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STRATEGIC MANAGEMENT: A PUBLIC-SECTOR VIEW.

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HANDBOOK OF THEORIES OF PUBLIC ADMINISTRATION AND MANAGEMENT. (PP. 234-251) CHELTENHAM, E.ELGAR.

Abstract

Strategic management has become an integral tool in the organization of government actions, although a majority of strategic management research focuses on private enterprises. Within the public sector, politics plays an important role in decision-making and the implementation of goals, which foregrounds political struggle and bargaining. Many developments in strategic management can be viewed from the perspectives of strategic design, internal strategic scanning, and strategic governance, which emphasize both system strategies adopted by governments in making choices and strategic choices within public agencies. These strategy modes are differently attuned to the focus of examinations, methods of reaching future circumstances, and preferred types of capital.

Introduction

Analogies are an effective way to draw attention to the relevant features of a research subject. Vision or eyesight, for example, serves as a functional analogy when examining strategic management in the public sector. Sight is a human faculty, characterized by color vision or the ability to perceive colors. Evolutionary biology has explored the reasons that humans and other vertebrates can detect colors. Trichromatic color vision, found in most primates including humans, is the ability to differentiate between reds, greens, and blues using three classes of photoreceptors. Dichromatic vision uses data from only two classes of receptors, which still allows for some color differentiation. In protanopia, or the most common form of dichromacy in humans and other animals, individuals cannot differentiate between reds and greens. This deficiency is more commonly known as color blindness. Color vision provides organisms with important sensory information about their environment. For instance, the ability to distinguish between colors helps detect and avoid predators as well as recognize food and mates (Gerl & Morris, 2008). Color blindness compromises the ability to sense colors; nevertheless, it has selective advantages. It improves the detection of color-camouflaged objects and perception in low-light conditions (Yokoyama & Takenaka, 2005). The evolutionary shift to color vision has been undoubtedly advantageous for animals, although it is not free from certain tradeoffs. For instance, the increased ability to distinguish between red and green among primates has reduced their dependence on chemical signals and affected the human sense of smell. Further, among certain sea animals, the increased weight associated with superior vision had to be traded for buoyancy and the ability to escape predators (Gerl & Morris, 2008).

Like vision, strategic management is a tool to see future conditions using present knowledge. It can be considered a human condition that helps formulate and anticipate change on the grandest scale, but it might not be the most pertinent for minute details or daily operations. Strategic management is also subject to tradeoffs: focusing on one aspect may handicap another. The concept involves numerous organizational aspects, and thus, actions based on a specific strategic thought may contradict other approaches of strategy formation. Strategic management is not limited to guiding business operations. It has its origins in the organization of warfare (Strachan, 2005) and is embedded in political thought and conflict resolution Hood, 2010; Weaver, 1986).

The chapter is structured as follows. First, it discusses the framework adopted to study strategic management. It highlights the possible focus of strategic thinking and action in both the political nexus of the government and in the operation of public agencies. The analysis is conducted at the systems and organizational level. Second, it elaborates on the main features of the three identified strands of strategic thought—strategic design, internal strategic scanning, and strategic governance—in the context of the public sector while drawing on the empirical findings for the respective areas. The chapter concludes with a discussion on further avenues to promote goal-oriented action in government circles.

Public strategy formation

The strategy literature presents three themes that can be applied to the public sector at the macro- and micro-level (Johanson, 2009, 2018): strategic design, internal strategic scanning, and strategic governance (Figure 19.1).

