

## Research on Public Strategic Management requiring a new theoretical framework

The word strategy has for etymological origin the Latin word “strategia”, art of the leader of the army in combat. Military strategy is the art of coordinating - at the highest level of decision - the action of all military forces to conduct a war. The book “The Art of War” by Sun Tsu, a Chinese general of the 5th century BC, is one of the first works on the art of war. The strategy is based on a preparation, a good knowledge of the field and the forces involved (by spying ...), and an adaptation to circumstances. Sun Tsu suggests taking into account the moral qualities of a commander (wisdom, honesty, benevolence, courage).

Historically, the strategic analysis has been first dedicated to the armed forces, and then extended to private firms’ competition. The New Public Management introduced in the 1970s, promotes a modernization of public administration focused on the search for performance. It led to the development of strategic analysis in the public sector.

The introduction of decentralization has led public organizations to develop and implement strategic decisions to adapt public policies to the heterogeneity of territories. Previously, public organizations just executed political decisions. The introduction of market mechanisms in the supply of common goods and services forces public organizations to satisfy the

expectations of users. Previously, the demand was captive. The search for efficiency, a major public policy objective has led organizations to develop strategic analyses such as the analysis of value. According to Amar and Berthier (2007) the NPM led to the development of the strategic function and strategic analysis (strategic planning, outsourcing practices, public / private partnerships, measures of performance).

The purpose of our editorial is to understand what the strategy of a public organization is. What are its characteristics? How can we conceive public strategic management analysis? What are the perspectives of academic researches on public strategy’s analysis and tools?

If we list academic papers, we observe that there is no single definition of strategy. Chandler (1962), a great author, pioneer of strategic analysis, defined strategy as “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals.” According to Ansoff (1965), the strategy is the firm’s conception of its activities, specifying its rate of progress, the fields of its expansion and its orientations, the major forces to be exploited and the profit to be made. According to Johnson *et al.* (2005), the strategy is a search of a long-term focus

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and scope of the organization, giving it a competitive advantage in a changing environment and meeting the stakeholders' expectations through a configuration of resources and competencies. According to Porter (1982), the strategy is the realization of resource allocation choices (financial, human, technological, etc.) that engages the company in the long term and endows it with a sustainable, decisive and defensible competitive advantage.

According to Allaire and Firsirotu (2004) corporate strategy is a consistent set of choices and measures to achieve a certain vision of the company and create sustainable economic value in a market context.

Therefore, making strategic management implies answering six questions:

1. What are the long-term goals of the organization?
2. What are the perimeters of activities and the boundaries of the organization?
3. How can an organization adapt to its environment?
4. How can organization build a competitive advantage or a favorable position in the face of competition?
5. What value creation model should be used to ensure the sustainability of the organization?
6. What resources and competencies are mobilized and how are they allocated?

We will characterize the field of research in public strategic management by answering each of these questions.

**1.** First, the strategy is a long-term orientation with long-term goals (at least 4 or 5 years). It is a projection in the future determined or at least framed by public policies. It is influenced by different stakeholders' values and aspirations. The objectives of the public strategic management are different from those of private companies which aim profit. Public strategy is built in connection with public policies. Many studies use the stakeholder theory to determine to what extent the strategy is able to meet stakeholders' expectations. The strategy is a way of responding to stakeholders' wishes who are powerful, are recognized as legitimate and control essential resources... Mitroff (1983) defines the stakeholders as "groups of people, actors, institutions (internal and external) that affect or are affected by the actions, behaviors and policies of the organization". However, few

studies analyze the link between public policy goals and public organization strategies. Using the theory of the agency, it's possible to analyze the link between the public policies conceived by the politicians and the strategies developed by the leaders of public organizations. Pupion *et al.* (2004) use the agency theory to analyze the governance mechanisms of the relationship between the delegator, the policy maker and the delegate, the leader of the public organization who has a decision-making delegation for strategy. This theory often analyzes the case of asymmetric relationships where a principal delegates a decision-making right to an agent acting on his behalf. However, the agency's theory also applies to a kind of cooperation (Jensen and Meckling, 1976). Hill and Jones (1992) consider that principal-agent relationship is only a variant of those existing between stakeholders.

