The Theoretical and Practical Challenges of Strategic Management in Public Sector Environments: Rationality and the New Machiavellianism?

ABSTRACT

Quinn (1980) Mintzberg (1987; 1989; 1994) and Bryson (1990) suggest that the theoretical and conceptual understanding of strategic management may be enhanced by analysis, which explores patterns of organizational strategic action. Therefore, unidentified, emergent patterns of strategic management may be as important as those defined through formal and rational-normative strategic planning models. Using an empirical study undertaken during the 1990s (Johnston, 2002) on governments and public sector organizations in Canada and Australia, this paper attempts to determine whether analysis of political patterns of strategic management, beyond and including rational-normative interpretation, does provide deeper knowledge about theory and practice than currently exists.

Keywords: Public sector management, strategic management

INTRODUCTION

Quinn (1980) and Mintzberg (1994) suggest that knowledge derived from military theories, concepts

and practices of strategic management dating back to ancient history (Thucydides, 1954; Sun Tzu, 1981;

Musashi, 1982; Machiavelli 1979; Clausewitz, 1942) is useful for understanding the importance of

emergent strategic management patterns of action in more contemporary times in public or private

sectors. Thucydides (1954), for example, in recording the battles of the ancient Greeks clearly

recognized that strategic management can involve both rational planning for battle and more intuitive

adaptive responses as issues emerge and circumstances change. Machiavelli (1979), too, as a later but

noted military strategist from the middle ages concurred that strategic management can encompass both

rational pre-planned competitive actions as well as more aggressive and base behaviours, which may

emerge in response to conditions in war. While Machiavelli supported a largely ethical approach to

purposive planning of war strategy, he acknowledged that more devious and power-seeking actions

could be justified in the pursuit of success.

The Machiavellian approach, perhaps, would not be inconsistent with contemporary

governments' strategic decision-making processes in democratic polities, because of the nature of

politics. As Lynn (1987; 1996) confirms, governments' strategic decision-making processes are

necessarily more *ad hoc* than they are planned and rational. Flexible strategic responses, although often ill-directed, are an inevitable consequence of dynamic and complex political environments. For governments, as collective entities and not withstanding the likely selfish strategic ambitions and motives of some individual politicians, the ultimate outcome of strategic management action is electoral success. Governments will achieve this largely by being responsive to the complex needs of the majority of the polity at any given time in a range of policy fields, but their strategic actions in response can be devious, as well.

At a public sector organizational level, therefore, it might be expected that the political nature of governments would make it more difficult for rational models of strategic management to be implemented, given the almost inevitable interpenetration of politics into that arena. In this context too, Lynn (1987, 1996) argues that some strategic management actions will be individually directed and political as well as related to personal as well as organizational advancement. However, governments' adoption of the market-based model, especially in Anglo-American polities over the last two decades, encompassing neo-classical economic principles and private sector (new) managerialist ideas, has strongly influenced public sector organizational strategic management actions in quite rational ways (Self, 1993; Hughes, 1994; Hutton, 1995, 1998; Argy 1998; Giddens 2000). This is consistent with much of the modern literature on strategic management in business or public sector organizations, which favours the more rational planning approach and largely omits the emergent dimension in formalized policy (Bryson, 1990; Mintzberg, 1994; Stewart, 1999).

Thus, it is apparent that two potentially conflicting patterns of strategic management, as broad streams of action, will be evident in any polity. However, as the empirical research used for this paper confirms (Johnston, 2002), the patterns of strategic management action are far more complex than any simple pattern dichotomy of *ad hoc* strategic management actions of governments and rational public sector organizational strategic management actions.

THE RESEARCH AND METHODOLOGY

The research reported here, as part of a broader study, used a qualitative case method (Eisenhardt 1989) involving extensive interdisciplinary literature review on strategic management, generally, and the public sector, particularly, in Anglo-American polities, as well as comprehensive fieldwork encompassing document collection and interviews in subnational government and public sector locations in Canada and Australia. The fundamental research problem related to why the rational-normative strategic planning pattern of strategic management was consistently supported in the literature and in practice as an ideal approach for public sector organizational action, even in the face of considerable criticism (Mintzberg 1994). Given the apparent unsuitability of the strategic planning model then other less formal patterns of strategic management action were likely to exist, even if such patterns were not widely acknowledged as relevant in government policy or the subject literature (Johnston, 2002).

Thus, the primary thrust of the research was to identify patterns of strategic management action, implicit or explicit, purposive or emergent, and to determine the combination of patterns that might be utilized in strategic decision-making processes. Three levels of macro and micro analysis relating to patterns of strategic management action, in terms of intent, were of interest to the research (Table 1). As such, context was considered to be important for analysis in terms of how governments might develop their policies and direct action at an organizational level (Johnston, 2002).

