

Part IV: The Future of Strategic Management

Trevor L. Brown
The Ohio State University

The Evolution of Public Sector Strategy

Trevor L. Brown is associate director for academic affairs and research in the John Glenn School of Public Affairs at the Ohio State University. His current research examines contract design and management strategies for the acquisition of complex products.
E-mail: brown.2296@osu.edu

At the end of the last century, Paul C. Nutt and Robert W. Backoff—pioneers in scholarship on public sector strategy—concluded that true strategic behavior, in which managers prospectively piloted their organizations toward desired goals, was possible in the public sector, but extremely rare (Nutt and Backoff 1995). The combination of complex policy and programmatic challenges, highly politicized institutional environments, and rule-bound administrative systems limited the managerial discretion necessary to develop and execute strategy. To varying degrees, the underlying structural conditions that made effective strategizing by public sector managers extraordinary in the 1980s and 1990s remain today.

However, the practice of public sector strategy—the development and execution of a plan of action to guide behavior in pursuit of organizational goals—and the immediate context in which strategizing takes place have evolved in ways that potentially enhance the effectiveness of decision making and planning. In particular, managers and others distributed throughout public sector organizations have increased

access to an important resource: information. In some cases, these organizational participants enjoy increased discretion to act on that information.

This is not to say that the evolution of public sector strategy is complete. While information continues to proliferate and becomes more accessible, and as management systems have adapted to allow managers greater flexibility to use and act on that information, neither scholars nor practitioners have yet to adequately deliver accessible cognitive frameworks—strategic ways of thinking about the world—for managers to make sense of the wealth of information now available to them. Most theories of strategy are firmly rooted

in a view of the world as largely a competition among actors for scarce resources. The goal of strategy, in this view, becomes maximizing access to those resources to secure competitive advantage in a zero-sum game. Many public sector organizations operate in competitive environments, but certainly not all of them. The next step in the advancement of public sector strategy is to harness the power of theories with alternative views of the world. Fortunately, such theories abound, and some of them are actually sound and practical.

In this short essay, I make a variety of claims about the development of public sector strategy as a field of study and a key management function that is worthy of far deeper treatment than I provide here. I purposely gloss over some of this complexity in an effort to make a straightforward, two-part argument. In the first part of my argument, I contend that recent public sector reform efforts have consciously attempted to create the conditions for managers to engage in strategic behavior governed by information rather than rules. The second part of my argument is more prospective and normative. I argue

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that in order for this model of public sector strategy to enhance organizational performance, scholars and analysts of practice need to provide managers with new ways of thinking—theories, essentially—about how to use information to guide decision making and planning. My argument is not that we need a separate theory of public sector strategy, but rather that we need to harness existing theories from other disciplines to inform strategy practice.

Part I: The Building Blocks of Public Sector Strategy

The current art and craft of strategy is born of a set of three basic ideas. First, decision makers should

have access to information about factors that influence organizational goals and objectives and develop plans of action based on that information. The advent of innovative informational tools (e.g., performance measures, balanced scorecards, earned value management) provides managers with sophisticated and substantive advances over clunky early attempts at using information to drive decision making (e.g., Taylorism, management by objectives). Second, plans of action based on this information should be the product of organizational participants from multiple levels of the organization rather than centralized at the top, and should be malleable and adaptable rather than formal and static. Once an elite management function conducted by distinctly separate units orbiting top decision makers, reform efforts have focused on distributing strategizing activities throughout the organization (e.g., total quality management and its intellectual descendants). Third, this decentralized fluidity should be coupled with increased managerial autonomy to allow decision makers to reevaluate strategies and execute midcourse corrections as conditions change and new information becomes available.

The recent reinventing government and New Public Management movements resulted in the proliferation and diffusion of management systems in which managers are given incentives to use information to guide decision making (e.g., CompStat, the Bill Clinton administration's Government Performance and Results Act, the George W. Bush administration's Program Assessment Rating Tool), and in some cases have been given increased discretion to act on that information. Public management reform movements over the last several decades have largely focused on securing these three building blocks.

These reforms have been incomplete and imperfect. Evidence suggests that there are perverse behaviors and unintended outcomes associated with each of these sets of changes (see, e.g., Moynihan 2005; Radin 1998). Improvements clearly can be made (e.g., performance measures can be made more valid and usable, incentives can be better calibrated). In order for this approach to public sector strategy to succeed, scholarship and inquiry should continue to investigate how to further secure and continually improve each of these building blocks. All of that said, the public sector management landscape has changed dramatically (Abramson, Breul, and Kamenisky 2007). Now public sector managers operate in an environment in which there are greater opportunities to effectively use information to develop and execute strategy.

Part II: The Missing Building Block—Theory

Strategy is, at its heart, an exercise in developing and applying theory. Public managers typically operate in highly dynamic and complex environments and need decision-making heuristics to simplify that complexity. Strategy is such a simplifying device—a means of focusing on the essential factors operating inside and outside the organization that affect the targeted outcome and responding to those factors. A theory is nothing more than a set of explicit statements or inferences about a group of facts, events, happenings, activities, and so on—a way of reducing complexity by focusing on the essence of

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a phenomenon. Strategies, like theories, are born of a set of assumptions about the world and the causal and associative connections between factors thought to impact organizational goals. Recommending a particular strategy to achieve an organizational goal presumes a causal connection between the tactical steps necessary to execute the strategy and whatever the goal is (e.g., to generate revenues, lower costs, improve program outcomes). Practitioners, caught up in the day-to-day blur of work, sometimes reject “theory” as impractical and not sufficiently grounded in their actual experience. The reality, however, is that all

decision making and strategizing is premised on “theory,” regardless of whether it is made explicit.

