

Chapter 1

Introducing strategic planning and management

The objectives of this chapter are:

- 1 to put strategic planning and management in the public sector in a contemporary context;
- 2 to underline the evolving and dynamic nature of strategic management practice in the public sector; and
- 3 to stress that strategic management in the public sector is not, and cannot be, identical to that in the private sector, although it shares some key ideas at a very general or abstract level.

INTRODUCTION

Gus O'Donnell (2014), Cabinet Secretary in the UK for eight years, who worked for three different Prime Ministers, recently gave his view on what makes a great Prime Minister. He said:

... the key thing is having that strategic vision, thinking about what's right for the country in the long term and just sticking to your guns on those things. That's what makes a great Prime Minister.

We start this book, therefore, with this immediate connection between strategy and the top political job in a country, or at least one civil servant's judgement that leading politicians need to have strategic vision (and the will and determination to pursue it).

In the last fifteen years, strategic planning and management have become widely accepted as ways of modernizing public policy-making and modernizing government. They have become very important for governments and public sector organizations all around the world. Those engaged in public management in whatever capacity, as politician or as professional civil servant or public manager, need to understand them and know how to use them.

This book looks at the theory and practice of strategic planning and management in the public sector. In reading this book you are invited to think critically about some of the assumptions we may too readily accept when thinking about

strategic planning and management in the public sector. For example, it is sometimes assumed that decision-making tends to be very poor in the public sector and that things would be much better if politicians, civil servants and public managers simply copied private sector techniques such as strategic planning and management. In this book there is a different point of view. In this book it is argued that more attention needs to be given to understanding the nature and complexity of the government context, which makes simple copying unwise. Consequently, if there are lessons from private sector experience, we should be expecting politicians, civil servants and public managers to be selective in drawing lessons and to be ready to modify and experiment with the practice of strategic planning and management.

The public sector context has features that should be considered carefully when it comes to modifying strategic planning and management to ensure success and institutionalization. Two examples come to mind immediately. First, there is the special nature of the public sector because of the roles of politicians and the public in it. It can only be speculated here why there has been such a great tendency to ignore politicians and the public in so much of the discussion of strategic management in the public sector. It is possible that those who have written on this subject see the matter in terms of introducing a management technique to be used by the top managers irrespective of the sector involved. And so it is just assumed that we can read across from a private organization to a public organization and thus we are focusing on strategic thinking or leadership by an individual manager (e.g. the chief executive) or a management team (e.g. the senior management team). Actually, the private sector literature is very poor at researching and discussing how the executives of a company and the board of directors work on the development of corporate strategy and its implementation. The role of the public in the formulation of strategy is also neglected in the literature on private sector strategic management and there is (mostly) little consideration of the public other than as customers of products or services.

Politicians and the public do matter in the government sector and the wider public sector. A chief executive might head up a government agency but this does not mean he or she can just ignore the politicians. People who think you can copy the private sector in a simple way do not seem to realize that in some cases it is the ministers who may be the ones who formulate strategic plans rather than civil servants. The civil servants may then be mainly involved by being asked to deliver the ministers' strategic plans, which was the case in the UK in respect of sector strategic plans in health, education, criminal justice and so on, in 2004. Of course, civil servants may be involved in the formulation of government strategies; in such cases, the politicians will matter when it comes to approving the strategic plans and giving them legitimacy, which we can illustrate by reference to the Europe 2020 strategy that was prepared by the European Commission but was signed off by the European Council in 2010 (European Commission, 2014).

The second example of how the public sector context appears to be very different concerns the continual and incessant use of the word 'priorities' in

strategic planning and budgeting in the public sector by governments in all sorts of countries, including the UK, the US and the Russian Federation. There is something about the public sector context that makes the idea of priorities a much more important concept than in the private sector. While we may not fully understand why 'priorities' really matter to leaders in the public sector, a perusal of private sector writing on strategic management (for example, Ansoff, 1968; Porter, 1980; and Hamel and Prahalad, 1994) quickly shows the concept does not get highlighted for private sector practitioners.

The chapter will open with a consideration of strategic decision-making processes. We will examine ideas about the difference between strategic planning and management, and the benefits of strategic planning reported by managers in the public sector. There is a brief review of the private sector literature on strategic planning and management. The last part of the chapter looks at how strategic management has become a critical aspect of the reform of public governance.

STRATEGIC PLANNING AND MANAGEMENT: A DECISION-MAKING PROCESS

A very clear definition of strategic planning as a decision-making process for the management of public organizations is provided by Berry and Wechsler (1995, p.159) in the context of a survey of state agencies in the US:

Strategic planning is defined as a systematic process for managing the organization and its future direction in relation to its environment and the demands of external stakeholders, including strategy formulation, analysis of strengths and weaknesses, identification of agency stakeholders, implementation of strategic actions, and issue management.

