The need for strategy in the public sector?

Paper to EGOS

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Work in progress
Introduction

The purpose of this study is to explore the reasons and resources for doing strategy in the public sector. Through a series of New Public Management (NPM) reforms, the concepts strategy, strategic planning and implementation have been adopted from the private sector. NPM is about marketization, meaning government reforms with the purpose to innovate public services by strengthening market incentives, standardization and competition mechanisms (Hood & Peters, 2004; Hansen, 2010). This means that the public sector has been adopting the vocabulary and practice from the private sector.

Public management research has the last decade been discussing the emergence of a post–NPM approach. This is often referred to as New Public Governance (NPG) (Pedersen et al., 2011), with attempt to avoid the language and methods from the private sector, although it does not fit very well in a public context. There is a need for something else to manage and develop public organizations. There is clearly a need of renewal and change in the public sector, but using misleading concepts can lead to lack of focus on the most important issues.

Christensen and Lægreid (2011, p. 408) argue that: “The NPM reform wave, seen as a reaction to the challenges and problems of the ‘old public administration,’ and the post-NPM reform wave, seen partly as a reaction to the negative effects of NPM, are together resulting in a complex sedimentation or layering of structural and cultural features.” They argue, then, that the public sector has its own conditions and is facing very different circumstances than private sector corporations. Therefore, it is misleading to use concepts and methods developed in private sector corporations in the public sector without taking the content and conditions of public sector organizations into consideration. The context and condition of public sector organizations are very different from private sector corporations in several respects:

- Many of the services are not market-driven but exist to retain the welfare society. Public organizations have an inherent social responsibility.
- Goals and tasks are determined from political or public defined obligations and are not profit-oriented. They are also governed by diffuse political priorities that easily can change and often do.
- Public organizations are dependent on yearly assigned resources and have an incitement to use these resources no matter the need for the services have changed or cheaper and easier ways to deliver the services have been developed.
- Nearly all what is going on in public organizations are transparent. Everyone can get access to a lot of information of e.g. the assigned resources, the creation and the documentation.

Several studies have been looking at strategic management in the public sector (Bryson, 2004; Bryson & Roering, 1987; Ferlie, 2003; Ring & Perry, 1985), however, few studies have investigated the actual use of strategic tools in public organizations (Hansen, 2011), let alone developed analytical frameworks in order to investigate the use of strategy and strategic tools more systematically, e.g. for exploring the approaches taken to strategy and for facilitating new understandings of strategy in the public sector.

The aim of this study is to contribute to the field of research by offering such an analytical framework. It is guided by the following research question: How can strategy be conceptualized in public sector organizations?
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**Strategy**

Through time, there have been many different perspectives on strategy, and it has been popular to categorise these different perspectives (Mintzberg & Waters, 1985; Whittington, 2001). All of these different perspectives contribute to the understanding of strategy. Many opposite positions have emerged based on an astonishment at or critique of existing theory and viewpoints, as for example deliberate vs. emergent or content vs. process (Mintzberg & Waters, 1985). This corresponds to Chandler’s classic definition of strategy (Chandler, 1962, p. 13). With roots in economic and military thinking (Bracker, 1980), the confidence in this view rests upon top managers’ ability to analyse and implement strategy; thus, strategy is viewed as an issue of top management pursuing profit maximisation, based on the belief that all individuals are pursuing the most advantageous solution. Further, the strategy content is to outcompete the competitors of the enterprise.

Other influential basic concepts and techniques have contributed to the strategy field as well, among them Porter’s (1980) industry structural analysis. Especially Porter’s analytical tools have been influential in planning strategy. NPM have been introducing concepts as competition and market (Ferlie, 2003) moving focus in the public sector towards efficiency and management and this has been the point of departure for introducing new strategic management tools in the public sector. As other scholars (e.g. Hansen, 2011) we find it important to investigate the application of the NPM approach especially by the use of strategic management tools from the private sector.