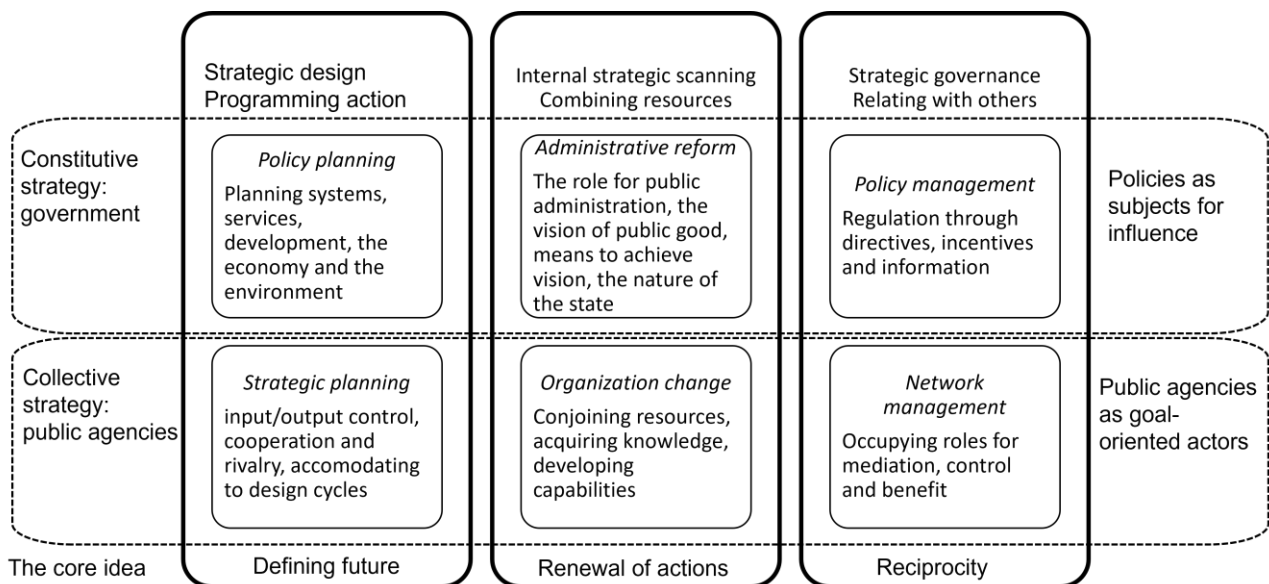


Figure 19.1. Public strategy formation.

Strategic design: The fundamental assumption of strategic design is that organizations can anticipate the future with their current understanding. Strategy, by its very nature, involves planning, while strategic design relies heavily on pre-determination: the idea that the future can be programmed in advance (Mintzberg, 1994). The first stage of strategic design is analyzing threats and opportunities in a given environment. The anticipation of future events and the subsequent programming of actions are practices that do not differ by the type of organization. In the public sector, strategic management is often equated with planning (Bryson et al., 2010; Poister, 2010). Strategic planning is rooted in a spatial examination of the physical environment and, more importantly, presents a goal-oriented perspective of both macro- and micro-level developments in the government (Archibugi, 2008). Macroeconomic planning involves the maintenance and development of markets. Strategic design at the microeconomic level is the creation of a predefined strategy that incorporates alternative goals and various theoretical approaches. From a political viewpoint, strategy entails securing re-elections (König & Wenzelburger, 2014), seeking credit, and delegating blame (Hood, 2010; Weaver, 1986).

Internal strategic scanning: A government or an organization succeeds because of its unique combination of resources. In a government, administrative reforms are the embodiment of experimentation with new combinations of resources. At the micro level, public agencies must focus on compiling valuable resources to fulfill their mandates, create value for society, and undoubtedly, survive. Another key aspect of strategic scanning is identifying internal strengths. More specifically, the approach explores internal strengths and weaknesses rather than external opportunities and threats, which is also the focus of strategic design. The inimitability of resources and capabilities gives business organizations a competitive advantage (Barney 1991, 2001; Barney et al., 2011). Within the government sphere, the lack of market competition has created the need to gather resources for survival and to retain relevance in policy processes from a bureaucratic politics viewpoint (Jones, 2017; Peters, 2010).

Strategic governance: Strategic governance has its roots in increased interdependence at the global, national, and local levels on the one hand (Kersbergen & Waarden, 2004) and in the advancements in the sharing of knowledge and duties across organizational borders on the other (Dyer & Sing, 1998). The strategic governance framework considers both internal strengths and environmental opportunities. The arm's length control by the government is the clearest in the expansion of government regulation (Gilardi et al., 2006) and in the emergence of new forms of self-regulation and co-regulation (Steurer, 2013). These regulations account for a significant portion of macro-level governance. From a micro viewpoint, networks are critical in connecting different governmental and organizational levels across various network management structures (Simmel, 1950). Networks are a part of the interplay among public agencies within government circles (Moore, 2013; Provan & Kenis, 2008). However, building a network can pose several challenges within a government. For instance, networkers must relax control over their own actions to mutually benefit from sharing duties, although this can be difficult owing to business secrecy, democratic control, or fear of resource loss.

The three modes of strategic management are associated with different aspects of governing and vary in their approach to the subject matter. Strategic design views the programming of actions as a key strategic action; strategic governance emphasizes relations with others in an external environment; and internal strategic scanning highlights possibilities in guiding a system's internal operations.

The level of analysis issue is important in the study of governments. There are multiple levels of choices in a society (Kiser & Ostrom, 1982). Hill and Hupe (2006) explore choice options in society in the context of policymaking. Constitutional and collective choices are made in different loci, which define the scale of action. Constitutional choices appear in the design of political and administrative institutions or intergovernmental relations at a systemic level. Such choices are fundamental to the government since they define rules that direct the formulation of other rules. System-level collective choices are defined by governmental policymaking and the rules for policy implementation. These are genuine choices between alternatives, but they are contingent on constitutional rules.

Constitutional governance can be observed in the design of relevant contextual relations in an organizational setting. A relevant example is the mapping of powerful and interested stakeholders. Constitutional governance also involves general choices, but they are conditioned on system-level decisions. At the organizational level, collective choices maintain the designed external relational structures. These two aspects are necessary to effectively distinguish between system-level strategies in governments and organizational strategies in public agencies. The discussion, hereinafter, addresses both system-level macro strategies in policy planning and evaluation, administrative reform, and policy management and the equivalent organization-level micro-strategies in the context of strategic planning, organizational change, and network management within public agencies.

