Introduction

Strategic management can be defined as management action oriented to achieving long-term goals based on thorough analysis and assessment of situation, options, and resources (Joyce 2015). It is often assumed, wrongly or rightly, that strategic management is a management innovation that was developed originally in the private sector and was subsequently adopted in the public sector.

In private sector management literature the use of the name strategic planning was commonplace in the 1970s but during the 1970s and 1980s there was an increasing switch to the use of the name strategic management. Arguably, this reflected a growing appreciation of the difficulties of forecasting the future and the challenges of implementing strategic plans. In effect, the adoption of the name strategic management seemed to imply acknowledging that formulating a plan might be difficult but the challenges of implementation (and learning during implementation) deserved a lot of respect. Strategic management could therefore be defined as a process that involved both strategic planning and the implementation of strategic plans, with the latter potentially defined as involving strategic learning. Making a distinction between strategic planning and strategic management might have made sense in the evolving experience of businesses in the private sector context, but it has never seemed so important to insist on a distinction between strategic planning and strategic management in the public sector. Perhaps public sector practitioners (politicians and managers) always appreciated that strategic planning was much more than the use of analytical techniques and drawing up plans, that the future could be surprising, and getting things done was bound to be hard?

Research into strategic management can study the experiences of individuals. For example, there have been surveys of individual public sector managers to assess the benefits, nature and spread of strategic planning in the public sector. “Strategy as practice” research, which has attracted some attention in recent years, also focuses on individuals. It has been defined as concerned with the performance of the individual practitioner (Whittington 1996). This can be applied to public sector organizations. For example, Jarzabkowski (2005, 2003) used strategy as practice to investigate the variations in strategic management system in three UK universities and spent some time in her analysis looking at the discussions of strategy in major committees.
Arguably the most common studies have been ones looking at the application of strategic management to public sector organizations. Some used case studies to build theoretical frameworks (e.g. Moore 1995; Heymann 1987; Wechsler and Backoff 1987). Some have been studies of strategic planning at national and sub-national levels of government (e.g. Corvo et al. 2014; Berry and Wechsler 1995). Some have been concerned with testing models of strategic choice developed for private sector businesses (e.g. Hodgkinson 2012; Boyne and Walker 2010). Finally, it can be noted that some research studies have tried to explain variations in the impact of strategic plans (Poister and Streib 2005).

As well as studies of individuals and organizations, it is possible to research strategic management as a process or an element of public governance systems (Joyce and Drumaux 2014; Joyce 2008). Studies that fit here include ones that have examined matters of democratic concern such as the respective strategic management roles of elected politicians and appointed officials (e.g. Lumijarvi and Leponiemi 2014; Niiranen and Joensuu 2014) and public participation in the formulation of strategic plans (e.g. Cristofoli, Macciò, and Meneguzzo 2014). Studies of government organizations working with public and private partner organizations, or using networks for policy making and service delivery, can also be seen as part of this branch of study of strategic management in the public sector. While the amount of research on the role of politicians and the public in strategic planning is still modest, it seems likely that there may be much more research into strategic management within public governance systems in the future. See Figure 25.1.

This chapter has the aim of looking at strategic management in a public sector context. It considers its benefits and the causes of its effectiveness. It examines strategic management in relation to modernizing civil service policy-making and systems of public governance. It outlines the concept of the strategic state and its importance.

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**Figure 25.1** Research into strategic thinking and management – concerned with individual practitioners, organizations or public governance systems?
Strategic planning

There were examples of strategic planning in the public sector in the 1960s and 1970s, although strategic planning practices were known by other names at the time. In the US, strategic plans became common in public sector organizations at the sub-national level in the 1980s (Berry and Wechsler 1995). The trend to using strategic planning at the national or federal level was evident from the 1990s onwards in a wide variety of countries. Some countries passed laws on strategic planning by government (e.g. the US in 1993 and 2010, Turkey in 2003, and the Russian Federation in 2014). Some countries used strategic planning concepts to evolve their system of five-year plans for national development (e.g. China and Saudi Arabia).