This indicates that there is a lens on two different methodological levels. The first is the traditional macro-economic approach as for example studies applying Miles and Snows strategy typology (e.g. Walker & Brewer, 2009). The second level is lensing in on the micro level trying to identify what the people do when they do strategic management. The strategy-as-practice approach focuses on the “micro” level (Jarzabkowski et al., 2007). Strategy-as-practice researchers typically argue that dominant strategy research is overly simple and ignores the complex nature of organizations. Strategy-as-practice researchers are concerned with what strategic actors actually do and the kinds of activity they carry out when they do strategy (Jarzabkowski, Balogun, & Seidl, 2007). One of the important things that strategists do is to use the language of strategy (Fenton & Langley, 2011). Talk of strengths and weaknesses, opportunities and threats, competitors, capabilities etc. are an important part of strategy work. Such terms, and the analytical techniques and tools that accompany them, render practices meaningful and manageable (Balogun et al., 2014).

Bryson (2004) argues strategic planning is “a set of concepts, procedures, and tools designed to help leaders, managers, and planners think, act, and learn strategically” (p. 15). These two different approaches need to fertilize each other. At the macro level NPM is declared dead (Hood & Dixon, 2015), but it is still existing in the daily life of public organizations at the micro level.

**Strategy in the public sector**

It has become commonplace for public management scholars to point to waves of reform reshaping public service delivery in which traditional public administration has been followed by NPM. NPM is based on the idea that business management has a great deal to teach public management. NPM refers to a cluster of ideas and practices that see, at their core to use private sector and business approaches in the public sector. The common theme in these ideas and practices has been the use of market mechanisms and terminology, in which the relationship between public agencies and their customers is understood as based on self-interest and involving transaction similar to those occurring in the market place. From one
perspective, public sector managers, responsible for leading government agencies, face a problem that is very similar to the problem that those leading private sector businesses face. Like business managers, they have been entrusted with a bundle of assets, and their job is to find high value uses for these assets in dynamic environment in which both the ideas about what is valuable and the means to realise valued results can change rapidly. As a consequence, scholars have tried to develop a concept of strategy in the public sector as a simple adaptation of basic ideas of business strategy in the public sector.

However, whereas the main goal of private sector managers has been conceived to create private value (i.e. profit), the goal of public sector management is to create public value (public services). Further, public sector management differ from private sector management in several ways: The money needed to keep the organisation going come from collectively supplied taxes rather than private consumer choices. Further, authority over the use of money is widely dispersed rather than concentrated, and the issue of what constitutes a result worth paying for is contested at the conceptual level and difficult to measure at the operational level.

Thus, recently, the scholars have tried to identify the next wave in the history of public management reform in which we experience the rise of increasingly fragmented networks of public service delivery organisations. Labels such as New Public Service (Denhardt & Denhardt, 2000), New Public Governance (Osborne, 2006) and Public Value Management (Stoker, 2006) have been used to herald this next chapter in the history of public management reform.

We suggest that strategy in the public sector is not (only) about identifying the next wave, but about integrating new ideas and ideals with old ones. Thus, we relate to the growing amount of management literature and organisational studies that emphasise complexity of institutional logics (Thornton et al., 2012) and hybridity in the public sector (Noordegraaf, 2007; Nyland et al., 2015).

Public sector managers are facing a range of challenges that must be addressed in ways that secure the organisation’s ability to solve complex problems. This can be analysed in terms of public sector organisations as meeting places for diverse institutional logics (Noordegraaf, 2016). Friedland & Alford (1991) are usually credited with the concept and idea of institutional logics. They posit that society is characterized by a range of institutions that each has an inherent “logic” which they define as “supraorganizational patterns of human activity by which individuals and organizations produce and reproduce their material subsistence and organize time and space. They are also symbolic systems, ways of ordering reality, and thereby rendering experience of time and space meaningful”. (Friedland & Alford, 1991:243). An institutional logic, then is a set of material practices and symbolic constructions which is available to organizations and individuals (ibid:248). As such, an institutional logic represents both a positive model of the way an organization works and a normative model of how it should work. Such models, however, are not simple abstract ideas but exists in specific and powerful ways in the rules, understandings and meaning, and as a consequence they impose severe constraints on the choices set of managers.

