

Mark Schacter
CONSULTING

Interpreting the Possible



**A Guide to Strategic Management in
Public Service Organizations**

by Mark Schacter

www.schacterconsulting.com

© April 2007
All rights reserved.

Interpreting the Possible. A Guide to Strategic Management in Public Service Organizations.

Cover photograph © Mark Schacter

Published by:

Mark Schacter Consulting
5 Linden Terrace
Ottawa, Ontario Canada
K1S 1Z1

www.schacterconsulting.com

mark@schacterconsulting.com

Table of Contents

1	Purpose of the Paper.....	1
2	A Strategic Muddle	1
3	Should We Care?	3
4	Yes, We Should.....	4
5	Make It Relevant for Managers	5
6	What Makes Something a “Strategy”?	7
7	Interpreting (and Reinterpreting) the Possible	11
8	Example: First Nation Governance.....	13
9	Conclusion	18
	References	21
	About the Author	23

Interpreting the Possible. A Guide to Strategic Management in Public Service Organizations.¹

The views that are worth offering are those that interpret the possibilities of a given situation. That is what it means to have a strategy as distinct from a personal conception of what constitutes public value.²

... (G)overnmental institutions are problem-solving mechanisms engaged in strategic behaviors designed to produce experiential learning by coping with uncertainty at reasonable expense.³

1 Purpose of the Paper

This paper aims to bring clarity to the notion of “strategy” and “strategic management” in public service organizations. Of the need for clarity there can be no doubt. Terms such as “strategy” and “strategic management” are simultaneously over-used and poorly understood in the Canadian government. Meantime, public service managers and executives are asked to “be strategic” and develop “strategies” as a basis for rationalizing, implementing, being accountable for and justifying funding for public programs and policies.

Under the circumstances, it would be appropriate for a well-meaning public manager to treat the demand for “strategy” as one more administrative burden to be handled as painlessly as possible so that he can get back to “real work.” This would be a shame.

Appearances to the contrary, the ideas that underlie strategy and strategic management can add value to public management (and thereby, to the lives of Canadians). But they won't if they are the subject of confusion and, worse, cynicism. My purpose in this paper is to help public managers see the potential for real operational value in the concepts of strategy and strategic management. I try to achieve this by setting out a way to think about strategy in relation to public policies and programs, and by describing a process for applying strategic thinking to difficult public issues.

2 A Strategic Muddle

“Strategies” and their offshoots abound in the Canadian federal government. There are “strategic policies”, “strategic priorities” and “strategic plans”, as well as executives with responsibility for “strategy” and “strategic planning”.

¹ This paper incorporates the thinking of many who have written on the question of corporate strategy generally, and especially strategy in the public sector. Sources from which I have drawn ideas are listed in the “References” section at the end of the paper.

² Moore (1995), p. 101.

³ Woodhouse and Collingridge (1993), p. 149.

Federal programs and policies, meantime, are supposed to pursue “strategic outcomes” of which, government-wide, there are more than 200, according to the Treasury Board Secretariat. And in pursuing these outcomes, Departments often enter into “strategic partnerships” with other Departments or with entities outside of the federal government.

Individual managers are urged to manage “strategically”. The Treasury Board’s brief (250-word) summary of the Management Accountability Framework (MAF) – which enshrines the central tenets of good management in the Government of Canada – uses the word “strategic” three times. “Governance and Strategic Direction” is one of the 10 elements of sound management in the MAF, and according to it managers are required to provide “effective strategic direction.” Another of the 10 MAF elements, “Risk Management”, states that managers are expected to manage “strategic risks” proactively. The related set of MAF performance indicators uses the word “strategic” five times.

Given the persistent references to “strategy” and related items in the federal government, it would be reasonable to assume that:

- there is a widely shared understanding across the federal public service of the meaning of terms such as “strategy”, “strategic”, “strategic management”, “strategic planning”, etc.; and that
- this widely shared understanding is “operational”; that is, it provides a basis for meaningful action by public servants.

Close observation of the federal public service suggests, however, that these assumptions do not hold. Words like “strategy” and “strategic” are often (if not always) used loosely in the public service. A “strategy” is seen as a kind of a “plan”, though what distinguishes a “strategic” plan from some other kind of (presumably non-strategic) plan is rarely well articulated. The word “strategic” is itself used variously to suggest ideas such as:

- this issue has special or urgent significance (for Canadians; for the Deputy Minister; for the Minister; for the Prime Minister; for the Treasury Board; for the Privy Council Office; for the Auditor General; etc.);
- the issue is critical to having funding approved for a program;
- this issue transcends the short-term “fire-fighting” that occupies the bulk of most public managers’ time;
- this issue is relevant to the entire Department;
- this issue cuts across the mandates of several Departments.

None of these interpretations of “strategic” is necessarily wrong. But neither are any of them useful as a guide to thought or action. The widespread use of the term “strategy” (and related terms) combined with the absence of a shared operational understanding of

what it means has created a situation where “strategy” and “strategic” can mean virtually anything, which of course is as good as meaning nothing.

3 Should We Care?

The current approach to strategic management in many corners of the federal government suggests that while it may be of genuine interest to central agencies and corporate services sectors in Departments, it is not part of the operational mainstream.

Analyses by the Office of the Auditor General and the Treasury Board Secretariat provide indirect confirmation of what is obvious to anyone familiar with how business is done in the Canadian federal public service: strategic management is treated by many managers as having little relevance to day-to-day work. It is usually handled as a *pro forma* exercise, useful for appearances and to satisfy demands from central agencies.