The essence of strategic thinking and strategic decision making is often represented through diagrams known as “decision flow diagrams”, which have been very popular in the public sector literature on strategic management (see Nutt and Backoff 1992; Bryson 1988). A simple one is shown in Figure 25.2.

Decision flow diagrams are very useful, even simple ones such as that shown in Figure 25.2. They help politicians, civil servants and public managers to learn how to do strategic management. They provide an overview of what is involved and how information searching, analysis and decisions can be sequenced. For experienced practitioners the diagrams can be aide-memoires and can serve to stimulate experimentation with changes in ways of making strategic decisions.

But such diagrams are not theoretical models of public sector strategic planning; nor are they simple representations of the reality of strategic planning in the public sector. The diagrams should not be seen as implying that competently applying the prescribed sequence of steps will lead to almost certain success in making major strategic changes. In reality, both strategy formulation and strategy implementation are often very difficult to accomplish skilfully. Both can be hard work and demanding. Rumelt (2011) has stressed that bad strategy is not the result of miscalculations but the “active avoidance of the hard work of crafting a good strategy” (Rumelt 2011: 58).

![Figure 25.2 Decision flow diagram for public sector strategic planning and implementation](image-url)
Consequences and benefits of strategic planning

Studies in the 1990s suggested that individual public sector managers found strategic planning very beneficial (Flynn and Talbot 1996; Berry and Wechsler 1995). Reported benefits included: clarity about an organisation’s future direction, help with planning a path to future success, help with preparing a vision for staff, making better resource and budget decisions, increasing cost effectiveness, finding new opportunities and new ideas, and improving policy making. The last mentioned benefit is interesting since it relates strategic planning to a key aspect of the work of civil servants, namely policy making.

Strategic planning is also found to help organizations be successful in achieving their goals. Poister and Streib’s (2005) study of local government in the United States found that most respondents to their survey were satisfied with the results being achieved by strategic planning and that more than two-fifths of strategic goals were being delivered. Some of the lessons of their findings for increasing the impact of strategic planning can be summarized as follows:

1. Involve citizens and other stakeholders in developing strategic plans.
2. Report performance measures to the public regularly.
3. Make feasibility assessments of options before deciding on strategic actions.
4. Use new money in the budget to resource strategic plans.
5. Set annual objectives for managers using the strategic plan.
6. Use annual performance reviews of managers to look at their contribution to the delivery of strategic plans.
7. Evaluate strategic effectiveness by tracking performance data over time.

In terms of public governance systems, it has been suggested that the most successful governments are ones that have been more strategic (Mulgan 2009). We come back to this point later in the chapter.

Strategic policy making

Sir Michael Bichard, a successful UK civil servant, told a House of Commons Select Committee in 2007 that his career as a public servant was based on a belief in the political process and democracy and that he saw his role as a public servant as one of giving the best advice he could to enable decision making and policy formulation. This can be contrasted with an analysis that implies the elected politicians may be formally in charge of policy making but are faced by civil servants who are more expert, and in fact it is the bureaucrats who are ruling society, not politicians (Weber 1970). This analysis suggests that it is the civil servants who are actually the policymakers, and not the politicians.

There is much confusion nowadays about the relationship between the concepts of policy and strategy, and there is a multiplicity of possibilities about how they relate to one another. If we look at documents bearing the name “policy” or the name “strategy”, they may be seen as interchangeable labels.

The policy making process may be outlined as follows. The process begins with the politicians clarifying priorities and planning legislative programmes. Then civil servants in government ministries draft policy proposals, prepare legislation, consult within government, etc. This is followed by a government decision on the policy and (in some cases) a parliamentary stage in which law is debated and voted on; and then, finally, there is a phase of policy
implementation with monitoring and evaluation to check that the policy is being delivered and is worthwhile.

By comparison, a strategic planning process for a government could have the steps shown in Figure 25.2. A comparison of these two processes would suggest that the policy process, as depicted here, is much clearer about who does what and also clearer that policy making may involve preparing legislation (although not always). The strategic planning process, however, seems to pay more attention to direction setting, the future, and analytical techniques than the policy-making model.