Strategic design

Not all sciences have evolved from philosophical considerations; in fact, numerous scientific endeavors have emerged from rules of thumb and the development of these rules into a collection of directives. This reasoning can be attached to the development of many applied and design sciences. The application of medicine, engineering, and farming exemplifies the professionalization of everyday experiences. The mechanization of technological tools in these and other areas of practice has increased the efficiency of the tools. Design sciences often incorporate normative aspects because they do not merely describe how things are but prescribe how things ought to be to attain goals (Niiniluoto, 1993; Simon, 1996). Planning and its various forms exhibit characteristics of design science. Planning has evolved through practical tools used to design the future of our environment and actions. Plans tend to be effort intensive, and their formulation and accomplishment can be

time consuming. The value of planning lies not only in its formal quality, truthfulness, or accuracy but also in its usefulness to users.

Despite the practical origins of planning, redefining government structures is far from a neutral exercise to achieve goals in the most efficient manner. Political strategy, inspired by political science, proposes a markedly less rational model of goal-setting. A strategic political action is a method to achieve electoral success while implementing policies that are not always popular. In essence, strategic political action seeks to influence the popularity of a policy and the responsibility associated with that policy (König & Wenzelburger, 2014). Occasionally, it is a good strategy to limit one's political agenda to avoid blame generation or to neutralize an issue by redefining it. Numerous catchphrases capture how politicians manipulate public perception of policies and responsibility; for example, "Throwing good money after bad" (utilizing more resources to compensate for losses), "Passing the buck" (assigning blame to another); "Jumping on the bandwagon" (supporting a popular alternative) (Weaver, 1986).

A possible explanation for the growing interest in such analyses is the need to explain seemingly risky policies (e.g., welfare cuts) and the failure to penalize politicians responsible for implementing them. Analyzing welfare retrenchment strategies, Pierson (1994) argues that retrenchment is an exercise in avoiding blame rather than claiming credit because the costs of retrenchment are concentrated and often immediate, while the benefits are dispersed. (Hood 2010) assumes negativity bias to argue that "potential losses are commonly weighted more heavily than equivalent gains," implying that blame avoidance is more important than credit seeking. To elaborate, the establishment of more autonomous public agencies and the implementation of market-emulating reforms created fertile ground for politicians to avoid blame. In this way, politicians can more easily insulate themselves from disasters and accidents and delegate responsibility to others.

Policy planning and evaluation

Planning offers an encompassing view of society, which partially explains its prominence in the strategic management literature. Planning features prominently in the macro development of countries and in the micro developments of individual firms, public agencies, and local communities. The micro-macro distinction elucidates planning as action in economic circles, governments, or civil society. The most obvious effects of planning are observed in the temporal aspects of social life. In other words, planning is a means to achieve goals and objectives in the future. Planning efforts are not confined to the realm of national governments, as evidenced by the developmental planning efforts of the United Nations (UN), the World Bank, and the International Monetary Fund (IMF), or the rise of supra-national institutions such as the European Union. Planning was traditionally viewed as an independent activity, separate from the consequences of strategic actions. Here, the feedback loop between strategy outcomes and the formulation of new strategies is not the primary concern of strategic planning.

Over the past century, specific subject areas have proposed a useful typology for strategic planning using the managerial methods of public decision and intervention. The broad categories include physical, macroeconomic, socio-environmental, development, and operational system planning. Planning facilitates the anticipation of distant futures without concern for past practices. Although many planning developments begin as bottom-up, grassroots movements, coordinating activities from the top-down can be beneficial. In the case of physical planning, it makes sense to coordinate urban and regional planning in a country. Macroeconomic planning entails the allocation of scarce public resources by national governments. The practical impetus for this field of study is the preparation for and recovery from world wars as well as the need to design economic structures without markets. Socio-environmental planning is based on the local grassroots engagement of communities and groups in improving their social conditions, such as housing, employment, or child- and eldercare. Macro counterparts include national health, social, and educational policies. Developmental planning aims to improve the conditions of developing economies, often with the help of international organizations such as the UN, IMF, or the World Bank. Operational planning is theoretically rooted in management science. An example of such strategic planning is the design of a planning programming and budgeting system (PPBS) by national governments (Archibugi, 2008).