From a managerial point of view, evaluating a public organizational strategy in a public policy perspective consists in making a judgment on its products (outputs) but also on its impacts (its outcomes). Three criteria must be used:

- the criterion of relevance makes it possible to evaluate the relationship between the objectives of the strategy and those of public policy;
- the criterion of effectiveness makes it possible to assess the adequacy between the actual outputs and outcomes of the strategy and those expected of public policy;
- the criterion of productive efficiency assesses the ratio between the resources invested by the organization and the actual outputs.

Choosing another path, Höglund, *et al.* (2018) sought to analyze the effect of different government tools and measures on strategic development choices.

**2.** Secondly, the strategy is a coherent set of choices of activities and actions for long-term orientation. The strategic choices concern the development of the organization, its activities, its functions and its borders with concrete decisions: the choice of activities and functions to develop, to abandon, to outsource...

The theory of transaction costs explains simultaneously the existence of the company and its boundaries. The market is not always the most efficient mode of coordination for transactions. In some cases, the organization and its hierarchy are more efficient.

Walker *et al.* (2013) try to use the theory of transaction costs to explain group purchasing strategies in public services. These strategies should reduce the costs associated with finding suppliers, trading costs and monitoring costs.

Public organization's choices are still often constrained by public policies and the regulatory or legislative framework.

Public organizations evolve in a binding legal framework. Its missions, actions, activities, and geographical scope are largely defined by law or regulation. The status of public organizations, set by decree, constrains its geographical development, goals and activities. However, the introduction of market mechanisms favored by NPM ideology has often been accompanied by a greater autonomy.

Future research should analyze the effect of the law and its changes on strategic decision-making. The way of accomplishing the strategic function is constrained by the regulations and laws that define the legal possibilities of strategy development (existence of public-private partnerships, calls for tenders in the case of outsourcing).

**3.** The strategy allows the organization to fit to its environment. Schendel and Hoffer (1979) consider that strategy can be defined as the continuous process of adjustment to environmental changes. Chakravarthy (1986) defines strategy as the process by which leaders ensure the long-term adaptation of the firm to its environment. Walker's (2013) analyzes the relevance of Miles and Snow's typology (proactive strategy, reactive strategy...) to describe the strategic behavior of public organizations towards the environment. A new aim is assigned to the strategy in a context of decentralization. Political authorities gave strategic autonomy in order to adjust public policies to the local context and to the heterogeneity of the environment. This method must be questioned. Do these strategies respond actually to the expectations of public policies which targeted specific territories or populations?

The public organization can also modify its environment through innovation or collective strategies. Analyses on collective strategies (lobbying strategies, etc.) and on the effect of network membership on the individual strategies of public organizations are fruitful ways for public strategic research. These strategies

must be analyzed in the light of public organizations' values, public service motivations of managers and public law (Pupion and Dorbaire, 2012).

The question of strategy implementation has been the subject of many researches on change management. We can cite in particular the studies on resistance to change and on crisis management in the case of forced and brutal change. The strategy of public organizations is developed in a context that is more or less competitive and / or more or less co-operative. In a competitive context, the strategy is constructed by reference to others, often in opposition. In a cooperative framework, strategy is built with others.

**4.** The context is more or less competitive according to the regulations of the sector in which the public organization operates. Even if competition sometimes remains hidden, the new public management encourages its growth. The state has stopped deciding who can be user or not of public services. Users have now often the choice of their public service provider (their school...). The search for a competitive advantage takes now an important place in the strategic management of public organizations. However, the competitive strategies are partly different from those used by private firms. First, in the public sector, prices are often administered. Secondly, some strategies of differentiation or focus may seem illegitimate since they are opposed to public values (principles of equal treatment of users, fairness). These principles govern public action. On the other hand, strategies such as innovation or differentiation through the quality of services can simultaneously build a competitive advantage satisfying users and respond to the public policies goals of modernization. The possibilities of applying competitive analysis's models in public sector are debated. Does the introduction of NPM principles make it possible to directly transpose in the public administration the strategic analyzes built for private firms? The use of the competitive forces model is, according to Rosenberg and Ferlie (2016), all the more relevant when autonomy is strong, market conditions prevail and budgeting is performance-based.