It is often reported that the reality of policy making (and strategic planning) is not identical to any of the usual formal models of the processes. Moreover, if we look at attempts to modernize policy making and modernize how the civil service works, very different issues are brought to the surface from those that might be inferred from formal models. In fact, an OECD report on policy making suggested a number of weaknesses in government policy making (OECD 2007). One weakness is inadequate analysis leading to wrongly drafted legislation. Another is failure to consult stakeholders. A third is a failure by civil servants to evaluate the success of policies. As a result of poor policy making, policy implementation is difficult, intended beneficiaries of policies are unhappy, and legislation requires early amendment. Poor policy making also tarnishes the reputation of civil servants.

There have been efforts in the UK to reform policy making so that it is more strategic. As long ago as 1999, a UK government white paper on modernizing government identified a number of desirable changes to policy making. Modernized policy was to be strategic, outcome focused, joined up, inclusive, flexible, innovative, and robust. In the same year a civil service team in the UK Cabinet Office in Whitehall diagnosed a number of shortcomings in the policy development work of civil servants (Strategic Policy-Making Team, Cabinet Office 1999). Policy making was criticized for not being long term and for a lack of learning. Policy makers were said to be insufficiently forward looking and outward looking. Just over a decade later another report on civil service policy making in the UK suggested that there had been improvements in the practice of policy making (Hallsworth et al. 2011). Policy making had become more outward looking, evidence-based, inclusive and forward looking. But weaknesses persisted, in relation to evaluation, review and learning, being joined up, being innovative, being flexible, and being creative.

In fact, strategic management at its best does seem designed to address many of the weaknesses identified in the policy making of the past and the weaknesses that remain; for example, strategic management can encourage more integrated organizational activities (joined up), more entrepreneurial action (looking for new ideas and opportunities and moving resources), and should include monitoring and evaluation. Attempts to make policy making more strategic, that is, to move it toward strategic policy making, will inevitably face resistance to change either for reasons of vested interests, or reasons of habit and inertia. Reflecting on the UK experience of reforming policy making, the most challenging areas in which to make progress are those of, first, creating more integration between ministries and, second, carrying out evaluation and learning.

Characterizing a public sector context

While there have been thoughtful speculations on the differences between private and public sector contexts (Nutt and Backoff 1992), there has probably been insufficient attention given to characterizing the nature of the public context in order to understand variations in strategic management and its effects. In this section of the chapter some possible approaches to addressing
Strategic management and public governance in the public sector

This matter are suggested, but it is not claimed that what is offered here should be seen as the definitive way forward or conclusive.

It has been common to see the public sector as a bureaucratic context. Weber’s ideas (1970) are a frequent point of departure for understanding a bureaucratic context. He suggested that bureaucratic organization was to be found in large private corporations as well as in the state. Why did it develop in the public sector? Argyriades (2001) suggested that the bureaucratic model represented an early response to the emerging problems of complexity and scale in government, the quest for cost effective service delivery and also for objectivity, legality and integrity.

Against this view of the public sector as bureaucratic can be posed the reinventing government literature. This suggests that the public sector context is changing; the reform of governments can be seen as creating the possibility of post-bureaucratic forms of state administration involving a shift of emphasis from government self-sufficiency in policy making and implementation to the state providing a steering (strategic management) function for society (Osborne and Gaebler 1992). However, this reinventing government perspective is weak on the political and democratic aspects of the public sector context.

It is possible to see the rise of a strategic function in government, based on the development of a strategic management function within government, as being consistent with bureaucracy. The argument in this case can draw attention to Weber’s idea that bureaucracy offered a system of decision making by bureaucrats based on “reasons”. Bureaucracy might be seen as a decision making culture in which officials were able to explain the decisions they made as in accordance with norms or rules. But Weber also said that reasons might be provided by officials through a decision making process that involved the weighing of means and ends. If we define strategic management as action based on goals, analysis of the situation, identification of choices for action, resource analysis and a long-term orientation, then it is seems clear that it is compatible with Weber’s definition of bureaucracy as a system of making decisions that could be accounted for rationally in terms of weighing means and ends.