An audit of the federal government’s Expenditure Management System (EMS) published recently by the Auditor General is telling on this point. The EMS, the Auditor General observed, is “at the heart of government operations”⁴. Its processes and procedures help central agencies align resources with government-wide priorities, oversee spending and establish policies that govern program management and implementation. And so, however one might choose to define “strategic”, the EMS is clearly intended to be a strategic instrument *par excellence*. The Auditor General’s views on the EMS can therefore be considered indicative of the state of strategic management at a government-wide level.

The Auditor General’s report found important weaknesses in the EMS. Among them:

- there is no comprehensive review of the effectiveness or relevance of ongoing programs (which account for about 90 percent of government spending);
- the Treasury Board Secretariat and other central agencies do not have good information on the costs and performance of programs;
- processes for funding existing and new programs proceed in parallel to each other; potential tradeoffs between new and ongoing spending may therefore be missed;
- new spending proposals presented to Cabinet may lack measurable objectives, results commitments and adequate analysis of alternative program approaches.

Other chapters from recent reports of the Auditor General reveal similar deficiencies in strategic management in individual Departments.

The President of the Treasury Board has reached similar conclusions. He has cited the limited capacity of the Treasury Board Secretariat to contribute to “strategic, government-wide expenditure decisions”; identified a need for Ministers and Deputy

⁴ Office of the Auditor General of Canada (2006), p. 33.

Ministers to report more frequently on “strategic management and spending plans”; acknowledged that the Secretariat must “take a more strategic approach to its core responsibilities” related to managing the public service; and commented on the need to take a “more strategic approach to expenditure management in horizontal priority areas”.⁵

These criticisms would appear to be troubling, but are they really anything to worry about? Even without excellence in strategic management, our public service performs well enough. Few would dispute the proposition that the Canadian federal bureaucracy is, all things considered, administered at least as well as any other comparable national bureaucracy.

Furthermore, serious discussion about strategic management in government – whether in Canada or elsewhere– is a relatively recent development in public management. The modern understanding of strategic management is drawn from the private sector. This should give us pause regarding its relevance to the public realm. Factors that distinguish the public from the private sector are many and diverse: absence of competitive markets; requirements for openness; the intermingling of politics and administration; the periodic need for politicians to dress narrow political agendas in the clothes of the broader public interest; the shifting, ambiguous and often conflicting goals that public managers are expected to pursue; the difficulty of attributing outcomes to public intervention. The very nature of the public sector means that a private-sector management style geared to pursuing a relatively narrow and explicitly stated set of outcomes will most often be inappropriate.

There is a plausible case to be made, in other words, that any serious effort to implement strategic management across the Government of Canada would not generate enough of an improvement in public management to justify the investment.

4 Yes, We Should

It would indeed be a mistake to clone a private-sector version of strategic management onto the public sector. But this doesn’t diminish the relevance to the public sector of the ideas behind strategic management. This paper will suggest that an approach to strategic management that is appropriate to the special circumstances of the public service can add value to public management in Canada. My basic assumptions are that:

- an operationally relevant approach to strategic management should matter a great deal to public service executives at a time when, arguably, they have never been under greater pressure to demonstrate that public programs are generating social and economic value;
- strategic management tailored to the circumstances of the public service helps executives develop arguments and evidence on which to build credible answers to

⁵ President of the Treasury Board (2005), pp. 6, 8, 13, 35

stakeholders' questions about results achieved by public programs; and that

- the process of developing, implementing and constantly adjusting strategy in the face of events and shifting circumstances is an instrument of executive leadership; it gives executives a platform for sending continuous and consistent messages to staff about the long-term purpose of their efforts and their link with social and economic outcomes for Canadians.

5 Make It Relevant for Managers

The degree to which strategic management will have a positive impact will depend on how it is received by public managers. Evidence to date suggests that the reception in the Canadian federal public service has been lukewarm.

The federal government's experience with the Management, Resources and Results Structure (MRRS) policy is a case in point. The MRRS is a form of strategic management that the Treasury Board Secretariat imposes on Departments. Departments must, among other things, (i) specify a relatively small number of "strategic outcomes" that describe "long-term and enduring"⁶ social and economic benefits that their programs are expected to deliver to Canadians; (ii) demonstrate how all Departmental "program activities" are linked to the strategic outcomes; (iii) specify results and performance measures for program activities in relation to the strategic outcomes; (iv) describe how the Department governs itself in order to contribute to strategic outcomes.

With its emphasis on "strategic outcomes", on the articulation of logical links between them and Departmental programs, and on the reporting of performance, the MRRS policy incorporates features that are central to standard notions of strategic management. But as the Auditor General's review of the EMS found, much of the federal bureaucracy has yet to make the leap from the formalities of strategic management to meaningful implementation. Recent criticism by the Auditor General of the measurement, management and reporting of program performance in Departments and government-wide provides further evidence that strategic management remains at the periphery of the operational mindset:

[M]any departments do not consider performance reports to be a high priority. Often, the reports do not get the involvement or attention of senior departmental management that they should. This may be because information in performance reports is neither used by departments to manage for results nor used by the government to manage government-wide initiatives.⁷

Similar views are expressed in informal conversations with officials of the Treasury Board Secretariat. The general consensus is that while the vocabulary of the

⁶ Treasury Board of Canada Secretariat (2004), p. 5.

⁷ Office of the Auditor General (2005), p. 16.

management system has shifted toward strategic management, the corporate culture – the way that things are “really done” – lags behind.