It is a relatively simple task to turn this type of definition into a diagram that sets out a process of strategic planning and management. These diagrams – called 'decision flow diagrams' by Ansoff (1968) – should not be confused with theoretical models of strategic management, which involve detailing cause-and-effect relationships in social science. The decision flow diagram is a suggested sequence for collecting data, analysing data and making decisions about goals, about the situation, about choices, about the allocation of resources. For example, a simple version of strategic planning in the public sector could be represented as shown in Figure 1.1.

Sometimes the decision flow diagram seems to occupy pride of place in a book or article, seemingly providing the essential conceptual framework for those wishing to master the practice of strategic management and even those wishing to research it as a phenomenon in the public sector. It looms so large in this way that it is worth making a number of points about it before we consider in more detail its private sector origins.

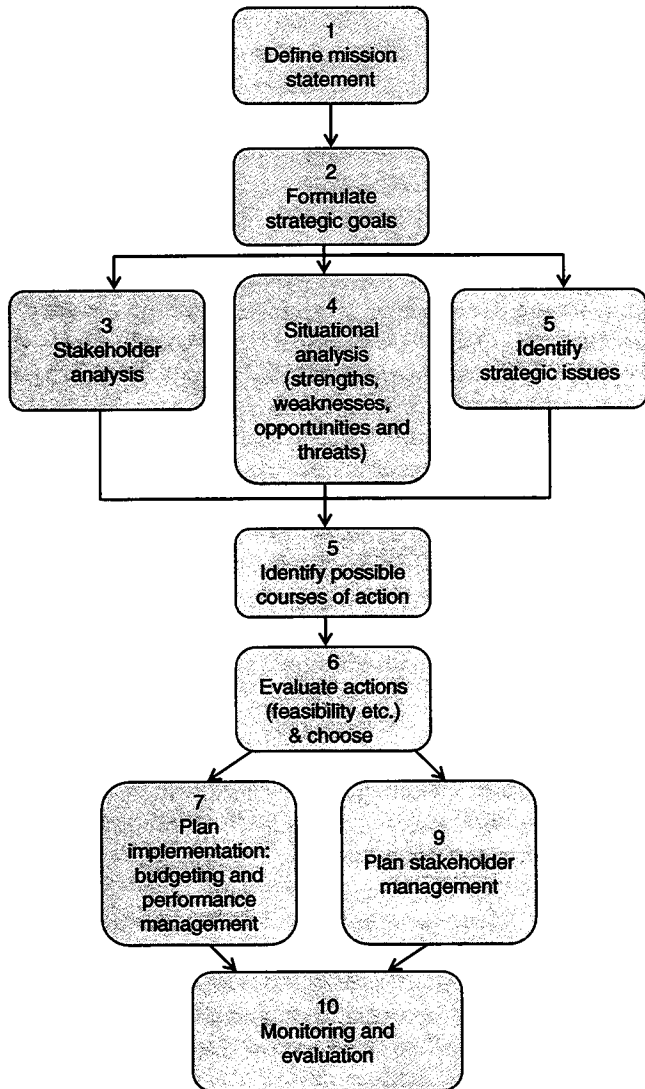


Figure 1.1
Decision flow diagram for simple strategic planning in the public sector

A DECISION FLOW DIAGRAM IS USEFUL

Leaders and managers can look at a decision flow diagram and feel they have quickly grasped the essential ideas of how to make disciplined strategic decisions. And it is there to be comprehended in just one page. What could be simpler and more convenient? All the chief elements of strategic decision-making

can be taken in by simply looking at it. They can see how decisions may need to be sequenced and how some decisions should be influenced by others or dependent on others. They can use the diagram to check that nothing important has been overlooked. The wisdom of strategic planning seems to be encapsulated in one of these diagrams. They are, in fact, very valuable teaching aids.

IT CAN BE MISUNDERSTOOD AND ENCOURAGE US TO SEE STRATEGIC MANAGEMENT AS SIMPLER THAN IT REALLY IS

Obviously there is more to becoming an expert practitioner than knowing and understanding a decision flow diagram in conceptual or definitional terms. Very experienced strategic practitioners can use a decision flow diagram to suggest ways to improve their understanding of, and abilities in, strategic decision-making. For example, they can use it to think of ways they might experiment in future with strategic decision-making, thereby creating new opportunities to learn from practice. A decision flow diagram is there to be used in a cycle of doing, reflecting and learning.