Research into institutional logics influencing public sector organizations has mainly focused on one dominating logic (or the change in dominating logic) or the conflict between two institutional logics, such as professionalism and managerialism (Scott et al., 2000; Noordegraaf, 2007). However, based on a grouping of different approaches to research into management in the public sector we suggest an analytical framework consisting of four institutional logics, which we label “public administration, “professional leadership”, “New Public Management” and “New Public Governance”.
Public administration

The traditional public administration is founded in an institutional logic according to which public administration is politically neutral, valuing the idea of neutral competence. Programs are implemented through top-down control mechanisms (Denhardt & Denhardt, 2000). Thus, public administration has been criticised for ignoring citizens, shunning innovation and serving its own ends, however, recently it has been argued that administrative bureaucracy represents a bureaucratic rationality where rule of law is bureaucratic norms of predictability, accountability and transparency (du Gay, 2000). It is characterized by rational decision-making and development through intellectual design processes. There is no need for long-sighted plans and therefore strategy planning is not prevalent or necessary. As the public sector grow more and more complex the limitations in this approach become obvious and lead to pure solutions and high costs.

Professional leadership

The traditional self-governance of the professions at the micro-level is founded in an institutional logic within the professional organisation incorporating collegial authority and trust in relation to clients and colleagues. Such self-governance is based on the ability to maintain and expand professionalism, including control with education and a work jurisdiction (Friedson, 1996; 2001). The professional logic of self-governance represents a substantive rationality where the service of clients is guided by professional norms based on a set of ultimate values. The learning perspective is prevalent and the approach are characterized by evaluation mechanisms with focus on professionalism especially concentrated around evidence-based knowledge about the clients. Strategic planning primary happens with the individual profession as the focal point and gives little room for interdisciplinary holistic planning. It strengthens the development in the individual profession but have a narrow-sided view on the clients who often needs treatments from more than one profession to be taking care of. The professional leadership encourage strategic planning but it tends to be a decentralized profession-oriented discipline.

New Public Management

It has been part of NPM strategies to import management thinking and techniques from the private to the public sector. The prevailing view has been that business management has a great deal to teach public management and, hence, that the distinction between private and public “is not worth much” (Rainey et al., 2005, p. 73). NPM emphasises market-driven arrangements in public organisations previously seen as non-commercial, such as purchaser-provider split and price systems. The intention is to make public organisations more customer oriented and more efficient in economic terms. It is built on the principal-agent theory where public employees maximise their self-interests but at the same time increase the competition between public and private providers of the necessary service to the “customers”. New steering principles were implemented such as a separation of the strategic management level from the operational level and a higher focus on organizational specialization to reduce the complexity (Klausen and Ståhlberg, 1998). The decentralized institutions should have a high level of autonomy and be controlled by result-oriented measures and a specific framework. This would be combines with measures of incentives to make the operational level perform better and cheaper. The decentralized institutions (public or private) would be led through a bunch of measures and control systems to ensure the delivery of the expected service to the “customers”. This customization makes traditional competitive strategy planning relevant with developing of long lasting contracts with private and public providers of services.
New Public Governance

