i.e., "appointee layering") associated with the capacity to build intellectual capital within organizations?

4. Does the trust established within superior-subordinate relationships at the highest rungs of an organization's hierarchy have any association with the perceived capacity to build intellectual capital at lower levels?
5. How do different embeddedness attributes moderate the relationship between dyadic trust and the capacity to build intellectual capital?
6. How do different embeddedness attributes moderate the relationship between TIL and the capacity to build intellectual capital?

The chapter proceeds as follows. The first section reviews the relevant points from the previous chapters on the appointee-careerist nexus, the theoretical model, and the findings from Chapter 4. The second section discusses the data collection, variable measurement, and the statistical model. The third section tests formal hypotheses that are generated through that model, and I discuss the results.

Background

Recall that, in Chapter 3, I explored the connection between dyadic trust (the trust established between individuals and their immediate supervisors) and intellectual capital building (i.e., the “knowledge and knowing capability of a social collectivity, such as an organization” (Nahapiet & Ghoshal, 1998, p. 245)). Looking back to the heuristic in Figure 2 on page 109, I argued that trust (1) increases access to knowledge exchange, (2) increases the anticipated value of that exchange among actors, and (3) increases individuals' willingness to engage in knowledge exchange. Trust more fully establishes how actors are connected to one another—“who you reach and how you reach them” (Nahapiet & Ghoshal, 1998, p. 244).

However, if we look explicitly at the box that represents the construct of dyadic trust between superiors and subordinates at the lower levels of an organization (Figure 4), we recognize that while mutual trust can become an asset created and leveraged through

relationships, these relationships are conditioned by many factors—what Oliver Williamson (1993) refers to as “embeddedness attributes.” Embeddedness is the belief that the nature of interactions between individuals are based as much on social relations as the individual goals of the actors themselves (Granovetter, 1985, 1992; Williamson, 1993). Transactions between individuals depend not only on the attributes of the individuals involved, but on the attributes of the trading environment that shape the transaction as well.

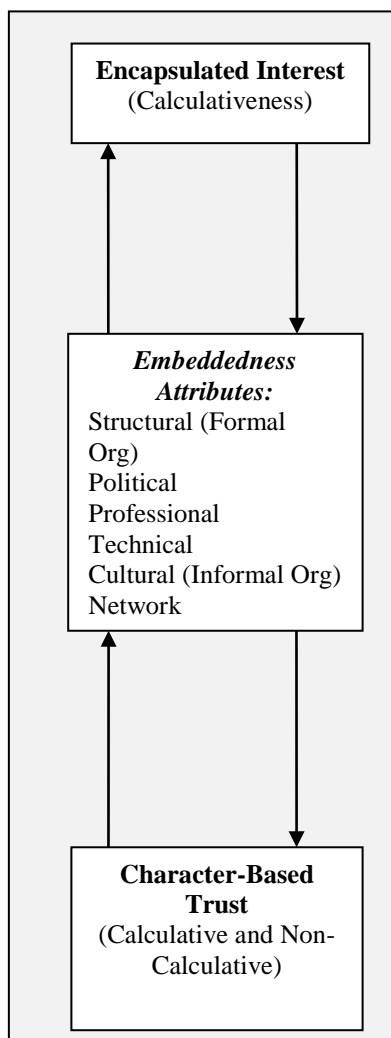


Figure 4. Dyadic trust

In this dissertation, I've identified embeddedness attributes that are particularly important to public organizations. These include: (1) the structural characteristics of the organization (e.g., level of red tape, relative hierarchy, merit protections); (2) the political attributes of the organization (e.g., the number of political appointees, the organization's chief policy domain's placement on the president's agenda, the organization's susceptibility to legislative oversight); (3) the professional and technical attributes of the organization (e.g., the level of specialized expertise required of its employees); (4) the organization's culture (e.g., the informal norms of the organization) (Barnard, 1938, 1968); and (5) the relative "looseness" of the organization's network ties (Burt, 1997).

Although the relational conditions of an organization are important to the development of intellectual capital, it takes time to build trust. And the relationship between trust and knowledge exchange is reciprocal. Each exchange or combination of information is presumably spurred by a perception of value toward the achievement of individual and collective goals (accordant with calculative accounts of trust). Increased "anticipation of value through such exchanges" should follow (Nahapiet & Ghoshal, 1998). Therefore, it is difficult to separate the endogeneity inherent to trust and intellectual capital building in dyadic relationships, especially as it concerns calculative accounts of trust. In other words, "I will trust you when I perceive that my interests are encapsulated in your own, and I gain that perception through repeated exchanges of information that advance those interests" (paraphrased in my own terms from Hardin, 2006).

So, it is difficult to overcome the endogeneity of trust and intellectual capital building in individual, dyadic relationships between superiors and subordinates.

However, we can more easily distinguish the connection between perceptions of intellectual capital capacity at lower levels of an organization and trust established at higher levels in the organization if we can measure trust established at these levels separately from the individual survey responses of employees at lower levels of the organization.

Therefore, in the model tested in this chapter, I do not propose a causal direction for dyadic subordinate-supervisor trust in proximal relationships, though I do expect a positive association. At the same time, I can separate the dyadic trust established among actors at higher levels of the organization as agency-level attributes that help define the context in which employees operate. I refer to the trust established at executive ranks in discrete, dyadic relationships that are analytically separable from the relationships between superiors and subordinates at lower levels of the organization as “stratified trust”—i.e., the level of trust that is established between actors at higher levels of the organization.

I expect a causal relationship in which stratified trust will positively impact perceptions of intellectual capital capacity at lower levels of the organization. Stratified trust, therefore, acts as an embeddedness attribute in the sense that this trust will condition the trust that is established at lower levels of the organization. As Brehm and Gates (2008) argue, “the most conventional view of leadership in political organizations is that leadership trickles down from the top” (p. 144). We should expect, therefore, that career executives who have established trust with their political superiors are able to reduce goal ambiguity, define the bounds of employee behavior in accordance with those

goals, and “receive greater latitude in their ability to allocate tasks across subordinates” (p. 145).

Employees who perceive greater latitude attributed to career executives are more likely to trust organizational decision-making processes. In turn, employees’ own willingness to exchange knowledge should increase, as they should perceive greater openness to knowledge exchange and anticipate greater rewards for exhibiting a willingness to take part in such exchanges. At the same time, a variety of other embeddedness attributes that regulate organizational hierarchy will condition the relationship between dyadic trust and intellectual capital capacity.

The above reasoning has several empirical implications for the appointee-careerist nexus in federal agencies, as I alluded to in the third chapter. First, and as already emphasized, I expect there to be a direct and positive relationship between the trust in one’s superior (*dyadic trust*) and an organization’s ability to develop intellectual capital. A middle manager’s immediate supervisor would be prone to (1) give employees access to important information, (2) permit employees to exchange information in a way that leads to innovation, and (3) help employees to align actions to organizational goals.

Second, there will be a direct and positive relationship between the trust one has in his or her organization’s leadership (TIL) and the organization’s ability to develop intellectual capital. As Dirks and Skarlicki (2004, p. 31) posit, “insofar as individuals make distinctions between their immediate supervisor and the senior executive team, there may be differences in the consequences of the different referents of trust.” Dirks and Ferrin (2002) found that dyadic trust is more strongly associated with job-level

performance, while trust-in-leadership is more strongly associated with organizational-level variables (Dirks & Skarlicki, 2004)

Third, stratified trust will have a direct and positive relationship on lower-level employees' perceptions of the organization's capacity to build intellectual capital. Career executives' trust in political appointees should be an initial and critical building block for the development of intellectual capital. One of career executives' main responsibilities is to articulate the goals and strategies of their political superiors to their organization's workforce, to ensure its implementation. If trust is not established at the very highest strata of the organization, we should expect that lower-level employees' perceptions of intellectual capital capacity will be diminished.

Fourth, stratified trust will impact the relationship between dyadic trust and organizational capacity to build intellectual capital, as well as the relationship between TIL and intellectual capital capacity. Under conditions in which trust is established at the highest strata of an organization's hierarchy, we should expect that this trust (stratified trust) will ease lower level employees' reliance on their immediate supervisors to assess the capacity to build intellectual capital within the organization. One of the critical roles of executives is to establish organizational culture (Barnard, 1938, 1968). By example, executives who establish trust at the highest ranks of the organization promote a culture of trust by "[placing] a high value on trust and then [communicating] that value to all employees in a way that conveys sincerity and commitment" (Rogers, 1995, p. 15).

Fifth, politicization will serve to inhibit the development of intellectual capital. Politicization of bureaucratic ranks is thought to be complementary to, and an extension of, centralization (e.g., Moe, 1993). The premise of the strategy is to increase the number

and managerial influence of appointees within agencies. This is done in order to isolate and centralize organizational decision-making and its deliberation to a corps of identified loyalists. Sixth, politicization will moderate the relationship between dyadic trust and intellectual capital capacity. It will also moderate the relationship between TIL and intellectual capital capacity. Indeed, as I showed in the previous chapter, those career senior executives who had established trust with their political appointees were substantially more likely to have information regarding the transition preparations within their agency.

Finally, I expect that agency ideology will influence intellectual capital capacity as well as the relationship between trust (both dyadic and TIL) and intellectual capital capacity. For example, appointees should be more willing to share information with careerists when they work in agencies with missions that are aligned with their political views. Also, relative to the encapsulated interest account of trust, conservative appointees should be more prone to see their interests aligned with the interests of careerists in agencies associated with conservative policy interests. As I outlined in Chapter 2, this logic would be consistent with the distrust of careerist intentions that has been the catalyst for politicization strategies over time by various presidencies.

In the present analysis, I focus on middle managers' perceptions and how they are affected by politicization strategies of the administrative presidency. The idea of the model in this chapter is to illuminate the relationship between trust and intellectual capital capacity as trust develops throughout an organization's hierarchical structure, and the accompanying impact of politicization (i.e., appointee layering) on the development of intellectual capital capacity within agencies.

Data and Measures

As noted, the unit of analysis in this chapter is federal career middle-managers. To test my hypotheses, I use data from the 2006 and 2008 waves of the Federal Human Capital Survey (FHCS), a biennial survey of full-time, permanent federal government employees conducted by the Office of Personnel Management (OPM).³⁸ I limit the analysis sample for this study to respondents who self-report as managers directly below the Senior Executive Service (SES). As I explained in Chapter 3, little-to-no research exists that measures the effect that executive relations have on the organization as a whole (Dirks & Skarlicki, 2004). As this specifically relates to the administrative presidency, I am interested in how relational dynamics among career executives and their political superiors in setting strategic direction may have a significant impact on the dyadic supervisor-subordinate relations at those lower levels of the hierarchy and on employee perceptions of the trustworthiness of the organization's generalized leadership. This sample of middle managers yielded 38,427 respondents from 36 agencies across the two waves of the survey, a sample that is representative of the full-time, permanent workforce classified at these levels.

The FHCS has been used frequently in public management scholarship (e.g., Fernandez & Moldogaziev, 2011; Lee & Whitford, 2008; Pitts, 2009; Rubin, 2007). It is useful in this study because it permits me to identify respondents who work as middle managers in their agencies. I focus on these employees because my concern is with how politicization and appointee-careerist relations at the highest organizational strata affect policy implementation. A generally accepted premise in studies of organizations is that senior executives perform more strategic functions such as setting strategic direction,

allocating resources, and communicating organizational goals (Dirks & Skarlicki, 2004, p. 31). Middle managers, meanwhile, may have more of an impact on individuals' job-related outcomes. Collectively, they make decisions that directly affect the overall performance of the organization.

Middle managers are also interesting because they work at a critical organizational juncture in the federal hierarchy. Much of what we know about superior-subordinate trust comes from the generic management literature, which tends to focus on either dyadic trust between subordinates and their immediate supervisors or the trust frontline employees have in the generalized leadership of the organization (Dirks & Skarlicki, 2004). As I noted in Chapter 3, what seems to be missing from these accounts is how trust established in dyadic relationships that are hierarchically separate and above the relationships established at lower levels of a hierarchy affect the perceptions and performance of lower-level employees. Brehm and Gates (2008) find that trust established between subordinates and middle managers is important, indeed crucial, to street-level performance. I argue that trust is a two-way street for middle-managers, since they must establish trust with subordinate employees as well as with their superiors for optimal knowledge exchange.

Intellectual Capital Capacity

The dependent variable in my model is "intellectual capital capacity" (which I will occasionally simplify to "intellectual capital" for brevity). Grounded in the literature I reviewed in Chapter 3, I measure intellectual capital using questions that ask respondents to identify their level of agreement or satisfaction with eight statements

about intellectual capital capacity in their agency. These are: (1) the adequacy of information possession; (2) the adequacy of workforce knowledge possession; (3) the clarity of goals and their prioritization; (4) top-down knowledge accessibility; (5) horizontal knowledge accessibility; (6) the extent of horizontal knowledge exchange; (7) the extent of bottom-up knowledge exchange; and (8) the extent of top-down knowledge exchange. Response options to the first six dimensions include Likert-scale levels of agreement (e.g., 1 = strongly disagree; 5 = strongly agree), while response options to the latter two dimensions include Likert-scale levels of satisfaction (1 = very dissatisfied; 5 = very satisfied).

I sum responses to all eight questions, creating a scale that ranges from 8 (low) to 40 (high). The scale has a high degree of reliability (Cronbach's $\alpha=0.88$), and all items load onto a single factor when analyzed using principal components factor analysis (see Table 10). On average, managers perceive moderate levels of intellectual capital capacity—the mean value is 31.26, with a standard deviation of 5.37 and responses at both extremes of the scale. Table 9 provides all descriptive statistics.

Table 9. Descriptive Statistics

Variable	Obs	Mean	SD	Min	Max
Intellectual Capital Capacity	38427	31.26	5.37	8.00	40.00
Dyadic Trust	38427	15.76	3.58	4.00	20.00
Trust-in-Leadership	38427	13.95	4.18	4.00	20.00
Procedural Justice	38427	28.11	6.30	8.00	40.00
Empowerment	38427	27.06	5.20	7.00	35.00
Apolitical Management	38427	11.92	2.70	3.00	15.00
Stratified Trust	74	16.23	0.47	14.00	18.60
Politicization	74	0.36	0.32	0.00	1.99
Technical Embeddedness	74	7.78	5.43	2.45	44.26
Professional Embeddedness	74	6.00	5.32	1.45	27.54

Variable	Obs	Mean	SD	Min	Max
Agency Ideology	74	0.59	1.09	-1.58	2.40
Network Embeddedness	74	6.57	14.25	0.15	75.83
Procedural Embeddedness	74	0.08	0.08	0.01	0.57
Contract \$	74	22.46	1.52	16.07	26.71
Budget	74	17.75	1.79	6.91	20.71
Sex (Male)	38427	0.37	0.27	0.00	1.00
Hispanic	38427	0.02	0.11	0.00	1.00
Age	38427	3.64	0.78	1.00	5.00
Tenure in Government	38427	5.41	0.75	2.00	7.00
Tenure in Organization	38427	5.24	0.52	2.00	6.00
GS 1-6	38427	0.00	0.06	0.00	1.00
GS 7-12	38427	0.16	0.36	0.00	1.00
GS 13-15	38427	0.73	0.44	0.00	1.00
SES Pay	38427	0.00	0.06	0.00	1.00
SLST Pay	38427	0.00	0.07	0.00	1.00
Other Pay	38427	0.07	0.25	0.00	1.00
HQ	38418	0.34	0.47	0.00	1.00
Race: White	38427	0.42	0.49	0.00	1.00
Race: African American	38427	0.07	0.25	0.00	1.00
Race: Native Hawaiian	38427	0.08	0.27	0.00	1.00
Race: American Indian	38427	0.02	0.13	0.00	1.00
Race: More than two races	38427	0.39	0.49	0.00	1.00
Leaving-1	38427	0.10	0.29	0.00	1.00
Leaving-2	38427	0.13	0.33	0.00	1.00
Leaving-3	38427	0.03	0.18	0.00	1.00
Leaving-4	38427	0.03	0.17	0.00	1.00
Retiring-1	38427	0.06	0.24	0.00	1.00
Retiring-2	38427	0.16	0.37	0.00	1.00
Retiring-3	38427	0.17	0.38	0.00	1.00

Table 10 presents the results of the principal components factor analysis for the dependent variable (*intellectual capital capacity*) and summed scales of some of the independent variables in this chapter's analytic model. If the individual dimensions conform to one underlying construct, we should observe two things based on the principal components factor analysis. First, "the responses to the individual questions

should be highly correlated with each other” (i.e., the reliability component, which is assessed by the Cronbach’s alpha measuring the relative lack of random measurement error among the items) (Langbein & Felbinger, 2006, p. 209).

Table 10 reveals a Cronbach’s alpha of 0.88, indicating high reliability. Second, “the responses to each (measured) question should be a linear function of the (unmeasured) underlying construct” (Langbein & Felbinger, 2006, p. 210). Table 10 also indicates that the eigenvalue of the first factor occupies 54% of the total factor space. Also, the eigenvalue of the first factor is noticeably greater than any others in the analysis, which suggests a single central construct. Despite the factor analysis’ apparent confirmation, I further test the reliability of the construct by examining whether the Cronbach alpha would increase with the omission of any particular item. I find that the exclusion of any given item actually decreases the overall reliability of the measurement.