The need to develop cooperative strategies has emerged after decentralization. In a decentralized context, no single actor has the competencies and resources to manage all economic and social relations within a territory. Each stakeholder brings different points of view and resources (expertise, democratic

legitimacy ...). These actors work in a network in the perspective of a common project in order to share resources and define objectives for local actions. The theory of resource dependence is useful by suggesting that organizations in uncertainty seek to survive by controlling (internally or externally) critical resources. This theory suggests that companies are involved in co-optation (a mixture of cooperation and competition). Cooperation strategies can also be analyzed using network theory. According to this theory, the company is a node within a connection between the actors that are competitors, suppliers, customers, institutions and other entities. These connections bring legitimacy and resources to the organizations. The number and diversity of connections determine the strength of the organization. The analysis of the strategy can be explained by the place of the public organization in the networks (Owens, Kukla-Acevedo, 2012, Pupion P-C, Dorbaire, 2014). These connections can also be constraints for the organization. Public cooperation strategies are institutionalized. The type of relations, objectives and shared values are distinct from a network of private firms. Public managers and their organizations operate in a network related to other organizations and actors that influences users, resources, programs, goals and reputation. "Networks" constitute a model of interdependence among social actors in which several links are formulated in terms of subordination (O'Toole 1997). Pupion and Dorbaire (2014) consider that strategies of network take the form of "stable, hierarchical or non-hierarchical cooperation between organizations that know and recognize each other, negotiate, exchange resources and share standards and interests". Actors join forces and resources to build a common project. It would be useful to analyze the down-top link between cooperation strategies and public policies.

**5.** Public strategy aims to create value for users. Moore (1995) argues that when private companies create "private value" for the benefit of their owners, public organizations generate "public value" for the benefit of citizens and stakeholders including public interest and common good. The work of Moore and his successors frame the objectives of the strategy in a triangle. The strategic triangle shows that public value is created when a given strategy or action has democratic legitimacy and legal support and when the government has the operational capacity to implement it effectively. There is a feedback system. The creation of public value develops legitimacy and operational capacity to have other resources. The creation of public

value comes from the direct utility of the production of services, but also from the dimensions of fairness and equity associated with their production and distribution. In our view, it is important to distinguish the intrinsic public value created (the social good and its ideological and collective dimension) from the substantial value of the activities (policies that provide direct benefits to individuals, groups and organizations). The intrinsic public value corresponds to a collective preference formulated by "citizens". It can be analyzed in terms of adherence to government action.

Quality strategies aim to improve the quality of services and users' satisfaction. They create substantial values. This process of value creation is similar to the value creation in the private sector.

Public organizations create intrinsic public value when they implement strategies to develop equal access of services, insure the continuity of public services (overcapacity of production to cope with any peak of demand...) and pursuit other great principles (laicity for example in France...). We can only regret the lack of applied enabling to propose tools measuring the creation of public value. It should be noted that in the context of CSR strategies private companies can create intrinsic public values. It would be interesting to examine how private enterprise strategies integrate these intrinsic public values, especially when they exercise public service delegation. The inclusion of public values in private companies' strategies has been formulated by Moore.

**6.** The strategy is the set of decisions and actions relating to the choice of resources to achieve a goal. It consists of allocating the resources (financial, human, technical, commercial) between the activities within the organization in order to reach the objectives. It is based on the organization's ability to build competences and develop resources that will give it a competitive edge or opportunity. This capacity depends on the degree of autonomy of the organization. The organization is constrained in the allocation of its resources either by the laws and rules (relating to the status of civil servant or setting limits to public organization in terms of total workforce, overall salary or operating allowances). It can develop new competences through training plans, exchanges of know-how and development of new routines. Research in this area is very complex because of the difference of situations among public sectors and among public organizations' status.