Turning to the political dimension of a public sector context, a possible starting point is Aristotle (1981), who identified three different types of public governance system and described in each case a dysfunctional development of that type. Kingships could deteriorate into a tyranny suited to the interests of one person (the king). Aristocracies could deteriorate into oligarchies that were run in the interests of the rich minority (a plutocracy). And the third type, a polity, could degenerate into a democracy that only looked after the interests of the poor who were the majority.

Weber offered a way of viewing the politics of bureaucratic public administration. A crucial part of his analysis of the administration of the state bureaucracy, with clear echoes of Aristotle’s ideas, was that there were at least two rival groupings that might be served by the bureaucrats: the propertied classes (the bourgeois) and the “propertyless masses”. Describing the reality as a crypto-plutocracy, Weber suggested that the bureaucrats might actually be serving the interests of the propertied classes, whereas the propertyless masses wanted the state to compensate them for their relatively disadvantaged economic and social life-opportunities.

Weber problematized the idea that the public could directly take part in public governance. He stressed that democracy was based on electing representatives to rule society. As is well known, nowadays in many countries with political institutions based on representative democracy and competing political parties, there are concerns about long run trends such as declining public trust in politicians, public cynicism and complaints that governments are out of touch with the public. It is possible that this coincides with a trend toward a less deferential electorate leading to politics that are more “populist” in character. This gives rise to the following possible framing of the options facing political systems: do politicians have to work harder to court public opinion, or can...
representative democratic institutions be (re)invested with more legitimacy through public and stakeholder participation in government decision making? See Figure 25.3 for a representation of the possible contexts formed by politics and bureaucracy in countries with institutions based on representative democracy, and of a hypothesis about what types of strategic management system might flourish depending on the context.

There have been examples of technocratic strategic management by governments, when experts and politicians have together sought to take a long-term view in the interests of society, without much interaction by politicians or experts with the public (Alberts 1998). The question being posed in Figure 25.3 is: can strategic management be harmonized with increased democratization? This can be split into two subsidiary issues: can strategic management in government empower politicians and can public opinion become more important?

Tentative answers can be suggested here. Politicians can be empowered by strategic management. This is suggested by at least one case study of the experience of a corporate planning system (an earlier form of strategic planning) at Greenwich Council (in London). According to Cartwright (1975), the corporate planning system at the Council had strengthened political leadership, giving elected politicians more and not less control over the Council. He identified the following factors as important: elected politicians had a better understanding of Council activity, were better informed of relevant facts, and were better able to monitor progress.

There is evidence from research into strategic planning by Italian cities that participatory strategic planning is more likely if there is a higher level of civic culture (as measured by newspaper circulation numbers, numbers of voters, level of blood donation, and membership of sports associations) (Cristofoli et al. 2014). It would be rash to conclude that civic culture determines the potential for public participation. However, the study could point to the possibility that public opinion might count for more when governments used participatory strategic planning methods providing there was a favourable culture in the local community or providing such a culture could be stimulated and fostered. This needs testing by future research on this important topic.

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<th>Democratization</th>
<th>Participative strategic management</th>
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<td>Traditional policy-making</td>
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<td></td>
<td>Technocratic strategic management</td>
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<td>Bureaucratization</td>
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*Figure 25.3 The public sector context*
The strategic state

There are numerous examples of long-term thinking in government. More than 50 years ago, British Prime Minister Harold Macmillan commissioned a study to provide a basis for policy-making that involved a ten-year horizon (looking forward to the year 1970). More recently, Finland has been cited as a good example of public governance based on a long-term orientation (Anckar et al. 2011). Its government had prepared a long-term report on the future for Finland’s parliament, it had a Parliamentary Committee for the Future, and its strategic planning was an important element of its decision-making. Saudi Arabia set out an intention in its Eighth Development Plan to deliver a long-term vision through four successive five-year plans ending in 2024 (Saudi Ministry of Economy and Planning 2005).