Table 10. Factor Analysis: Intellectual Capital Capacity

Dimension	Survey Indicator
Information Possession	I have enough information to do my job well.
Workforce Knowledge	The workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.
Goal/Priority Clarity	I know how my work relates to the agency's goals and priorities.
Top-down Knowledge Accessibility	Managers communicate the goals and priorities of the organization.
Horizontal Knowledge Accessibility	Managers promote communication among different work units
Horizontal Knowledge Exchange	Employees in my work unit share job knowledge with each other.
Bottom-up Knowledge Exchange	How satisfied are you with your involvement in decisions that affect your work?
Top-down Knowledge Exchange	How satisfied are you with the information you receive from management on what's going on in your organization?
Cronbach's alpha test, scale reliability coefficient = 0.88	
Eigenvalue(Factor 1) = 4.28	
Proportion: = 0.54	

Let us now reexamine the individual dimensions to understand their conformity to (and the validity of) the *intellectual capital capacity* construct. The first dimension represents “information possession,” i.e., the adequacy of the information respondents receive in order to perform. This dimension represents the perceived results of explicit knowledge exchanges in which the respondent is engaged. If the respondent does not possess adequate knowledge or information to do his or her job well, then it is likely that the respondent does not have access to potential exchanges, the ability to engage in exchange, or does not perceive value in engaging in potential exchanges. Indeed, as the

evidence demonstrated in Chapter 4 indicates, trust is a critical determinant of explicit knowledge exchange.

As I argued in Chapter 3 referencing Nahapiet and Ghoshal (1998), trust is a decisive factor in how an employee perceives the value in engaging in knowledge exchange. Perceptions of value, in turn, lead to the development of intellectual capital within the organization (Nahapiet & Ghoshal, 1998). The second dimension of my measure for *intellectual capital capacity*, “workforce knowledge,” speaks directly to the value of knowledge exchange. If the respondent perceives the workforce in his or her organization as having job-relevant knowledge, then he or she will more likely see the value in such exchanges.

The third dimension of the *intellectual capital capacity* construct is “goal/priority clarity.” Chun and Rainey (2005) define “goal ambiguity” as “the extent to which an organizational goal or set of goals allows leeway for interpretation, when the organizational goal represents the desired future state of the organization” (p. 531). Two of the dimensions of goal ambiguity used by Chun and Rainey are prone to be determined by internal management processes: (1) leeway in how goals are evaluated as performance is assessed, and (2) ambiguity in setting priorities among multiple goals. For instance, organizational leaders may have a direct, role in the creation of performance metrics, identifying relative goal attainment (Moynihan, 2008; Radin, 2006). Likewise, employees may be incentivized to trade off secondary or tertiary goals for the goals that leadership deems to be a priority (Hall, 2007). If respondents lack the knowledge of how their individual work relates to the agency’s goals, then it is likely that lack of access or

opportunity to knowledge exchange was determined by the vertical relationships that preceded this perception.

As I explained in Chapter 3, there is considerable evidence in the public administration literature that control efforts by political principals will lead to goal ambiguity and the possibility of goal displacement (Bohte & Meier, 2000; Chun & Rainey, 2005; Merton, 1940; Rainey, 1993). This dimension is particularly important in determining intellectual capital capacity at the middle-management level. While middle-management may carry out more routine activities such as performance management and supervision, their collective performance will be based on the senior executives' ability to set strategic direction, to know where and how to allocate resources properly across programs, and to communicate to employees the goals of the organization (Dirks & Skarlicki, 2004, pp. 30-31).

Therefore, the "goal clarity" dimension is intimately related to the fourth dimension of the *intellectual capital capacity* construct—"top-down knowledge accessibility" or the degree to which "managers communicate the goals and priorities of the organization." As I alluded to in Chapter 2, Krause (2009) also argues that failing to account for organizational complexity "overstates the capacity of presidential control over executive administration" (p. 74). One central element of organizational complexity, in Krause's framework, is "vertical coordination" or "the extent to which hierarchical relationships between actors across different levels of an organization share both a common goal and a method for achieving that goal" (p. 75). Vertical coordination is also innately connected to horizontal coordination, here captured as the item "horizontal knowledge accessibility." As Krause (2009) posits, if "the principal issues vague

directives allowing for varied interpretations across agents, then horizontal coordination problems will ensue” (p. 78).

Finally, the “accessibility” items primarily measure the access and opportunity that respondents perceive for knowledge exchange within their organization. The last three items in the scale measure the degree to which these exchanges actually take place. This is, as I define in Chapter 3 (and labeled in the heuristic of Figure 2), the “motivation to combine/exchange intellectual capital.”

Dyadic Trust

Also grounded in the literature summarized in Chapter 3, a primary independent variable of interest is the respondent’s trust in his or her immediate supervisor. As in the literature, I refer to this variable as “*dyadic trust*” because the items direct respondents to the trust they hold in their immediate supervisor as opposed to the general leadership of the organization. I follow Brehm and Gates (2008; p. 125) in identifying a direct question on the amount of trust one has in their immediate supervisor, while also capturing ideas of trust that are consonant with character-based conceptualizations of the construct (Mayer, Davis, & Schoorman, 1995).

I measure this variable using four questions that ask respondents to indicate their level of agreement or satisfaction with four statements related to supervisor trust: (1) the trust or confidence one has in his or her immediate supervisor; (2) the perceived competence of his or her immediate supervisor; (3) the perceived honesty and accessibility of one’s immediate supervisor; and (4) the perceived benevolence of one’s immediate supervisor. Response options to the first three indicators include Likert-scale

levels of agreement (e.g., 1 = strongly disagree; 5 = strongly agree), while response options to the fourth include levels of satisfaction (e.g., 1 = very dissatisfied; 5 = very satisfied). I sum responses to all four questions, creating a scale that ranges from 4 (low) to 20 (high). As indicated in Table 11, the measure is highly reliable, the factor loadings are strong, and the eigenvalue of the first factor is noticeably greater than any others in the analysis. On average, managers perceive moderately high levels of dyadic trust—the mean value is 15.76, with a standard deviation of 3.58 and responses at both extremes of the scale.

Table 11. Factor Analysis: Dyadic Trust in Immediate Supervisor

Dimension	Survey Indicator
Trust/Confidence	I have trust and confidence in my supervisor.
Competence	Overall, how good a job do you feel is being done by your immediate supervisor?
Benevolence	My supervisor supports my need to balance work and other life issues.
Honesty and Accessibility	Discussions with my supervisor about my performance are worthwhile.
Cronbach's alpha test, scale reliability coefficient = 0.88	
Eigenvalue(Factor 1) = 3.0	
Proportion: = 0.75	

Controlling for other variables identified in the literature reviewed in chapters 2 and 3, and consonant with the theory that trust leads to the facilitation of information exchange, I generate the following hypothesis:

***H₁:** Dyadic trust will be directly and positively associated with perceptions of intellectual capital capacity.*

Generalized Trust in Leadership

While “dyadic trust” measures the impact of trust on perceptions of intellectual capital capacity in discrete hierarchical relationships at the individual level, I construct a measure of the generalized trust that respondents hold for the comprehensive leadership of the organization (see Table 12).

Table 12. Factor Analysis: Generalized Trust in Leadership

Dimension	Survey Indicator
Integrity (1)	• I have a high level of respect for my organization’s senior leaders.
	• In my organization, leaders generate high levels of motivation and commitment in the workforce.
Credible Commitment	• My organization’s leaders maintain high standards of honesty and integrity.
Integrity (2)	• How satisfied are you with the policies and practices of your senior leaders?
Encapsulated Interest	
Cronbach’s alpha test, scale reliability coefficient = 0.90	
Eigenvalue(Factor 1) = 3.05	
Total Factor Space = 4	
Proportion: = 1.07	

I rely on four indicators that capture dimensions of trust that are highlighted by both Mayer, Davis, & Schoorman’s (1995) character-based account of trust and Russell Hardin’s (2006) “encapsulated interest” conceptualization of trust (both of which are explained in more detail in Chapter 3). For the former, respondents are asked to rate their level of agreement with statements that reflect positively on the integrity and credibility of their organization’s respective leadership. The indicators measure the following: (1) the level of respect for the organization’s leadership; (2) the leadership’s ability to

generate motivation and commitment; and (3) the honesty and integrity of the organization's leaders. In respect to the latter (i.e., "encapsulated interest"), respondents are asked to rate their level of satisfaction with the policies and practices of the organization's leadership.

I argue that this is consistent with Hardin's theory that trust is a function of the extent to which a trustor's interests are encapsulated by the actions and interests of the trustee. Recall from Chapter 3 that in Hardin's account, trust is a purposive, goal-oriented action in which one trusts because that trustor sees the trustee's goals tied to his own. Satisfaction with the policies and practices of one's organizational leaders implies that one's self-interest is fulfilled through the actions of the leadership.

On average, analysis indicates that managers have rather modest levels of trust in organizational leadership—the mean value of the generalized trust in leadership index for the sample of 38,427 middle managers is 13.95, indicating that respondents score a little above the middle value (3) across the four indicators. The minimum sample value for the index is four and the maximum is 20; the standard deviation is 4.18. I expect that the generalized trust that one has in his or her organization's leadership will be positively associated with their perceptions of the organization's capacity to develop intellectual capital.

H₂: Trust in the generalized leadership of an organization will have a direct and positive association with perceptions of intellectual capital capacity.

In addition to the variables described above, I include several other individual-level, independent variables in the model. Three of these are included because they are

theoretically linked to *intellectual capital capacity*. I will describe these variables below and follow with a brief description of the remaining “individual-level controls” that are of less substantive importance. I treat these variables as controls because I do not hypothesize a particular direction for their respective relationship with the dependent variable. As with my measure for *intellectual capital capacity*, the factor analysis for each summed scale measurement of the variables below is available in table 5.2.

Procedural Justice

Procedural justice is the extent to which employees perceive management’s actions as just and fair. According to Rubin (2007), the degree to which organizational procedures are perceived to be just depends on (1) the extent to which employees are able to exercise voice, (2) the extent to which hires and promotions are based on merit, (3) the existence of employee protections against arbitrary firing, and (4) “the degree to which opportunities exist to either appeal decisions or change the ground rules” (p. 127).

Table 13. Factor Analysis: Procedural Justice

Survey Indicator
<ul style="list-style-type: none"> • Promotions in my work unit are based on merit. • In my work unit, steps are taken to deal with a poor performer who cannot or will not improve. • Pay raises depend on how well employees perform their jobs. • Awards in my work unit depend on how well employees perform their jobs. • In my work unit, differences in performance are recognized in a meaningful way. • My performance appraisal is a fair reflection of my performance. • Discussions with my supervisor/team leader about my performance are worthwhile. • Complaints, disputes or grievances are resolved fairly in my work unit.
Cronbach’s alpha test, scale reliability coefficient = 0.90
Eigenvalue(Factor 1) = 4.37
Proportion: = 1.007

As noted in Chapter 3, research across several disciplines has identified an association between procedural justice and organizational trust (Albrecht & Travaglione, 2003; Konovsky & Cropanzano, 1991; Konovsky & Pugh, 1994; Mayer & Davis, 1999). For example, Rubin's (2007) analysis of the Department of Defense, using FHCS data, showed a strong relationship between employee perceptions of procedural justice and trust in management.

H₃: Perceptions of procedural justice will have a direct and positive association with perceptions of intellectual capital capacity.

Here, I have adapted Rubin's measures. I argue that there is a separate construct in the context of public agencies that is related to procedural justice, but it is more accurately defined as "apolitical management."

Apolitical Management

As I explained in the previous chapters, "jigsaw puzzle management" is a commonly employed political management strategy, in which appointees subvert perceived careerist intentions by bypassing the policy advice of careerists and using them to carry out programs "while keeping them in the dark as to the overall strategy being pursued" (Ban & Ingraham, 1990). However, partisan management techniques have the potential to take a more ominous turn toward intimidation techniques based on arbitrary decision-making criteria, illegal applications of personnel management, and coercion (Bowman & West, 2009). Therefore, I have constructed a multi-item measure that I refer

to as “apolitical management” that captures the relative lack of these arbitrary management techniques in the workplace.

Table 14. Factor Analysis: Apolitical Management

Survey Indicator
<ul style="list-style-type: none"> • Arbitrary action, personal favoritism and coercion for partisan political purposes are not tolerated. • Prohibited Personnel Practices (for example, illegally discriminating for or against any employee/applicant, obstructing a person’s right to compete for employment, knowingly violating veterans’ preference requirements) are not tolerated. • I can disclose a suspected violation of any law, rule or regulation without fear of reprisal.
<p>Cronbach’s alpha test, scale reliability coefficient = 0.86 Eigenvalue(Factor 1) = 1.92 Proportion: = 1.15</p>

The higher the value of this summed-scale measure, the less likely it is that partisan management techniques are being practiced. Therefore, I expect that there is a positive correlation between this construct and the capacity for intellectual capital building within an organization.

H4: Perceptions of apolitical management will have a direct and positive association with perceptions of intellectual capital capacity.

Empowerment

In the present analysis, I rely on what Fernandez and Moldagaziev (2011) identify as “two distinct theoretical perspectives [of employee empowerment that] have emerged in the literature, a managerial and a psychological one” (p. 24). The managerial perspective emphasizes the extent to which “management practices and behaviors [are] aimed at sharing power, information, and rewards with employees to improve results;”

the psychological perspective defines employee empowerment “as a motivational construct defined as an internal cognitive state characterized by increased intrinsic task motivation and enhanced feelings of self-efficacy” (Fernandez & Moldogaziev, 2011, p. 24).

In their own analysis, Fernandez and Moldogaziev rely on the definition of employee empowerment proposed by Bowen and Lawler (1992). Bowen and Lawler argue that there is a “multiplicative” effect of four distinct organizational “ingredients” that managers control, which links employee empowerment to performance (Fernandez & Moldogaziev, 2011, p. 25). The elements that Bowen and Lawler propose are “(1) information about the organization’s performance, (2) rewards based on the organization’s performance, (3) knowledge that enables employees to understand and contribute to organizational performance, and (4) power to make decisions that influence organizational direction and performance” (Bowen & Lawler, 1992, p. 32; as cited in Fernandez & Moldogaziev, 2011, p. 25).

There are obvious correlations between elements (1) and (3) and the dimensions of intellectual capital that I propose above. Using FHCS data, Fernandez and Moldogaziev apply principal components factor analysis to assess the validity of their constructs for each of Bowen and Lawler’s organizational “ingredients” for employee empowerment. Many of the items they use to construct measures for elements (1) and (3) of the Bowen and Lawler framework match items I use for intellectual capital capacity (Fernandez & Moldogaziev, 2011, pp. 40-41). Indeed, I argue that intellectual capital capacity is an essential ingredient of organizational performance—similar to what they propose.

Accordingly, I also propose that employee empowerment is an essential *antecedent* to the capacity to build intellectual capital, but the emphasis on knowledge exchange makes intellectual capital separable from the concept of “power”—i.e., the exchange of knowledge does not presume the ability for A to persuade B to act in A’s interests (Dahl, 1957). Instead, the idea of intellectual capital is premised on the notion that knowledge is malleable and its exchange can produce entirely new preference sets. Therefore, the items I use to measure *employee empowerment* in the present analysis rely more on the psychological perspective of employee empowerment (Fernandez & Moldogaziev, 2011, p. 24).

Table 15. Factor Analysis: Empowerment

Survey Indicator
<ul style="list-style-type: none"> • I feel encouraged to come up with new and better ways of doing things. • My work gives me a feeling of personal accomplishment. • Supervisors/team leaders in my work unit provide employees with the opportunities to demonstrate their leadership skills. • My talents are used well in the workplace. • Employees have a feeling of personal empowerment with respect to work processes. • Creativity and innovation are rewarded. • Supervisors/team leaders in my work unit support employee development.
Cronbach’s alpha test, scale reliability coefficient = 0.91
Eigenvalue(Factor 1) = 4.28
Proportion: = 1.06

H₅: Perceptions of procedural justice will have a direct and positive association with perceptions of intellectual capital capacity.

Individual-level Controls

One survey indicator asks the respondent to identify his or her location as “Headquarters” or “Field.” A dummy variable for headquarters (HQ = 1; Field = 0) was used to capture

whether the respondent had physical proximity to senior leadership in the organization. I expect that respondents with closer proximity to political leadership will be more likely to have the necessary information to perform their respective tasks and access to top-down information exchange. At the same time, being located at an agency's headquarters may preclude accessibility to bottom-up knowledge exchange or horizontal knowledge exchange. This would especially be true if a centralized top-down management approach is being employed by the political staff in charge. Dummy variables are also included to control for other individual-level factors such as age, race, sex, pay level, government tenure, and agency tenure.

Stratified Trust

Because the FHCS identifies each respondent's supervisory authority, I can differentiate between the trust that middle managers (the unit of analysis for the present study) have in their supervisors (career executives) and the trust that senior executives have in their supervisors (appointees). I measured stratified trust by averaging SES responses for each agency on the *dyadic trust* index, which captures the general trust established among career executives and their immediate supervisors (political appointees). This produces 72 agency-level observations (36 agencies from the 2006 and 2008 waves of the survey). Because *stratified trust* is based on the same index as *dyadic trust*, the theoretical range of values is from four to 20, but taking the agency-level average narrows the range to a minimum of 14 and maximum of 18.6 in this data set. The mean value is 16.23, indicating a moderately high level of *stratified trust* across agencies, and the standard deviation is 0.467.

I expect that the trust career executives have in political appointees will positively impact an organization's intellectual capital capacity. I also expect that the importance of *trust-in-leadership* and *dyadic trust* to perceptions of intellectual capital capacity will diminish under conditions of increased stratified trust. That is, respondents will rely less heavily on trust as a method to access avenues of knowledge exchange and methods of combining knowledge within the organization if a culture of trust is established at the executive ranks of the organization.

H₆: Stratified trust will have a positive impact on respondents' perceptions of intellectual capital capacity at lower levels in an organization's hierarchy.

H₇: Stratified trust will diminish the importance of dyadic trust on middle manager's perceptions of intellectual capital capacity.

H₈: Stratified trust will diminish the importance of trust in leadership on middle managers' perceptions of intellectual capital capacity.