None of this should come as a surprised. Central agencies can compel managers to go through the motions of strategic management. But no amount of compulsion will, on its own, change the prevailing attitude that strategy is a paper exercise of no operational relevance.

There are at least two reasons why, under the current circumstances, public managers have no strong incentive to take strategic management seriously.

First, as the Auditor General observed, and as is widely recognized, “strategic” performance information tends to gather dust. It is not a significant factor in critical decisions about resource allocation. In an environment where budgets are the most reliable barometer of what is (and is not) important, this is a powerful reason for managers to give strategic management as little attention as can be safely gotten away with.

Second, there is a nearly total lack of clarity regarding the practical meaning and value of “strategic management” for public managers. Even if finely considered analysis of social and economic outcomes is rarely the sole (or even primary) basis for resource allocation, managers might still be interested in strategic management if they had a better understanding of what it was and how it could be relevant to their responsibilities.

The first issue is a symptom of the wide gap between the technocratic vision of “strategic management” and the truth of day-to-day life in a public service organization. Public managers, though non-partisan, work in a politically charged environment, and would not be doing their jobs well if they were to ignore political reality. Politics, rather than technocracy, has the upper hand when it comes to shaping the tone and temper of public management. The fundamental difference between the elected authorities and the bureaucrats who serve them is that the former regard the acquisition and retention of political power as a matter of primary importance. And from the perspective of even the most well-intentioned politician, the short-term pursuit of political power will not always be identical with the longer-term pursuit of the public interest.

As a consequence, public managers will always face some degree of pressure to deal with issues in ways that might appear irrational or perverse in relation to long-term social and economic outcomes, but rational in relation to the shifting shorter-term demands of a volatile political environment. As one study has put it, “inconsistent demands are made on public services and they face what are, frequently, insoluble problems.”⁸

The implication is that strategic management will be written off by public managers as irrelevant if it is seen as a technocratic exercise driven by an explicit, unambiguous and stable set of social and economic outcomes. This brings us to the second of the two issues identified above, and to the central practical question of this paper: *how can the idea*

⁸ Llewellyn and Tappin (2003), p. 957.

of “strategic management” be presented in a way that is germane to the needs and circumstances of public managers?

I address this challenge by painting a picture of strategic management that I believe makes operational sense for the public service. In particular, I want to:

- demystify the notion of strategy as it applies to the public service by reducing it to simple and operationally-oriented concepts;
- articulate the distinctive features of strategy and strategic management in the public service as opposed to the private sector;
- describe strategic management’s potential to add value to public management;
- describe, in practical terms, what it means to practice strategic management in the public service.

I also want to suggest that the value of a “strategy” in the public service is not in the physical product – the “strategy document” typically offered as evidence that a strategy is in place. The point is *not* to have a sophisticated piece of planning and analysis purporting to offer a comprehensive understanding of the present and a detailed prediction of the future. Given the level of uncertainty, the short time horizons, the complexity and the volatility facing public managers, such an effort will inevitably produce a piece of fiction rather than a document suitable as a guide to action.

Instead a strategy should be seen as an organization’s statement of how it intends, in general terms, to fulfill its mandate in the face of multiple priorities, conflicting demands, and ambiguous and shifting objectives. As the quotation at the head of the paper suggests, a good strategy will amount to a continuous interpretation and reinterpretation of possibilities presented by circumstances for serving the public good.

6 What Makes Something a “Strategy”?

The word “strategy” is derived from the ancient Greek *strategos*, which means “general” and can be further broken down into *stratos* (“army”) and *ago* (“leading”; “guiding”). Its original usage was in relation to military matters, and had to do with a plan of action that would lead to defeating an adversary⁹. Its modern meaning in relation to private corporate management is similar; corporate leaders rely on strategy to outperform competitors in the marketplace.

As a starting point in carving out an operationally useful understanding of “strategy” for a public service organization, it’s helpful to explore its meaning in the private sector. Then, by noting the more significant differences between the private and public sector

⁹ Wikipedia contributors (2007)

environments, one can derive an understanding of strategy that has operational relevance for the public service.

It may be comforting to public managers to know that even in the private sector, where the field of strategic management is more mature, “strategy” remains a fuzzy concept.

Despite the obvious importance of a superior strategy to the success of an organization and despite decades of academic research on the subject, there is still little agreement among academics as to what strategy really is. ... Lack of an acceptable definition has opened up the field to an invasion of sexy slogans and terms, all of which add to the confusion and state of unease.¹⁰

This paper is not going to develop a precise definition of “strategy”. Indeed, a precise definition may well be beside the point, because evidence suggests that the practice of strategy is not something that can be captured by a simple formula. It is, rather,

a way of looking at the organization’s present and future environment. It may make use of a variety of techniques. It may produce formal documents, but it may not. It is a way of generating actions, or streams of action, to provide benefits to stakeholders . . . and to make use of the capacity of the organization.¹¹

If we assume that good strategies are made by a process that begins with strategic thinking, then it may be helpful to describe what it looks like to think strategically. That is the objective of this section of the paper.

An approach in the literature to private sector strategy that has the appeal of simplicity and operational relevance says that building a corporate strategy in relation to a market for a particular good or service involves making decisions on three key questions:

- *who* are the customers that will be targeted?
- *what* products or services will be offered to the targeted customers? and
- *how* will the customers be reached with the chosen products or services?

