Punctuated Equilibrium Theory: Methodological and Theoretical Extensions  
Dissertation Abstract  

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All organizations, institutions, and governments face policy decisions. Environmental demands and internal pressures influence managers, elites, or other decision-makers in their policy choices. These decisions are especially important with regards to an organization’s annual budgeting decisions. Given today’s focus on fiscal matters, the increase or decrease in program budgets can become difficult policy decisions. In the setting of Texas school districts, this dissertation examines characteristics of organizations that contribute to the stability and volatility of fundamental program budgets, and in turn, how these funding changes influence organizational performance.

As one theory of the policy change process, punctuated equilibrium theory states that policy processes will experience mostly incremental changes, but also endure large, punctuated changes. This theory was a modification to the incremental model because that model could not account for dramatic changes in policies. In the context of budgets, support for punctuated equilibrium theory has been demonstrated in a variety of policy areas, agencies, local, state, and federal government, as well as across multiple countries. Leading explanations for punctuated equilibrium theory attribute disproportionate information processing and institutional friction as the reasons for this pattern of policy change. Beyond these two broad explanations, little is known as to why some organizations experience extremely volatile budgets, while other organizations maintain financial stability. Furthermore, little is known about how the changing financial environment affects organizational performance. This dissertation adds to the literature by developing new explanations for budgetary stability and volatility, and then linking those changes to organizational performance.

The first empirical chapter of my dissertation focuses on methodological applications in this literature. Specifically, the measurement of incremental and punctuated changes has consistently been debated among scholars. In addition, most of the empirical work has focused on univariate methods that examine a leptokurtic shape in the distribution of budgetary changes. To advance this literature, researchers need to move beyond univariate tests to methods that can analyze multiple hypotheses and control for other organizational features.

The second and third empirical chapters develop theories of the policy change process. Chapter Two evaluates a variety of organizational characteristics (performance, employee turnover, management) that could have an impact on the size of budgetary changes. Chapter Three links budgetary changes to organizational performance changes. Understanding how budgetary changes affect and are affected by these different aspects of organizations can better inform managers on how to manage their organizations in stable and volatile times.