

Strategy-Making in 'non-New Public Management'
Public Services Settings: The Case of EU Agencies
and
Researching Strategic Management in
Public Services Organisations

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Overview

- The contemporary significance of strategic management in public services settings
- The ‘schools of thought approach’ to strategic management
- Core argument: context matters - strategic management in public services organizations is not all-alike
 - in other words: why generic recipes allegedly applicable worldwide are unlikely to work
- Strategic management in non-NPM contexts: the case of EU agencies
- The case for a ‘context-sensitive’ perspective to strategic management in public organizations – research agenda

Strategic management in public services settings

Rationale and contemporary significance

Preliminary questions

- Why should public services organisations make a strategy at all?
 - A range of disciplines address the topic of explaining the behaviour of public organisations: Bureaucratic Theory, Political Science, Public Policy Analysis,...
 - There are constraints to what a public organisation can do (organisational autonomy) and what is expected of it (accountability, societal expectations)
- So, why adding strategic management to the long list of disciplines studying the behaviour of public services organisations?

The evolving theoretical frames: Schools and models in strategic management

- The reduction of strategy to a shorthand for ‘strategic planning’ and ‘cascading objectives throughout the organisational layers’ has been overcome
- A plurality of perspectives of analysis (and underlying disciplines, beyond economics) have been developed to interpret and explain strategy formation
- Mintzberg and colleagues famously theorised the ten schools of thought in strategic management, and since then the proliferation of schools continued

The transforming public sector landscape: Administrative reforms

- A spate of public management reforms since the 1980s have had transformative effects on the public sector – albeit highly differentiated across countries
- The question whether the public sector is ‘better’ or ‘worse’ is still unanswered, but as a matter of fact the transformative effects of reforms can be detected
- High-level narratives of reform have risen, and at times fallen: the NPM, the New Public Governance, the Neo-Weberian State, the Digital Era Governance, ...
- Some trends: public organizations enjoy more ‘autonomy’ and are subject to growing pressures towards certain types of performance (efficiency, effectiveness); diffusion of quasi-markets

So, why strategic management?

There are two underlying reasons for the enhanced significance of generic strategic management models for managing public services organizations

- One lies within the academic domain: the proliferation and broadening of schools of strategic management, in particular from social sciences other than industrial economics
- The other one lies on the public policy side: the long term effects of public sector reform trajectories, notably the (highly contested!) global diffusion of NPM

The schools of thought in strategic management approach

Notion and overview

Schools of thought in strategic management in public services settings

- A variety of models of strategic management now have enhanced applicability to many contemporary public sector organizations
- The combined application of models of strategic management furthers our understanding of the strategy process and contents
- Strategic management sheds light on the organizational behaviour of public services organizations
 - Thus complementing and supplementing traditional disciplines to the study of public administration, like bureaucratic theory or public choice theory

Schools of thought

- The 'initial' schools: Strategic Design and Strategic Planning in the public sector (old and new perspectives: Bryson)
- The industrial economics-driven schools: Strategic Positioning
- Mintzberg: Learning, Emergent Strategy and Configuration

Schools of thought (cont'd)

- The Public Entrepreneur and the Social Entrepreneurial School
- Culture and public service distinctiveness: the Cultural School
- Putting knowledge (and professionals) at the centre: Resource-Based View and Dynamic Capabilities

Schools of thought (cont'd)

- Ferlie, Pettigrew, Van de Ven: Strategy as Process
- Specialization, agencification and the transforming public sector: the role of the boards and the Corporate Governance School
- Distinctive public sector schools: Public Value and Anglo Governmentality

A context-related approach to strategic management in public organizations

Treating context seriously: strategic management is not tantamount

- Public services organizations operate in many, remarkably diverse 'houses'
 - Such houses have been shaped by the visible frontiers of nation states and by less visible borders drawn by history, geography, demography, affluence, culture, language, and religion
- Diverse 'contexts' host and provide the frame in which public organizations act
- Managing strategically one public organization in one political, administrative, cultural, geographical, historical context (e.g., a school in the London area) is not the same as managing it in another one (e.g., a school in the Rio de Janeiro area)

Strategic management is not tantamount (cont'd)

- Managing strategically a public service organization is not an activity free-of-context, in the fundamental sense that context shapes the premises of strategic management
- The autonomy to manage strategically, the basic expectations towards a public organisation, the accountability and legitimacy bases under which a public organization operates are constituted by the context
- Context is different from 'organizational environment' – it is the broader picture as different from the 'here and now' of the organizational environment
 - etymology of the word context: weaving together
 - Context is a notion that refers to an 'indefinite extension'

Treating context seriously: the administrative traditions approach

Painter and Peters (2010) identify a number of administrative traditions across the world (families of countries)

- Anglo-American
- Napoleonic
- Germanic
- Scandinavian
- Latin American
- Post-colonial South Asian and African
- East Asian (Confucian?)
- Soviet / Post-Soviet
- Islamic

As well as hybrids and transplants of traditions

Administrative traditions: key features

Four basic dimensions, or 'variables', are introduced for analyzing administrative traditions