But when a flow diagram is backed up by a 'template-style system of strategic planning' there is a danger (but not an inevitability) of very poor-quality strategy emerging. Rumelt (2011) has spelt out the meaning and dangers of template-style strategic planning. He suggests the first thing to do when using template-style strategic planning is to write down a vision of the future for an organization and follow this up with a mission statement that is 'a high-sounding politically correct statement of the purpose' of the organization (Rumelt, 2011, p.67). The third step is to write a statement of non-controversial values for the organization. The fourth and final step he describes thus: 'Fill in some aspirations/goals but call them strategies' (ibid, p.68). He was, of course, mocking a lazy counterfeiting of proper strategic thinking and decision-making. He criticizes many of the documents that various organizations have produced, which he condemns as 'pious statements of the obvious presented as if they were decisive insights', and he dismisses the consultants who have found that the template-style strategy 'frees them from the onerous work of analyzing the true challenges and opportunities' (ibid, p.68). Of course, the problem is not the decision flow diagram or a strategic planning template, but the idea that strategy can be formulated and implemented with little effort and little risk (Heifetz and Linsky, 2002). If strategic planning is done reluctantly by managers, and is being done simply to comply with a requirement placed on them, template-style strategic planning may be the same as a 'form filling exercise' (Ansoff and McDonnell, 1990).

A DECISION FLOW DIAGRAM IS NOT THE SAME AS THEORY

Strategic planning is an intervention in a situation, and if we are to understand the variability of results obtained by it in practice, we need to understand the theory (or theories) underlying the intervention; we also need to know the

effects of circumstances and what else is happening in the situation. More concretely, it might be suggested that we will find that the success of a strategic plan will depend on the skills, motivation and the values of individuals leading the strategic management, the specific design of the strategic management processes being used, the government institutions that provide the setting and the reactions of the people being affected by the strategic management intervention. So the challenge for a textbook of strategic management in the public sector is to understand not only the underlying theories of strategic management but also how the theories work in different contexts.

Rose (2005) argued that policy-makers can learn from public policies working successfully in other countries, but an effort is needed to make models of policies that are portable across national boundaries. We are going further here and saying that evaluating underlying theory (or theories) and context is important in respect of strategic management in the public sector in order to be able to develop 'transferable theory', which is theory of strategic management that will really help practitioners with increasing the success rate of strategic plans. We should be working towards an ability to talk about the specific underlying theory (or theories) of strategic management so that we can say that it works in these respects, for these people, in these kinds of situations (Pawson, 2002). Currently, we are a long way off achieving this goal. One study that might be seen as aligned to this agenda was that by Pettigrew *et al.* (1992), who were attempting to understand what types of conditions in a public sector context were conducive to strategic change. The slow development of theory in strategic management in the public sector has been pointed out (Bryson, 2010). Perhaps this slow development explains why we have placed too much emphasis on the decision flow diagram.

THE DIFFERENCE BETWEEN STRATEGIC PLANNING AND STRATEGIC MANAGEMENT

In the literature on management in the private sector one of the earliest tendencies (in the 1960s and 1970s, to be specific) was to refer to strategic planning or corporate planning rather than strategic management. Strategic planning was taken to mean, for example, the work of a firm in thinking about, and analysing, whether it should be marketing new products or entering new industries, whether it should choose related or unrelated diversification of its activities, and so on. The point about these decisions was that strategic planning was used to make these decisions without assuming that the future was simply an extrapolation of the past. This was why firms were supposed to analyse trends, possible events, opportunities and threats in order to make judgements about how well they might be doing in the future and how they might achieve their strategic goals. The idea of strategic planning was, therefore, to anticipate threats and opportunities and not to wait until they had materialized. Thus, strategic planning might be equated with reliance on analytical and logical decision-making to position the firm in its business environment informed by anticipation.

The 1970s was a period of economic volatility and even turbulence, which was very different from the preceding long period of growth in the US and elsewhere that had characterized the late 1950s and 1960s. It was in the difficult business conditions of the 1970s that the concept of 'strategic management' began to take off in the management literature. And over the next twenty years its new terminology gained more acceptance, including terms such as 'strategic issue management', 'foresight', 'resource-based strategy', 'core competencies', 'strategic alliances' (e.g. Ohmae 1982; Ansoff and McDonnell, 1990; Hamel and Prahalad, 1994; and Hamel, 2002) and many more. Essentially, there was an acceptance that strategic planning books in the 1960s had neglected the limits on the ability of an organization to anticipate, which necessitated a readiness both to deal with any strategic issues and challenges that suddenly occurred and to deal speedily with them; and also indicated a move away from forecasting to a foresight approach, which involved new ways of orienting the business to the future. There was also recognition of the time lags and limits on the ability of an organization to change its capabilities quickly to match its strategy, which in the late 1980s led to new conceptions of strategy in which strategy was based on capabilities and in which capability development had to be paced and supplemented by use of strategic alliances to access external capabilities and resources. Finally, there was recognition of the limits placed on strategic planning created by resistance to change, which led to increased attention to the importance of leadership. In the 1980s this interest in leadership tended to be focused on visionary leadership and transformational leadership, both of which could be associated with increased receptivity to strategic change through moral leadership and empowerment (e.g. Bennis and Nanus, 1985; Bass and Avolio, 1994). Subsequently, the literature moved on to think about more open strategic decision-making processes that could include the ideas of a wider range of people rather than empowerment (Hamel, 2002). All in all, the take-up of strategic management as a preferred term showed an appreciation that strategic planning conceived of as a purely analytical and logical exercise had neglected things that mattered for effectiveness such as creative problem solving, learning, agility, negotiation and conflict management, motivation and consent of managers and employees, and so on.