Politicization

I rely on CPDF records to measure agency politicization. I divide the total number of Schedule C appointees (SchedC), Noncareer-SES (NCSES), and limited term appointments to SES (LtdSES) by the total number of career SES in each agency to obtain this measure ($politicization_{jt} = [SchedC_{jt} + NCSES_{jt} + LtdSES_{jt}] / CareerSES_{jt}$). This measure is adapted from Dull and his colleagues' (2009) measure of "appointee penetration" and Lewis' (2008) measure as an indicator of agency politicization.

Much of the literature on politicization strategies of the administrative presidency indicates that presidents rely on the flexibility of Schedule C appointments to “layer” loyalists at the top hierarchical echelons of agencies in order to direct policy toward presidential prerogatives (Light, 1995). The data on politicization for this study include 36 agencies over two years, which produces 72 agency-level observations. The values range from 0 to 1.99, with a mean of 0.361 and standard deviation of 0.315. I expect that as politicization increases, it is less likely that respondents will perceive an organization to have the capacity necessary for building intellectual capital. I also expect that *trust in leadership* and *dyadic trust* will become more important to the perception of intellectual capital capacity under conditions of increased politicization.

H₉: Politicization will have a negative impact on respondents’ perceptions of intellectual capital capacity.

H₁₀: Politicization will increase the importance of dyadic trust on respondents’ perceptions of intellectual capital capacity.

H₁₁: Politicization will increase the importance of trust in leadership on respondents’ perceptions of intellectual capital capacity.

Agency Ideology

I include a measure of “agency ideology” that reflects estimates obtained by Clinton and Lewis’ (2008) survey of experts about federal agency political ideology. Negative values indicate agencies are generally considered more liberal, while positive values indicate more conservative agencies. Some of the more conservative agencies

include the Department of Homeland Security (0.88), the Small Business Administration (1.17), the Army (2.04), and the Department of Defense (2.21). Some of the more liberal agencies include the Department of Education (−1.22), the Department of Health and Human Services (−1.32), and the Equal Employment and Opportunity Commission (−1.58).

Lewis (2008) argues that the “extent to which presidents and their appointees confront career personnel in management positions that do not share their ideology or priorities” is a major factor in influencing the “number and penetration of appointees” in specific agencies (p. 30). Accordingly, proponents of politicization and jigsaw management techniques assume that career bureaucrats who disagree with a president’s ideology or policy preferences will act to sabotage presidential action (Sanera, 1984).

Given the consensus that the George W. Bush administration was “the most conservative administration in modern times, surpassing even Ronald Reagan in the ideological commitment of his appointments” (Milbank & Nakashima, 2001), I expect that jigsaw management techniques were less prominent in conservative agencies. As I demonstrated in the previous chapter, a modified, targeted, or contingent type of jigsaw management technique tend to limit the extent of explicit knowledge exchange based on trust. Thus, defining success as compliance with Johnson’s memo on involving careerists in transition planning, we saw partial success. Therefore, I expect that respondents in an agency with a more conservative ideological orientation will more likely perceive their organization as having the capacity to build intellectual capital because these workers will more likely perceive access, opportunity, and ability to exchange pertinent knowledge within the organization.

H₁₂: An agency's conservatism will be positively associated with respondents' perceptions of intellectual capital capacity.

H₁₃: An agency's conservatism will increase the importance of dyadic trust on respondents' perceptions of intellectual capital capacity.

H₁₄: An agency's conservatism will increase the importance of dyadic trust on respondents' perceptions of intellectual capital capacity.

Other Embeddedness Traits

While politicization and agency ideology are two forms of cultural embeddedness, a range of other circumstances may influence a respondent's perception of agency intellectual capital. For example, aspects of the agency mission may influence perceptions of intellectual capital capacity. An agency with an orientation that is primarily technical or professional may preclude a more generalist approach to management activities, considerations, or communications.

I account for the technical orientation of the agency by dividing the number of employees classified as occupying "technical" positions (according to OPM's CPDF) by the number of full-time employees (fte) ($\%technical_{jt} = technical_{jt}/fte_{jt}$).⁴⁰ I measure agencies' professional orientation by dividing the number of employees classified as occupying "professional" positions (according to CPDF) by the number of FTEs ($\%professional_{jt} = professional_{jt}/fte_{jt}$). This classification distinguishes highly skilled "white collar" occupations, such as economists, lawyers, engineers, and scientists, from other occupational categories (e.g., administrative, clerical, and "blue collar").⁴¹

One might argue that under conditions of professional and technical embeddedness, respondents are more likely to possess adequate information because such agencies are naturally insulated from political interference by the complexity of the policies they are tasked to implement (Wood & Bohte, 2004). At the same time, a highly professionalized agency might be comprised of various different professions. For instance, economists in the same organization will have very different professional orientations than lawyers. Political principals may emphasize the importance of one professional perspective over another, depending on how that perspective aligns with their own governing philosophy or policy preference (Eisner & Meier, 1990). Also, a vast array of professional identifications within the same organization may result in the Weberian bureaupathology of “stove-piping” in which a highly specialized division-of-labor results in an exceedingly inflexible environment characterized by “turf protection” and information-hoarding.

I also include “red tape” as an embeddedness trait that is common to public organizations and, based on existing public management research, varies considerably in its impact (Rainey, 2009). The red tape construct is a complex and nuanced one, with several potential definitions (Bozeman, 1993; J. W. Lee, Rainey, & Chun, 2010; Rainey, 2009). Bozeman (1993) defines organizational red tape as “rules, regulations, and procedures that remain in force and entail a compliance burden for the organization but have no efficacy for the rules' functional object” (p. 283).

I use a broader measure of red tape that might be better described as “work routineness.” Following Lee, Rainey, and Chun (2010), I use a measure of the prevalence of routine procedures in agencies by dividing the total number of full-time clerical

workers in an agency by the total number of full-time employees ($\%clerical_{jt} = clerical_{jt}/fte_{jt}$).⁴² Lee and his colleagues argue that the percentage of jobs classified as clerical “is closely related to the extent to which the conversion process in an organization is routinized” (p. 293). While one might expect that routineness would be negatively associated with an intellectual capacity because innovation would be precluded by routinized work processes, Lee and his colleagues find that routineness is negatively associated with evaluative goal ambiguity (i.e., the level of ambiguity in how attainment of goals are evaluated and performance is assessed).

Another embeddedness trait that I include as an agency-level control is a measure for the relative “looseness” of network ties in which the agency is engaged. As I noted in Chapter 3, Burt (1997) has proposed a “structural hole theory” of network structure in which he argues that “cohesive contacts—contacts strongly connected to one another—are likely to have similar information and therefore provide redundant information benefits” (p. 340). Conversely, “structural holes are the gaps between nonredundant contacts,” which he relates to Granovetter’s (1973) “weak ties” theory of social exchange (p. 341).

In the context of federal agencies, one form of network can be the public-private partnerships in which an agency is engaged. As Lynn, Heinrich, and Hill (2000) argue, governance regimes are based on the interdependent nature of government with outside actors. The structure of such regimes—the network of actors that are involved, their respective resources, their interdependencies, and the structure of their relationships—is one of the primary determinants of the regime’s outcomes. Hill and Lynn (2005) surveyed over 800 empirical studies and found that the majority are modeled in a top-

down fashion—legislation flowing downward to management to networks to outcomes. As Agranoff (2006) argues, networks do not operate independent from overhead democracy. Rather, they are layered over the hierarchical structure of government. Therefore, agencies (and the people within them) act as critical cogs of network mechanisms that connect “nonredundant contacts [who] offer information benefits that are additive rather than redundant” (Burt, 1997, p. 341). Following Burt’s theory then, agencies are thereby informatively advantaged by a position that spans the “structural hole” of a governance network. Middle managers, with access to nonredundant contacts, may perceive opportunities for knowledge exchange that help build intellectual capital capacity.

At the same time, presidents and their appointees may create parallel institutions to circumvent agency and congressional interference, thereby depending on privileged contractors to implement policies according to their preferences. This has the potential to create accountability issues, discount contrary advice or evidence, and bias information flow. Adverse selection and shirking problems may be worsened in private-public partnerships, depending on managers’ monitoring capacities (Brown & Potoski, 2006).

Therefore, I do not propose any formal hypotheses for this embeddedness attribute, as networks-by-contract may have varying impacts on the capacity to build intellectual capital based on the nuances of the policy domain in which agencies are involved. Nonetheless, I include this measure as a control, dividing the total number of agency contracts by the number of full-time employees in the agency ($network_{jt} = contracts_{jt}/fte_{jt}$). Roughly, the measure captures the degree to which an agency depends on outside firms to implement its policy responsibilities.

I also control for total contract obligations of the agency. Using the Federal Procurement Database (FPDB), I take the natural log of the agency's total budget used toward the procurement of goods and services in a given fiscal year ($common_{jt} = \ln[contract\$_{jt}]$). This serves as a rough proxy of the size of the network. The size of the network in which an organization operates could plausibly have either a negative or positive relationship with intellectual capital capacity. Network size can be (but is not necessarily) relative to the "looseness" of network ties (Burt, 1997). At the same time, the size of the network may indicate the relative dependency agencies have on outside actors, as opposed to the diversity of their network. Therefore, the same conceptual ambiguity that is present for the "loose tie" argument is present here. There is also evidence in the social psychology literature of cognitive constraints on the extent to which networks are utilized (Hill & Dunbar, 2003). According to that literature, the size of the network that an actor is embedded in will only matter to a point, if it matters at all.

Finally, "agency size" is constructed by taking the natural log of the agency's annual budget ($size_{jt} = \ln[budget_{jt}]$). Organizational size has been found to be associated with the organization's extent of specialization (Pugh, 1973). Professional and policy stovepipes may make it more difficult to establish trusting relationships because actors have limited time and incentive to interact across functional areas. In such environments workflow integration is less likely without the perquisite technology to enable integration (Thompson & Jones, 2008). While interacting the professional, technical, and size variables would help capture how these embeddedness attributes work in relation to one another; such three-way, level-2 interactions would make the multi-level model unwieldy. At the same time, large organizations tend to have better and more diverse

resources than smaller organizations. The method in which these resources are leveraged will determine outcomes rather than the size of the agency itself (Theobald & Nicholson-Crotty, 2005). Therefore, I do not hypothesize a direction for agency size because there is evidence for both positive and negative associations with organizational processes and outcomes.

Model and Method

I estimate the following model of intellectual capital capacity:

Level-1 Model

$$Y_{ij} = \beta_{0j} + \beta_{1j}*(D_{ij}) + \beta_{2j}*(L_{ij}) + \beta_{3j}*(F_{ij}) + \beta_{4j}*(E_{ij}) + \beta_{5j}*(A_{ij}) + Z*(\Lambda) + r_{ij}$$

Level-2 Model

$$\beta_{0j} = \gamma_{00} + \gamma_{01}*(S_j) + \gamma_{02}*(P_j) + \gamma_{03}*(T_j) + \gamma_{04}*(Pr_j) + \gamma_{05}*(I_j) + \gamma_{06}*(N_j) + \gamma_{07}*(C_j)$$

$$+ \gamma_{08}*(\ln Ct_j) + \gamma_{09}*(\ln B_j) + u_{0j}$$

$$\beta_{1j} = \gamma_{10} + \gamma_{11}*(S_j) + \gamma_{12}*(P_j) + \gamma_{13}*(T_j) + \gamma_{14}*(Pr_j) + \gamma_{15}*(I_j) + \gamma_{16}*(N_j) + \gamma_{17}*(C_j)$$

$$+ \gamma_{18}*(\ln Ct_j) + \gamma_{19}*(\ln B_j) + u_{11j}$$

$$\beta_{2j} = \gamma_{20} + \gamma_{21}*(S_j) + \gamma_{22}*(P_j) + \gamma_{23}*(T_j) + \gamma_{24}*(Pr_j) + \gamma_{25}*(I_j) + \gamma_{26}*(N_j) + \gamma_{27}*(C_j)$$

$$+ \gamma_{28}*(\ln Ct_j) + \gamma_{29}*(\ln B_j) + u_{12j}$$

$$\Lambda = \gamma_{30} \dots \gamma_k$$

I can also combine the two equations into one by substituting the level-2 equation into the level-1 equation to give us the following:

$$\begin{aligned}
Y_{ij} = & \gamma_{00} + \gamma_{01} * S_j + \gamma_{02} * P_j + \gamma_{03} * T_j + \gamma_{04} * Pr_j + \gamma_{05} * I_j + \gamma_{06} * N_j + \gamma_{07} * C_j + \gamma_{08} * \ln Ct_j + \gamma_{09} \\
& * \ln B_j + \gamma_{10} * \\
D_{ij} = & \gamma_{111} * S_j * D_{ij} + \gamma_{112} * P_j * D_{ij} + \gamma_{113} * T_j * D_{ij} + \gamma_{114} * Pr_j * D_{ij} + \gamma_{115} * I_j * D_{ij} + \gamma_{116} * N_j * D_{ij} + \\
& \gamma_{117} * C_j * D_{ij} + \gamma_{118} * \ln Ct_j * D_{ij} + \gamma_{119} * \ln B_j * D_{ij} + \gamma_{120} * L_{ij} + \gamma_{121} * S_j * L_{ij} + \gamma_{122} * P_j * L_{ij} + \gamma_{123} * T_j \\
& * L_{ij} + \gamma_{124} * Pr_j * L_{ij} + \gamma_{125} * I_j * L_{ij} + \gamma_{126} * N_j * L_{ij} + \gamma_{127} * C_j * L_{ij} + \gamma_{128} * \ln Ct_j * L_{ij} + \gamma_{129} * \ln B_j * L_{ij} \\
& + \gamma_{130} * F_{ij} + \gamma_{140} * E_{ij} + \gamma_{150} * A_{ij} + Z\lambda + u_{0j} + u_{11j} * D_{ij} + u_{12j} * L_{ij} + r_{ij}
\end{aligned}$$

Y_{ij} is a middle-manager's (i) perception of intellectual capital capacity in agency j

S_j is the extent that trust is established within the executive ranks (stratified trust) at agency j

P_j is the extent to which agency j is politicized

T_j is the level of technical orientation within agency j

Pr_j is the professionalized nature of agency j

I_j is agency j 's ideological association

N_j is the extent to which agency j 's social and economic network ties are expanded by contracting

C_j is the extent to which agency j is embedded in procedural expectations

$\ln Ct_j$ is the natural log of total contract dollars allocated by agency j

$\ln B_j$ is the natural log of the total budget (in dollars) by agency j

D_{ij} is the dyadic trust that respondent i has in his or her direct supervisor at agency j

L_{ij} is the extent of trust that respondent i has in the generalized leadership of agency j

E_{ij} is the extent to which respondent i feels empowered within agency j

F_{ij} is the extent to which respondent i perceives the procedural fairness of agency j

A_{ij} is the extent to which respondent i perceives that arbitrary, political management techniques are not permitted within agency j

Z is a vector of additional independent variables

Λ is a coefficient vector

r_{ij} is a random individual-level error term, representing the random variation in perceptions of intellectual capital capacity within agencies

u_j is a random agency-level error term, representing random variation in the average intellectual capital capacity among (between) agencies.

I use multilevel regression to account for the fact that respondents are nested in larger agencies.⁴³ As Heinrich and Hill (2010) argue, it is “challenging to think of a governmental context in which a multilevel conceptualization would *not* be appropriate, even if the relevant data were not available to explore the multilevel relationships empirically” (p. 836). Here, with 72 agency-level units of analysis, I have the advantage of variation among the different agencies’ embeddedness attributes that allow me to test

the impact these various attributes have on individual perceptions and behaviors.

Additionally, the construction of my model as individuals nested within various agency settings allows me to learn how the effects of different individual-level predictors of theoretical interest vary across these settings, based on agency characteristics (i.e., embeddedness). In the following section, I present the results of the model and discuss their implications.

Results and Discussion

In this study, the responses of interest involve a respondent's perception of his or her organization's capacity to build intellectual capital. Before I discuss the results of the multilevel model, Table 16 provides summary statistics of perceptions of intellectual capital capacity by both the individual-level, independent variables of interest (*dyadic trust* and *trust-in-leadership*), and by the relative embeddedness traits of agencies. The first column indicates the average value of intellectual capital capacity when (1) *dyadic trust* and *trust-in-leadership* are held at low (<P25), moderate (P25↔P75), and high (>P75) levels for each of the level-2 embeddedness traits of theoretical interest, and (2) the respective embeddedness traits are held at low (<P25) levels. The second column indicates the same for the individual-level variables of interest when each of the level-2 embeddedness traits is held at moderate (P25↔P75) levels. Finally, the third column indicates when the level-2 embeddedness traits are held at high (>P75) levels.