Table 1 – Levels of Analysis of the Research in Seeking Patterns of SM

Levels of Analysis	Focus of Analysis
Macro Level One (MaL1)	Strategic public policy decisions of governments across all fields related to service and program delivery to the public
Macro Level Two (MaL2)	Strategic public policy decisions of governments, specifically focused on the strategic management of public sector organizations
Micro Level Three (MiL3)	The strategic management of public sector organizations

The focus of the research in each field location was on two governments and three public sector organizations. In each location, there was both a conservative government and a labour-aligned government and the public sector organizations were: (1) a central agency responsible for facilitating

management reform across the sector; (2) a large inner budget ministry/department with central coordinating responsibility for wider direct service provision in the area of health; and, (3) a partly government and partly self-funded museum. A categorical tool for identifying general patterns of strategic management (rational, adaptive, mixed, political patterns), derived from the literature review and some preliminary interviews in another public sector jurisdiction in Canada was applied to all analysis (Johnston, 2002).

RESEARCH FINDINGS

Patterns Identified through Macro Level One Analysis

Machiavellian (1979) inferences and Lynn's (1987) assertion that governmental strategic management patterns of action are *ad hoc* and emergent were borne out, to an extent, with the labour-aligned governments in each location, although it is noted that some but not all strategic management action in this direction was purposively *ad hoc*. In this sense, the dominant *ad hoc* patterns for both labour-aligned governments were deliberately reactive, especially in relation to the media and to specific policy and service delivery issues where there were obvious electoral pressures. As such, the strategic management patterns for both labour-aligned governments, were strongly and deliberately political and involved power-political behaviours. Both these governments were criticized for their apparent lack of strategic determinism (and capability), overall, and their general Lindblom-style (1959; 1979), 'muddling through' approaches to strategic management. Even though these governments dabbled with the market-based model in a variety of ways, there were also signs of ideological conflict between their social democratic traditions and the market-based model, especially for the Canadian government (Johnston, 2002).

The two conservative governments, in contrast, were unequivocal about the value of the market-based model and both exhibited a far more dominant, rational-purposive pattern of action, consistent with a formal strategic planning approach. In the Canadian case, the conservative government supported the rational application of the market-based model with an accompanying deliberate political pattern of strategic management using a strong market-based and managerialist rhetoric to display a

sense of fiscal and managerial responsibility to the polity (in contrast with its predecessor labour-aligned government). The Australian conservative government was far more focused on a single rational pattern of strategic management, informed by market-based and managerialist ideas, and was not so politically astute (Johnston, 2002).

It could, perhaps, be suggested from a strategic management perspective, that the more aligned to the assumptions of the market-based strategic management model a government might be (which would be natural for a conservative government from an ideological perspective), the more likely that that government would adopt a rational purposive approach to strategic management. This also might be so where it was evident that a conservative government supported values of individualism over collective, social democratic responsibility of the state. It was a general finding of the overall research that conservative governments, as likely stronger adherents to the market-based model, may be inclined to be more rational strategically in their approach (Johnston, 2002).

However, the Australian conservative government had a change of leadership around mid-term and the government then adopted a far more *ad hoc* pattern of strategic management action, reflective of the particular leadership style, although the *ad hoc* and emergent pattern was not highly political. *Ad hoc* actions, though, were to the point where the forceful strategic thrust of a market-related pattern was significantly diminished during this time. Therefore, in attempting to identify possible correlations between particular factors and chosen patterns of strategic management action by governments, it is likely that individual leaderships, including a leader's experiences, interests and whims, may be a far more important variable than party-political ideological commitment, as such (Johnston, 2002).

In adopting particular patterns of strategic management, it was also evident that governments were influenced by a potential range of quite complex factors beyond ideology, current political issues and particular leaderships. These factors might include forceful global grand narratives, including popular discourses, ideas, events and trends, related to strategic management (or public governance) in a range of fields and derived, for example, from think tanks, other opinion leaders and formal and informal supranational networks of power. As is evident, the specific patterns of strategic management

identified through the research were numerous and complex but some dominant strategic patterns stood out at the three different levels of analysis (Johnston, 2002).