One can imagine, for example, how executives at Apple Inc. might have followed this thought process when developing the “iPod”, the device that revolutionized the market for portable music players following its introduction in 2001:

- *Who* wants to have easy access to lots of music all the time? (Young people.)
- *What* can we offer them that will appeal to their sense of style, to their desire to appear “cool” in front of their peers, and will satisfy a need for convenience and ease of use? (A small, sleek device with a simple user interface and very long battery life.)

¹⁰ Markides (2004), p. 5.

¹¹ Joyce and Woods, p. 18.

- How are we going to deliver the product? (Integrate the music-player seamlessly with the “iTunes” online music store and with Macintosh computer hardware and software.)

But having a viable who-what-how combination, while necessary for a successful strategy in the private sector, is not sufficient. The demands of a competitive market mean that your own particular who-what-how combination has to be different in some significant and positive way from the who-what-how combinations chosen by competitors. The key is to establish a “strategic position” (a who-what-how combination) that makes you stand out from the competition.

In the case of the iPod, one could argue that the distinctive element was in the *what* – the device itself was unique. And so Apple combined a market opportunity with a strategic position built around a unique piece of hardware, and scored a huge success.

The idea of strategy being founded on “who?”, “what?” and “how?” works well in both the private and the public sectors. A government department, no less than a private corporation, must operate from a clear understanding of whom it is serving, the benefits it is supposed to be conferring upon them, and how it is supposed to interact with stakeholders.

A key distinction, however, is in the elements of competitiveness and profit. These are not relevant to public sector organizations, and this makes strategy development and implementation a significantly different kind of undertaking for public managers. Because competition is not an issue, public managers need not concern themselves with crafting unique who-what-how combinations. Their main concern is rather to ensure that their “what” and “how” are appropriate in relation to the wants, needs and expectations of the “who”.

Removing competitiveness and profit from the mix doesn’t necessarily mean that formulating and implementing strategy in the public sector is easier or less complicated than in the private sector. An complicating factor that is much more significant in the public sector than in the private sector is the diverging demands of multiple “whos”.

To take one example, consider the case of Indian and Northern Affairs Canada (INAC). According to the Department’s website, one of INAC’s primary roles is to “support First Nations and Inuit in developing healthy, sustainable communities and in achieving their economic and social aspirations.”¹² In principle, the Department’s “who” is clear: First Nations and Inuit (FN/I) people and communities are supposed to be the beneficiaries of INAC’s policies and programs.

FN/I are the Department’s “beneficial clients”. But INAC, like every other government department, cannot focus only on its beneficial clients. Public managers, especially executives, must also be sensitive to the needs and expectations of the formal political

¹² “Mandate, Roles and Responsibilities. Indian and Northern Affairs Canada,” http://www.aicn-inac.gc.ca/ai/mand_e.pdf

system – the Minister/Cabinet/Parliament – as well as to organized political actors who are able to influence the political system, and, more generally, to public opinion.

The Department’s ongoing capacity to serve its beneficial clients will therefore depend on its success in satisfying its “political clients”. So while paying attention to what FN/I want, need and expect, INAC’s executives must also account for public opinion, the actions of organized political actors and the lay of the political landscape.

To summarize the argument to this point:

- Effective strategy in the private sector involves the identification of a market opportunity and the development of a unique approach (who-what-how combination) for exploiting the market opportunity.
- Effective strategy in the public sector involves a decision to pursue certain social/economic outcomes on behalf of a Department’s beneficial clients and the development of an approach to pursuing those outcomes that is both *technically feasible* (the approach should, in principle, be capable of yielding the intended benefits) and *politically feasible* (the approach will be satisfactory to the Department’s political clients).

To this, one other element must be added. It was no accident that Apple’s approach to a market opportunity for portable music devices had to do with “cool” design, ease of use and the internet. These were all areas where Apple already had experience and expertise. The general point is that a company’s ability to develop and implement a winning strategy is determined by the “resources” that the company is able to deploy. Especially valuable are unique resources that competitors *don’t* have and can’t easily acquire.

The term “resources” has a particular meaning in the context of strategy. It goes beyond finances to intellectual and social capital. In general terms, resources that underpin a strategy include what an organizations knows, what it knows how to do, the way in which it does things (“corporate culture”), whom it knows, and the networks – formal and informal – in which it participates.

In Apple’s case, the resources that enabled it to successfully establish a dominant position in the market for portable music-playing devices included:

- a tradition of innovative, “cool” design that appealed to young consumers of electronics;
- a strong track record of designing electronic devices that are highly functional and easy to use;
- a strong brand and a passionate customer base;
- a visionary leader (Steve Jobs).

So to augment the conclusion reached a few paragraphs ago, there are three components to a winning strategy in the private sector:

- recognition of a potentially profitable market opportunity;
- formulation of a unique who/what/how combination to exploit the opportunity; and
- possession of unique resources that make it possible to implement the who/what/how combination.

In a government department, no less than in a private sector corporation, “resources” determine the set of social/economic outcomes that can be pursued, and the range of who/what/how combinations that can be deployed in pursuit of those outcomes.

In the case of an organization such as INAC, the resources at its disposal might include:

- many years of experience of working with aboriginal people;
- specialized expertise in the social and economic development of aboriginal people and communities;
- networks involving other departments and stakeholders outside the federal government;
- bureaucratic knowledge of how to “work the system” in order to support outcomes important to aboriginal people and communities while simultaneously satisfying political clients.

Strategy, then, occurs at the confluence of three factors. “Having a strategy” in a public sector organization means having a picture of:

- the **outcomes** that you are choosing to pursue on behalf of your beneficial clients (as well as the outcomes you are choosing *not* to pursue);
- the **who/what/how combination** through which you will pursue those outcomes while simultaneously satisfying beneficial and political clients; and
- the **resources** you expect to be able to mobilize in order to implement the who/what/how combination.