Table 16. Mean Values of Intellectual Capital Capacity under Varying Individual-Level and Agency-Level Conditions

Stratified Trust	Low	Moderate	High
Dyadic Trust (low)	24.51	25.17	25.84
Dyadic Trust (moderate)	30.62	31.13	31.32
Dyadic Trust (high)	35.07	35.75	35.93
Trust-in-Leadership (low)	24.41	24.80	24.97
Trust-in-Leadership (moderate)	30.72	30.89	30.96
Trust-in-Leadership (high)	35.72	36.08	36.10
Politicization	Low	Moderate	High
Dyadic Trust (low)	25.85	24.85	24.92
Dyadic Trust (moderate)	31.41	30.95	30.83
Dyadic Trust (high)	36.06	35.41	35.48
Trust-in-Leadership (low)	25.04	24.96	24.21
Trust-in-Leadership (moderate)	30.92	30.97	30.72
Trust-in-Leadership (high)	36.09	35.99	35.95
Ideology	Liberal	Moderate	Conservative
Dyadic Trust (low)	24.34	25.23	25.48
Dyadic Trust (moderate)	30.94	31.02	31.19
Dyadic Trust (high)	35.24	35.61	35.93
Trust-in-Leadership (low)	24.48	24.73	24.86
Trust-in-Leadership (moderate)	30.96	30.89	30.81
Trust-in-Leadership (high)	35.98	36.01	36.05

There are a few preliminary observations that we can make based on the information in table 16. First, we see that perceptions of intellectual capital capacity increase as both *dyadic trust* and *trust-in-leadership* move from low to high values across the sample population, when holding the various embeddedness traits at varying levels. High levels of *dyadic trust* and *trust-in-leadership* are associated with a higher capacity for intellectual capital. This relationship is strengthened (however incrementally) as stratified trust moves from low to higher levels. For example, when *dyadic trust* is held at a low level, a 1.3-unit increase is associated with a shift from low (<P25) to high (>P75)

levels of stratified trust. Conversely, the positive relationships between intellectual capital capacity and either *dyadic trust* or *trust-in-leadership* are usually weakened as the level of politicization increases from low to high values. Finally, I find an unexpected relationship between intellectual capital capacity and agency ideology. Although most of the relationships are strengthened as agency conservatism increases, the second-to-last row of table 16 indicates that conservatism actually weakens the impact of trust-in-leadership on intellectual capital capacity when trust-in-leadership is held at a moderate level (although the decrease is small).

While table 16 shows bivariate relationships between the dependent variable and the independent variables of interest, table 17 shows the direct, bivariate relationships between the individual-level independent variables of interest and the agency-level independent variables of interest. Here, the table indicates that stratified trust has a direct, positive relationship with both *dyadic trust* and *trust-in-leadership*.

Table 17. Mean Values of Dyadic Trust and Trust-in-Leadership under Varying Agency-Level Embeddedness Attributes

Stratified Trust	Low	Moderate	High
Dyadic Trust	15.56	15.69	16.02
Trust-in-Leadership	13.30	13.92	14.47
Politicization	Low	Moderate	High
Dyadic Trust	15.97	15.70	15.60
Trust-in-Leadership	14.59	13.52	13.70
Ideology	Liberal	Moderate	Conservative
Dyadic Trust	15.78	15.71	15.84
Trust-in-Leadership	13.52	13.82	14.32

As stratified trust increases, there is an associated increase in both *dyadic trust* and *trust-in-leadership*. Table 17 also indicates that there is a direct and negative

relationship between politicization and the two individual-level variables of interest. As politicization increases from low to high levels, there is an associated decrease in *dyadic trust*. However, a more severe decrease in trust-in-leadership is associated with an increase in politicization from low-to-moderate levels. Yet, trust-in-leadership actually increases slightly as politicization increases from moderate-to-high levels. Finally, there is no evident relationship, based on table 17, between *dyadic trust* and *ideology*. Though, the importance of *trust-in-leadership* does increase with an agency's relative conservatism.

Figures 6 and 7 provide a more precise idea of how these conceptualizations of trust are conditioned by different embeddedness attributes through two-dimensional kernel density plots. Following Brehm and Gates' (2008) bivariate method of analysis, "this method produces a nonparametric estimate of the joint probability density, and can be thought of as a smoothed histogram" (p. 123). This method allows us to look at the full range of variance for each trust measure when constrained by the embeddedness attributes of theoretical interest in this study.

Figure 5 shows the two-dimensional kernel density plots for *dyadic trust* as a function of three embeddedness attributes: *politicization*, *agency ideology*, and *stratified trust*. Theoretically, one expects the distribution peaks to be close to the bottom corner for the first graph. In other words, one expects that there are higher levels of trust in agencies with lower-levels of politicization.

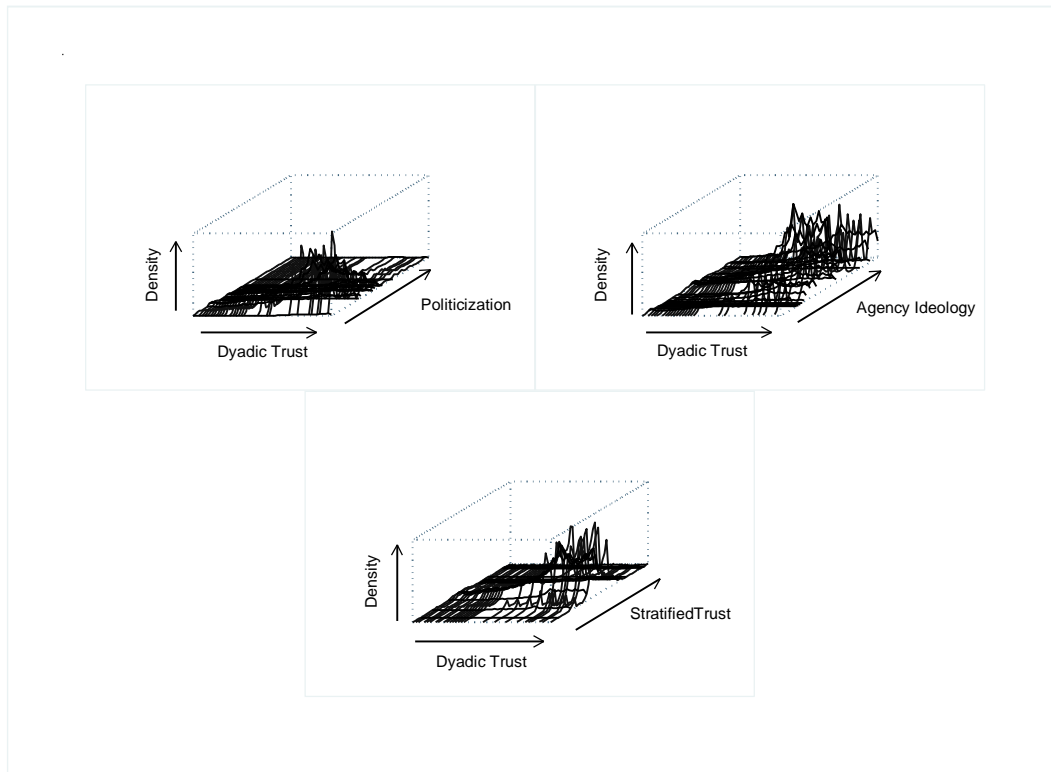


Figure 5. Two-Dimensional Kernel Density Plots: Dyadic Trust versus Embeddedness Traits

The first graph confirms this expectation: the graph is populated by peaks toward the “high dyadic trust—low politicization” corner. In the second and third graphs of figure 6, *dyadic trust* is plotted as a function of *agency ideology* and *stratified trust*, respectively. Here, I expect that each graph will be populated by peaks toward the right corner, indicating that as *agency ideology* becomes more conservative *dyadic trust* will increase. Also, as *stratified trust* increases, one expects that *dyadic trust* will increase (i.e., trust at levels discretely separate from the executive relationships captured by the *stratified trust* measurement). Indeed, as those two graphs indicate, the distribution of *dyadic trust* peaks toward the right corners for both.

In figure 7, I demonstrate the relationships between *trust-in-leadership* and the three embeddedness attributes of interest. Here, the first graph implies an expected relationship between *politicization* and *trust-in-leadership*. There are higher levels of *trust-in-leadership* in agencies with lower-levels of *politicization*: the graph is populated by peaks toward the “high trust-in-leadership—low politicization” corner. At the same time, while *trust-in-leadership* trends to the right corner in relationship to *agency ideology*, I find no discernible relationships in the other two graphs in figure 7.

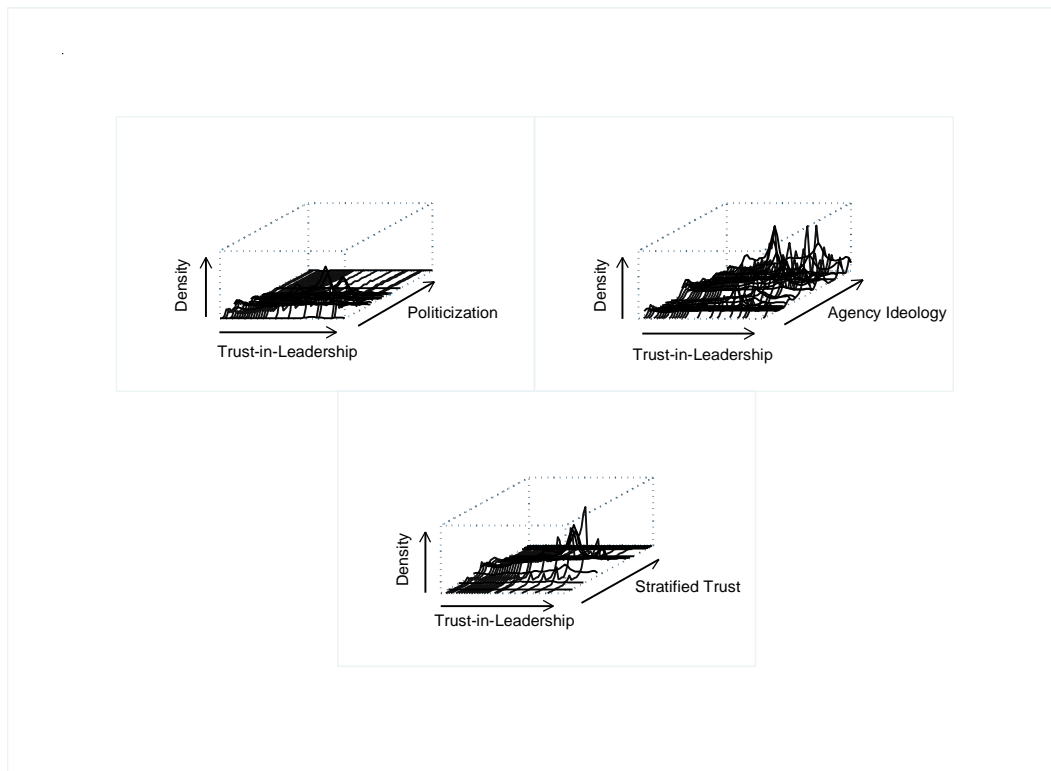


Figure 6. Two-Dimensional Kernel Density Plots: Trust-in-Leadership Versus Embeddedness Traits

The purpose of the multilevel model in my analysis is to identify the influence that embeddedness traits have not only on the agency’s capacity for intellectual capital building, but also the influence they have on the relationship between an individual’s

trust in his/her direct superior (*dyadic trust*) and his/her perception of intellectual capital capacity as well. I expect that embeddedness traits will influence the relationship between an individual's trust in the organization's general leadership and his/her perception of intellectual capital capacity. To measure these impacts on intellectual capital capacity, I run an intercept-and-slopes-as-outcomes model that conceptualizes the indirect influence of organizational embeddedness traits on individual perceptions and behaviors. Table 18 presents the results of this analysis.⁴⁴

Table 18. Multilevel Regression Model Predicting Intellectual Capital Capacity

Random Effects ^a	Coefficient	Standard Error
For Intercept1, β_0		
Intercept2, γ_{00}	30.535***	0.246
Stratified Trust, γ_{01} ^b	0.133**	0.059
Politicization, γ_{02} ^b	-0.170*	0.097
Technical, γ_{03} ^b	-0.014**	0.006
Professional, γ_{04} ^b	-0.007	0.012
Ideology, γ_{05} ^b	-0.107**	0.048
Network, γ_{06} ^b	0.002	0.003
Red Tape, γ_{07} ^b	-0.703†	0.523
Contract \$ (ln), γ_{08} ^b	-0.042	0.043
Budget (ln), γ_{09} ^b	-0.006	0.039
For Dyadic Trust slope, β_1 ^b		
Intercept2, γ_{10}	0.079***	0.009
Stratified Trust, γ_{11} ^b	-0.025**	0.012
Politicization, γ_{12} ^b	0.006	0.019
Technical, γ_{13} ^b	0.004***	0.001
Professional, γ_{14} ^b	-0.002**	0.001
Ideology, γ_{15} ^b	0.012**	0.005
Network, γ_{16} ^b	0.001†	0.001
Red Tape, γ_{17} ^b	0.031	0.082
Contract \$ (ln), γ_{18} ^b	-0.011*	0.006
Budget (ln), γ_{19} ^b	0.010**	0.004
For Trust-in-Leadership slope, β_2 ^b		
Intercept2, γ_{20}	0.340***	0.011
Stratified Trust, γ_{21} ^b	0.001	0.015

Politicization, γ_{22}^b	0.025	0.025
Technical, γ_{23}^b	-0.001	0.001
Professional, γ_{24}^b	0.002	0.002
Ideology, γ_{25}^b	-0.005	0.009
Network, γ_{26}^b	-0.0001	0.001
Red Tape, γ_{27}^b	0.155†	0.099
Contract \$ (ln), γ_{28}^b	0.013†	0.008
Budget (ln), γ_{29}^b	-0.014*	0.007

Fixed Effects	Coefficient	Standard Error
For Procedural Fairness slope, β_3		
Intercept2, γ_{30}	0.064***	0.005
For Empowerment slope, β_4		
Intercept2, γ_{40}	0.518***	0.008
For Apolitical Management slope, β_5		
Intercept2, γ_{50}	0.159***	0.006
For Sex slope, β_6		
Intercept2, γ_{60}	-0.086	0.069
For Hispanic slope, β_7		
Intercept2, γ_{70}	0.129	0.117
For Age Group slope, β_8		
Intercept2, γ_{80}	0.030	0.021
For Government Tenure slope, β_9		
Intercept2, γ_{90}	0.013	0.036
For Agency Tenure slope, β_{10}		
Intercept2, γ_{100}	0.131***	0.040
For FedWage slope, β_{11}		
Intercept2, γ_{110}	-0.116	0.088
For GS16 slope, β_{12}		
Intercept2, γ_{120}	0.107	0.383
For GS712 slope, β_{13}		
Intercept2, γ_{130}	-0.133*	0.079
For GS1315 slope, β_{14}		
Intercept2, γ_{140}	-0.204**	0.068
For SESpay slope, β_{15}		
Intercept2, γ_{150}	-0.075	0.214
For SLSTpay slope, β_{16}		
Intercept2, γ_{160}	-0.371*	0.219
For HQ slope, β_{17}		
Intercept2, γ_{170}	-0.224***	0.056
For Race: White slope, β_{18}		
Intercept2, γ_{180}	-0.053	0.097

For Race: African American slope, β_{19}		
Intercept2, γ_{190}	0.095	0.099
For Race: Native Hawaiian slope, β_{20}		
Intercept2, γ_{200}	0.094	0.100
For Race: American Indian slope, β_{21}		
Intercept2, γ_{210}	-0.116	0.118
For Race: Two or more races slope, β_{22}		
Intercept2, γ_{220}	-0.029	0.090
For Leave1 slope, β_{23}		
Intercept2, γ_{230}	0.275**	0.120
For Leave2 slope, β_{24}		
Intercept2, γ_{240}	0.100	0.123
For Leave3 slope, β_{25}		
Intercept2, γ_{250}	0.161	0.133
For Leave4 slope, β_{26}		
Intercept2, γ_{260}	0.246*	0.135
For Retire1 slope, β_{27}		
Intercept2, γ_{270}	0.363***	0.087
For Retire2 slope, β_{28}		
Intercept2, γ_{280}	0.202***	0.045
For Retire3 slope, β_{29}		
Intercept2, γ_{290}	0.026	0.040
<hr/>		
† $p < .10$ (one-tailed). * $p < .10$; ** $p < .05$; *** $p < .01$ (two-tailed)		
^a Based on Unit Specific Model with Robust Standard Errors.		
^b Grand-mean centered		
Level-1 N = 38,418; Level-2 N = 74		
<hr/>		

Recall that the “contextual” predictors of interest are measures of “embeddedness” (i.e., the structural, social, and legal characteristics of organizational settings that regulate transactions between and among individuals) (Granovetter, 1985, 1992; Williamson, 1993). Table 18 provides evidence of both the direct and indirect relationships between various embeddedness attributes and intellectual capital capacity. I will first examine the direct effects of the individual-level and agency-level variables of interest (i.e., those embeddedness traits for which I proposed formal hypotheses on the direct relationship between a respective embeddedness attribute and intellectual capital

capacity). I will then examine the two varying slopes (*dyadic trust* and *trust-in-leadership*). Both of these individual level variables are statistically significant and have positive associations with intellectual capital capacity. However, because I have allowed the slopes and the intercept to vary based on the indirect influence of various embeddedness attributes, I will provide graphs to display the relationship between the outcome and the predictors based on the final analytic results. By providing the model's results in as a graph, I hope to better explicate the contingent effects of individual-level predictors under varying conditions of embeddedness.

As table 18 indicates, both the *dyadic trust* and *trust-in-leadership* variables are statistically significant and have positive associations with intellectual capital capacity. In interpreting the direct associations of *dyadic trust* or *trust-in-leadership* with the dependent variable, I find that the intercepts of both of these varying slopes are statistically significant and in the hypothesized direction. This indicates that both *dyadic trust* (H1) and *trust-in-leadership* (H2) are directly and positively associated with perceptions of *intellectual capital capacity*, thereby allowing me to reject the null hypotheses of H1 and H2.

In this model, I have allowed the intercept to vary based on agency-level characteristics. This allows me to interpret the direct impact that agency-level embeddedness attributes have on intellectual capital capacity. One can think of these relationships as the starting point of the relationship between individual-level variables and the dependent variable, based on the various structural, political, and cultural characteristics of an organization. Table 18 indicates that *stratified trust* has a direct, statistically significant association with perceptions of *intellectual capital capacity*; and

the relationship is in the hypothesized, positive direction. In other words, the model indicates that as stratified trust increases, so too do perceptions of intellectual capital capacity among respondents at lower levels of an organization. This serves as evidence that I can reject the null hypothesis of H6 (i.e., “Stratified trust will have a positive impact on intellectual capital capacity”). We also find evidence that *politicization* has a negative relationship with *intellectual capital capacity*. The coefficient for politicization on the varying intercept is negative and statistically significant—thereby allowing me to reject the null hypothesis for H9 (i.e., “Politicization will have a negative impact on intellectual capital capacity”).