It is not clear that in the public sector practitioners think of strategic planning as only an analytical and logical decision-making process, relying on anticipation to decide on strategy. In fact, in the public sector in many countries strategic planning is often seen as an appropriate tool for national development planning, and in recent years it is often assumed that monitoring during implementation is also integral to strategic planning. Governments have been beefing up monitoring and evaluation of their strategic planning, enabling not only greater confidence that plans are being put into practice, but also enabling learning to take place. There are also increasing signs that governments want to spread ownership of strategic plans and so have begun talking more and more about engaging citizens, business and other stakeholders with strategic planning, by consulting them in advance of finalizing government strategic plans, and by communicating

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more about the process of planning and the content of the plans to the public. So, strategic planning in the public sector is not seen as just an analytical tool for a strategy formulation framework but also includes other activities that are seen as necessary to achieve effectiveness.

Arguably, it is not so imperative to maintain a rigid distinction between the concepts of strategic planning and strategic management in the public sector because practitioners tend to use the label strategic planning to mean more than analytical strategy formulation.

WHAT IDEAS CAN WE TRANSFER FROM PRIVATE SECTOR STRATEGIC MANAGEMENT?

At the end of the 1980s Bryson (1988) described the US private sector experience as a 'storehouse' of advice on how to apply strategic planning experiences in the public sector. Even in the early twenty-first century the private sector experience has been a source of inspiration for researchers studying the public sector (for example, researchers at Cardiff Business School have published a series of studies which take the typology of strategies by Miles and Snow (1978) as their inspiration).

The idea of strategic decision-making in business management emerged in the 1950s and 1960s and became especially associated with professional styles of management found in large business corporations. Back in the 1950s, Peter Drucker, a prominent writer on management, predicted that future business managers would have to understand and make strategic decisions (Drucker, 1954). He thought that they would have no choice in the matter and he saw this as likely to be true for all levels of management, irrespective of their function. While appreciating that only some decisions would be strategic in nature, he was definite that those strategic decisions would be important in framing management decision-making generally, and that there would be more and more strategic decisions to be taken. Despite some claims that strategic planning could be too bureaucratic and even dysfunctional (Mintzberg, 1991), international surveys of business in the 1990s and in the first decade of the twenty-first century continued to show that strategic planning was one of the most widespread management techniques in use and that it was one of the management tools that consistently received high satisfaction ratings from executives (see Rigby and Bilodeau, 2013).

However, this does not mean that everyone believed you could simply copy how the private sector did strategic planning and management. According to Nutt and Backoff (1992, p.23):

There has been a long tradition of adapting management practices and ideas from the private sector to the public sector. Many if not all of the procedures for strategic management currently in use were developed in and for private sector firms. Why not just these ideas? First, similar adaptations have been both notable successes and notable failures. . . . The notion of public authority

and the constraints and problems that this authority poses render the strategic management practices of firms ill-suited for public organizations.

The fact is, there is much that has been written about strategic planning and management in the private sector that on the surface is not very relevant, even if it is sometimes claimed to be so on the basis of an argument that private sector organizations are also being commissioned to provide public services and so in some sense the public sector is now more like the private sector.

But it is possible to generalize from the specific concepts that are clearly suited to the private sector experience and to understanding the pressures created by competition. This produces more abstract concepts that are applicable in the public sector. So what are these abstract concepts?

Writers on private sector strategic planning and management produced many ideas in the 30 years from the mid-1960s onwards about how private sector firms could and should make strategic decisions. Some of the big names in the field of management theory were: Ansoff (1968), Miles and Snow (1978), Porter (1980), Ohmae (1982), Mintzberg (1991), Hamel and Prahalad (1994) and Hamel (2002). They can be grouped in many different ways. For example, Ansoff (1968) gave more attention to formal goals and objectives as part of the strategic decision-making process than did Porter (1980), who succeeded in highlighting the external environment and generic strategies. However, Ansoff (1968) and Porter (1980) were the writers most concerned with careful and systematic analysis of the situation in order to formulate strategy, whereas Mintzberg (1991) seemed to try to redress their analytical heaviness by counterposing the importance of top managers learning in a situation by identifying the patterns that were emerging, very often unintentionally. Miles and Snow (1978) and Porter (1980) did a lot to make students and practitioners aware of the choices of action, or options, facing businesses in competitive industries. To interpret them rather crudely, businesses could choose between alternative generic strategies of being different from rivals and being innovative on the one hand; and on the other hand of being low-cost and being efficient. (This is too crude a characterization of their ideas.) Their approach was quite different from the more creative approach to deciding strategic moves advocated by Ohmae (1982). Ansoff (1968) and Hamel and Prahalad (1994) drew attention to the importance of capabilities as an aspect of strategy, and much more than, say, Porter (1980), who was very focused on industry analysis and understanding external competitive pressures. Probably Ohmae (1982) and Hamel and Prahalad (1994) together shared the honours in putting the spotlight on 'foresight' and took seriously the need to think how a firm could address the long term.