The existence of electoral cycles and changes of government might be expected to disrupt long-term visions or strategic goals. An OECD report put the issue this way (OECD 2012: 15): “Achieving linkages between umbrella strategy documents and government political agendas can be difficult.” In the case of the US, by 2004 it looked as though the election of a new President was compromising the system of strategic planning by federal agencies (introduced by legislation enacted in 1993). An attempt to reconcile the federal agencies’ planning cycle and the presidential electoral cycle was made through legal changes brought in by President Obama in 2010. This was to be achieved by establishing a new strategic planning cycle that would always follow the start of a new presidential term of office. Despite the challenges of linking strategic planning and electoral cycles, there are examples of governments formulating long-term plans for public services reforms extending well beyond the lifetime of a parliament (e.g. the UK government in 2000, just one year before the general election in 2001, published ten-year plans for health and transport systems).

In recent years, concerns about the lack of coherence in decision making and a lack of more integrated working across the boundaries of government ministries have been repeatedly articulated. And most recently, there have been expressions of the need to develop strategic plans and reforms that are more responsive to citizens, and based on more participation by citizens, social partners, and stakeholders during the formulation stage.

The OECD has done more than anybody to clarify the meaning of “strategic state” capabilities (see, for example, OECD 2013). Based on the public governance reviews carried out by the OECD, the chief features of a public governance system informed by a strategic-state concept are:

- the formulation by politicians of a long-term vision and the setting of long-term priorities for national development;
- effective two-way communication between politicians and their top officials about strategic visions and plans;
- the “centre of government” providing the required coordination of the civil service to deliver government strategies that deliver the government’s long-term vision of national development and its priorities;
- budgetary and performance measurement systems deployed to make the national government’s strategies effective;
- cooperative and coherent working between all levels of government (national, sub-national and supra-national if appropriate); and
- participation by the public and external stakeholders in the formulation of strategies and reforms.
The Europe 2020 strategy, agreed in 2010, provided an example of this new-style public governance in action, and it was specifically intended that citizens would be involved in the formulation of reform plans to deliver the top priorities set out in the strategy (European Commission 2014).

Are strategic states more effective than other types of state? Obviously, research is urgently needed to see if there is a strong correlation between government effectiveness and strategic-state capabilities. In the absence of systematic research, the opinion of Mulgan (2009) may be noted that the top countries in terms of government effectiveness have tended to be ones that have taken strategy seriously. He mentioned, for example, Denmark, Finland, Iceland, the Netherlands, Norway and Switzerland.

In Table 25.1 there is a selective list of countries showing their “government effectiveness” score (which was published by the World Bank). This is being used here as an indicator of strategic-state capabilities. The table also shows two national performance indicators: GDP per capita and confidence in national government. One country really worth singling out in this table is Sweden. According to Doz and Kosonen (2014), an important reform of Swedish government took place in 1997, when a “single unified government” model was brought in. The reform was focused on the integration and coordination of central government, with implications for the role and importance of the prime minister, the Prime Minister’s Office, individual ministers and agencies. In the years that followed there was a sustained fall in central government debt and GDP per capita rose impressively over a number of years. One possible interpretation is that the reform increased the strategic capacity of the Swedish Government. In consequence, it got a grip on central government finances and was more able to steer national economic performance toward more economic growth.

Table 25.1 World Bank “government effectiveness” and performance indicators (2011 and 2012): various countries

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<tr>
<th>Country</th>
<th>An indicator for strategic-state capabilities and two national performance indicators</th>
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<td>Government effectiveness (percentile rank)</td>
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<td>Finland</td>
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<td>Denmark</td>
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<td>Czech Republic</td>
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<td>Poland</td>
<td>72</td>
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<tr>
<td>Italy</td>
<td>66</td>
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<tr>
<td>Turkey</td>
<td>65</td>
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<tr>
<td>Greece</td>
<td>62</td>
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Table 25.1 shows that there was a tendency for the public to have confidence in their national government when it is a country that was credited with a high level of government effectiveness. This could be spurious with confidence in government being really an effect of increasing economic well-being: we can note that countries in which GDP per capita is higher also tend to be countries with a high score on government effectiveness. Turkey is an interesting case in terms of public confidence in national government. Even though it had a relatively low score on government effectiveness and a relatively low GDP per capita, it still scored high on confidence in government. Turkey’s public administration, it might be noted, had been working hard since 2003 to introduce strategic planning as part of its reforms of public financial management. Turkey had also been enjoying stable national government and a good economic record over most of the period since 2003. Perhaps we can infer from the Turkish experience (at least in the period 2003 to 2012) that governments attempting seriously to work as a strategic state appear competent and credible to their publics.