Public governance is not a new term, but draw – like the other logics – on a normative model with an impressive intellectual heritage; however, contemporary scholars tend to refer to theories of democratic citizenship and civil society (Osborne, 2006). It posits both a plural state, where multiple inter-dependent actor contribute to the delivery of public services and a pluralist state. Thus, it focuses very much upon the governance of processes and stresses relationships and co-creation. This, then, involves well-developed conception of deliberative governance, where engagement with the public is a process of refining public preferences. In other words, public managers have a role to play in shaping public opinion and expectations. It is not simply a matter of “giving the public what they want”. Thus, creating and sustaining high quality provision demands more than sophisticated marketing and customer care. It demands a notion of co-creation of value, i.e. the idea that citizens are more than consumers and ought to be able to influence and participate in the design and delivery of services (Brown & Osborne, 2012). There are still private providers but now in a more collaborative way through network and partnership. Focus is on promoting inter-organizational collaboration where the citizen participate as an active driving force in the service provided. Here competitive strategy planning can be relevant in some areas in the public sector but it is more dispersed and concentrated on the areas where citizens are not directly involved. Where the citizens are involved the planning would be more focused on establishing networks, partnerships and other kind of collaborative arrangements building on inter-organizational or contribution from many different professions. The four institutional logics are presented in Table 1.

Table 1. Comparing the main institutional logics.

<table>
<thead>
<tr>
<th>Institutional logic</th>
<th>Public Administration</th>
<th>Professional Leadership</th>
<th>New Public Management</th>
<th>New Public Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretical foundation</td>
<td>Political theory</td>
<td>Learning Theory</td>
<td>Economic Theory</td>
<td>Democratic Theory</td>
</tr>
<tr>
<td>Assumed organisational structure</td>
<td>Bureaucratic, administrative</td>
<td>Professional, evidence-based</td>
<td>Market-driven, decentralized</td>
<td>Deliberative, collaborative</td>
</tr>
<tr>
<td>Prevailing rationality</td>
<td>Bureaucratic rationality, administrative man</td>
<td>Substantive rationality, vulnerable man</td>
<td>Technical rationality, economic man</td>
<td>Deliberative rationality, zoon politicon</td>
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<tr>
<td>Responsive to public service</td>
<td>Constituent</td>
<td>Client</td>
<td>Customer</td>
<td>Citizen</td>
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<tr>
<td>Role of public sector organisation</td>
<td>Rowing</td>
<td>Caring</td>
<td>Steering</td>
<td>Serving</td>
</tr>
<tr>
<td>Strategic focus</td>
<td>Planning</td>
<td>Profession-oriented strategic planning</td>
<td>Competitive strategy</td>
<td>Dispersed planning</td>
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</table>

The notion of strategy in public services is captured by the idea that innovation is best measured by responsiveness to refined preferences. Therefore, managers have to develop a continuous dialogue with professionals, clients, customers and citizens in order to allow for continuous improvement. The best response to rising citizen expectations is a more compelling conception of how active citizenship and democratic accountability can create incentives for continuous improvement in public services.
Do public sector organizations need strategy?

In the title of this paper we ask if there is a need for strategy in the public sector? “Of course” is the most obvious answer, but the answer depends upon how we understand “need”. In this paper, we have argued that institutionally there is a need – or several needs – for strategy in the public sector.

Public administration, professional leadership, New Public Management and New Public Governance form socially constructed patterns of cultural and material practices by which managers define interests and asks and provide meaning to their daily activity. In recent years, a series of New Public Management (NPM) reforms has highlighted strategy in the public sector. This idea of a need for strategy, strategic planning and strategy implementation has been adopted from the private sector, however, the way in which management reforms need strategic considerations vary across organisational contexts and conditions. First, public sector organisations are very complex bureaucracies with many different professionals working together and delivering complex services such as health care, education and social services. Second, the outputs are not easily standardized and measurable. Third, the professionals take part in a whole range of reform projects.

The fundamental assumption in conventional strategy research is that there is no need for strategy when interests and tasks are stable. This, however, assumes an institution-free conception of interest and task, which are inadequate to explain and understand the context and condition of public organizations and the actions and reactions of public sector managers. Public sector organizations need strategy, not because certain conditions require strategic “positioning” or “innovation”, but because interests and improvements are institutionally shaped. Not only the change of interests and tasks but also the stability of interests and tasks raise strategic challenges for public sector managers. Institutional logics influence their stability just as much as their transformation and this creates a need for strategy.