This is a textbook about strategic management in the public sector and, arguably, there is little point in exploring the private sector literature in detail because the context is so different. We will be looking in depth at the ideas of writers on strategic management in the public sector in subsequent chapters, and it is a fact that they do not, when looked at in detail, resemble the private sector ideas.

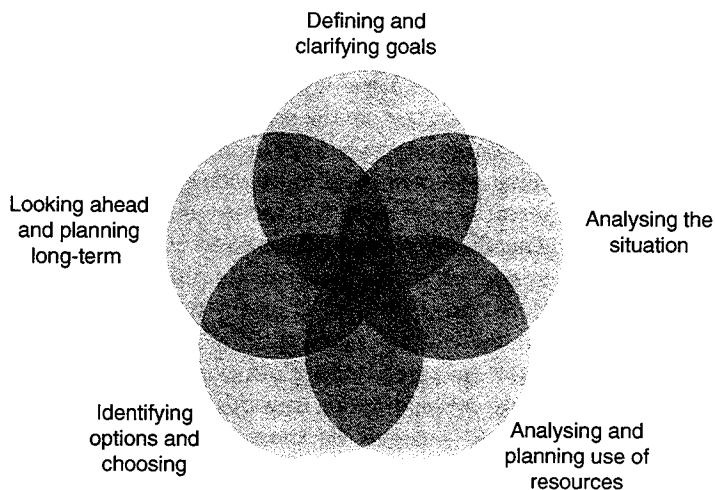


Figure 1.2
Strategic decisions at the most general level

At the most general level, the most abstract level, however, strategic decision-making in both the private and public sectors is concerned with similar things (see Figure 1.2):

- 1 defining and clarifying goals;
- 2 analysing the situation;
- 3 analysing and planning the use of resources;
- 4 identifying alternative courses of action and choosing between them on the basis of feasibility and other criteria;
- 5 having a concern for looking ahead into the future and planning for long-term outcomes.

Inspection of this list suggests an observation: it can be observed that it is ideas at this level of generality and abstractness that appear in decision flow diagrams. If this is accepted, it would also imply that the distinctive features of the public sector context only really become apparent when public sector practitioners apply decision flow diagrams to their own situations.

WHAT IN PRACTICE HAVE PUBLIC MANAGERS GOT FROM STRATEGIC PLANNING IN THE PUBLIC SECTOR?

What is the usefulness of strategic planning and management to practitioners in the public sector? What practical difference does it make to them and their organizations? Answers to these questions provide a pragmatic definition of strategic planning.

Flynn and Talbot (1996) provided evidence on this using the results of a 1994 survey of UK public sector senior managers. They focused on the sub-sample of local government managers covered in the 1994 survey. Interestingly, they contextualized their study by suggesting that the use of strategic planning in the public sector had mostly declined in the 1980s and had only begun to rise again in the late 1980s. (In fact, corporate planning had been tried in UK local government in the 1970s, at a time when there was concern expressed about a lack of integration and a prevalence of silo working by departments. This may, therefore, be the sense in which strategic planning in the local government of the 1990s might be seen as a second wave of strategic planning.) The survey respondents were asked about the benefits of strategic planning; they were asked to respond by saying what effects it was helping to bring about. The data in Table 1.1 is the reported responses of senior managers from UK local government.

From Table 1.1 it seems that these public sector practitioners typically saw strategic planning as being useful because it helped the organization deliver on its goals and objectives. It was also perceived as useful because it helped the organization and its staff to plan and be forward-looking (milestones of organizational achievement, a unified vision of the organization's future). They also typically saw its usefulness in relation to deploying resources, presumably because their awareness of the future meant that resources were now being better focused on the delivery of goals and the future of the organization, and maybe because cost savings were easier for managers to identify and justify within a framework of being proactive about the future.

Evidently, what was not coming through quite so widely was that strategic planning was useful in identifying new opportunities (which we might assume derived from strategic analysis of the organization's situation) and useful in helping to direct resources into areas of opportunity (which implies identifying new courses of action that might take advantage of the areas of opportunity and then resourcing them). These benefits were not as common as the other effects reported.