7 Interpreting (and Reinterpreting) the Possible

It is tempting to think that the elements of strategy formulation – (i) reaching consensus on desired outcomes; (ii) developing a who/what/how combination for pursuing the

outcomes; and (iii) assessing and marshalling the resources required to implement the who/what/how combination – can be approached sequentially. It would be convenient, in other words, if one could deal first with the noble question of ends, and then address the mundane question of means.

But in the world in which strategies have to be implemented, the three elements are interdependent. Means are as likely to determine ends as ends are to determine means.¹³ The outcomes that one might wish to pursue are limited by the range of feasible who/what/how approaches. (There will usually be only a small number of approaches that will not only be technically and administratively possible, but also satisfactory to both beneficiary *and* political clients.) In turn, the range of feasible who/what/how approaches is determined by the availability of resources.

And so, although participants in a typical “strategy session” may be asked to do “blue sky” thinking where they pretend that the usual constraints – resources, political acceptability, administrative feasibility – have been lifted, the fact is that it rarely makes sense to divorce oneself from the environment in which a strategy will have to be implemented. It’s probably impossible to think in any meaningful way about strategy in an unconstrained environment. Our brains can’t process “boundless possibilities”, and the very idea of strategy only has meaning in the context of challenges or obstacles to be overcome. It’s at least as plausible to argue that acute awareness of constraints is the very thing that stimulates creativity by forcing us to constantly reassess both means and ends in light of circumstances.

The key question, then, is

How can individuals, organizations and societies cope as well as possible with political issues too complex to be fully understood, given the fact that actions initiated on the basis of inadequate understanding may lead to significant regret?¹⁴

The answer is that the process of developing strategy in the public sector must be iterative. You will toggle back and forth between matters of outcomes, approaches and resources. An initial idea about desired outcomes may have to be altered if there is no feasible who/what/how combination that will simultaneously satisfy beneficiary and political clients, or because the necessary resources are not available, or both.

Even the most talented public manager would agree that “comprehensive analysis is impossible for complex social problems.”¹⁵ Formulation and implementation of strategy must thus occur side-by-side rather than sequentially, because strategies are built on assumptions which, in the absence of perfect knowledge, will never be perfectly correct. Strategic management is necessarily a “repetitive learning cycle [rather than] a linear progression towards a clearly defined final destination.”¹⁶ While assumptions can and

¹³ Lindblom (1959).

¹⁴ Woodhouse and Collingridge (1999), p. 139.

¹⁵ *Ibid.* p. 140.

¹⁶ Elcock (1996), p. 56

should be tested in advance, the ultimate test is implementation. You will inevitably need to adjust your intended outcomes, and/or your approach to pursuing outcomes, and/or seek new kinds of resources. Thus a strategy will get remade during implementation because “humans rarely can proceed satisfactorily except by learning from experience; and modest probes, serially modified on the basis of feedback, usually are the best method for such learning.”¹⁷

It serves little purpose (other than to provide a false aura of certainty sometimes demanded by central agencies) to pretend to anticipate every possible consequence of a program or policy intervention, every possible constraining or enabling factor, and every possible point of view. At the end of the day, what matters for the purposes of strategy is having a clear view – based on the best available evidence and on defensible assumptions – of what it seems possible to accomplish within the constraints of a given set of circumstances. As the situation changes, some opportunities for pursuing outcomes will disappear and others arise. Some who/what/how approaches will become impossible, while others, previously impossible or unimagined, will become viable.

The essence of being “strategic” in a public service organization lies in a capacity for “intelligent trial-and-error”¹⁸ rather than finally honed and detailed strategic plans. Strategy becomes a question of interpreting, and continuously reinterpreting, the possibilities presented by shifting circumstances for advancing the government’s social and economic agenda. Doing so requires strategists to think *simultaneously* about desired outcomes, the best approach for achieving them, and the resources implied by the chosen approach. It requires a frame of mind that admits of no boundary between means and ends.

8 Example: First Nation Governance

In 2002 Indian and Northern Affairs Canada (INAC) introduced draft legislation, the *First Nations Governance Act* (FNGA), which was intended to support governance reform in First Nation communities. The general intent was to transfer more responsibility to First Nations for designing and implementing their own governance regimes, reduce the involvement of the federal government in First Nation affairs, and create conditions that would support greater accountability by First Nation leaders to their members.

Among other things, the proposed legislation described minimum standards for governance “codes” that First Nations were expected to establish in matters such as leadership selection, administration of government, and financial accountability. The legislation also defined the legal capacity of First Nations and redefined their law-making authority. The FNGA did not include a mechanism to verify compliance with the minimum standards for governance codes, but failure by First Nations to meet those standards would have opened the possibility of legal challenge.

¹⁷ Woodhouse and Collingridge, p. 140.

¹⁸ *Ibid.*, *passim*.

The FNGA was a “strategic” initiative of the first order, going to the heart of INAC’s mandate with respect to First Nations (see p. 9). The government recognized that its traditional strategy for fulfilling the mandate – resource transfers to First Nations subject to tight control by INAC – left much to be desired. As acceptance grew among INAC policy-makers that transferred resources were unlikely to be used well in an unhealthy political and administrative environment, they turned their minds to governance. In too many communities, the relationship between First Nation leaders and their members was not seen as being conducive to the effective use of resources for economic and social development.