Largely ignored in the effort to secure the three management reform elements described earlier is inquiry into how managers should think about using newly available information and discretion to guide decision making. Popular planning tools such as logic models—which ask decision makers to identify the assumptions, resource inputs, programmatic activities, and outputs and outcomes that make up organizational strategies—are helpful decision-making instruments, but they presume an underlying logic to help connect the dots. Logic models are formal depictions of theoretical relations between factors, but they are not, in and of themselves, theories or strategies. The increased use of logic models should not be interpreted as the increased use of well-thought-out theory to guide strategy development and decision making. The same can be said of many other strategy planning tools (e.g., balanced scorecards, dashboards).

Where the reforms have fallen short is in providing guidance to managers about how to *craft* strategy. This should not be interpreted as a recommendation for more guidance on the strategy-making process,¹ but rather for more examination of how to help public managers think “strategically.” To date, strategy theory, with its deep roots in warfare and political maneuvering (think Sun Tzu's *The Art of War* or Machiavelli's *The Prince*) is largely grounded in a competitive view of the world in which two or more actors compete over a set of scarce resources, and “victory” is premised on other players “losing.” The best contemporary analytical guides for thinking about strategy in the public sector are essentially derivative of similar models from the business sector (see, e.g., Boyne and Walker 2004 for a well-grounded extension of work on private sector strategy by Miles et al. [1978] and Porter [1980]). These theories are appropriate for conditions in which the dynamic is competitive (e.g., budgeting), but do not necessarily help guide the thinking of a manager working in a setting in which the dynamic is not competitive, or in which other dynamics are in play in addition to competition (e.g., human services, education).

Fortunately, well-tested theories that can inform strategy development abound. The social sciences, for instance, are full of theories about individuals, organizations, and environments that are relatively untapped as guides for public sector strategists and decision makers. Economics, political science, and sociology offer highly sophisticated and well-developed theories that simultaneously explain competition and collaboration.² These theories and others

provide insight into the motivations of individuals and groups that undergird many of the behaviors and dynamics that public sector managers seek to target with their programs.

Take the example of public sector contracting. Determining whether to perform a function internally or through an arrangement with another organization is fundamentally a strategic decision about how best to organize to pursue the organization's mission given the constraints it faces. Conventional strategy literature recommends interorganizational collaborations, broadly speaking (e.g., formal contracts, partnerships, mergers and acquisitions), as a possible strategic option for achieving organizational objectives (see, e.g., Boyne and Walker 2004), but it fails to provide an underlying explanation of when such arrangements are advantageous and when they are risky.

Here is an opportunity to bring social scientific theories to bear on questions of practical importance to guide decision making. Different theories counsel different approaches to pursuing formal or informal arrangements with other organizations in order to achieve organizational goals. Economics-based theories, such as transaction cost economics and principal-agent theory (see, e.g., Williamson 1998), assume that some potential partners are opportunistic, willing to pursue their own self-interest at the expense of their collaborator. The degree to which potential partners will behave opportunistically is driven by the function to be performed—some activities create more space for opportunistic behavior. In circumstances in which the risk of opportunistic behavior is high, these theories counsel internal performance of the function, or engaging in extraordinary efforts to mitigate such behavior. Alternatively, other theoretical perspectives, such as sociological institutionalism and some strands of theories of networks (see, e.g., Ghoshal and Moran 1996; Granovetter 1985), argue that because organizations are embedded in informal and formal social systems, opportunism may be less prevalent. Instead, reciprocal norms of behavior may encourage organizations to forgo gain at the expense of their partner. As a result, in such cooperative norm-rich environments, organizations face less risk of harm by entering into a contract, partnership, or collaboration, and perhaps do not need to expend resources to police potential opportunism.

The point of this simple exercise is not to suggest that one approach is correct and the other incorrect, but rather to show that different theoretical perspectives suggest different approaches to a basic strategic decision. Furthermore, this is not a call for a *de novo* theory of public sector strategy. The promise of one unifying theory of public sector strategy is fool's gold. There are too many contingencies at play (e.g., different organizational forms, resource endowments, capabilities, contexts, goals, institutional environments) to think that one theory can be developed to guide the prototypical public manager in the prototypical public sector organization. Rather, this

is a recommendation to translate the existing insights and findings from disciplines such as the social sciences into frameworks that can be used and accessed by decision makers as they pilot their organizations. This is not, perhaps, as glamorous as calling for the development of a new theory that spans the public sector, but it is bound to be more feasible and productive.

The evolution of public sector organizations and the environments in which they operate has in some cases created conditions for public sector managers to undertake the strategic behavior that Nutt and Backoff found so rare in the second half of the last century. The next challenge is to marry the wealth of information that now washes over management systems with cognitive frameworks—namely, theories—for how to use that information strategically.

Notes

1. The public sector strategy canon is full of excellent work on the strategy-process (see, e.g., Bryson 2004).
2. See, for example, Mancur Olson's *The Logic of Collective Action* (1965) followed by Mark Lichbach's *The Cooperator's Dilemma* (1996).

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