Evaluation research has evolved, not antithetical to the planning movement, but in parallel to the process of dynamic social ideas. Neoliberalism is presently associated with the market-emulating reforms of the 1980s. It broadly indicates that if governments should operate like private enterprises, their performance and the use of taxpayer monies should be evaluated in terms of “value for money.” The focus of the current evaluations supposedly emerged at the beginning of the new millennium. The fundamental idea of this movement is that policies should be based on evidence of what works and what does not (Vedung, 2010). Evaluations make two key contributions to strategic planning. First, they offer valuable information about a plan’s progress during the implementation phase. Such insight helps organizations reorient or reformulate strategies on the basis of concrete empirical evidence gathered during the strategy-formation process. Second, evaluations help distinguish between feasible futures and less likely ones based on the strategic goals of the initial phases of strategy formulation. Such measurements bring strategic management closer to performance management, which is essentially setting goals and managing the achievement of these goals. The focus on goals represents strategic management at not only the planning stage but also the operations level (Poister, 2003).

Strategic planning

A strategy is considered a model or plan that incorporates goals as an integrated whole in the strategic design mode. A strategy focuses on deploying resources in a unique and viable fashion. It builds on an organization’s abilities while accounting for anticipated changes in the environment. The fundamental features of a strategic plan are vision (where), mission (why), goals (what), and primary means (how) (Quinn, 1980). Strategic planning is the formulation of a strategy. It defines an organization and the purpose of its operations. Further, strategic

planning does not simply extrapolate current trends to the distant future. It also requires the invention of new practices and the development of measures to track progress.

Strategic design addresses the temporal aspect of achieving a public organization's goals. Public agencies have adopted numerous tools and procedures to anticipate future circumstances using current knowledge via a formal design cycle. The cycle moves between planning and implementation and follows a predefined series of steps—from strategy determination to strategy management and, finally, identifiable outcomes. The first step is analyzing the environment as well as institutional and organizational features, which leads to the formulation of a strategic plan and the development of strategy content. The cycle then progresses to the implementation stage with more operative programs and projects. Strategy design also includes the definition of employees' individual duties. Following the implementation, the organization assesses the outcomes in terms of changes in capacity and performance (Wheelen et al., 2017).

Agencies tend to deal more with policies than with political struggles, but analyzing bureaucracies from a purely technical viewpoint is a fallacy. Public agencies emerge from political struggles, and thus, they are political compromises caught between pressures from those in political power, the opposition, and interest groups. These pressures cause an agency's efficiency to decline. Bureaucracies are established to protect certain functions or actions from political agenda, making it difficult for political opponents to influence policies when they gain power (Moe, 1989). However, politicians and interest groups routinely and deliberately set up bureaucracies that are structurally ill-suited for effective action. At worst, strategic planning is reduced to a ritual that serves the demands of superior government units or funding bodies (Bunning, 1992). In their analysis of national park management in the United Kingdom and the United States, Llewellyn and Tapping (2003) find that strategic plans are "dormant documents" that are of little use to the organization, although their completion requires considerable time and expertise (20 years in some cases). Interestingly, a curb on park funding transformed the role of strategies into a management tool to prioritize projects and to attract additional funding from stakeholder groups.

A manager's role tends to be weaker in the public sector than in the private sector. Moreover, politics and organizational culture play a bigger role in guiding choices in the public sector, and many choices are predefined. However, these two realms of action do not significantly differ in the extent of planning or the pace of changes (Scholes & Johnson, 2001). Given the controversial nature of numerous public policies, actual planning tends to focus on resource use instead of strategic goals, and these controversies can easily lead to political bargaining. The influence of politics in public agencies is more strongly associated with the nature of political institutions than with the political struggle between parties. From an institutional viewpoint, prior legislation is an impediment to any drastic governmental change. A majority of government actions and spending are already stipulated by existing legislatures (Greener, 2005). Another aspect of strategy in government circles is the electoral cycle, which prevents the formulation of long-term strategic commitments. Further, the one-year budget cycle shortens the time horizon to the most immediate issues and actions (Di Francesco & Alford, 2016).

Poister (2010) reviews strategic management research in the public sector and highlights that until recently, limited attempts were made to synthesize efforts in the use of strategic management tools in the public sector. He further argues that policy areas and the nature of constituency groups play a significant role in determining engagement levels in strategic planning. Political decision-makers sometimes compel organizations to formulate strategic plans. Public agencies, on the other hand, generally lack the authority to make decisions or the operative space to strategically manage organizations (Bryson et al., 2010). Organization size is another factor affecting strategies, wherein larger organizations are more likely to engage in formal planning procedures. Available resources are also an important determinant of strategic management exercises (Boyne et al., 2004), and the lack of resources encourages the formulation of a plan (Berry & Wechsler, 1995). Studies comparing top-down and bottom-up strategies offer complementary findings. The bottom-up approach tends to increase consensus regarding goals but complicate implementation (Hendrick, 2003; Kissler et al., 1998; Wheeland, 1993).