The analytical framework we suggest allows for an analysis of strategy as simultaneously material and symbolic. Strategy, then, involves not only a shift in the priority of interest and tasks, but in the definition of interests and tasks. Institutional logics accommodate interest-seeking, active organizational behaviour when managers – and other strategic actors – respond to institutional pressures and expectations. The strategic concerns and considerations of public sector managers, then, cannot be assumed to be non-existing nor invariable passive and conforming to specific institutional pressures. Rather, managers in public sector organizations respond strategically to institutional pressures, depending upon the context and conditions. The strategic response may vary from promotion to resistance towards particular institutional pressures, however, the variance, we suggest, should be analysed as active strategic behaviour rather than passive conformity. Strategic choice is limited by a variety of institutional pressures to which managers must respond. For instance, educational organizations (Rowan, 1982; Covaleski et al., 1988) must accommodate conflicting institutional demands. Research into institutional logic has tended to focus on passivity rather than activeness, preconscious acceptance rather than strategic action in response to institutional pressures and expectations. Institutional theory assumes that organizations (and their members, e.g. managers) tend to obtain stability and legitimacy, and power tends to be attributed to the institutional environment rather than the organizational members. As Covaleski and Dirsmith (1988:563) noted, “the general theme of the institutional perspective is that an organization’s survival requires it to conform to social norms of acceptable behaviour.” The advantages of conformity with institutional norms and requirements are revealed in the variety of rewards to which this has been related in the literature, for instance stability, legitimacy, social support, prestige, commitment, access to resources, etc.
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The kinds of strategy that is necessary or possible in different contexts and arenas depends upon institutional logics. Possibilities and constrains as well as tasks and techniques vary institutionally. The possibilities and constrains are a key issue to public sector managers.

Institutional logics, hence, determine the strategic challenges and opportunities of public sector managers, however, an organization’s exposure to several institutional logics is not stable and will continuously create new strategic challenges for managers. Institutions are conventionally understood as supra-organizational patterns organizing social life (Friedland & Alford, 1991), but with its emphasis on exterior normative order this is inadequate to analyse strategy making in public sector organizations. While research has focused on organizational homogeneity and the mechanisms by which isomorphism is accomplished, the conditions under which public sector managers need strategy has been left unexplored.

We suggest that a focus on hybridity and multiple institutional logics moves organisational researchers away from the notion of public sector organisations as static systems coping with environmental fluctuations to a notion of public sector organisations as continually dynamic systems that carry the seeds of change within themselves. This approach, then, differs from definitions that emphasise conflicts between different institutional logics (e.g. Jay, 2013). Defining hybrid organisations in terms of conflict would restrict a range of possible responses and results. Instead, conflict should be seen as one result among many (Thornton et al., 2012). Public administration, professional leadership, New Public Management and New Public Governance co-exist in most real-world public-sector organizations, and since there is no strict hierarchy between them but many hybrid forms and dynamics, there is considerable latitude for managers to manoeuvre strategically within their institutional environment. No manager can completely satisfy all logics and all stakeholders, and no manager can completely step outside of the institutional logics that renders the organization plausible, however, at the margin managerial initiatives can make substantial difference to the extent in which these initiatives are perceived as proper, appropriate and desirable within a given context.

The suggested analytical framework, then, allows for analyses of strategy in public organizations that includes not only stability and homogeneity but also change and heterogeneity.

For further studies, we suggest that the framework is used to explore the micro-processes of strategy making in public sector organizations. In particular, in can be used to explore the discourses of strategy making. Like all strategy making, strategy making in public sector management rests heavily on communication, i.e. communication between the managers and different stakeholders and audiences.
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References


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