Table 1.1 *Benefits of strategic planning perceived by senior managers in UK local government (1994 survey of UK public services managers) (N = 241)*

<i>Effect</i>	<i>Strategic planning helping to ... (percentage)</i>
1 Achieve goals and objectives	81
2 Specify milestones for organizational achievement	70
3 Achieve better use of resources	69
4 Create a unified vision of organization's future for staff	59
5 Identify new opportunities and ideas	54
6 Achieve cost savings	43
7 Direct resources into areas of opportunity	41

Source: Flynn and Talbot, 1996.

The raw responses in the table provide interesting information in their own right, but can we read anything deeper into the meaning of strategic planning for this group of public sector practitioners? Obviously in overall terms the respondents saw strategic planning as important for achieving organizational goals and objectives. But can we go further and suggest that there are hints that there were many who thought that strategic planning meant that they could be future-focused and that this enabled better use of resources and maybe even better targeting of cost savings? And can we suggest that there was a supplementary meaning for practitioners; that strategic planning meant they could be opportunity-focused, identifying new opportunities and ideas and then deploying organizational resources behind the pursuit of new strategic moves? If we could back up these suggestions with evidence, this would imply that strategic planning is useful for steering resource allocation and cost effectiveness and also useful for steering innovation in response to opportunities.

We probably cannot at this point suggest the actual causal mechanisms underlying strategic planning on the basis of this particular analysis of survey data. But we can note the possibility that organizations in the public sector may have a choice about how they design and use strategic planning according to whether their concerns are resource utilization, or innovation, or both.

One final point before we leave the Flynn and Talbot study – we should note that the data may have been reflecting practitioner perceptions based on experiences at the beginning of a 1990s wave of strategic planning in UK local government. In which case, it is possible that the perceptions reported might have subsequently changed as experience of strategic planning built up. Perhaps, for example, situational analysis and thus an interest in new opportunities might have become more important in later rounds of strategic planning?

Berry and Wechsler (1995) provided another academic study investigating practitioner perceptions of strategic planning. This was a US study that investigated perceptions of senior state executives in state agencies. As with the previous study, the survey covered the topic of what strategic planning had achieved. Table 1.2 below shows the responses of nearly 300 executives to a question about the outcomes of strategic planning.

The survey asked the respondents to identify the important outcomes of the strategic planning process and the researchers found that nearly all respondents (90 per cent) had the perception that these important outcomes included their agency being helped to establish management direction and clarify priorities. When asked about the most important outcome helped by strategic planning, nearly half said the most important outcomes helped were that the agency had been helped to establish management direction or to clarify its priorities. A further fifth indicated that the most important outcome of strategic planning was that it had guided policy decisions or budget decisions.

To some extent these findings echo those reported in the study by Flynn and Talbot. In both studies strategic planning matters in relation to the future – with this study by Berry and Wechsler highlighting outcomes in terms of management direction and agency priorities, and the Flynn and Talbot study focusing on

Table 1.2 Benefits of strategic planning perceived by senior state executives in the US (1992 survey) (N = 295)

Outcome	Percentage of respondents identifying outcome as most important outcome of strategic planning process
1 Established management direction	30
2 Clarified agency priorities	17
3 Guide to policy decisions	11
4 Guide to budget decisions	9
5 Gaining support for budget priorities	7
6 Improved constituent relations	3
7 Increased legislative support	3
8 Increased gubernatorial support	2
9 Greater commitment to customer satisfaction	6
10 Improved teamwork	4
11 Improved internal communications	3
12 Enhanced corporate culture	1
13 Improved staff morale	0
14 Agency reorganization	1
15 Service delivery improvement	3
Total	100

Source: Berry and Wechsler, 1995.

milestones of organizational achievement and vision of the future for the staff. This US study identified as of value to practitioners that strategic planning had guided budget decisions, and Flynn and Talbot's study referred to strategic planning helping to make better use of resources. One additional point emerging from the Berry and Wechsler survey, which did not surface in the UK study, was the value to practitioners of strategic planning guiding policy decisions. This clearly was not the most widespread of the reported important outcomes, but it does raise the question of how strategic planning as a process is integrated into policy-making in the public sector.

We probably ought not to be surprised that the UK and the US studies of practitioners found that themes of future direction, and paths to the future (milestones), as well as visions for staff, loomed large in the meaning of strategic planning for senior managers and executives. Large-scale surveys of managers in the private and public sectors have been used to canvass their opinions on what their leaders should be like and one of the most important requirements is that they should be 'forward looking' (Kouzes and Posner, 2007). A survey of public managers in the UK found that they thought leaders should have 'clarity of vision' (Charlesworth *et al.*, 2003).

