

Comment on Børre Nylehn's "Strategy in Local Government"

Åge Johnsen*

Børre Nylehn's article "Strategy in Local Government" is an exciting and thought provoking discussion of strategic management in local government. However, his observations can be discussed, both theoretically and empirically. It has been documented that politicians resist attempts to introduce strategic management systems in the form of Management by Objective, especially in small municipalities, but Nylehn's conclusion that strategic management is not used in local government organizations, that it is inappropriate, inadequate and even harmful is too hasty. I will argue that there may be good reasons to use strategic thinking in local government, but more research is needed to document the costs and benefits.

In his interesting article "Strategy in Local Government" in *Scandinavian Political Studies* Vol. 19, No. 4, Børre Nylehn concludes that strategic management is a model from the private sector that is inappropriate for use in local government. At first glance, this conclusion may seem convincing and almost uncontroversial, and Nylehn does document resistance among local politicians to the implementation of strategic management in local government organizations. However, after a closer inspection, Nylehn's conceptual assumptions and analyses turn out to be less self-evident, which I will discuss in this comment.

(1) In his study, Nylehn defines strategy as rational action based on organizational adaptation to the environment, planning, and development of a common understanding among organizational managers. This conception resembles what today is called Management by Objectives (MbO) and as such contains strategic planning encompassing long-range plans and budgets. While this system may have been common under different names in large organizations for many years, especially in government (Wildavsky 1986), it was probably a new strategic management system when it was introduced in the small Norwegian local government organizations in the mid-1980s and early 1990s. In fact, Nylehn says that he chose his strategy concept because this is what the local governments he studied had been exposed to.

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When evaluating Nylehn's conclusion that strategic management is not appropriate in local government it is important to remember that the chosen definition is rather narrow and does not cover the strategy concept in organization theory in general. As an example, Mintzberg has identified ten schools of thought in strategy (Mintzberg 1990). Three of these – prescriptive designs, the planning and the positioning schools – can be related to Nylehn's conceptualization of strategy, while the remaining seven are not covered by his study. The credibility of Nylehn's conclusion – which will be discussed below – only relates to Management by Objectives. Although much of the implementation efforts in local government has been concerned with MbO type models, strategy is far more than rational planning models.

(2) In his discussion of the non-market setting of local government, Nylehn states that because “a local government does *not typically operate in a market* . . . the underlying perspective of the strategic thinking may be of limited relevance” (Nylehn 1996, 368). Strategy in a business setting is often about choosing markets and competition. Although local government has many functions besides efficiency in service production, for instance provision of justice and local democracy, efficiency is still an important function. In this respect the concepts of markets and positioning can be highly relevant. Local government organizations in Norway have a great deal of room to maneuver when it comes to organizing: what kind of people to hire; what services to provide; quality or standard of services; prices and fees for services and user groups; which areas the municipality should devote resources to; who to cooperate – or not cooperate – with in other government, business and voluntary organizations. All these management and political issues may be analyzed and discussed using strategic management thinking.

Local governments do not have fixed populations or a fixed set of user groups for its services, and noise may function as an entrance signal for private or voluntary organizations into services which many people consider core responsibilities or activities for local government. Not only do local government organizations face “competition” from local business and voluntary organizations, but also from other local government organizations at their own level. This is what Hirschman (1970) called exit and Tiebout (1956) “voting with the feet”: municipal inhabitants or businesses may emigrate to other areas. The survival of a local organization may be threatened by neighbors as when some municipalities want to merge with their, often smaller, surrounding municipalities. And finally, at a macro-economic level, local governments compete with others for funding. My point is that local governments do operate in markets with competitors, and therefore strategic *thinking* concerning added value may be highly relevant, although the business *rhetoric* in strategic management may not be that useful.

(3) Nylehn's conclusion about the appropriateness of strategic management in local government is based on empirical findings from various local government studies. Only studies of four municipalities are mentioned in the article: Lebesby, Måssøy, Spydeberg and Tynset, all small and rural municipalities with 1578, 1720, 4290 and 5382 inhabitants respectively in 1995 (Norges offisielle statistikk 1997). Apparently Nylehn's data came from four of then 448 Norwegian municipalities.