According to the theory of resources and competences applied to the public sector, the public organization is a set of resources and capabilities (Walker, 2010 Penrose, 1959. Grant, 1996, Short *et al.*, 2002, Bryson *et al.*, 2007). These resources consist of physical, financial, human and intangible assets. These resources and capabilities may provide a competitive edge if they are valuable, rare, and inimitable. Are these criteria useful for a public organization to build its strategy? The scarcity criterion suggests that it would be advantageous to hold resources that others would not have. The ultimate goal of traditional public organizations is not to control the resources that others do not have or can not obtain. The goal is to fulfill the mandate and mission of the organization by sharing resources and allowing other organizations to imitate them through collaboration.

To conclude, we propose the following definition: “The strategy of public organizations is a coherent set of choices of activities and measures for a long-term orientation, meeting the expectations of the stakeholders and the objectives of the public policy, and creating by a configuration of resources and skills a public value on a territory in a context more or less competitive and or cooperative”.

Many working papers focused on the decision-making process, and not on the content of the strategy. Many academic studies have focused on the effect of the existence of strategic planning on the performance of the public organization.

Strategic planning is a set of concepts, procedures and tools used by organizations in developing their strategic orientation. It includes analysis of resources and expectations of stakeholders with whom public organizations must cooperate and collaborate to achieve organizational goals (Bryson, Crosby and Bryson, 2009). The degree of development of the planning process is an indicator of the ability of senior management to develop and implement coherent and comprehensive organizational strategies. Planning is a way to promote inclusive public management (Bryson, Crosby and Bryson 2009). There would be a positive relationship between the existence of formal strategic planning and the success of the strategy (Boyone and Walker 2010, Joyce 2004, Koteen 1997, Poister 2010).

Circulars on the project management describe the different phases of this strategy planning process. It illustrates the willingness of politicians to promote certain private practices.

This number three of 2017-2018 brings articles that address the issue of public strategic management and organizational behavior.

The first article addresses the issue of human resource mobilization, a key element in the implementation of public organization strategies. In the article titled, “Exploration of the antecedents of the collective mobilization of human resources in festival. The case of the territorial agents of a public festival”, **Djelloul Arezki, Olivier Keramidas and Edina Soldo** study the antecedents of the collective mobilization of the agents of a public festival. This research into organizational behavior aims to identify the antecedents of the collective mobilization of public officials, in a public context where the attachment to public policies is a determining factor.

The second article analyzes the effect of a merger strategy (ie a border change) on the performance of public organizations. **Aurélié Corne** in her article titled “Tourism Performance and Management of the French Territory: The impact of the NOTRe territorial reform” shows that the tourist destination will use resources and means in order to attract and retain consumers. The strategic management of this public organization is analyzed as it is for a private company. The effect of regional mergers on the performance of the regions as a tourist destination is analyzed using econometric analysis called DEA (analysis by enveloping data). This method allows obtaining efficiency scores for each French region before and after territorial reform. It assesses the impact of regional mergers on French tourism performance.

The third article illustrates the question of the role of strategy in adaptation to the environment. It also highlights the link between strategic orientation and public values or principles. **Nicolas Alfano, Marius Bertolucci, Anaïs Saint Jonsson and Bruno Tiberghien** in their article entitled “Access to health-care services in medical wastelands: the “First-aid line” as a tension absorber? The case of the French dire departments”, proposed an original analysis of a strategy of adaptation of “first-aid line” in medical wastelands. This article shows how the actors of the “first-aid line” are forced to assume, at the territorial level, a buffer role when access to care is difficult. It shows how the strategy helps to fit to the environment. Innovations are led by organizations to deal with lack of health professionals. This adaptation is driven by the environmental context of medical wastelands but

also by public policy objective of continuity of the public service of health.

The fourth article tackles the question of the implementation of a management control tool serving efficiency strategy in a general hospital context where the introduction of NPM has increased competition, increased autonomy and developed budget performance. The article of **Hugues Domingo, Ariel Eggrickx, Gérald Naro** and **Rodolphe Bourret** entitled “Time Driven Activity Based Costing (TDABC), cost calculation model adapted to chronic disease care pathway? Cases of stroke care pathway” is a research intervention. It aims to verify the applicability of a cost-per-activity calculation in a hospital context. This management control tool allows the simulation option to analyze and optimize the consumption of resources. It is a tool that can be used for benchmarking. It can help develop efficiency strategy that is a source of competitive advantage.

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