- Conception of the state and its fundamental relation to society: organic or contractarian? Societal actors in policy-making: essential or 'quasi-abusive' role?
- The relationship of the bureaucracy with political institutions
- The relative importance attached to law vs. management
- The nature of accountability in the public sector: relying upon the law and courts vs. relying upon political actors, especially parliaments, as the primary mechanism

Treating context seriously: The Pollitt and Bouckaert model

- Christopher Pollitt and Geert Bouckaert have elaborated a model of analysis of contextual influences on public management reform
- The main unit of analysis is the country-level, rather than families of nations
- The P&B model highlights an additional contextual dimension: the nature of executive government and the dynamics of governmental decision-making
- Other key dimensions highlighted by the P&B model: culture of governance and executive politicians- senior bureaucrats relations

The broader societal-organisational culture

Based on Hofstede's approach to mapping societal-organisational, we can characterise societal culture by resorting to the following categories:

- *Power distance*: The extent to which less powerful members of organisations expect and accept that power is unequally distributed (centralisation of power is a related feature)
- *Uncertainty avoidance*: The refractoriness to taking risks.
 - High uncertainty avoidance societies result in low risk taking, focusing on due process and standardisation.
 - Low certainty avoidance results in high-risk taking, focusing on results even if that includes taking calculated risks

The broader societal culture (cont'd)

- *Individualism/collectivism*: Individualism reflects the extent to which there are loose ties between individuals, less social cohesion, and a higher responsibility to take care of yourself; collectivism reflects societies in which there is cohesion and loyalty to the group, with a strong integration
- *Masculinity/femininity*: In “masculine” countries there is a focus on performance, and hard negotiation; in “feminine” societies there is more focus on solidarity, with a soft negotiation based on consensus
- *Long-term/short-term orientation*: the extent to which decisions are made focusing short-term or long-term effects

The transformative effects of administrative reforms

By reshaping the public sector, administrative reforms have long-term effects, including:

- Autonomization and corporatisation of public sector organisations
- Pressures on specific dimensions of performance (notably efficiency)
- Diffusion of quasi-markets
- Diffusion of governance networks

Contextual influences: overview

Contextual dimensions such as:

- Administrative culture/culture of governance
- The relationship of the bureaucracy to political institutions
- The nature of executive government
- The broader societal culture
- Transformative effects of administrative reforms

Have profound effects on:

- The autonomy to manage strategically
- The basic expectations and the accountability and legitimacy bases under which a public organization forms its strategy

A Research Agenda

Contextual influences on the
strategic management of
Public sector organisations

A more formal model

Strategy formation = function (strategic space;
endogenous orientation to strategy formation)

where

Strategic space = function of

- organizational autonomy
- political-societal expectations and obligations –
accountability of the public services organization

A more formal model (cont'd)

- Organizational Autonomy (extent to which the organisation can decide on its own goals and/or resources) = function (multiple factors, including public sector reform processes)
- Political-societal expectations towards the public organisation = function (politico-administrative and cultural context; the transformative effects of public sector reforms; and economic and societal needs of the communities the public organization services)
- Endogenous orientation to strategic management = function (factors shaping strategy according to the basic patterns of strategy formation/schools of thought)

A Research Agenda

1. Identifying paths to theorise typologies of contexts
 - ‘typology’ contradictory to the very notion of ‘context’? (context as the broader space which shapes the very possibility for social action...)
 - Yet some modelling is required, to disentangle some key lines of influence
2. Modelling contexts in function of how they affect the strategic space of a public organisation
 - e.g. NPM vs. non-NPM contexts
 - Legalistic vs. Public Interest contexts
 - ... and multiple combinations of these dimensions

A Research Agenda (cont'd)

3. Deploying theoretical sources for explaining contextual influences - including:
 - Sociological theories on the analysis of social mechanisms (see Hedstrom and Swedberg)
 - Economic mechanisms shaping convenience structure for decision-makers
 - Institutional-organisational theories accounting for logic of appropriateness and the shaping of what is 'appropriate behaviour'

Strategic Management in non-NPM context: The case of EU Agencies

EU as non-NPM context

- Stylised NPM context: agencies born out of dis-aggregation, driven by a specialization logic, and the search for higher performance
- EU agencies are quite the opposite:
 - EU level agencies execute new public functions previously wielded in a separate manner by the Member States: they are new entities for executing novel tasks, not a new organizational form for performance-enhancement purposes
 - There is no incentivization system built-in other than ‘Weberian’ statutory obligations for task execution and due process
 - EU agencies also have a monopoly in their remit, with neither markets nor quasi-markets forming the resource environment where they operate

EU as non-NPM context (cont'd)

EU agencies thus display core traits which contrast strongly with NPM style executive agencies, namely:

- they are not established within a novel and allegedly more efficient organizational form, but rather as new bodies for executing a public function within a traditional organizational form;
- they do not have built-in incentivization systems;
- they are not 'marketized', or operating in markets or quasi-markets.
- Finally, while they enjoy some autonomy, they do not reflect a process of 'autonomization', or the purposeful endowing of higher autonomy to 'let managers manage', within a performance-enhancing system

Strategy formation in non-NPM
context: ETF and ERCEA

ETF case history

- established 1990/operational 1994, Its core competence was one of project management
- then, a major strategic turn occurred, and between 2000 and 2010 the agency tasks and its very position in the EU institutional-administrative environment changed: ETF became a provider of high-level policy advice
- How did it happen that this public agency changed its mandate, core tasks, and key relationships and interdependencies with EU institutions (chiefly the Commission)? How did such a process, which we see as a ‘strategic turn’, unfold?