Recall that I predicted agency ideology would have a positive association with intellectual capital capacity (H12). I reasoned that appointees in organizations with more conservative orientations would be less likely to employ jigsaw management techniques, thus improving employee perceptions of access, opportunity, and ability to exchange pertinent knowledge within that organization. Yet, table 18 indicates exactly the opposite. The coefficient for ideology on the varying intercept for intellectual capital capacity is negative and statistically significant, indicating that the relative conservatism of agencies is actually negatively associated with middle managers’ perceptions of intellectual capital capacity.

Upon further reflection, there is a reasonable conclusion to make from this finding. As noted in earlier chapters, Lewis’ (2009) work shows that careerists in “conservative agencies are significantly more likely to report that appointees in their agencies are selected more for political experience and connections than competence” (p. 14). This leads to a rather counterintuitive conclusion. One would think that appointees in

conservative agencies were more likely to be placed in those positions to fulfill the president's patronage concerns. Thus, the conclusion would follow that these appointees are less knowledgeable in regard to the substantive concerns of the president's policy agenda than non-patronage appointees. Therefore, they should be less likely to be involved in important decision-making. In other words, the president and his appointees should be more likely to rely on careerist expertise in conservative agencies, given the likelihood that these agencies are dispensaries for patronage appointments. Yet, the evidence indicates that agency conservatism decreases intellectual capital capacity. Therefore, it is possible that patronage appointments cause political hacks to be layered through management ranks, thereby limiting the development of intellectual capital capacity within those organizations because such appointees lack the necessary management competence.

Next, I turn to the hypotheses that predict how different embeddedness attributes will moderate the slopes of the individual-level variables of interest that I have allowed to vary in the model: *dyadic trust* and *trust-in-leadership*. Figure 7 shows the slopes of *dyadic trust* in a random selection of agencies. The figure indicates that there is, in fact, variation in the slope. In other words, the relationship between *dyadic trust* and *intellectual capital* changes based on the organizational environment in which middle managers operate. Table 18 shows how these relationships vary based on particular embeddedness attributes that vary across agencies.

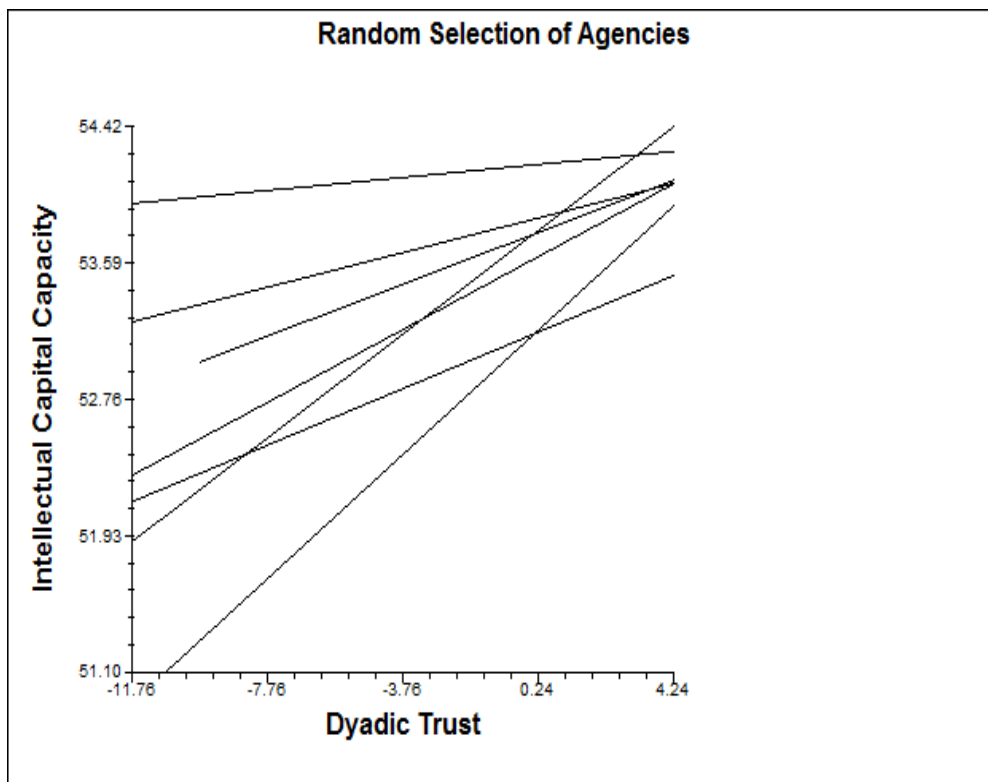


Figure 7. Varying Slope of Intellectual Capital Capacity Regressed on Dyadic Trust

Therefore, if a coefficient for a given embeddedness attribute on the *dyadic trust* slope is positive, this suggests that the relationship between dyadic trust and intellectual capital capacity will be more sharply positive under conditions in which there is a high value of that respective embeddedness attribute. For example, the coefficient for *stratified trust* on the *dyadic trust* slope is negative and statistically significant. This provides some confirmatory evidence for H4, allowing me to reject the null hypothesis. Specifically, this indicates that when a higher level of trust is established among career executives and political appointees, dyadic trust between middle managers and career executives is less important to the middle managers' perceptions of intellectual capital capacity.

Recall the theoretical premise for this conclusion, as I explained in Chapter 3:

Most of the literature that unpacks the appointee-career nexus focuses on the relationships that develop between career executives and appointees, and the importance of trust being established within these relationships (e.g., Heclo, 1977; Pfiffner, 1987, 1991; Michaels, 1997). Therefore, as this is the common locus of appointee-careerist relations, these relations will presumably have a significant impact on the organization, generally. Executives play a distinct role within organizations in setting strategic direction for the organization (Dirks & Skarlicki, 2004). How relations at this level of the organization play out should have a significant impact on employees' access to various exchange partners, the value they perceive in exchanging knowledge exchange, and their motivation to do so. Specifically, stratified trust (the trust developed between actors in relations at the executive level of the hierarchy) should have a significant impact on the trust that is established between middle managers, who must articulate the product of executive relations into definitive expectations of employee performance, and their subordinates.

To get a clearer idea of the relationship, compare the red line with the blue regression line in figure 9. This shows that when stratified trust is held at a high value (red line), perceptions are that: (1) there are higher levels of intellectual capital, (2) there is a positive relationship between dyadic trust and intellectual capital, and (3) the slope is less sharp in these relationships than when stratified trust is held at a low level. This indicates that stratified trust has a significant impact on both the level of intellectual capital capacity in an organization and the premium that middle managers will place on dyadic trust in their immediate supervisor to search for access, opportunity, or ability to

engage in knowledge exchange within the organization. In other words, under conditions in which trust is established between career executives and political appointees, middle managers will be less likely to need trust in their direct superiors in order to perceive the organization's capacity to build intellectual capital.

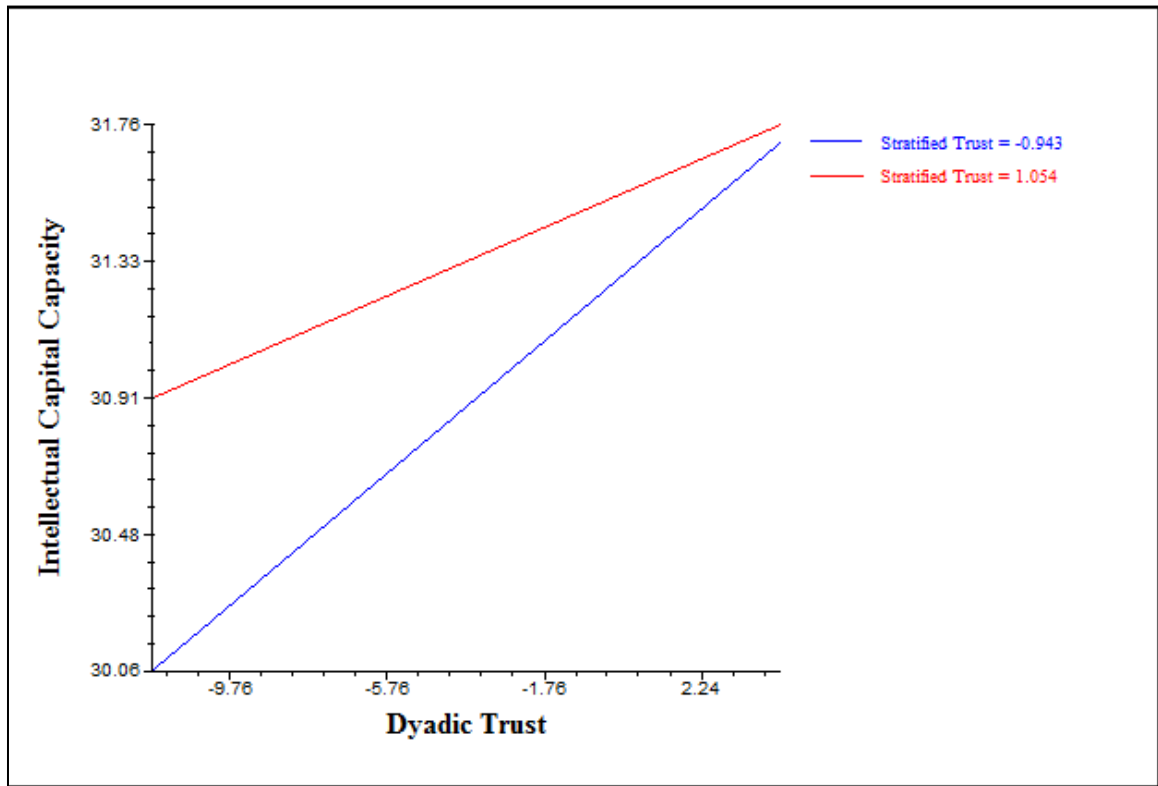


Figure 8. Intellectual Capital Regressed on Dyadic Trust: Holding Stratified Trust at the Average Value of Lower and Upper Quartiles (Holding all other variables at their respective means)

The coefficient for *politicization* on the *dyadic trust* slope is positive, but it is statistically nonsignificant. Therefore, I fail to reject the null hypothesis for H10 (i.e., that politicization will increase the importance of dyadic trust on respondents' perceptions of intellectual capital capacity). Interestingly, and again unexpectedly, table 18 indicates that the coefficient for *agency ideology* on the *dyadic trust* slope is negative and

statistically significant. Thus, I fail to reject the null hypothesis for H13 (i.e., that an agency's conservatism will decrease the importance of dyadic trust on respondents' perceptions of intellectual capital capacity).

This finding implies that, in more conservative agencies, dyadic trust between middle managers and career executives will be more valued by middle managers seeking access, opportunity, or ability to engage in knowledge exchange. Again, with a reconsideration of the nuances of appointee placement, as they have been explored by Lewis' (2009) work and Weko (1995), presidents often choose agency executives for purposes other than their management ability. There are several political considerations, such as patronage, that can interfere or even conflict with the politicization as an administrative strategy (Wilson, 1989). As I explained above, it is reasonable to suppose that patronage appointees will be less competent. Therefore, within these agencies, middle-managers are more likely to rely on trust in their direct superiors in order to perceive access, ability, or opportunity to build intellectual capital within their respective organization.

Figure 9 shows that the relationship between dyadic trust and intellectual capital is positive in both conservative (red line) and liberal (blue line) agencies. Yet, (1) there are higher levels of intellectual capital in liberal agencies and (2) dyadic trust has more of a premium value to the development of intellectual capital in conservative agencies. In other words, middle managers' relationships with immediate, career supervisors will have a stronger impact on their perceptions of organizational intellectual capital capacity in conservative agencies.

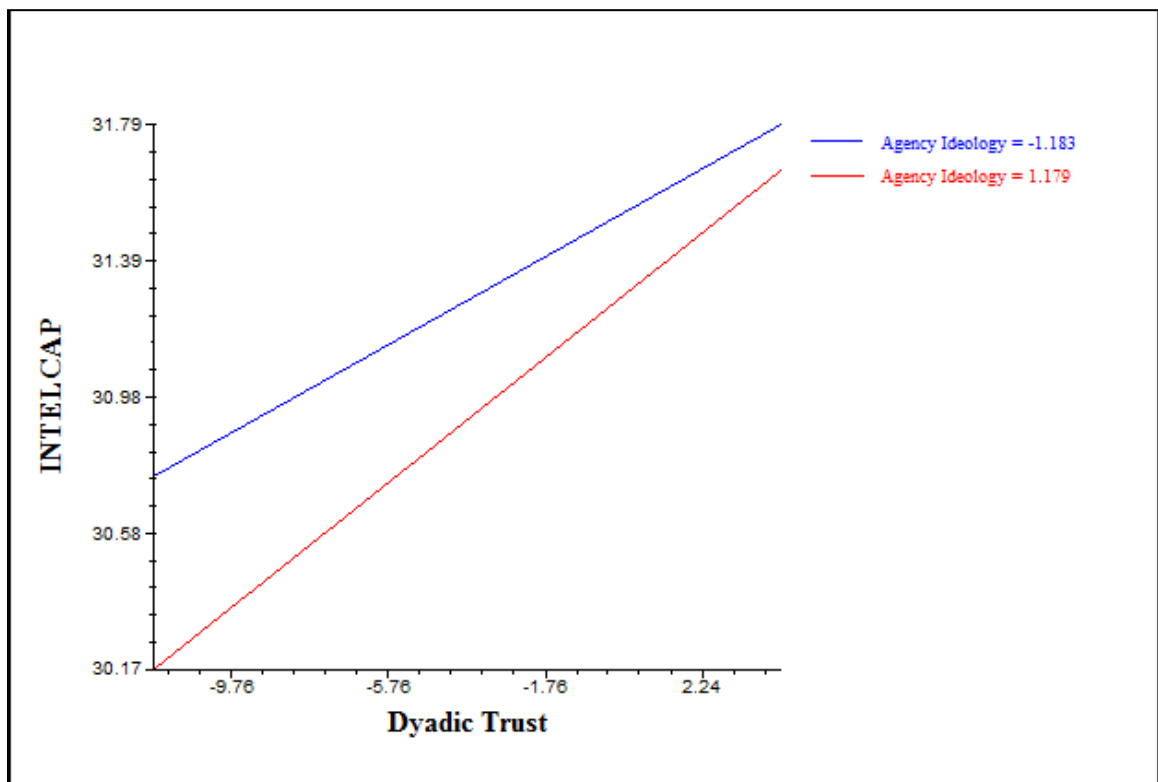


Figure 9. Intellectual Capital Regressed on Dyadic Trust: Holding Agency Ideology at the Average Value of Lower and Upper Quartiles (Holding all other variables at their respective means)

Finally, I turn to the hypotheses regarding the moderating impacts that I expected the embeddedness attributes of stratified trust, politicization, and ideology to have on the relationship between trust-in-leadership and intellectual capital. Although the direct impact of trust-in-leadership is significant and in the hypothesized direction, and the reliability statistic for the variance component of the slope is significant at the 0.001-level, there is no discernible moderating impact for any of the agency-level variables of interest. Therefore, I can reject the null hypothesis for H2. Specifically, trust in the generalized leadership of an organization will have a direct and positive association with perceptions of intellectual capital capacity. This is consistent with the findings from Cho

and Ringquist (2010), who found that the trustworthiness of leadership was an antecedent to agency performance. Moreover, it is consistent with the theory proposed in Chapter 3. At the same time, however, I fail to reject the null hypothesis for H8, H11, and H14. In other words, I find no moderating impact for various embeddedness attributes (stratified trust, politicization, and ideology) on the relationship between trust-in-leadership and intellectual capital capacity.

The evidence here has built on the findings from the previous chapter by providing fuller conceptualizations and measures for trust and intellectual capital. At the same time, the model accommodated various embeddedness attributes in order to more accurately assess the relationship between these two constructs. With this in mind, I turn to the next chapter to discuss why these findings matter and the conclusions we can draw as they relate to any given president's administrative strategies.

Conclusion

In this chapter, I provided evidence that the trust established at the highest levels of the organization between career executives and political appointees (i.e., "stratified trust") can have a trickle-down effect on the perception of intellectual capital capacity within agencies. Respondents' perception of the capacity to both exchange and combine distinct forms of knowledge between superiors and subordinates throughout organizational hierarchies was in some measure dependent on the level of trust established at the highest rungs of the organizational ladder. Additionally, when stratified trust is not established, middle managers appear to put more of a premium on trusting their immediate supervisors (i.e., career executives) in order to assess the organization's

intellectual capital capacity. This is consistent with the theory presented in Chapter 3 that posits trust between appointees and career executives as critical to developing institutional competence.

I also found that an organization's embeddedness attributes are important to the consideration of relationships between appointees and careerists. Namely, the evidence suggests that politicization directly limits the development of intellectual capital. This supports prior contentions, and provides further evidence, that politicization hampers the development of institutional competence. And while I do not have data to test the relationship between intellectual capital and success in advancing Bush's policy agenda, I showed how likely that is based on prior research in the cognate research areas I noted above. The present chapter provides evidence that helps validate the conceptual premises of the framework I presented in Chapter 3 and that is consistent with the findings in Chapter 4. In the final chapter that follows, I discuss the implications of these findings, as well as the contribution the dissertation makes to the study of the administrative presidency.

CHAPTER 6

RETHINKING THE ADMINISTRATIVE PRESIDENCY

“Obama officials lack functional and agency-specific knowledge, according to survey respondents. Many believe appointees don't understand human resources and procurement rules, saying they presume the ‘institution is there as an obstruction’ and therefore attempt to ‘break organizations.’ Appointees have ‘unbelievably poor communication with career employees,’ one commenter said. Forty percent of managers gave them Ds or Fs on collaboration and communication with their staffs... [One] manager said the result has been “politicization of normal agency functions.”