While market competition does not hinder interagency cooperation, successful agencies are better able to generate information and offer advice about policymaking processes. Such agencies control the flow of information flow through the policy process. Interestingly, internal administration is not a key factor influencing an agency's success since agencies tend to be evaluated as per the success of their policies and not internal operations (Ellison, 2006). Boyne and Gould-Williams (2003) suggest an increase in the number of strategic targets decreases performance, which means that while clear goals are a key aspect of strategies, it is important to have simple strategic goals. Cepicu et al. (2018) examine austerity measures in Italy and find that economic crises do not increase focus on performance-based criteria in strategic planning or budgetary processes. In a different context, the quality of strategic planning may appear as a more responsible behavior. That is, despite good quality planning, strategic management has led to tax increases to cover debts and to directly address the most pressing socioeconomic issues.

Empirical assessments on the performance outcomes of strategic planning in public organizations are rare. A majority originate in analyses of English and Welsh local authorities. Their findings suggest that the prospector strategy is the most likely to result in high performance. A research project conducted by the Cardiff Business School analyzes local government strategies using the Miles and Snow strategy typology (Miles et al., 1978). The typology includes three main strategies—defender, prospector, and analyzer—that enable organizations to survive in their environments. Defenders seek a stable spot in the market, which they then try to protect against rivals. Prospectors try to adapt to dynamic environments by exploring new opportunities and exploiting innovations. Analyzers try to balance stability with the search for new opportunities, and thus, is a combination of the two other strategies. The model also incorporates the non-strategy of failure (reactor), which consists of inconsistent combinations of strategies, technologies, and processes. Numerous empirical studies (mainly in the United Kingdom and the United States) suggest that a prospecting strategy improves performance and generally produces better results than the defender or reactor strategies (Boyne & Walker, 2010). However, some evidence suggests that the defender strategy leads to high performance (Andrews et al., 2009). The analyzer strategy, on the other hand, is rarely included in these studies.

Internal strategic scanning

The basic narrative for the development of public administration highlights a movement from the old form of public administration—with its red tape, hierarchical control and sometimes overly legalistic rules and procedures—to a streamlined, business-like, market-oriented form of public management in the 1980s. Recently, some scholars have supported a shift to a new form of public governance defined by voluntary networks, cooperation, and the co-production of public services (Kisner & Vigoda-Gadot, 2017). However, it is difficult to determine if these broad labels refer to specific reforms, actual forms of public administration, or theoretically driven models of the current state of affairs. Some reform models may contain all these elements, while some others possess none. In terms of strategic management in general and internal strategic scanning in particular, the key focus of administrative reforms is to change the government as a whole and guide the implementation of such change.

Administrative reform

Analyses on new public management (NPM) reforms have dominated the academic literature since the 1980s. Discussions on the role of public administration have thoroughly explored the reasons underpinning the NPM reform doctrine, along with descriptions, outcomes, and efforts to make governments more business-like, market oriented, and client friendly (e.g., Hood, 1991). Public management reforms are easily viewed as a consequence of problems and a failure of planning. Centralized control and comprehensive planning have been ineffective in eradicating social problems. Naïve belief in progress and scientific methods that dominated during the period of steady economic growth following World War II turned into distrust of the government during the economic instability of the 1970s. NPM has become a catchword for any administrative reform effort, and this can be attributed, at least partially, to developments in the political sphere. For the first time in the 1980s, the role of public administration became a political question, and administrative reform became a topic of political struggle (Pollitt & Bouckaert, 2017).

In strategic management, public sector reforms serve as a showcase for a government's self-referential action. Public sector reforms focus on the re-organization of governmental ranks, particularly within the executive branch. Administrative reforms have evolved into a business of improving, streamlining, and re-inventing public administrations to an unprecedented level. Pollitt and Bouckaert's (2017) seminal examination of public management reforms in OECD countries offers a descriptive model of administrative reforms. In their model, politicians and senior civil servants channel the influence of politics and socioeconomic forces in the decision-making arena. Elite decision-making defines the feasibility and desirability of a given reform agenda, but the agenda is vulnerable to events such as scandals and disasters. However, despite the sporadic ambitious attempts, change in public administrations remains slow.

Light (1997, 2006) examines US government reforms after World War II and proposes four approaches to reform. The first is scientific management, a centralized approach to implementation wherein people trust the government. The approach is defined by strict rules, clear guidelines and procedures, and close supervision by central agencies. The second is the war on waste, which involves audits, inspections, and centralized supervision

by quasi-independent bodies. This centralized implementation approach is also characterized by a lack of trust in the government. The third approach is the watchful eye that views freedom of information and openness of procedures as ways to improve a government's functioning. This decentralized route is defined by a lack of trust in the government, whereby e-media, interest groups, and citizens use their voices and actions to prevent governmental mischief. Finally, liberation management is the fourth decentralized approach, characterized by trust in the government. It seeks to empower employees by avoiding oppressive rules and to achieve innovation through commitment and group effort.

Public administration research has identified several strategies for administrative reform that include both the goals of and means to the implementation of strategic action. New public administration (NPA), new public service (NPS), new public management (NPM), public value management (PVM), and new public governance (NPG) are some options to realize macro changes in a government. Each approach has a unique vision of public good, a defined method to achieve the vision, and an independent idea of the roles of the state, government, and public administration (Pyun & Gamassou, 2018, pp. 255–258).