Specific Patterns of Strategic Management Action Identified through Macro Level One Analysis

The most dominant pattern at MaL1, as mentioned, was the market-based model, as a driving strategic force, but the evidence suggested a mixed implementation capability across the research sites. Second, the evidence confirmed the importance of the ever-present implicit and explicit pattern of political electability. Issues relating to electability, could be pursued rationally with considerable strategic determinism, or in reactive, *ad hoc*, emergent mode. Regardless of mode, there was consistent evidence of a rhetorical strategic management pattern used by governments to support the electability pattern and power-political and deceptive actions. From an electoral sense, an *ad hoc* approach did not work for the Canadian labour-aligned government, but it did for the similar Australian government. Conversely, a rational strategic management approach worked electorally for the Canadian conservative government, but not for the Australian one. This suggests that the chosen strategic approach of governments is not necessarily a critical variable in relation to electability and that strategic management actions can be both *ad hoc,* emergent and more rational in terms of electoral success (Johnston, 2002).

Third, a globalization pattern of strategic management was evident. While the strategic interests or actions of governments, were focused on issues of globalization and, in a crude way, could be related to creating factors, such as infrastructure development and regulation, which supported in-bound or out-bound investment (Porter 1990), there was no evidence to suggest that this was well-developed or purposive. Fourth, governments, as part of implicit or explicit SM approaches to globalization, in part, were using or attempting to use spectacular events, such as Olympic Games, as well as relying on these events to enhance local electoral standing and popularity (Johnston, 2002).

Specific Patterns of Strategic Management Action Identified through Macro Level Two Analysis

The overall dominant strategic management pattern of governments, here, was the (new) managerialist pattern. Again, the degree of determinism and, perhaps, competence in supporting this pattern differed from government to government. The managerialist pattern could be reflected in a range of policies

directed towards greater efficiency and effectiveness of the public sector, overall, encompassing a particular focus on public sector showcase policy thrusts. Common in each location, these included the marketization of the public sector through privatization, corporatization, contracting out, and contrived markets. Managerialism could apply to the range of business management techniques, developed for, or derived from, the private sector, including the use of management consultants (Johnston, 2002).

Second, another focused pattern was directed towards restructuring and downsizing. Third was financial management enhancement, especially budgetary and accounting reform. Fourth, it was evident that the politicization of public sectors in Westminster-derived political systems was a continuing trend. Aspects of managerialism facilitated such an approach with contract and performance management systems and the greater centralization of political control, away from more independent bodies of personnel review (Johnston, 2002).

Specific Patterns of Strategic Management Action Identified Through Micro Level of Analysis

The empirical research, particularly, provided quite detailed evidence of dominant patterns of strategic management action at this level of analysis. First, the managerialist pattern largely informed action in this regard. However, the evidence indicated that managerialism was not really understood by public sector executives and that the resultant managerialist approaches were not well executed. Managerialism, to a large extent, meant the unquestioning acceptance of faddish management approaches. Generally, Canadian public sector organizational managers, where there was higher awareness of management fashion, were worse in this regard than Australian public sector organizational managers (Johnston, 2002).

Second, the analysis confirms that the traditional, rational-normative strategic planning approach endures even though more creative strategic management approaches, such as those proposed by Morgan (1993) may be sought (Canada). Government or public sector organizational policy requiring strategic planning may also elicit a fairly meaningless compliance response. The formal strategic planning systems could be used to provide the appearance of legitimacy, efficiency and effectiveness of strategic management and to mask stronger, more political and informal power relationships and behaviours. The

tools of strategic planning, especially Bryson's (1990) model based on the Harvard Policy Model but directed specifically towards public sector management, were considered to be useful in the Canadian setting where process was seen to be as important as the outcomes of application. The evidence also suggests that the strategic planning pattern of strategic management at organizational level, which in concept presupposes a stable environment and considerable predictive capability of practitioners, is a largely inappropriate model. This is because of the dynamic and uncertain environments of the public sector, where competence to apply remains at issue (Johnston, 2002).

Third, a strong restructuring pattern was apparent. This was not just a strategic management pattern imposed by governments but was also generated from within public sector organizations. Restructuring was used for both rational organizational and more power-political purposes at a number of levels. To a large extent, restructuring has become an end in itself and is a fairly constant pattern of public sector strategic management action. Such action denies Chandler's (1962) assertion that structure needs to follow strategy in organizational change processes. The evidence suggests that both restructuring and the absence of a link to strategy contribute to public sector organizational dysfunction (Johnston, 2002).

Fourth, the evidence, overall, indicated that a budgeting pattern remained a principal driver of strategic management action, in a formal sense, rather than other approaches to management, such as strategic planning. While there were attempts to link these two processes in a more meaningful way, this had not been achieved. Fifth, a strong pattern of politicization and bureaucratic power games was evident in five out of the six empirical public sector organizational sites (excluding the Australian museum, at the time). While there was some apparent link to the level of politicization, generally, within the sector, public sector organizations generated their own forms of power behaviours and bureaucratic game playing. This evidence confirmed that metaphorically warrior-like, Machiavellian behaviour was a typical but dysfunctional, part of much public sector organizational strategic management life (Johnston, 2002).