—Eric Dumbacher, conveying results of an April 2011 survey of 148 career SES and GS-15 managers, *Government Executive*, June 15, 2011⁴⁵

The “politicization of organizational life” is increasingly becoming the reality of the modern administrative state (Heclo, 1978; Kerwin, West, & Furlong, 2010). Political appointees now take up over 25% of the “management layers between the top and bottom of most departments and agencies.”⁴⁶ As I noted in Chapter 1, this development is based on a central precept of the administrative presidency—that careerists cannot be trusted to be responsive to presidential policy agendas (Moffit, 2001; Sanera, 1984). Additionally, the appointment powers of the United States’ president have been found to be a valuable method for advancing (and making career civil servants responsive to) presidential agendas (Durant, 1992; Golden, 2000; Wood & Waterman, 1994).

Throughout the dissertation, and most explicitly in Chapter 2, I identified this familiar assertion that applying the tools of the administrative presidency is motivated by

distrust of careerists to faithfully carry out those agendas (e.g., Ban & Ingraham, 1990; Pfiffner, 1991; Moynihan & Roberts, 2010). Moreover, researchers have contended that trust is a critical factor in appointees' relative capacity to wield administrative power towards a president's intended goals (Durant, 1992, 2000; Heclo, 1977; Michaels, 1997; Pfiffner, 1987; F. Rourke, 1991; F. E. Rourke, 1992). Yet (as I appraised in Chapter 2), while these claims have been made repeatedly throughout the literature examining appointee-careerist relations and presidential appointments as an administrative strategy, this research does not adequately define the concept of interpersonal trust. At the same time, no research exists on the administrative presidency that attempts to measure the multiple dimensions of trust and systematically measure its impact on organizational outcomes relevant to a president's policy goals.

I noted in chapters 1 and 3 that work on trust is limited in the study of public sector institutions, but what is available in public administration has not been applied to the study of appointee-careerist relations. Also, research that is relevant to understanding the context of trust building between appointees and careerists has not been applied with any degree of sophistication as presidents try to advance their policy agendas administratively. Consequently, I turned to these literatures, plus other cognate fields related to the private sector management literature, to offer an integrated model of these relationships, and to derive propositions that I later test in Chapters 4 and 5. While interpersonal trust has been a popular subject of conceptual development, analysis, and theory development in cognate fields such as private management studies, these also have not been incorporated in the study of the administrative presidency.

I also noted in Chapter 3, however, the challenges in applying these literatures to the study of the administrative presidency. Findings from the extant work examining the connection between interpersonal trust and organizational outcomes have been mixed. It is not yet established whether interpersonal trust is anything more than complementary to institutional incentives and monitoring mechanisms. For example, some have suggested that trust is critical to advancing organizational effectiveness (Brehm & Gates, 2008), while other theorists argue that there lacks sufficient support for the argument that trust relations are anything but “complements to organizationally induced incentives” (Cook, Hardin, & Levi, 2005, p. 134).

This dissertation has sought to begin filling some of these gaps and inform these debates by unpacking the multiple dimensions of interpersonal trust within the setting of appointee-careerist relations in the federal executive branch. In doing so, I explored the varying political, structural, professional, and relational conditions under which “encapsulated interest” and “personal trust” might exist among appointees and career executives. I examined how different dimensions of trust are connected to the exchange and combination of information within organizational settings—i.e., the development of “intellectual capital.”

In the process, I tested my argument that the application of these tools may indeed have a paradoxical effect from its intent. By politicizing bureaucratic ranks with lower-level appointees and centralizing decision-making through decidedly top-down arrangements, presidents face the possibility of fostering further distrust of political appointees among careerists. This reciprocated distrust, in turn, has the possibility of

inhibiting a president's (and, by proxy, his appointees') capacity to develop the institutional competence necessary to successfully implement his policy agenda.

In this final chapter, I begin by reviewing the approaches I took in each chapter, examining some of the continuities and discontinuities in methods and conceptual development afforded by the cognate literatures noted above. I then review some of the more critical findings of the analysis, discuss their implications for the administrative presidency, and then assess the implications for future research on the relationship of trust and intellectual capital as it applies to advancing presidential agendas administratively. The research agenda is predicated partly on some of the methodological limitations of my analysis, by the way some of the findings refine prior conventional wisdom, and on areas where the model I offer might be tested, elaborated, and extended to other aspects of the administrative presidency.

Where We've Been: Some Continuities and Discontinuities

Recall that in in Chapter 2, I followed Seidman (1998) by defining institutional competence as explicit and implicit knowledge of an organization's "history, program patterns, administrative processes, professional hierarchies, constituencies, and budget structure" (Seidman, 1998, p. 125) and how these characteristics can be employed toward specific actions. In Chapter 3, I put forth the argument that intellectual capital—"the knowledge and knowing capability of a social collectivity, such as an organization, intellectual community, or professional practice" (Nahapiet & Ghoshal, 1998)—is inately tied to the institutional competence that is necessary to advance presidential agendas

administratively (Seidman, 1998). It provides a clear, conceptual link to the concept of human capital, which “reflects the belief that human beings in an organization and their skills and knowledge are the organization’s most important assets, more important than other forms of capital such as [physical] and financial assets” (Rainey, 2003). Upon this premise, the argument followed that in order to develop the intellectual capital necessary to advance presidential agendas, presidential appointees must manage in a manner that sufficiently incorporates human capital—that is, agency career personnel—in an agency who possess the knowledge and capacity to implement this agenda competently.

I then concluded Chapter 3 by offering a model of these relationships discerned from the administrative presidency literature, but more importantly, that integrated the findings from a variety of cognate literatures (including private management, organization theory, public management, public administration, and social psychology). This is an uncommon approach to the study of any aspect of the administrative presidency literature, and proved powerful in accounting for trust and institutional capacity in the analyses which I pursued in Chapters 4 and 5. Moreover, given its uniqueness and significant explanatory power in this dissertation, I hope that it will be tested, elaborated, and refined in future research on this and other aspects of the administrative presidency.

Throughout the dissertation, I tested several propositions that incorporated interrelated frameworks from the organization theory and social capital literature to advance our understanding of an underdeveloped area of presidential research: appointee-careerist relations and how these relations impact the administrative presidency. Specifically, I incorporated the two dominant theories of interpersonal trust in the

organization theory literature (i.e., Russell Hardin’s “encapsulated interest” and Mayer and colleagues’ “character-based” accounts of trust) to Nahapiet and Ghoshal’s (1998) intellectual capital development framework.

In Nahapiet and Ghoshal’s framework, the authors argue that trust (representing the “relational dimension” of social capital) “facilitates the development of intellectual capital by affecting the conditions necessary for exchange and combination to occur” (1998, p. 254). Through various methods of survey analysis that were supplemented by interviews with career executives, middle-managers, and political appointees, I found that interpersonal trust between career executives and political appointees of the George W. Bush administration had a notable impact on the development of intellectual capital within federal agencies. This general conclusion is a critical advancement in the study of the administrative presidency. It confirms propositions advanced in the existing administrative presidency scholarship that appointee-careerist trust is critical to enhancing the ability of presidents to leverage institutional competence toward their policy prerogatives. Previous research contended that trust among careerists and appointees was crucial, but there was a distinct lack of systematic evidence that confirmed this hypothesis.

In Chapter 4, I began with the more narrow conceptualization of trust as encapsulated interest—the idea that the benefit that one receives from any particular exchange in which one is trusted is a function of “the potential benefit from continuing the series of interactions” (Hardin, 2006, p. 22). As I argued in Chapters 1 and 3, this narrow conceptualization of trust has much in common with traditional rational choice conceptualizations (Lundin, 2001; Ostrom, 1998). I found that encapsulated interest has a

statistically and substantively significant association with explicit knowledge exchange across organizations as it related to following OMB Director Clay Johnston's memo to appointees to include careerists in planning.

I also identified descriptive evidence that jigsaw management techniques serve as common inhibitors to appointees' ability to leverage institutional competence. After testing to see if respondents perceived these kinds of tactics during the transition, I found that they did and that it varied in terms of the levels of encapsulated trust established. As such, my findings indicate indirectly that jigsaw management was not as cohesive a strategy as some have claimed, as doable as proponents expected, and that a more targeted strategy was at work based on trust. As such, rather than keeping careerists "in the dark" during the Bush administration, I afforded indirect evidence that they pursued what Hecllo prescribed for a "government of strangers": conditional cooperation. It was impossible for me to conclude from my data whether this strategy reflected Pfiffner's cycle of accommodation between appointees and careerists, but the relationship nonetheless offered indirect evidence that encapsulated interest was related to information sharing, a key component of building intellectual capital in organizations generally. I concluded that chapter by pointing out that only one dimension of my of model had been tested, that other factors culled from prior research on the administrative presidency and cognate fields might account for these relationships, and that the relationship between trust and intellectual capacity were yet to be tested in my study.

With this in mind, I explored a fuller, more nuanced account of interpersonal trust in Chapter 5 that incorporated a robust operationalization of the model I afforded in Chapter 3. As hypothesized, my analyses of the perceptions of middle manager

respondents indicates that the trust that is established at the highest levels of the organization between career executives and political appointees (i.e., “stratified trust”) can have a downward effect on the perception of intellectual capital capacity within agencies. In other words, the capacity to both exchange and combine distinct forms of knowledge between superiors and subordinates throughout organizational hierarchies was in some measure dependent on the level of trust established at the highest rungs of the organizational ladder. I also found that the degree to which interpersonal trust (or lack thereof) exists at lower levels of an organization’s hierarchy leads to intellectual capital capacity is moderated by the institutional environment in which these relations are embedded.

These findings in regard to middle managers’ perceptions support the supposition that trust between career executives and political appointees matters in federal agencies’ development of *organizational* intellectual capital. I showed that the trust that develops between career SES and political appointees has effects *throughout* the organization. Middle managers are more likely to perceive the capacity to build intellectual capital in their agencies as trust is established between career executives and political appointees. Thus, while Chapter 4 indicates that explicit knowledge exchange between SES and appointees increases with trust (measured as encapsulated interest), Chapter 5 expands on this notion to show that this connection does not exclusively affect the executive ranks. Rather, the trust (or lack thereof) established at the executive ranks affects the development of intellectual capital in the organization as a whole, thereby limiting the effectiveness of individual actors with markedly different roles and responsibilities. Additionally, I found in analysis offered in Chapter 5 that politicization (measured as a

ratio of lower-level political appointees to career SES) inhibits intellectual capital capacity. This supports prior contentions, and provides further evidence, that politicization hampers the development of institutional competence. Conversely, the results from the analysis in Chapter 5 show that statistically significant moderating effects of politicization on the relationship between interpersonal trust and intellectual capital capacity, as well as trust-in-leadership and intellectual capital capacity, did not exist. Rather, “stratified trust” had the largest moderating effect of the various embeddedness traits included in the model.

The finding that politicization does not moderate the relationship between trust and perceptions of intellectual capital capacity at lower levels of the organization’s hierarchy does *not*, however, suggest that the layering of appointees within executive and management ranks of agencies has *no bearing* on organizational outcomes. Rather, it elevates the importance of interpersonal interactions between appointees and careerists as the focus of analysis, where most of the literature and administrative reform prescriptions focus on structural aspects of politicization (i.e., the number of appointees in management and executive positions in a given agency).

In the paragraphs that follow, I will first review, as I identified in Chapter 2, why appointee-careerist trust might become important to the relative success of the Bush administration to see through its policy agenda administratively. Next, the chapter reviews the theoretical framework that I discussed in Chapter 3. Following this brief review, I present a more comprehensive discussion of the findings from the two empirical chapters, how these findings contribute to the study of the administrative presidency, the weaknesses of the analyses, and the implications for future research.

Coming to Terms in Uncommon Ways:
The Administrative Presidency and
the Importance of Trust

This dissertation was organized into three interconnected parts for the purposes of providing (1) a background to the development of the administrative presidency, (2) a theoretical framework for examining the impact of appointee-careerist relations on organizational outcomes, and (3) empirical examination in which these relations are modeled as determinants of organizational outcomes. To these ends, recall that Chapter 2 outlined how various presidents used administrative strategies to advance their policy and programs agendas. Chronicled was the way administrative approaches fluctuated in use, scope, and intensity over different presidencies.

Most important for the empirical analyses that inform this dissertation, I suggested that President George W. Bush perceived that he faced a situation requiring him to reconstitute the conservative electoral coalition that had supported the Reagan orthodoxy. Put differently, he was “of” the Reagan regime that he felt had to be articulated in ways that caught up to the times and yet still held that coalition together. Bush faced a fracturing electoral base with competing demands from a broader swath of constituencies with more disparate and often irresolvable demands (Durant, Stazyk, & Resh, 2010). Bush thus pursued a “big government conservatism” (Barnes, 2008) agenda that I argued, in part, required the development of institutional competence to see it through.

Pfiffner (2007, p. 7) observes that Bush’s management style was “marked by secrecy, speed, and top-down control,” reflective of the Reagan administration and the “partisan learning” that Hult and Walcott (2004) predict. Yet, as I outlined in Chapter 2, while Bush pursued this agenda using these administrative strategies (relying on

ideological loyalty, increased appointee layering, and centralized management), they were not necessarily amenable to realizing his goals. This presents the question as to whether the combined centralization and politicization strategies of the two administrations should be so similar. The intentions and environmental conditions of the Bush administration differed substantially from the Reagan administration. I questioned whether the application of such administrative strategies would necessarily advance the interests of a Bush administration (or any administration) that sought to wield administrative power to advance new agendas rather than stop old ones?

These questions lead me to the latter half of Chapter 2, in which I examined the idea of bureaucratic competence as it has been variously defined in the public administration and political science literature. Although I did not explicitly quote James D. Carroll's (1976) basic syllogism in Chapter 2, the essence of my argument is similar. Carroll writes, "Administration is knowledge. Knowledge is power. Administration is power" (Carroll, 1976, p. 578). Indeed, most studies of the US presidency, as well as politics generally, ultimately involve questions about power: From where is the president's power derived? How does he exercise it? What are the opportunities and constraints placed on individual presidents by context, public expectations, institutions, and law? Does presidential power derive from the Constitution, the people, his individual ability as a leader, or elsewhere?

My argument in Chapter 2 was that part of the president's power derives from his ability to harness and develop the institutional competence of the bureaucracy toward his policy agenda—especially when that agenda seeks to wield administrative power, rather than inhibit it. While there are multiple constraints on any president's ability to entirely

control the executive branch, I posited that politicization and the management techniques that the Bush administration employed may have led to quite the opposite of what it was intended to do. As I had noted in Chapter 1, this might especially be the case based on Andrew Rudalevige's (2002) argument that politicization is intended as a means to tactically unite institutional and responsive competence to cheaply and effectively advantage the president's access to information (i.e., in order to advance presidential agendas). In turn, and extrapolated partially on broader cognate literatures, I argued that any given president's access to information is contingent on careerists' ability to exchange and (re)combine knowledge with an administration and its appointees in a way that can successfully make this happen.

I also pointed to the extant literature that examines appointee-careerist relation—as well as to interviews with SES members that I had conducted for this dissertation—to posit that this type of jigsaw puzzle management might not even be necessary. These sources provided evidence that loyalty to presidential prerogatives is, largely, careerists' default response (Wilson, 1989; Wood & Waterman, 1994; Michaels, 1997; Golden, 2000; Edwards, 2001). Additionally, even if a president's primary stance vis-à-vis the bureaucracy is to limit its power, this should not equate to limiting its capacity to develop and maintain institutional competence. A low-competence agency may produce erratic, unendurable, or unforeseen results that do not comport with the president's long-term objectives (Lewis 2008, p. 62).

In turn, I found that much of the administrative presidency literature points to the trust (or the lack thereof) established between appointees and careerists as inherent (inhibitive) to the process of mutual accommodation (Durant, 1992, 2000; Hecl, 1977;

Michaels, 1997; Pfiffner, 1987; F. Rourke, 1991; F. E. Rourke, 1992). At the same time, seldom do these researchers carefully measure the construct of trust or systematically connect it to organizational outcomes or the success presidents have in advancing their agendas. Usually, those that do rely on survey items that put faith in the idea that the respondents share a universal conception of what trust is. I pointed out, in Chapter 3, that this is a weakness in survey research on trust generally (Hardin, 2006): “It is a peculiar fact,” laments Russell Hardin (2006), “that most of the current research [...] does not use clear accounts of what is being measured. [...] Trust is therefore treated as an a-theoretical term. It is, for example, all of the things that survey respondents think it is” (p. 42). Therefore, I argued that the link between trust, institutional competence, and organizational performance must be explored more fully.

In laying out the conceptual framework from which I would generate more specific propositions at the end of Chapter 3, I argued that traditional, principal-agent models of organizational behavior that are applied to presidential-bureaucratic relations are premised on assumptions of distrust between principals and agents, rather than the possibility of establishing trust (Whitener et al, 1998). Hence, the organization theory that predominates studies of appointee-careerist relations in political science largely ignores evidence from both the human relations and social exchange strains of organization theory which argue that trust acts as a supplement to authority, encourages productivity, and promotes loyalty (Barnard, 1938, 1968; Gouldner, 1954; Blau, 1964). Even without this literature, I noted in building my model, there is also evidence that a “control paradox” exists in economic theories of bureaucracy (Miller, 2004). To establish this point, I reviewed research in this tradition that gives empirical substantiation to the

premise that the imposition of hierarchy, monitoring mechanisms, and additional rules and sanctions can result in “inferior outcomes” and decreased innovation (Miller, 2004, p. 117; Hirst et al, 2011).