Organizational change

Resource-based analyses on organizations' internal operations offer promising theoretical grounds to develop strategic management in public agencies and coincide well with the political nature of bureaucracy in the politics of bureaucracy literature (See Jones [2017] for a review.). One of the basic tenets of the resource-based view is that resources are valuable, rare, inimitable, and non-substitutable. Such resources provide firms with a sustainable competitive advantage. The value criterion for resources is not problematic in the case of public organizations. Agencies can use valuable resources to produce superior performance given the nature of the resources (Peteraf, 1993). Other criteria assume a competitive situation in which organizations seek a sustainable competitive advantage, although this does not apply to government entities. For instance, the dominant focus on rent extraction does not apply to a discussion on public agencies (Vining, 2016). By contrast, increasing dependence on other organizations reduces autonomy among public agencies, but sharing resources enhances the agency's legitimacy among political masters, resulting in greater autonomy in the long run (Verhoest, 2018). Drezner (2000) offers interesting insight on the role of public missionary organizations in the promotion of peace and human rights: strongly ideational organizations survive better if they insulate themselves from other agencies; however, the few surviving agencies embedded with others are more likely to influence national policy than insulated ones.

Numerous public agency resources, such as expertise and administrative procedures, are not mobile or easily transferable from one agency to another. Thus, it is quite likely that public agencies control unique resources that cannot be easily acquired or developed by other agencies. In other words, resource immobility is a possible explanation for performance differences among public organizations, even in the absence of interagency rivalry. Klein et al. (2010) offer valuable insights on the importance of resources in a public setting. Public organizations are stocks of resources. They employ routines and capabilities and acquire excess capacity by deploying these

resources. Public entities control important resources such as infrastructure, military information, and knowledge systems, as well as organizational assets including bureaucratic cultures. They produce public outputs but use both public and private inputs. The nature of value generation is another distinct aspect of public organizations. Private firms aim to capture value (profit), but first need to create some part of the value that can be captured. Public agencies, on the other hand, create value in the interest of the wider public but also must capture some value for their own goals, which may include survival, conflict resolution, or tax revenue. Simply put, private firms aim to appropriate created value, whereas public agencies attempt to create appropriable value (Klein et al., 2010).

The literature on the politics of bureaucracy proposes that the executive side of the government considerably influences government decisions. Actual decisions, however, are based on bargaining and negotiations, which often result in unintended decisions. The politics of bureaucracy highlight the roles and positions of actors in influencing decision-making (Jones, 2017). There is also competition over resources and power struggles in achieving one's goals in the decision-making agenda (Peters, 2010). The most important resources of public agencies are linked to the knowledge and capabilities of administrators: that is, their expertise, ability to generate information and advice, and possession of a dominant profession (See Ellison [2006] for a review.). An agency can elucidate its mission by encouraging its administrators to develop specialized knowledge and skills. In addition, it can strengthen its position by mastering complex technical duties that cannot be easily contested by political masters or the general public. A dominant profession indicates that the agency employs members of a single profession. The agency can further advance its position if the professionals belong to a group that performs highly valued duties in the society (e.g., engineers, lawyers, and medical doctors).

Recent review articles have extensively documented the growing attention given to the resource-based view in empirical research on knowledge and dynamic capabilities (Pee & Kankanhalli, 2016; Piening, 2013). The knowledge perspective sheds new light on the nature of public agencies. It indicates that the main problem in public agencies is, not the limited operational decision-making power given their strictly defined mandates in public agencies, but the overreliance on explicit knowledge, as seen in their standard operating procedures, manuals, and codes of conduct. In other words, agencies have few opportunities to combine the sedimented structures of tacit knowledge with the fluid forms of explicit knowledge. A key implication of the research is the importance of creating, disseminating, and using knowledge for productive purposes. The ideal goal is often a horizontally and vertically integrated ICT system connecting all administrative aspects from the local to the central government (Layne & Lee, 2001). Another recurring theme is that abundant resources are critical in developing and reconfiguring dynamic capabilities. In addition, dissatisfaction with the status quo significantly triggers the development of capabilities.

Strategic governance

Governance offers a broad perspective on the functioning of society. The unifying feature underlying this perspective is the pluricentric rather than the unicentric view of various involved parties. In other words, it is

assumed that governance occurs between many rather than few actors. Networks play an important role in the study on governance and signify not only the multitude of actors but also the different types of actors such as public and private organizations and civic engagement. There is also emphasis on governing processes rather than government structures. In other words, governance processes highlight “soft” coordination mechanisms, such as negotiation, alliance formation, and cooperation, instead of “hard” methods of command and control. Further, the relationships among actors are subject to certain risks, and the governance discussion accounts for institutional arrangements to reduce and tackle such risks (Kersbergen & Waarden, 2004).