So, to sum up, what has strategic planning been from a senior management perspective? It has been a process for becoming clear about the future direction an organization should take, about mapping the path to its future success and about a vision of the future that can be provided for staff. It has been a process that can be used to make better resource and budget decisions, and to increase cost effectiveness. It has been used also to improve policy-making and find new opportunities and ideas. This summary statement does not list all the benefits that have been perceived by practitioners using strategic planning in the public sector.

STRATEGIC MANAGEMENT FLOURISHING IN THE PUBLIC SECTOR

According to one observer, strategic planning had become commonplace in the US public sector because it works; admittedly, he rated its results, to paraphrase him, as often modestly satisfactory rather than stunning (Bryson, 2010). While the use of the strategic planning process may fluctuate in the public sector in the future, knowing that its use does offer benefits, and reflecting on its rising prominence in the public sector experience of the last decade, we would be hard put not to imagine that it is set for further successes in the next few years. So, as we look back and look forward, the picture of strategic planning in the public sector seems quite a rosy one.

Within this upbeat assessment of the current importance and effectiveness of strategic planning lies an important challenge for any textbook of strategic management in the public sector. The assessment above not only implies that there are parts of the public sector where strategic planning is not to be found, but it also suggests that there is a variability in the results obtained. As well as often being only modestly successful, strategic planning sometimes achieves results that are impressive, and, no doubt, at other times results that are very disappointing.

It should also be noted that there is probably no adequate history of strategic planning and management in the public sector. If there was such a history, it would surely have to evaluate the practices of earlier periods that may not have been labelled strategic planning and management but might well fit a definition created for the purpose of recognizing its existence in previous decades. To mention just a few, there were National Plans and planning-programming-budgeting systems in the 1960s, there was corporate planning (e.g. in local government in the UK in the 1970s), and there were community plans in the 1990s and earlier, urban plans, and so on. Such a history might have to entertain the possibility that there have been cycles in strategic planning and management in the public sector, reflecting more and less favourable circumstances (see Chapter 2).

STRATEGIC MANAGEMENT AND THE NEW PUBLIC GOVERNANCE

Among some politicians at least, strategy and the processes for producing and sustaining strategy are part of the public governance of a country. The UK's

Public Administration Select Committee recently produced a report saying that a government needed strategic thinking and that National Strategy was intrinsic to the concept of 'good governance' (Public Administration Select Committee, 2010, p.3):

Strategy is today a ubiquitous term. . . . Every organisation, at almost every level, has strategies for dealing with perceived risks and taking forward opportunities. This report. . . looks. . . into the capacity we have as a country to devise and sustain a continuing process which can promote our national interest. . . the notion inherent in [what was once defined as Grand Strategy] is that of an overarching process intrinsic to good governance, [and this notion] remains of value. It can best be described as 'National Strategy'.

Citing examples such as terrorism in the US in 2001, the financial and banking crisis of 2007–9 and the chronic challenge of climate change, the Public Administration Select Committee took the view that governments need to be able to anticipate and respond effectively to major challenges.

The Public Administration Select Committee is not alone in this view: indeed, leading governments around the world have been attempting to develop their own strategic planning and foster more strategic policy-making. International bodies such as the UNDP and OECD have encouraged governments to improve capabilities for public governance through placing greater emphasis on strategy and increasing the expertise of the civil service in strategic planning. Arguably, this state of affairs took some twenty years to emerge, and its beginning was marked by the publication of the much discussed book by Osborne and Gaebler (1992) on reinventing government, which argued for a separation of government 'steering' (i.e. strategic functions) from 'rowing' (which included public service delivery). The opening phase of this twenty-year period was also marked by the passing into law of the Government Performance and Results Act of 1993 in the US, which brought in, first, a system of strategic plans and performance plans for federal agencies, but also led later to discussions of how to move to whole-of-government strategic plans and the need for better coordination and integration of action to address cross-cutting policy areas. The commitment to public governance based on strategic planning seemed to accelerate around 2003–4, with countries such as China, Russia and the UK trying out more strategic approaches. The decade from this point was one in which pressures built up to modernize and move from 'post-bureaucratic government' to the new model of the 'strategic state'.

The description of a 'strategic state' has been attempted a number of times (Paquet, 2001; Joyce, 2011; OECD, 2013). The Prime Minister's Strategy Unit in the UK introduced the concept of the 'strategic and enabling state' back in 2007 as part of a policy review process (Prime Minister's Strategy Unit, 2007). The unit emphasized that such a state focused on outcomes, developed a smaller strategic centre, and sought to empower citizens, build their trust, address their insecurity and ensure that citizens took joint responsibility with the state for their well-being. If there is any explanation at all why this strategic state was

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emerging, the unit seemed to be suggesting that it was a response to changes in the British public, who were deemed to be less deferential and less hierarchical than they had been, and who wanted more control and more choice. So, we might deduce from this that changing attitudes and lifestyles in society were apparently the cause of a move to a new and more strategic state. This, no doubt, was why the unit emphasized an enabling state as well as a strategic state.