The FNGA was an attempt to fix this problem. It was meant to be a catalyst for the establishment of new rules governing the acquisition and use of political power and administrative authority in First Nations. Healthy governance and strengthened accountability were expected to lead to more effective programs, policies and services in First Nations, and contribute to more rapid social and economic development.

The FNGA amounted to a new strategic thrust. INAC’s traditional strategy for supporting First Nation communities¹⁹ could be analyzed as follows:

- *desired outcome*: improved social and economic conditions for First Nation communities;
- *who/what/how*: **who**: members of First Nation communities, and leaders of First Nation institutions; **what**: transfers of resources (primarily); **how**: detailed funding agreements, closely overseen by INAC;
- *resources*: money, expertise in managing funding agreements with First Nations; familiarity of First Nations with this type of funding arrangement.

In contrast, the strategic components of the FNGA were:

- *desired outcome*: more responsibility by First Nations leaders for managing their own affairs; improved governance in First Nations, characterized by greater transparency, stronger accountability between First Nation leaders and their people, and better financial management,;
- *who/what/how*: **who**: First Nation leaders; **what**: standards for developing and implementing rules and procedures related to governance (leadership selection; public administration, financial management, etc.); **how**: create conditions that make it possible for First Nation members to be more effective in seeking improved governance;
- *resources*: widespread dissatisfaction with the existing legislative regime under the *Indian Act*; support by some aboriginal stakeholders (e.g. Indians living off-reserve)

¹⁹ The traditional strategy would continue to be pursued in parallel with the strategy implied by the FNGA.

for the FNGA; many years of experience in working on economic and social development in First Nation communities; support in the general Canadian population for greater accountability in the use by First Nations of public funding

In the end the FNGA strategy failed. It was opposed by many First Nation leaders and it died on the parliamentary Order Paper in late 2003.

Analysis: Building a Better Strategy? The case of the FNGA is cited only as an example. It is not the purpose of this paper to criticize the way in which INAC addressed the difficult question of First Nation governance. The point of this example is, rather, to illustrate how the framework outlined in sections 5 and 6 can be applied to a complicated public policy issue, and used as a guide both to analyzing an existing strategy and to developing a new strategy.

It is helpful to apply to framework to the FNGA story two times: first, by looking at each strategic component in sequence; and then by looking at all three components simultaneously.

The component-by-component analysis suggests that:

Outcomes. The intended outcome was sound. Focusing on getting governance right, and particularly on accountability relationships between those who govern and the people subject to their authority, is generally understood to be an important prerequisite for economic and social development. Decades of experience in developing countries has shown that disappointing results arise from efforts to inject resources – financial capital, hardware, training or technical assistance – into environments where governance is poor.²⁰ The focus on less intervention by the federal governance in First Nation affairs was also sound.

Who/What/How Combination. This element of the strategy appears to have had important flaws. A key lesson learned from attempts at governance reform in developing countries²¹ is that external attempts to impose governance models usually end in failure. Although INAC was careful to present the FNGA as providing an opportunity for First Nations to take initiatives to improve their own governance, the proposed legislation was perceived by key stakeholders as yet another heavy-handed attempt by the federal government to interfere in First Nation business. Many (though not all) First Nation leaders opposed the FNGA because they felt that INAC was forcing on them a plan for governance; they protested that this violated their sovereign right to control their own political reforms. This reaction was understandable – indeed, predictable – give the long history of difficult relationships between INAC and First Nations.

INAC appears to have treated governance reform primarily as a technical exercise – one in which a “blueprint” for improvement based on the knowledge of external experts could be transplanted into First Nation communities. This went against the grain of

²⁰ World Bank (1997).

²¹ There is a rich literature on this subject. Carothers (1999) is one example.

another lesson learned from governance reform in developing countries, which is that governance systems are rooted in history, culture and politics. Technical solutions, exported from one society or political tradition to another, have a high likelihood of failure.

Resources. INAC appears to have overestimated the value of the resources that underpinned its strategy, and underestimated or ignored the importance of resources it did not have.

INAC appears not to have had an accurate understanding of its capacity to influence First Nation leaders. It also appears to have overestimated the significance of dissatisfaction with the *Indian Act*. And the Department appears not to have adequately recognized the significance of its own weaknesses in terms of understanding the drivers of governance reform.

This component-by-component analysis suggests that INAC need not have modified its objective of reforming First Nation governance, but that it should have pursued it in a different way (chosen a who/what/how combination that was more technically and politically feasible) and ensured that it had requisite resources (e.g. deeper expertise in governance reform; stronger support from First Nation leaders) required to implement the who/what/how combination.

But the component-by-component analysis doesn't go far enough. It is not sufficient to consider each of the three components individually and in isolation from each other. In a real situation, the three elements have a dynamic relationship. Each one is continuously affecting the other two, so a simple static analysis is incomplete and possibly misleading.

A more revealing analysis considers the three strategy elements simultaneously, attempting to take into account the impact of one on another. A complete dynamic analysis is beyond the scope of this paper, but a few of the major issues can be drawn out to illustrate the value of this kind of thinking.

We can begin with the desired outcome: improved governance in First Nation communities. The component-by-component analysis suggests that this outcome, viewed in isolation from the other two strategic components, is well chosen.

But when the dynamic effects of the other two components are considered, the analysis changes. For example, is there a who/what/how combination that would be compatible with the desired outcome – an approach that would strike a good balance between the needs of beneficial and political clients? To answer this question, we would have to consider the following points:

- a “blueprint” approach to governance designed and led by INAC is unlikely to contribute to improved governance;

- an approach that is “owned” and controlled by First Nations will have a better chance of making lasting improvements to governance;
- different First Nation communities will be at different stages of political development, and therefore have differing levels of capacity and willingness to undertake and lead governance reforms.