A study of small organizations is no objection in itself, but attempts to infer from these cases to the population total (Eisenhardt 1989), in this case the local government organizations in Norway, are problematic. Nylehn's choice of municipalities apparently offers very little variation regarding the types of organizations, whereas other local government studies indicate that variations in local government organizations influence strategic planning. Thus, Hagen & Sørensen (1997) found empirical support for the hypothesis that organizational size, measured by number of inhabitants, as well as relative increase in municipal income influence strategic decision making. Therefore, Nylehn could have ensured more variation in his case studies, since the only thing we now can infer is that some politicians in small municipalities resisted implementation of strategic management systems.

A theoretical expectation that especially politicians in small municipalities would demonstrate such resistance may be reasonable. It is possible that the reported "model failure" has captured the effect of implementing management systems which to a large extent utilize formal, quantitative data. This type of information, however, may be less efficient in small organizations and less relevant to politicians than *rich information* (Daft & Lengel 1990). Consequently, it is too hasty to conclude from the study of model failure in small municipalities that strategic management is inappropriate and inadequate at all levels of management in all municipalities.

(4) Nylehn argues that the local government studies he refers to are unanimous in their claim that attempts to introduce strategic management "are symbolic rather than real," i.e., they express support for the models but do not lead to real changes in the organization (Nylehn 1996, 363). Thus, attempts to implement strategic management models have failed and Nylehn devotes the bulk of his article to demonstrating why this must be so since the local government organization is a political organization and not a business.

Is this a "model failure" as claimed by Nylehn? At face value it is: The model did not function according to its own prescriptions. But local government organizations can be seen from another theoretical perspective than the one expressed in the strategic management model itself. For instance, the local government organization can be seen as a loosely coupled system consisting of a talk system, an action system and a buffer in between (Brunsson 1989; Olson & Rombach 1996). Politicians in the talk system express different ideologies and engage in conflicts. Bureaucrats in the action

system both feed the talk system with data input and translate and implement the outcome.

A management system that is used for more than just symbolic purposes and external legitimization will encounter internal resistance and conflict (Markus & Pfeffer 1983). In accordance with this hypothesis, Kleven (1993) reports resistance from politicians when MbO was introduced as strategic management in the municipality of Spydeberg. Politicians as well as bureaucrats supported this strategic management model in the initial implementation stages. Later on, some politicians said that they had lost relative power through this implementation effort (Harvold & Jensen 1990; Kleven 1993). This is what Nylehn interprets as "model failure," but is this really so? If the talk system receives a management model that reveals diverse ideologies and arouses conflicts, isn't this a "good" management system according to the traits of the talk system? The paradox is that the success of this strategic management system in the talk system is measured by the seeming failure if it were to be implemented and evaluated in use in the action system. In short, the conclusion of model failure when an intended rational planning system arouses conflict in the talk system could be restated as a possible model success for local government as a political system.

(5) Finally, it should be noted that the article does not mention any cost benefit analysis of documented long-term *net* effects of strategic management. Therefore the conclusion that "strategic management, as a business model, may be *more harmful than beneficial* in a local government organization" (Nylehn 1996, 371, emphasis added) seems premature since the article presents no data to document this, just as there is no discussion of tentatively positive effects of strategic management application in local government.

Nylehn presents an exciting and thought provoking discussion of the use of strategic management in local government. My comment attempts to demonstrate that his observations are debatable, both theoretically and empirically. In spite of the clearly demonstrated resistance among politicians, especially in small municipalities, towards attempts to introduce strategic management systems in the form of MbO, I find that Nylehn is too hasty when he concludes that strategic management is not used in local government organizations and that it is inappropriate, inadequate, and even harmful. I argue that there may be good reasons to use strategic thinking in local government, but we need more research to document costs and benefits.

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