However, the description provided by the OECD of the new and more effective state tended to go into more detail about the machinery of government, although it too advocated listening to, consulting and engaging citizens in policy-making. One example of the OECD conception of the strategic state is to be found in the following remarks about their work in conducting public governance reviews (OECD, 2013, p.3):

Public Governance Reviews provide practical advice to governments on how to improve their ability to set, steer and implement strategies to meet existing and emerging challenges effectively and efficiently. They emphasise a strategic-state approach, the chief components of which include leadership and stewardship from the centre, integrity and transparency, the importance of networks and institutions (both inside and outside government), the need to draw inspiration from sub-national practice and from citizens, and crucially, the importance of effective implementation of strategies and policies in support of positive outcomes and impacts for a country's economy and society.

This absorption of the concepts of strategic planning and strategy into the formulation of more effective forms of the state necessary for the success of the economy, the well-being of society and the quality of the natural environment is sometimes not even hinted at in many of the existing studies and treatments of strategic planning and management in the public sector. It is seen as a decision-making process or tool but often not much more than that. Moreover, it is quite common to see strategic planning and management simply as a way of making better or long-term decisions and then implementing them, a way which has been transferred in from the private sector.

CHAPTER SUMMARY

Strategic decision-making in general involves:

- 1 defining and clarifying goals;
- 2 analysing the situation;
- 3 analysing and planning the use of resources;
- 4 identifying alternative courses of action and choosing between them on the basis of feasibility and other criteria;
- 5 having a concern for looking ahead into the future and planning for long-term outcomes.

Strategic planning may be defined (by some writers) in a way that suggests it is a purely analytical and logical exercise in strategy formulation. Building on this definition, some writers define strategic management as comprising both strategy formulation and the implementation of strategy. There is much more to successful strategy than analytical thinking: there also needs to be creative problem solving, learning, agility, negotiation and conflict management, motivation and consent of managers and employees, and so on. In fact, it has been suggested in this chapter that it is not so imperative to maintain a rigid distinction between the concepts of strategic planning and strategic management in the public sector because practitioners often use the label 'strategic planning' to mean more than the analytical work of strategy formulation.

Strategic planning is generally perceived to work and produce beneficial outcomes in the public sector. It helps senior managers become clearer about the future direction of an organization, about paths to future success and about a vision of the future for staff. It can be entrepreneurial in nature, helping to identify new opportunities and new ideas. It can help resource management, helping senior managers make better resource and budget decisions, and helping them increase cost effectiveness.

It is important that we see strategic planning and management in the public sector in its complexity. In the academic world we are still tending to see strategic management as simply a management tool imported from the private sector that can make decision-making better and is mainly being used by managers of public organizations. For governments around the world, and for bodies like the World Bank and the OECD, the strategic capabilities of government are important for national development.

We need to appreciate strategic management as a decision-making tool in public organizations pioneered in the private sector. At the same time, many major countries and regions of the world (including China and Russia, as well as the US and Europe) have been trying to develop long-term strategic visions, strategic plans and strategic capabilities to create more effective public governance and to be more effective in national development terms (the economy, social progress, the natural environment).

At various points in this book, it will be seen that strategic management as an aspect of the reform of public governance is associated with issues of coherence and integration in government action, as well as with a turn towards a long-term focus, selectivity, setting targets, using data and monitoring and evaluation.

GROUP DISCUSSION QUESTIONS

- 1 Do you think 'decision flow diagrams' are useful? Do you or would you use a decision flow diagram to help you do strategic planning more systematically?
- 2 Thinking about the findings of Flynn and Talbot (1996) and Berry and Wechsler (1995), are you surprised that reactions to strategic planning are so positive? Are there other benefits that have not been mentioned? What are the disadvantages of using strategic planning in the public sector – and do they depend upon the situation?

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- 3 Do you think this chapter was right in its description of strategic decisions at the most general level?
 - 4 In the public sector is 'governance' a modern version of government? What does it mean when it is applied to what national governments do?
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FURTHER READING

Chapter 4: A Framework for Adaptive Strategy, pp.75–114. In: Mulgan, G. 2009. *The Art of Public Strategy: Mobilizing Power and Knowledge for the Common Good*. Oxford: Oxford University Press.

Chapter 4 in Geoff Mulgan's book offers his model of the process for designing strategic action. The book as a whole is a wide-ranging examination of strategy in government by someone who had been not only Director of Policy at 10 Downing Street but also Director of the Prime Minister's Strategy Unit. In the book Geoff Mulgan says that knowledge and power are at the centre of his approach to strategy. This is a very sound and balanced approach to strategy, given that many of the challenges faced by a strategic leader can be linked to problems of knowledge and power.

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