There are two ways to guide interactions in a networked environment: guiding network structuring processes and guiding networks directly. The two approaches can be distinguished as micro interactions within organizations and macro interactions within governments. The governance discussion clearly differentiates between the two aspects: the designing of institutions and policy management are representative of macro governance, while network creation and maintenance are the tasks of public agencies.

Policy management

An emerging idea in the literature is that regulation, in its multiple forms, covers most governance aspects (Jordana & Levi-Faur, 2004; Levi-Faur, 2013). The definition of regulations as government control of economic interactions is too narrow and even more restricting is the view that regulations are a tool to oversee the functioning of utilities such as energy or water. Regulation includes the self-regulation of industries or community groups, and it is exercised not only through legal rules but also through less formal but equally binding norms. Governments can influence other areas of society through both the hard method of laws and soft methods such as economic incentives and knowledge dissemination. Put differently, the law represents the stick, incentives are the carrot, and information is the sermon (Bemelmans-Vidéc et al., 2017).

In the era of governance, civil society has taken a more active regulatory role. Government extends its influence through a mixture of formal standards and informal pressure. Some examples of regulations exercised by institutions of civil society are setting standards for environment-friendly forestry practices, creating an index for governmental corruption, and issuing certificates to sustainable tuna fisheries. Within the business arena, self-regulation may be collectively done through industry standards, such as the adoption of corporate governance standards or the implementation of corporate social responsibility policies in individual firms (Steurer, 2013). Private firms may also oversee the functioning of governments; for example, they may audit public sector accounts (Vakkuri et al., 2006). The borders between co-regulation and co-management often blur, leading to identifiable types of hybrid arrangements among the government, economy, and civil society (Johanson & Vakkuri, 2017; Vakkuri & Johanson, 2020).

Regulations include a specific set of rules, a deliberate state of influence, or any form of socioeconomic impact. Regulations are not always restrictive and can also enable action. While regulations are mainly directed toward the economy and civil society, more recently, there has been a rise in certain types of regulations in the public

sector, such as formal auditing procedures and financial control of appropriations. Regulative strategies include command and control, incentive-based regimes, market-harnessing controls, disclosure regulations, direct action and design solutions, rights and liabilities, public compensation, and social insurance schemes (Baldwin et al., 2012).

Network management

Research on network management largely focuses on organizational operations, and public agencies serve as an empirical example. While scholars have discussed collaborative management in the public sector, there is limited work on the strategic aspects of collaboration (Bryson, 2010). Within the public administration literature, there are three clusters of relational perspectives—policy formation, governance, and policy implementation—with overlaps between the first and second as well as the second and third clusters. Network-analytic studies on public administration concentrate on questions of policy implementation (Lecy et al., 2014). The strategic task of a public manager is to imaginatively combine an agency's tasks while accounting for the environment and operational capabilities. While the role of public managers is to identify new opportunities to achieve strategic goals by shrewdly engaging in an “imaginative value search”, fairness and accountability legitimize them. Legitimacy not only stems from political approval but also stakeholder support from service users and local communities. Further, the probity of public officials is not limited to the confines of a public agency or service users but extends to those who provide services to the agency. Approval is not an outcome of maintaining suitable distance from politics but a result of constant and repeated actions of integrity taken before multiple audiences (Moore, 2013).

Analyses on public agency task identify the type of network constellations that contribute to agency efficiency within network structures. The fundamental transformation in sociability emerges in moving from an examination of dyads to that of triads. The triad comprises three elements that connect to one another forming a group. The efficiency of initiating and governing such groups becomes a virtue in public administration. The triad includes three roles: non-partisan, *tertius gaudens* (the third who benefits), and *divide et impera* (divide and rule). A non-partisan role is the mediator who remains a neutral outsider in the decision-making process. In the *tertius gaudens*, the third party uses the social structure for its egotistic purpose. Here, competition is key in understanding the benefits of a situation and thus, it is viable to keep your contacts apart to gain control and informational advantages (Burt, 1992). The distinguishing nuance of the divide-and-rule position is that the third element attempts to dominate the others (Simmel, 1950, pp. 150–163). This triad examination suggests that the network role of public agencies is not constant and that it depends on the administrative duties (Johanson, 2009) of the concerned agency. The public agency can be a benevolent mediator in a non-partisan role, a business partner in a *tertius gaudens* role, or an antitrust agent in a *divide et impera* role. Client group support is a key influencing factor in the triadic interaction of the non-partisan type. Empirical evidence shows that budgets are greater in US state agencies when top administrators perceive a strong influence from clients

(Ryu et al., 2008). In competitive environments, however, public agencies are business partners to their clients and providers. Here, a lack of connection between external partners enables the agency to benefit in the marketplace. In an anti-trust agent role in regulating and controlling external parties such as industries, the agency pursues an all-powerful position in discouraging the formation of a coalition among network partners. This hinders the possibilities of, for instance, regulatory capture, an outcome of sectional interests influencing the government (Bó, 2006).