Additionally, I presented evidence from the cognate fields of management studies and organization theory which argues that it is incumbent upon hierarchical superiors to engage in trusting behavior to “increase the likelihood that employees will reciprocate and trust them” (Whitener, et al., 1998, p. 516). I argued that this point could carry even more weight within the appointee-careerist nexus, where careerist’s expectations of appointee behavior may be premised on “inverse partisan learning”—the notion that careerists learn to anticipate the “tendency [for presidents and their appointees] to transmit organizational philosophy along party lines” (C. E. Walcott & Hult, 2005, p. 305). Because careerists may base their approximations of an appointee’s trustworthiness on past relations with appointees from administrations of the same party, it will become incumbent upon new appointees to establish their own respective capacity for credible commitment.

Thus, incorporating the literature on interpersonal trust and intellectual capital that was relevant but previously excluded from studies on the administrative presidency, I proposed a theoretical framework that integrated the concepts of “encapsulated interest,” “character-based” or “personal” trust, plus Williamson’s concept of “embeddedness,” as antecedents to intellectual capital capacity. For the readers’ convenience, Figure 2 of the dissertation provided a heuristic model that draws upon these three areas of organization theory. The heuristic illustrated the connection between trust and an organization’s capacity to build intellectual capital. Importantly, it showed in ways unappreciated in

prior research on the appointee-careerist nexus that this relationship will be moderated by the institutional environment in which actors are embedded. Encapsulated interests are informed by character-based assessments and vice versa. Both interact with different embeddedness attributes of the institutional environment to form a more complete construct of trust than has typically been proffered in the administrative presidency literature (and for that matter, in public management research).

I also argued in Chapter 3 that politicization is, in itself, an embeddedness attribute. I proposed that it would negatively affect an organization's capacity to build intellectual capital. Moreover, I posited that trust will become even more important to intellectual capital capacity under conditions of politicization (e.g., layering of appointees). Stemming also from the literature I reviewed in Chapter 3, I argued that politicization diminishes the capacity to build intellectual capital because it signals distrust in careerists, especially career executives. Therefore, in one set of relationships, politicization diminishes the capacity to build intellectual capital. In a second set of relationships, the trust that is established between career executives and appointees under such conditions will become even more important to the organization's ability to build intellectual capital. Consequently, I discussed and offered an additional embeddedness attribute, which I called "stratified trust." I proposed that the relationship between trust and intellectual capital for employees at lower levels of an organization will be conditioned by the level of trust that is established between actors in hierarchically separate relations at higher levels of the organization.

The heuristic from Chapter 3 also illustrated four additional propositions on how the complete construct of dyadic trust (i.e., superior-subordinate relationships), as

regulated by its institutional environment, will determine the means by which the *capacity* to build intellectual capital is developed. Trust will (1) increase the accessibility to organizational actors to combine and exchange information, (2) increase the anticipated value of these exchanges, (3) increase individuals' motivation to participate in these exchanges, and (4) increase the capacity of individuals to participate in exchange. In this instance, again, each of these propositions (with trust conceptualized as a product of encapsulated interest, character-based assessments, and embeddedness attributes of the organizational environment) are derived from the cognate fields of organization theory, social psychology, social capital theory, and economics. By integrating these perspectives, I have addressed, in part, Martha Feldman's (1992) concern that other intellectual perspectives (e.g., organization theory) that can help us understand the phenomena that help define the presidency are incorporated into presidency research. I proposed that the trust that is established between career executives and political appointees will affect the connection between trust and intellectual capital capacity throughout the organization.

The 'So What?' Question:
Findings, Some Implications, and Limitations of the Study

In Chapter 4, I provided an empirical test of the impact of appointee-careerist relations on the likelihood of SES-awareness of important decisions within their organizations, with transition activities as the focus of the analysis. I used perceptual and relational measures from a widely distributed National Academy of Public Administration survey of the Senior Executive Service. In this respect, the evidence from this study strengthened that provided by previous studies of appointee-careerist relations.

It is the first survey that captures quantifiable evidence of SES awareness of important decision-making activities within their own organization at the time of implementation.

The empirical results of Chapter 4's study indicated that SES members are more likely to be aware of important decision-making processes in their organization if they have established trust with political appointees. I provided evidence indicating that those career executives who perceive their actions as encapsulating the interests of higher-level political appointees were more likely to have explicit knowledge of transition preparations in their organization. Importantly, however, these findings were contingent, not on the frequency of their direct day-to-day interactions with *higher-level* political appointees, but on the frequency of interaction with *lower-level*, non-Senate confirmed appointees.

The analysis in Chapter 4 also provides further evidence if we needed it that a president's (e.g., Clay Johnson's memorandum) mandate is not necessarily self-executing. Indeed, although the data does not allow me to measure appointees' ideological and personal loyalty to the president, the dominant opinion of the literature reviewed in the first two chapters proposes that the Bush administration held to "loyalty-first" standards in appointee placement. If so, the evidence presented in Chapter 4 (in part) refutes Sperlich's (1969) critique of Neustadt's argument that reliance on "self-executing" commands is a sign of presidential weakness. Sperlich argued that selective recruitment and ideological identification can make self-executing commands implicit within the executive branch. But even with a presumed procedural edict—as opposed to a policy or program change—implementation can still be a problem.

Also of significance from the analysis in Chapter 4 are indications that the conventional wisdom regarding the scope, persistency, and nature the Bush administration's use of jigsaw puzzle management strategies needs some rethinking. Rather than keeping careerists consistently in the dark about the true ends of policy, by definition, the Johnson memo belied this assertion. But more importantly, analysis revealed evidence by the end of the Bush administration (at least) that selectivity based on levels of trust may have guided implementation of this strategy. Granted, significant numbers of respondents (nearly a fifth) didn't know about transition activities, despite the memo's instructions to be sure they did. But the real messages here are not only that old habits die hard and that a paradoxical situation flourished (i.e., a policy designed to encourage appointee-careerist collaboration was implemented in a non-collaborative way).

The analysis indicates that information exchange was predicated on perceived levels of trust—i.e., in what Heclo prescribed as a “contingently cooperative” strategy was being carried out by Bush appointees (Heclo, 1978; Durant 1992; Golden 2000). As I noted, we do not know what the reasons for that are, whether it was a truly new or emergent form of relationship indicated Pfiffner's cycle of accommodation, or whether this notion of “keeping careerists in the dark” was either pragmatically difficult to implement or a canard for political opponents of the Bush administration to pursue for their gain. But the fact that some evidence exists perceptually begs further study.

Continuing my review, while Chapter 4 focused specifically on the encapsulated interest account of trust and its connection to explicit knowledge exchange between appointees and career executives, I turned to a fuller conceptualization of both trust and

intellectual capital in the next chapter. In Chapter 5, I examined these interpersonal relations in much broader terms. I examined the relationship between trust and intellectual capital capacity as trust develops throughout an organization's hierarchical structure, as well as the accompanying impact of politicization and ideology on the development of intellectual capital within agencies. I found that dyadic trust established between employees and their immediate supervisors has a strong correlation with perceptions of intellectual capital capacity, a precondition to effective performance. However, due to the endogeneity problems inherent in the relationship between information possession and dyadic trust, I am hesitant to make any implicit or explicit causal conclusion.

Moreover, I found that the trust established among high-level agency actors affects perceptions of intellectual capital capacity at lower levels of an agency's hierarchy. Specifically, the trust established between career SES and political appointees has positive effects on perceptions of intellectual capital capacity at the middle-management level of organizations. These subordinate-superior relationships at the executive levels are separate from the dyadic relationships measured at the middle-management levels of organizations in my study, indicating that trust can have "trickle-down" effects on the development of intellectual capital within a hierarchically structured organization. Given the evidence that politicization has a direct negative impact on intellectual capital capacity, these trickle-down effects may be exacerbated under conditions of strategic appointee layering. However, politicization does not have a statistically significant moderating impact on dyadic trust.

Several cautions are in order, of course, in interpreting the meaning of my findings in these chapters. First, the cross-sectional nature of the data precludes causal conclusions. In Chapter 4, although the respondents are asked about their relationships with appointees leading up to transition, their relative awareness of, or participation in, transition activities could affect whether they perceive a level of influence over appointee decisions. Therefore, endogeneity is an issue, as it is in much of the cross-sectional survey research used in public administration, so I am limited to a discussion of association here. Second, the NAPA survey was administered for purposes other than the analysis I presented in Chapter 4, and it lacks data on some individual-level variables that would have been helpful to include. For instance, there are no job-related indicators in the survey that might be used to measure the relative centrality of one's job responsibilities to organizational decision-making processes. There are also no indicators for race, gender, or age. Third, although the sample for the analysis in Chapter 4 is broadly representative of all SES employees, the small number of agency-level units of analysis prevented the use of multilevel modeling. With more agency-level units, the variation between agencies could be exploited on different agency-level characteristics that might account for embeddedness attributes that condition the relationship between trust and intellectual capital capacity. Finally, common source bias is commonly identified as a problem with survey analysis (Podsakoff & Organ, 1986). Although the prerequisite diagnostics that were performed for the models in both Chapters 4 and 5 indicated common source bias was not a problem, these tests are generally considered weak. In the end, there is nothing one can do to absolutely correct for common source bias.

These limitations in my analyses notwithstanding, this is the first study of its kind in the administrative presidency literature to grapple with these issues in theoretically grounded and empirically sophisticated ways. Moreover, as I noted above, the potential implications of their findings for both practice and future theory building mean that the findings beg testing, elaborating, and refining in future study. If confirmed in a procedural policy arena, it seems likely that these tendencies will be even more pronounced in a more contentious policy arena where the stakes are perceived high for all constituencies concerned. Moreover, if indeed, old “jigsaw puzzle management” habits die hard, it is worth pursuing whether a kind of personal and-or institutional “path dependency” exists in appointee-careerist relations, and why or why not. Conversely, if “contingent cooperative” strategies were always used or used at certain points in the Bush administration—one of the presumably most predisposed administrations in history to practice jigsaw management keeping careerists “in the dark and feeding them manure” (as the saying goes)—perhaps a final stake might be driven in the heart of such theories of administration. And if they were used under certain circumstances and not for others, it would seem useful theoretically and practically to understand the conditions under which they are or are not used.

An Agenda for Future Research

As discussed in the previous section, there are some important methodological and substantive implications that these findings present for scholarship examining the administrative presidency. As such, they offer several areas for future study. First, due to the cross-sectional nature of the analysis in Chapter 4, we simply do not know whether a

blanket jigsaw management strategy was implemented prior to the transition. So, it may have been only when appointees were commanded to work with careerists that conditional cooperation emerged. Nonetheless, the encapsulated interest indicators do measure the history of interactions, while the dependent variable (explicit policy knowledge) measures a distinct policy as it was being implemented over a discrete timeframe. Thus, future research should look to improve upon this analysis by undertaking a longitudinal research design that focuses on a presidential mandate as it is being implemented. Such a design could account for the fact that relationships develop over time, but may also be contingent on the perceived cooperation of both parties to advancing their individual interests.

Second, the analysis in Chapter 5 produces evidence that suggests the relationships established at higher levels of an organization's hierarchy have substantive effects on not only the individual career executives' policy knowledge, but the intellectual capital capacity of entire federal agencies. The explanatory power of variables and insights derived from cognate research fields that produced these findings indicate that students of the administrative presidency should not only follow Martha Feldman's call two decades ago to apply organizational theory to the study of the presidency generally. They should also look to schools of thought within that tradition that have not been pursued as aggressively as they might since (e.g., social capital theory, social psychology, and generic management studies), as well as to the public administration, public management, and economic history literatures. While the political dynamics of public organizations, and namely executive agencies, limit the generalizability of management research in the private sector to public organizations, it is a mistake to

ignore findings from the cognate fields that can inform the study of the administrative presidency. The analysis of Chapter 5 demonstrates that, especially as it pertains to the relationships established at higher levels of the organization (the locus of most appointee-careerist interaction) many of the findings from these cognate fields hold true and future studies of the administrative presidency would do well to incorporate them.

Third, my hope is that the promise of the model I presented in Chapter 3, incorporating this cognate literature, will prompt others to test, elaborate, and extend to other areas of research on the administrative presidency. More specifically, Chapter 5's analysis demonstrates that research which unpacks the interpersonal dynamics of appointee-careerist relations will yield a more nuanced and fuller view of the extent to which presidents can be successful in pursuing administrative strategies. While I do not have data to test the relationship between intellectual capital and success in advancing Bush's policy agenda, I showed how likely that is—based on prior research in the cognate research areas I noted above. And, as I detailed, intellectual capital capacity throughout organizations was, in part, dependent on the level of trust established at the executive ranks—one of several embeddedness traits that are measurable and important to the institutional environment of federal agencies.

Fourth, the finding in Chapter 5 which suggests that politicization constrains intellectual capital capacity and what I call “stratified trust” seems to merit further analysis by students of the administrative presidency. Importantly, politicization does not present as substantial a direct, nor indirect, impact on institutional competence as does “stratified trust.” This finding is consistent with West's (1995) contention that application of the politicization strategy and reorganizing the management structures of agencies

“only allows the president to influence the general contours of policy implementation rather than specific actions” (p. 88).

Fifth, the negative and direct impact that politicization has on intellectual capital may (at first) seem consonant with structural reform prescriptions put forth by scholars such as Paul Light, the two National Commissions on the Public Service led by Paul Volcker, and the Brookings Institute’s Presidential Appointee Initiative Report that the federal government should reduce the overall number of political appointees.⁴⁷ Yet, the findings more acutely address why these prescriptions need to be modified and redirected toward the motivations that underlie presidential administrative strategies. The evidence I present in this dissertation implies that simply layering appointees through management ranks does not, in and of itself, have a substantial impact on functional competence of federal agencies. Rather, I find and argue that it is the interpersonal relations that develop among career and political executives that have the largest impact on institutional competence. These findings indicate that it is necessary to understand the forces that determine how these relationships develop in order to understand the effect that appointee-careerist relations have on organizational outcomes.

Sixth, and more in line with these earlier prescriptions for reform of appointee-careerist relations, I argue that the very foundation of administrative strategies may paradoxically undermine the legitimacy and effectiveness of their application because implementation depends on exactly the career bureaucracy presidents seek to circumvent (Durant & Resh, 2010, p. 580). Therefore, it is imperative that research goes beyond simplistic principal-agent frameworks that rely on problematic, microeconomic assumptions of human behavior that ostensibly ignore institutional and interpersonal

influences. Rather, research should begin to examine the relational dynamics and organizational behavior of the actors involved in these relationships, the context in which these relationships develop, and how these relationships cumulatively impact organizational outcomes. Additionally, research should expand on what I have presented here by operationalizing organizational outcomes in ways that make explicit connections to a president's policy goals.

Seventh, as the epigram that begins this chapter indicates, the importance of appointee-careerist relations is not exclusive to the Bush administration or to Republican administrations, generally. Nonetheless, little research on the administrative presidency examines appointee-careerist relations or presidential administrative strategies *across* presidencies. Future research should explore the interpersonal dynamics of appointee-careerist relations, exploiting the variance that appointee-careerist trust has within individual agencies, across organizations, and across administrations.

Finally, I would like to make an observation that is more normative and more broadly related to the study of the administrative presidency—or more precisely, the lack of focus of students of the presidency on it. If Carroll's syllogism rings true, it is important to understand how this power is exploited in order to carry out presidential agendas. In an age of legislative gridlock, partisan rancor, and 24/7 punditry, the day-to-day relations of public servants who are "hidden in plain sight" could become paramount to understanding how policy develops (Durant & Resh, 2010). Moreover, with the bureaucracy issuing 10 rules for every piece of legislation enacted in any given year by Congress, the bureaucracy and its relationship to other institutions should not be pigeonholed or marginalized as a field of study. Moreover, the evidence provided in this

dissertation suggests that the trust established at executive levels in federal agencies cannot only affect these personal relationships, but also the extent to which presidential (and congressional) missives are faithfully, effectively, and intelligently implemented is directly and indirectly related with the development of organizational intellectual capital.

Thus, the study of how trust (and its multi-dimensional nature) and intellectual capital develop (or are thwarted) within the executive branch by misguided or empirically uninformed strategies and reform prescriptions would seem to be a topic that should move front and center on research agendas. As I indicated in Chapter 2, presidential pursuits of administrative strategies are fueled in part by the public's increasingly irrational expectations of the president. Thus, it seems that today's political environment demands nothing less than the impossible of the American presidency. The generic management literature suggests that through the development of trust and cooperation over the long term, it is more likely that organizations can innovate and achieve the seemingly impossible (Sitkin, See, Miller, Lawless, & Carton, 2011). According to the evidence marshaled in this dissertation, it would also be wise for presidents to heed this insight. In fact, understanding this relationship seems critical in any effort to advance presidential agendas administratively.

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NOTES

¹ Presidents' attempts to control implementation of policy in executive branch bureaucracies have also collectively been referred to as the "managerial presidency" (Arnold, 1998; Campbell, 1986; Henderson, 1988; J. P. Pfiffner, 1991b) and "presidential administration" (Kagan, 2001).

² According to the 2008 Plum Book (with the exception of career Senior Executive Service [SES]), there are 1,141 positions subject to presidential appointment with Senate confirmation (PAS), 314 positions subject to presidential appointment without Senate confirmation (PA), 665 SES general positions filled by noncareer appointment, 121 SES positions filled by limited emergency or limited term appointment, 1,559 Schedule C Excepted appointment, and 473 positions filled by Statutory Excepted appointment (Retrieved from <http://www.gpoaccess.gov/plumbbook/2008/index.html>). In September 2008, the Bush administration had filled 1,510 Schedule C appointments (1,215 of which were in Cabinet-level agencies) (Retrieved from www.fedscope.opm.gov).

³ As quoted in Pfiffner 1991.