Conclusion

Strategic management in government can be successful providing it is properly integrated into management systems and effectively deployed and supported. Recent systematic research into the causes of effective strategic planning has revealed important lessons for the public sector. These included lessons about how to monitor and evaluate strategic plans and about the benefits of involving the public in the development of strategic plans. It should be noted that surveys have shown that many practitioners in the public sector have found strategic planning to be useful.

This chapter has argued that more research on strategic management is needed that pays attention to the effects of the public sector context. The specificities of the public sector were illustrated using a discussion of the concepts of democratization and bureaucratization. It might be tempting to locate the rise of strategic management in the public sector with the onset of a post-bureaucratic era. But, referring back to the ideas of Max Weber, it is also possible to make a case that the introduction of strategic management coincides with an evolution in the character of bureaucracy in public administration. This chapter has also raised the question of the possibility of strategic management being developed in such a way as to increase democratic culture. Some research findings on the effects of strategic planning on the power of elected politicians and the way in which civic culture may assist the development of participatory strategic planning were noted. These findings point to the possibility that strategic management could be used to reinforce democracy.

The implications of attempts to make policy making strategic, that is, to move it toward strategic policy making, were considered. It was accepted that such attempts could encounter resistance. The UK experience suggested the most challenging areas for modernization of policy making, for introducing strategic policy making, appear to be those of, first, creating more integration between ministries and, second, carrying out evaluation and learning.

The concept of the strategic state was outlined. This is a concept that has been developed primarily through reviews of public governance in various OECD countries, but the chapter noted a suggestion that government taking strategy and long-term thinking more seriously could increase government effectiveness (Mulgan 2009).

While the strategic state concept has been developed to the point where it is a robust tool for studies of the state and public governance, in a global perspective it would be useful to know how it relates to the widely used World Bank governance indicator of government effectiveness. The stability in the meaning of the governance indicator is very attractive when we are looking for ways to understand other developments, but this very stability in its meaning becomes
highly problematic when it is considered that in the last 20 years there has been a surge in support for an effective state that can help and enable the business community to spearhead a return to higher rates of sustainable growth. Is this type of effective state captured by the government effectiveness indicator?

Becoming clear about how strategic-state capabilities relate to the World Bank governance indicator for government effectiveness would help with widening our understanding of the contrasting experiences of groups of countries. Take, for example, the group of countries that formed an important part of the OECD membership – countries such as the United States, Canada, Australia, the UK, Sweden and other Northern European states. They are all characterized as countries at the top end of the range of government effectiveness, and that is where they have remained for a number of years. They appear to fit the “model pattern” prescribed by the government effectiveness indicator. They appear to be at the top end of the evolutionary scale of government effectiveness. It is this same group of countries that appear to be stalled in terms of global competition. Then there is another group of countries, including Argentina, Brazil, Ghana, and South Africa, where the growth rates have been slightly better but government effectiveness has been tumbling. How can this be? Surely good governance, including government effectiveness, ought to be an important factor in economic growth performance. Their experience over the last decade or so contradicts this expectation (at least based on government effectiveness).

A third group of countries seem to have found the best path in terms of international comparisons. Their growth rates have been excellent and they have all achieved sharp increases in government effectiveness. These are the countries of China, India, the Russian Federation, Saudi Arabia and Turkey. Delving into some of their recent experiments with more strategic government suggests that they may have become quite serious about strategic planning as a core element in their governance systems. This is even true of India, which after 65 years of five-year plans, decided in 2015 that it had had enough of central planning and is now set on introducing strategic planning. The government of India has set up a new planning institution, which is named NITI Aayog. This new institution replaced the Planning Commission and was given the responsibility to “provide the strategic policy vision for the government” and to “provide a critical directional and strategic input into the governance process” (Government of India 2016).

None of this provides conclusive evidence that “strategy” is the addition to public governance that will galvanize societies into action and propel them into a new phase of inclusiveness and effectiveness. But there is sufficient evidence to say we need to know more about how extensive and established is the strategic state and what are its consequences.

References

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