This suggests that if improved governance in First Nation communities is to remain a viable strategic outcome for INAC to pursue, then the Department would have to use a very different who/what/how combination. In particular, it would have to:

- play a supporting rather than a leading role in governance reform;
- rely heavily on initiatives taken by First Nation leaders;
- place less emphasis on prescribing specific performance standards, and letting First Nation leaders work out their own rules;
- be selective; rather than working on “across-the-board” governance reforms, it would have focus to its efforts on First Nations that had demonstrated the capacity and the willingness to take charge of an effort to improve their governance.

INAC would need to have resources that were suited to this type of who/what/how approach. Among other things, it would need:

- a corporate culture and a set of formal rules and procedures that would support (or at least not be obstacles to) an approach controlled by First Nations;
- a relationship with oversight bodies (e.g. Treasury Board Secretariat; Office of the Auditor General) that would allow for an approach controlled by First Nations;
- a level of trust and understanding with First Nations that would allow First Nations to take more direct control of governance reforms;
- a level of trust and understanding with First Nations political organizations that would allow for a differentiated approach to governance reform across First Nations.

Examination of the interplay between the three strategic elements forces a reassessment of the strategy’s feasibility. Given what is implied by the pursuit of improved First Nation governance (First Nation control, a selective approach, reoriented relationships with oversight bodies and with First Nations, etc.), it is reasonable to ask whether improved governance is a strategy that could and should be pursued under the leadership of INAC.

A strategy for promoting economic and social development in First Nations through strengthened governance makes sense as a general proposition. The question is: who could and should pursue it? The analysis has suggested that it is probably not feasible for such a strategy to be led by INAC because the who/what/how combination and resource requirements that fit with the desired governance outcome are not (and are not likely ever to be) a good fit with the Department.

9 Conclusion

There are many activities that a public sector organization *might* undertake, but a far smaller number of activities that it *can* and *should* undertake. One way or another the options have to be narrowed. Decisions must be taken; some doors must be opened, and others left closed.

Strategic thinking is a way to make decisions about what (and what not) to do. A “strategy” results from a systematic examination of what an organization wants to accomplish and how it expects to accomplish it. It recognizes that ends (or “desired outcomes”) are not and cannot be absolute; they take on meaning only in relation to the means (or “who/what/how combinations” and “resources”) through which outcomes are realized. “Strategic management” is the art of marrying what is desired with what is feasible. It follows that a single-minded determination to focus on certain outcomes “no matter what” may be heroic, but it is not strategic.

Producing formal strategic plans – though necessary under some circumstances – is not an important aspect of strategic management. To the extent that it is useful to document strategic outcomes and the means of achieving them, a written strategic plan serves a purpose. But the document itself is not an end point, nor does it suffice as evidence that a viable plan has been created.

Far more important is a capacity to identify outcomes that an organization can reasonably expect to achieve in view of available, feasible options for pursuing those outcomes. And it is equally critical to be able to turn that thought process on its head, working from assumptions about means (in the form of resources and who/what/how combinations) to inferences about feasible outcomes. The art lies in the repeated looping from one side of the equation to the other, reconsidering outcomes in light of implementation options, and implementation options in light of desirable outcomes.

Another way of expressing these ideas is to say that strategy results from a particular way of thinking about how to change the future, while bearing in mind the realities of the present. Traditionally, thinking “big thoughts” about changing the future was considered to be the realm of elected officials only, with the role of public administrators being to implement the political agenda. “Strategy” was for Cabinet; the business of the bureaucracy was to follow instructions and provide service

That traditional view about public administration has been fading for some time. In Canada, especially since the mid-1990s, elected officials have been pushing the

bureaucracy to focus at least as much on long-term social and economic outcomes for Canadians as on process and compliance.

This shift in perspective is what makes it essential for public managers, and especially executives, to have a clear, shared and operationally relevant understanding of what strategy means in a public service organization. With departments and agencies being held accountable for contributing to outcomes, it makes sense to develop and implement departmental strategies that are complementary to the strategy of the elected government.

A third way to encapsulate the core idea of “strategy” in public sector organizations is to say that it lays out the path (though not the detailed steps) by which an organization plans to create public value.²² Being able to do this well is an important attribute of leadership. Public service executives – as leaders of large organizations bearing complicated mandates, serving stakeholders with conflicting demands and expectations, and subject to shifting political currents – can use strategy to their advantage in at least three ways:

- It can help them and their executive team maintain their focus on outcomes that are important over the long-term, amid the myriad “urgent” demands to address short-term problems that tend to absorb executives’ time and attention.
- It clarifies key management tasks that need to be accomplished in order to advance the strategic agenda; these might include:
 - key sources of support (administrative and political) that must be nurtured;
 - key messages that must be conveyed to stakeholders;
 - key investments that must be made in operational capability
- It helps to bring others – both inside and outside the organization – “on board”, stimulating contributions that may be critical to the organization’s success in achieving its objectives. Within the organization, a compelling strategy sends a message about the kinds of projects that will be viewed favorably. Externally, a strategy that is perceived as well-aligned with stakeholder values helps to generate enthusiasm and support.

Underlying these benefits is the application of a thought-process that considers three questions:

- what is the desired social or economic outcome to which we want to contribute?
- how do we expect to contribute to that outcome?
 - *whom* will we serve?