Strategy formation at ETF

- At risk of termination around the year 2000: under a new regulation, the Commission was forbidden to outsource tasks in external relations, including the technical assistance ETF was providing
- Actors inside and outside the agency entered the scene: a new 'high level policy advisory' role was envisioned
- A stakeholders regular forum, the so-called 'Torino' process (ETF is located in Turin, or Torino in the Italian language) performed a catalytic function for the strategic turn and helped develop and consolidate the new 'vision' of ETF as a provider of policy advice
- The collective design school approach to strategic management coupled with the strategy-as-practice approach may explain the strategic turn

ERCEA case history

- The European Research Council (ERC) has been set up as the institutional framework to implement the IDEAS program: a research funding body with the goal of fostering 'cutting edge' research in Europe
- It consists of a Scientific Council, composed of eminent scientists across various disciplines, and an executive Agency, named ERCEA (European Research Council Executive Agency - set up 2007 operational 2009) to perform operational tasks in supporting the functioning of the funding scheme
- An impressive growth: The ERC budget had a steep increase and reached ca 2 billion euro per year (1.8 in 2013), and became, in a remarkably short time span, an authoritative voice in European research policy

ERCEA case history (cont'd)

- What led to such a 'success' story? Was it just the shrewd initial design of the public programme which determined its success, or have other factors weighed in?
- What is meant by 'strategy' for an EU executive agency, whose duration is linked to the length of the programme (the termination clause)?
- And where is the locus of such 'strategy' in a governance architecture that includes an independent Scientific Council—formed exclusively of scientists—as not just the guarantor of the highest scientific standards but also as the 'game-maker' in programme delivery?

Strategy formation at ERCEA

- Some initial decisions taken by the Scientific Council had a significant impact
- The first key decision concerned funding criteria
 - themes of research were not pre-identified, rather proposals could be formulated by scientists on any topic: it was the number of approved research project proposals which drove the allocation of money to the subject areas - in the words of a member of the Scientific Council, 'the power was given to scientists'
- The second key issue concerned how to organize 'first class' peer review, to ensure funds would be allocated only to top quality proposals
 - It was decided to set up panels through the direct initiative of ERC members: it was the ERC Scientific Council that proposed and appointed lists of scholars as panel members
- A third influential decision was the portability of grants

Strategy formation at ERCEA

- Strategy formation was driven by two key guiding ideas: first, 'it is scientists to know where to go' to move knowledge; second, 'big ideas first come in one mind'
- and by an alliance between scientists-turned-managers and managers proper, who organised fund-allocation according to these guiding ideas

Empirical contribution: Models of SM in use in non-NPM context

- Both cases support the explanatory power of the *Design School of SM*, provided it is adapted to include a collective, composite strategist
 - In ETF case, actors entered and exited decision opportunities at different points, yet their actions jointly imagined, legitimated and built up capacity for the new vision to be developed and implemented
 - In ERCEA, we also observe a coalescing of actors, where the glue of a common belonging to an epistemic community facilitated group cohesion
- In the ETF case, strategy-making additionally unfolded around key events (stakeholders' conferences dubbed the 'Torino process') as 'strategic practices' that created conditions for, and embodied, the strategic turn: this finding supports the *Strategy-as-Practice perspective*

Models of SM in use in non-NPM context (cont'd)

- The two EU cases suggest the (collective) design school and strategy as practice schools of thought in strategic management are evident empirically
 - Both do not require market forces to be in operation
- Summing up, our empirical finding is that strategy can form in 'low NPM' settings as EU agencies
 - NPM transformative reforms are not necessary preconditions for strategic behaviour to be apparent in public services organizations

Theoretical contribution:

Why, theoretically, can agencies in low-NPM settings form their own strategy?

- We argue that, firstly, some conditions of agency autonomy are present which enable the forming of strategy in low-NPM contexts
- Secondly, various non market based mechanisms (such as the pressures wielded by the expectations of powerful stakeholders), may stimulate the adoption of strategic management models
- Non-market based pressures act as the functional equivalent of the pressures provided by NPM incentivization systems (which are often market or quasi-market based)

Summing up

A qualified case for Strategic Management in Public Organisations

- Strategic management is of growing significance for public services organizations
- Strategic management cannot be narrowed down to simplistic recipes: a 'schools of thought' approach is here suggested
- Context does matter: it affects the 'strategic space' of public services organizations – yet we still lack the knowledge about how contextual influences operate
- One way forward is by empirically exploring differences in context: NPM vs. non-NPM as one exploration of significance

References

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