Research on empirical networks proposes network constellations similar to theoretical models adopted to acquire control, benefit from social intercourse, and mediate others' action. In examinations on the effectiveness of public agency networks, scholars exploring total networks highlight the overall configuration of the network structure rather than the aspects of individual members. Shared network governance allows members equal representation in the overall guidance of the network. A network in which one member dominates the others is generally characteristic of a lead organization-based network, and a network with a separate coordinating actor is a network administrative organization. Provan and Kenis (2008) argue that shared network governance is the most effective in small, high-trust, consensual networks that do not require high network-related competencies. Lead organization-based governance, on the other hand, performs best in medium-sized networks under conditions of relatively low trust and consensus and moderate network-related competencies. Network administrative organizations (or a coordinated network) show the most efficiency when trust levels are relatively high, the number of participants is moderate, and the goal consensus and need for network-related competencies are high.

All basic orientations of a third party appear in the agency context. Agencies can behave as non-partisan intermediaries between politics and the environment, profit maximizers, or harsh rulers aiming to dominate network partners. The role of an agency depends on its duties, the flow of financial transfers, and the nature of the recipients of such transfers. In other words, a public agency has no definite network role but has role-based orientations for different types of agencies.

On Color blindness and other strategic matters

This chapter began with a description of color blindness to highlight the deficiencies and advantages of visual impairment. Strategic management is inevitably geared toward changes in programming action, combining resources, and managing contacts with external stakeholders and constituencies. The tradeoff in adopting a strategy-based approach is that one becomes alienated from the everyday duties in government operations. The

discussion indicates two types of choices in society: constitutive and collective choices. Constitutive choices define the framework for action and collective ones function within a selected framework. It is not evident if all strategic views represented here are attuned to changing the governing system. Within the government, there is a double bind in not allowing drastic operational changes. At the systemic level, checks and balances between institutions and stricter demand for constitutional modification impedes radical changes. Similarly, legal restrictions are obstacles in the organization of public agencies.

Color is not an inherent property of an object but a property of the visual system of the organism that perceives it (Endler, 1978). The metaphor of vision and eyesight clearly indicates that strategic management is not limited to private enterprises but is a critical aspect in governments as well. However, business enterprise research views strategy differently in the realm of politics. In government decision-making processes, strategies address power struggles and the balancing the search for credit and the avoidance of blame. The framing of business strategies as neutral exercises to meet goals, such as gaining market share or quickly entering or expanding markets, tends to hide potential and actual conflicts. In government circles, such strategic management is not an impartial approach to improve governance quality but a tool to acquire and maintain power.

While certain basic assumptions of strategic management differ between governments and businesses, private sector practices offer numerous lessons. A key insight into strategic planning in private enterprises is that it is difficult to demonstrate the significance of planning. A main theme in the related literature is interactions between strategic planning and performance, although the results remain inconclusive (Wolf & Floyd, 2017). The lack of research in the public sector hinders detailed assessments of the benefits of strategic planning, although it is fair to assume that such assessments are difficult to conduct in the public sphere.

The three strategy modes pave the way for further contemplation (Johanson, 2019). This chapter points out the main obstacles of their adoption and their association with different types of capital. In the strategic design mode, planning necessitates some form of continuity. Constant, drastic, or sudden changes can render even well-designed plans futile. However, evidence on business enterprises suggests that extremely complex and unstable environments encourage the adoption of more comprehensive long-term planning processes (Wolf & Floyd, 2017). This finding is interesting given that it does not rule out strategic planning in turbulent environments. The most obvious obstacle in internal scanning strategy is the failure to define well-functioning resource combinations. The problem is further exacerbated when the required capabilities tend to change. However, problems with the division of labor can be observed among and between professionals in their inability or reluctance to combine expertise to fulfill critical organizational goals. In external interactions, the role of partners can be misinterpreted, efforts to reach a consensus may consume a multitude of resources, and powerful external stakeholders may overwhelm public authority.

These strategy modes follow temporal orientation in the appreciation from financial and human capital to the valuation of social capital in modern societies. For example, when building infrastructure and physical facilities,

financial capital enables investment in machinery to create concrete artifacts and to modify physical environments, which is at the core of the strategic design mode. In the context of internal strategic scanning, the rise of a knowledge-based economy has increased the production of virtual products and services, which in turn, have raised the relevance of human capital in terms of knowledge, skills, and capabilities embodied by employees' thought processes and actions. Further, strategic governance points to social capital in an interconnected society to promote the value of network relationships over financial possessions or knowledge-based assets.

This chapter aims to improve our vision of strategic management in governments. The application of the three strategy modes allows us to view strategic management not as different shades of grey, but rather as a wide range of color schemes, in which the perceiver plays an important role. In practice, there is a need to plan for the future, experiment with resource combination, and establish and maintain connections with the environment. In conclusion, strategic management is a form of art that can depict governments in their true splendor.

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