²² Moore (1995).

- *what* benefits will we deliver to them?
 - *how* will the benefits be delivered?
- what resources will we need in order to implement the strategy?

References

- Barrett, Peter and Lucinda Barrett (2006). "The 4Cs model of exemplary construction projects," *Engineering, Construction and Architectural Management*, Vol. 13, No. 2.
- Berry, Frances Stokes (1994). "Innovation in Public Management: The Adoption of Strategic Planning," *Public Administration Review*, Vol. 54, No. 4.
- Bouckaert, Geert and Christopher Pollitt (2000). *Public Management Reform. A Comparative Analysis*. Oxford: Oxford University Press.
- Bovaird, Tony (2003). "Strategic Management in Public Sector Organizations," in Bovaird, Tony and Elke Löffler, eds, *Public Management & Governance*, New York: Routledge.
- Carothers, Thomas (1999). *Aiding Democracy Abroad. The Learning Curve*, Washington, DC: Carnegie Endowment for International Peace.
- Colander, David (2003). "Muddling Through and Policy Analysis," *New Zealand Economic Papers*, December.
- Collis, David J. and Cynthia A. Montgomery (1998). "Creating Corporate Advantage," *Harvard Business Review*, May-June.
- ____ (1995). "Competing on Resources. Strategy in the 1990s," *Harvard Business Review*, July-August.
- Elcock, Howard (1996). "Strategic Management," in Farnham, D. and S. Horton (eds.), *Managing the New Public Services*, 2nd edition, New York: Macmillan
- Hughes, Owen E. (2003). *Public Management and Administration. An Introduction*. (Third Edition). New York: Palgrave MacMillan.
- Joyce, Paul and Adrian Woods (2001). *Strategic Management : A Fresh Approach to Developing Skills, Knowledge and Creativity*, London: Kogan Page.
- Lindblom, Charles E. (1959). "The Science of Muddling Through," *Public Administration Review*, Vol. 19, No. 2.
- Lindquist, Evert A. (2002). "How Ottawa Plans: The Evolution of Strategic Planning," in Pal, L., ed., *How Ottawa Spends*, Toronto: Oxford University Press.
- Llewellyn, Sue and Emma Tappin (2003). "Strategy in the Public Sector: Management in the Wilderness," *Journal of Management Studies*, Vol. 40, No. 4.

Markides, Costas (2004). "What is Strategy, and How Do You Know if You Have One?", *Business Strategy Review*, Vol. 15, No. 2.

Mokyr, Joel, ed. (1999). *The British Industrial Revolution: An Economic Perspective*, Boulder, CO: Westview Press.

Moore, Mark H. (1995). *Creating Public Value: Strategic Management in Government*. Cambridge, MA: Harvard University Press.

Nutt, Paul C. (2006) "Comparing Public and Private Sector Decision-Making Practices," *Journal of Public Administration Research and Theory*, Vol. 16, No. 2.

Office of the Auditor General of Canada (2006). "Expenditure Management System at the Government Centre," Report of the Auditor General (Ch. 1, November), Ottawa.

President of the Treasury Board of Canada (2005). "Management in the Government of Canada. A Commitment to Continuous Improvement," Ottawa: Treasury Board Secretariat.

Ring, Peter Smith and James L. Perry (1985). "Strategic Management in Public and Private Organizations: Implications of Distinctive Contexts and Constraints," *The Academy of Management Review*, Vol. 10, No. 2.

Schacter, Mark (2007). "Trashing Results-based Management; or, Throwing Out the Baby with the Bath Water," *Public Sector Management*, April

____ (2002). "Not a Tool Kit. Practitioner's Guide to Measuring the Performance of Public Programs," Ottawa: Institute On Governance.

Stalk, George, et. al. (1992). "Competing on Capabilities. The New Rules of Corporate Strategy," *Harvard Business Review*, March-April.

Stewart, Jenny (2004). "The Meaning of Strategy in the Public Sector," *Australian Journal of Public Administration*, Vol. 63, No. 4.

Treasury Board of Canada Secretariat (2004). "Management, Resources and Results Structure Policy," Ottawa.

Walker, Richard M. (2004). "Strategy Content and Public Service Organizations," *Journal of Public Administration Research and Theory*, Vol. 14, No. 2.

Wikipedia contributors (2007). "Strategy", Wikipedia, The Free Encyclopedia. Available at: <http://en.wikipedia.org/w/index.php?title=Strategy&oldid=111689140>.

Williams, Daniel W. (2000). "Reinventing the Proverbs of Government," *Public Administration Review*, Vol. 60, No. 6.

Woodhouse, Edward J. and David Collingridge (1993). "Incrementalism, Intelligent Trial-and-Error, and the Future of Political Decision Theory," in Redner, Harry, ed., *An Heretical Heir of the Enlightenment: Politics, Policy and Science in the Work of Charles E. Lindblom*, Boulder, CO: Westview Press.

World Bank (1997). *World Development Report. The State in a Changing World*, Washington: The World Bank.

About the Author

Mark Schacter lives in Ottawa, Canada, and works with Canadian and international organizations on the design and implementation of performance measurement frameworks, and on broader questions of strategy, governance and accountability. He provides advisory, analytical and facilitation services and professional development workshops.



Mark's publications on issues in governance and public management are widely read and used by practitioners in Canada and internationally. His publications, as well as other information about his work, can be found at www.schacterconsulting.com

Mark can be reached at mark@schacterconsulting.com or at 613.277.6777.