⁴ "Dyadic trust" is the term used throughout this dissertation to describe the trust established between two individual actors. In this dissertation, it is used explicitly in terms of trust between an individual subordinate and an individual superior (e.g., employee and manager).

⁵ See <http://www.aspeninstitute.org/policy-work/commission-appointments/Historical%20Summaries%20of%20Past%20Commissions%20and%20Reports>. Last accessed July 10, 2011.

⁶ There are several other constraints on the president as well. The president is structurally constrained by the separation of powers system in which the institutional presidency is embedded. While Congress has deferred substantial powers to the executive, the institution and its members retain the power to address threats to their own capacity and repeatedly prevent the adoption of grandiose administrative reforms proposed by presidents to achieve institutional congruence with his goals (Rosenbloom, 1983). At the same time, the president and his advisors possess limited knowledge of the modern administrative state's organizational complexities and hybrid policy domains. "Even if they had the resources to impose any reforms they liked, they would not know how to design an institutional system optimally suited to presidential needs" (Moe, 1993, p. 241). Indeed, this hypothesis has repeatedly been tested and affirmed by countless half-hearted, halting, incremental, ignored, or abandoned attempts by modern presidents to design the executive branch. Presidents are "severely constrained by time" (p. 242). The president's honeymoon quickly wanes, and opposition to his policy proposals and institutional reforms grow by the minute. Changes in the environment call for quick shifts of the president's focus and agenda-setting opportunities are elusive, all while congressional support varies with each two-year electoral cycle (Jones, 1999). Lastly, while presidents are constrained by the path dependency created by past institutional reforms, they are also constrained by their placement in the "political time" of American regime cycles (Skowronek, 2008).

⁷ Marissa Golden (2000) equates politicization as the utilization of “strategic appointments” and central to the “administrative presidency”: “Whereas earlier presidents typically appointed individuals who had ties to agency clients and interest groups and whose loyalties were thus divided, administrative presidents select their appointees strategically, based on their ideological policy congruence with the president” (p. 6).

⁸ “Schedule C positions are created through agency requests to OPM. These requests include an explanation of the policy and confidential nature of the position and a justification for the requested salary. Once a Schedule C appointee has left the job, the position no longer exists. If the administration wants to have an appointee fill a role similar to that of a departing appointee, they must go through the process of creating a new Schedule C position.” Available at <http://whitehousetransitionproject.org/resources/briefing/WHTP-2009-27-Presidential%20Personnel.pdf>.

⁹ For instance, Dwight Ink, executive director of Carter’s Personnel Management Project, argues that evaluations of CSRA have “erroneously” assumed its intent was to “develop greater political control of the career service” (Ink, 2000, p. 42). He argues that there were legal safeguards put in place to minimize arbitrary actions and political interference, but that these provisions have been “distorted beyond recognition” or ignored (Ink, 2000, p. 54).

¹⁰ As quoted in Pfiffner (1991).

¹¹ For example, see the interview with Joe Davidson on the Kojo Nambdi Show. Available at <http://thekojonnamdishow.org/shows/2010-10-04/downsizing-government-workforce/transcript>. (Quote found at 13:39:56 mark of transcript.)

¹² The Heritage Foundation purportedly referred to Bush administration policies as emanating “straight from the Heritage playbook” (<http://www.rightwingwatch.org/content/heritage-foundation>). In fact, one of the report’s coauthors (Nesterczuk) was appointed “to oversee the design and implementation of the National Security Personnel System” (Durant, Stazyk & Resh, 2010, p. 396) that brought about a vast “reduction of Title V coverage for U. S. civilian personnel” (Pfiffner, 2007, p. 7).

¹³ Years surrounding the transition from the Clinton administration to the Bush administration were not included in the analysis, due to extensive turnover, high rates of early departure preceding the transition, and subsequent delays in filling positions post-transition.

¹⁴ Interview with career Senior Executive Service member in the Department of Education (7/20/10).

¹⁵ However, such analysis potentially overlooks the possibility of the politicization strategy being used in coordination with other tools of the administrative presidency. The authors measure the performance of programs led by either career managers or political appointees using scores from the Bush administration’s Program Assessment and Rating Tool (PART). Moreover, the biggest potential problem with each of these studies is that the authors seem to misinterpret the possibility that, if there is a political bias in PART scores, it would lean toward appointee-run programs being scored higher than careerist-run programs (though see Gallo & Lewis, 2011, for more improvements on “overcoming the

shortcomings of PART scores in order to make reliable inferences from this measure of federal program performance” (Lewis, 2008, p. 175). Therefore, they contend that PART scores are actually a conservative measure of the positive impact of career management. Although, it stands to reason that a Republican administration might give lower scores to a majority of government programs that regulate certain markets and perform redistributive functions to constituencies outside their base, as well as strategically placing appointees who are adversarial to the mission of the programs they lead. For examples of this strategy, see Wood/Waterman (1994), Golden (2000), and Durant (1992). Also, PAS (once appointed) work at the discretion of the president. If PART is used as a political tool to threaten hated programs, it is unlikely that scores would be inflated as a post-hoc justification of the president’s choices for appointment (as the authors claim). On the other hand, it could be that programs that align with the administration’s agenda are also assigned lower scores in recognition of the complaints of important constituencies (e.g., Veteran’s Affairs). Also, political appointees are infamous for their short tenures (an average of approximately 2.5 years) (Dull & Roberts, 2009; Wood & Marchbanks, 2007). The authors’ analyses comprise PART scores up to FY 2004, which would have been the fourth year of PART evaluations. Career executives with consistent exposure to PART over those four years are more likely to have learned how to “manage expectations” (Romzek & Dubnick, 1987) and navigate the subjective and ambiguous nature of the PART questions (Radin, 2004) than a potential array of newly appointed managers. This is especially poignant given the usual high rate of PAS turnover at the end of a president’s first 4-year term. Therefore, there could be testing threats that are not captured in the authors’ models. Also, the authors’ reliance on 2000 Plum Book data to assess structural effects on 2004 PART scores precludes them from identifying how long a particular program head (in 2004) had been with that program.

¹⁶ Interview conducted October 13, 2010 at American University’s School of Public Affairs, Washington, DC.

¹⁷ Consistent with the literature examining interpersonal trust in social units such as families, organizations, and institutions, I use the term “dyadic trust” to describe the trust established between two individuals (Larzelere & Huston, 1980; Mayer, Davis & Schoorman, 1998).

¹⁸ Cho and Rinquist conceptualize trust as an outcome, “rather than a process, characteristic, or behavior,” and focus on trustworthiness as an antecedent to that outcome. Later, I take exception to their argument. In this section, however, it is important to recognize that their findings make an important contribution to the limited amount of empirical work in public administration that explores the connection between trust and organizational outcomes.

¹⁹ The authors use the following three survey items to measure the construct of “integrity”:

- My organization’s leaders maintain high standards of honesty and integrity.
- Arbitrary action, personal favoritism, and coercion for partisan political purposes are not tolerated.
- I can disclose a suspected violation of any law, rule, or regulation without fear of reprisal.

The first item asks the respondent to define integrity (or honesty); therefore the construct is left only to the respondent to determine how the perception is formed. The second and

third items more appropriately capture the construct of apolitical management practices that can just as likely be determined by the norms and procedures of the organization than by any individual actor or group of actors.

²⁰ The “shadow of the future” could weigh heavily into the calculations of both appointees and careerists. It is possible that it devalues the importance careerists attribute to their exchanges with appointees, due to the relatively short tenures of appointees (Wood & Marchbanks, 2007). At the same time, however, the “in-and-outer” status of many appointees precludes any short-term-only expectations in these exchanges. Also, as most of the careerists who I interviewed indicated, careerists must maintain a reputation that is consistent across administrations in order to succeed in their respective careers. Although appointees are generally characterized as being focused on short-term policy goals; like presidents, they would also presumably like to protect their legacy in the long-term. Therefore, it becomes incumbent upon appointees to establish trust in their relations with careerists, if they are to see through both short-term and legacy policy goals.

²¹ Interviews conducted July 20, 2010 at the Department of Education headquarters in Washington, DC and October 12, 2010 at American University’s School of Public Affairs in Washington, DC.

²² Interview conducted July 22, 2010 at a Starbucks Coffee Shop in Washington, DC.

²³ Interview conducted July 22, 2010 at a Starbucks Coffee Shop in Washington, DC.

²⁴ Interview conducted October 12, 2010 at American University’s School of Public Affairs, Washington, DC.

²⁵ Interview conducted October 12, 2010 at American University’s School of Public Affairs, Washington, DC.

²⁶ Interview conducted July 22, 2010 at a Starbucks Coffee Shop in Washington, DC.

²⁷ Interview conducted October 13, 2010 at American University’s School of Public Affairs, Washington, DC.

²⁸ Representative bureaucracy theorists refer to “stratification” as the “focal bureaucrats in supervisory positions in public agencies” (Keiser, 2010, p. 1205). According to these theorists, stratification is important to active representation because those bureaucrats with higher authority have more discretion to affect policy implementation (Smith & Fernandez, 2010). I borrow this parlance to refer to the trust established at executive levels in public organization as “stratified trust,” in the sense that the trust established at higher strata will affect the relationship between dyadic trust in supervisors at lower levels of the organization because the discretion that executives have in affecting policy implementation will be a product of the trust that they have established with their respective superiors.

²⁹ Other embeddedness attributes captured in the proceeding chapters’ models will include measures for professionalization, procedural red tape, and technical orientation, among others.

³⁰ Interview conducted July 20, 2010 at Department of Education headquarters, Washington, DC.

³¹ Interview conducted July 20, 2010 at Department of Education headquarters, Washington, DC.

³² I do not propose, however, that trust is built only on a rational calculation of future payoff. While trust can be rational, it is at the same time linked to the altruistic sense of generalized reciprocity that often drives human behavior (Bianco, 1994). This is in line with Putnam's definition of social capital, with the basis of trust being the "frequent interaction among a diverse set of people, [tending to] produce a norm of generalized reciprocity" (Putnam, 2000). Consequently, mutual trust can conceptually absorb the additional facets of norms (and the intrinsic awareness of sanctions in violation of those norms), obligations, and expectations. Also, as Brewer evidenced, civil servants are more likely to have altruistic goals (than actors within the private sector) that are often linked to their perceptions of policy target populations and policy goals (Brewer, 2003). Finally, as I propose in Chapter 3, character-based assessments are critical to a full conceptualization of "trust" (Mayer, Davis, & Schoorman, 1995). Nonetheless, I argue that the operationalization in the present study sufficiently captures that dimension ("encapsulated interest") of the construct "trust" as defined by the rational choice literature.

³³ I use the term "moderate" to describe these correlations in spite of the contention that these would generally be considered fairly large correlations. I do so because of the seemingly perfect association one might suppose in these relationships. In other words, one would expect that if a person involved in transition preparations would surely be aware of the activities that are ongoing or being planned (i.e., $r = 1.0$). Conversely, the opposite would be supposed if the respondent doesn't know who is involved (i.e., $r = -1.0$).

³⁴ To decide the better model to run for the binary outcome of whether a respondent was aware of transition activity within his/her organization (Activity Awareness), I predicted probabilities for both a probit and a logit model fitted to the data to test the research hypotheses stated above. I then checked the correlation between the two sets of predicted values. Extremely high correlation was confirmed by plotting the predicted values against one another. The choice between a logit and probit model is largely one of convention, as long as the substantive results are indistinguishable (Williams, 2009). Due to the high correlation confirmed by plotting the two models against one another, I have chosen to use logit. The Likelihood Ratio, Wald test, and LaGrange multiplier Chi-square statistics all indicate that the coefficients in the model are not jointly equal to zero. However, these scalar measures of fit are not particularly helpful for evaluating the model because they serve only as an evaluation of one model in isolation. Therefore, it is more constructive to examine the percent of correctly classified observations from the specified logit model. Stata's estat post-estimation command reveals that the specified model correctly classifies approximately 87.1% (673) of the 862 complete observations in the sample. According to the adjusted count R-square statistic, this model produces a 40.7% better estimation than a naïve prediction based solely on consistently guessing the outcome that is more frequently observed (Long & Freese, 2006, pp., 111). Hosmer-Lemeshow test indicates a good model fit ($\chi^2(30) = 30.26$; Prob. $> \chi^2 = 32.31$). A mean VIF of 2.25 indicates that multicollinearity is not a problem.

³⁵ Interview conducted July 22, 2010 at Starbucks in Washington, DC.

³⁶ Interview conducted July 28, 2010 at Department of Education headquarters, Washington, DC.

³⁷ Interview conducted October 5, 2010 in Dupont Circle neighborhood of Washington, DC.

³⁸ Starting in 2010, the Federal Human Capital Survey has been changed, in name, to the Federal Employee Viewpoint Survey. Because I use 2006 and 2008 data, I continue to refer to the survey and its data using the former name.

³⁹ Please directly refer to the succeeding tables for information regarding the test statistics for the remaining summed scale measurements in the model.

⁴⁰ Technical classification by OPM is defined as “White collar occupations that involve work typically associated with and supportive of a professional or administrative field, that is nonroutine in nature; that involves extensive practical knowledge, gained through on-job experience and/or specific training less than that represented by college graduation. Work in these occupations may involve substantial elements of the work of the professional or administrative field, but requires less than full competence in the field involved.” (Emphasis added.) Available at

<http://www.opm.gov/feddata/gp59/cpdf/occucat.pdf>. Last accessed May 15, 2011.

⁴¹ Professional classification by OPM is defined as “White collar occupations that require knowledge in a field of science or learning characteristically acquired through education or training equivalent to a bachelor's or higher degree with major study in or pertinent to the specialized field, as distinguished from general education. The work of a professional occupation requires the exercise of discretion, judgment, and personal responsibility for the application of an organized body of knowledge that is constantly studied to make new discoveries and interpretations, and to improve the data, materials, and methods.” (Emphasis added.) Available at

<http://www.opm.gov/feddata/gp59/cpdf/occucat.pdf>. Last accessed May 15, 2011.

⁴² Clerical classification by OPM is defined as “White collar occupations that involve structured work in support of office, business, or fiscal operations; performed in accordance with established policies, or techniques; and requiring training, experience, or working knowledge related to the tasks to be performed.” (Emphasis added.) Available at

<http://www.opm.gov/feddata/gp59/cpdf/occucat.pdf>. Last accessed May 15, 2011.

⁴³ In statistical analysis, “inference should include the factors used in the design of data collection” (Gelman & Hill, 2007, p. 7). Using traditional cross-sectional designs, such as a “pooled” ordinary least squares (OLS) regression, ignores the different sources from which observations are pulled (or at least identifiable dimensions that define the differences between sources). One solution to overcoming the differences among sources is “to run a classical regression with predictors at each level” (Gelman & Hill, 2007, p. 7). In the present case, this means that for each unit of analysis, I would impute the agency-level value as a variable. For example, the 72 agency-level observations for “stratified trust” in my data would be imputed across the 38,427 units of analysis. One problem with this approach, as Gelman and Hill (2007) point out, “this does not correct for differences between [level-2 observations] beyond what is included in the predictors” (p. 7). If, instead, we were to estimate the model with indicators (dummy variables) for each of the agencies, it is then not possible to include the agency-level predictors because the predictors would become collinear with the dummy agency indicators (Gelman &

Hill, 2007, p. 7). Multilevel models overcome these limitations by simultaneously fitting both individual- and group-level models, such that the between-agency random variation that is not explained by the level-2 predictors is captured by the random agency-level error term.

⁴⁴ However, before I interpret the individual coefficients, I can evaluate the proportion of variation in my dependent variable that is explained by between-agency effects. To run a varying slopes-and-intercept model, I first run a one-way ANOVA to see how much of the variance is explained by level-2 dynamics. Where, $INTELCAP_{ij} = \gamma_{00} + u_{0j} + r_{ij}$. By computing the Intraclass Correlation Coefficient (ICC), I find that ~5% of the variance in my dependent variable is between agencies.

$$\hat{\rho} = \hat{\tau}_{00} / (\hat{\tau}_{00} + \hat{\sigma}^2) = 1.41115 / (1.41115 + 28.146329) = 0.0477$$

When adding the varying slopes of dyadic trust and trust-in-leadership, the variance component for level-1 has been reduced from 28.143 to 10.169. This suggests that the proportion of variance explained by between agency effects for the varying intercept and slopes is 63.9% $((28.143 - 10.169) / 28.143 = 0.639)$. The fully specified model, in which the individual- and agency-level controls are added, explains approximately 76.9% of the variation in intellectual capital capacity. As Gelman (2006) points out, however, “One intriguing feature of multilevel models is their ability to separately estimate the predictive effects of an individual predictor and its group-level mean” (p. 434). Therefore, regardless of how much the proportion of variance is explained by the entire model, the justification for using this model is to provide evidence to the “contextual” effects of the predictors of interest (Gelman & Pardoe, 2006). I also ran a single-level OLS regression, with the level-2 variables included as single-level observations. I then calculated the variance inflation factor (VIF) score to analyze the degree of multicollinearity in the model, because there is no method of calculating the degree of multicollinearity in multilevel models. While there is no formal critical VIF value, “a common rule of thumb is that if $VIF > 5$, the multicollinearity is severe. For the single-level OLS regression model, I calculate a VIF score of 2.27, indicating that multicollinearity is not a problem.

⁴⁵ Available at <http://www.govexec.com/features/0611-15/0611-15s1.htm>. Last accessed July 10, 2011.

⁴⁶ Paul C. Light. Available at http://www.huffingtonpost.com/paul-c-light/open-letter-to-the-presid_b_109276.html. Last accessed July 1, 2011.

⁴⁷ See <http://www.aspeninstitute.org/policy-work/commission-appointments/Historical%20Summaries%20of%20Past%20Commissions%20and%20Reports>. Last accessed July 10, 2011.