(RE)CONSTRUCTING A MODEL OF PUBLIC SECTOR SM

The evidence adduced from the research and the patterns of strategic management identified indicate that a distinct model of governmental and public sector strategic management can be constructed, which is

more aligned to a combination of Machiavellian and rational strategic planning ideas (Table 2). This model, as proposed, is quite different from the business model of strategic planning where profit as shareholders' return is the principal intended outcome (Johnston, 2002).

Table 2 - Model of Public Sector SM Constructed from the Research

STRATEGIC FACTORS	STRATEGIC CHARACTERISTICS
Intended Outcome of SM	-Electoral success as the ultimate result of rational or Machiavellian political action.
Critical Strategies (designed to achieve the ultimate political outcome)	- Specified and directed public good policies, reflected in programs and services, especially economic management (MaL1). - This includes directed strategies related to globalization of trade. - Electoral success approaches (including the use of rhetoric, symbolism and the media - public good rhetoric might be used to mask the more politically directed intentions) (MaL1). - Public sector reform approaches (ranging from the rational to the political, such as managerialism, restructuring and politicization. (MaL2, MiL1).
Objectives	- Defined within explicit statements of intended achievement, or implicitly, in relation to a wide range of policy fields (linked to the critical overt and covert strategies).
Critical Variables	- Political leaderships, - prevailing ideologies, - current situations within the polity (in relation to key policy fields, e.g. economic, social, environmental, military), - interest/pressure group activity (relating to critical public policy issues but also through the transfer of ideas and in a more material sense, possible donations to political parties), - community pressures and responses, - other parts of the political system (national governments), - supranational organizations and public governance, - the global and local environments, management ideas (especially fad and fashion).
Implementation Strategies	- Public sector managers act, strategically, across the range of public sector organizations, in accordance with governments' objectives (interpreting policy and determining implementation approaches - effectiveness of governments' strategy) and managing organizations using a range of managerial techniques, including attention to resource management (efficiency). - This intended rational strategic action can be diverted depending upon the level of politicization across public sectors and within organizations in both a political and bureaucratic sense. Politicization might involve a range of political actors including ministerial staff.
Strategic Modes and Techniques	- Complex and inter-linked streams of largely hierarchical decision making (ranging from the application of rational normative models derived from political ideologies, economic theories and concepts and management theory and practice, through adaptive, mixed [rational-adaptive] techniques, to obvious politicization. - Rational models may be used for genuine purposes to address complexity in a disciplined way or more covertly and implicitly to control or modify power behaviours - without rational systems and boundaries, greater chaos and power motivations could endure.
Strategic Motivations	- Also dual and possibly conflicting related to public good and electoral success.
Driving Values	-Values range from altruism and collectivism, to individualism, encompassing self-interest (with a strong likelihood of conflict, as indicated above, including both positive and negative power behaviours).

Source: Original Table, developed from the research (Johnston, 2002).

CONCLUSION

The research summarized in this paper provides evidence of many complex, dynamic and interrelated patterns of public sector strategic management, which support both rational and political action, including Machiavellian type power behaviours, deception and incompetence, at the same time. At the macro level, the market-based - new managerialist paradigm largely framed rational patterns, but politicization related to electability was especially dominant. Political strategic management action, though, was not necessarily *ad hoc* and could be quite purposive in a rational but uncoordinated way. Similarly, strategic management action within the market-based - managerialist model was not always deterministic and could be quite incremental. Overall, the evidence indicated that, like warfare, there were uneven and unpredictable results when certain rational, adaptive, mixed or political patterns of strategic management actions were applied. Regardless of strategic management practices of particular governments, whether globally or locally based, outcomes to a significant extent were beyond their control.

At the micro level, the study indicated that patterns of strategic management were largely directed towards rational action, at least in intent. In reality, while much rational action was apparent, the strategic planning pattern was problematic, even though its application had persisted over time. While the process related to the strategic planning pattern was frequently regarded as important as outcomes, competency to apply the pattern was also in question. To this end, rational patterns of strategic planning could involve consultant involvement rather than direct participation by public sector managers. However, rational patterns of strategic management, such as strategic planning or more creatively directed patterns, were not necessarily the norm, even though often prescribed by governments or directed by public sector managers. In this sense, formal strategic planning processes could elicit a compliance-like response, used to cover more warrior-like but dominant Machiavellian patterns of strategic management within public sector organizations. The question was not whether strategic management action needed to be rational or political but was how rational and more Machiavellian patterns could coexist more productively at any given time.

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