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The limits of strategy

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The rational scientific approach to corporate planning reached its height in the 1960s and was associated with the post-war growth of big business and the emergence of oligopolistic companies. But it was also associated with the emergence of big government on both sides of the iron curtain, and was refracted through matters as varied as macro-economic policy, regional development, land-use and urban design, social security and budget setting. To different degrees it was assumed in each of these contexts that the tools of logical analysis could be used to determine optimal strategic decisions. Igor Ansoff was perhaps the high priest of rational business planning, for example, seeking to use analytical methods to solve 'the total strategic problem of the firm', and the results of his analyses took the form of complex designs for the management of 'decision flows'.

Operational research was advocated for local authority use during the 1960s by the Tavistock Institute of Human Relations. It was argued that planning processes must be developed in local government which employ the 'technology of strategic choice'. The growth of local government and of cross-departmental responsibilities increased the emphasis upon corporate management as reflected in the reports of the Maud and Redcliffe-Maud Committees. During the 1970s, however, these technocratic ideas seemed increasingly out of touch with the realities of organisational life in a period of rapid change. The mood of disenchantment with corporate planning was captured particularly well in the sceptical writings of Aaron Wildavsky. But these practices were also criticised from another angle, for attempting to displace the political control of councils by the 'technocratic gospel' of corporate management, whilst at the same time smuggling the technocrats' own values into the decision process.

Despite the difficulties encountered by 'corporate planning' there was renewed emphasis upon 'strategy' in local government from the late 1970s.
But strategies were now seen – at least in the highly charged atmosphere of larger urban authorities – as political statements building upon the ruling party manifesto. Many councils, for example, adopted ‘economic strategies’, ‘industrial strategies’ and ‘anti-poverty strategies’ to express their opposition to the Conservative government of Margaret Thatcher (which was itself pursuing a ‘Medium Term Financial Strategy’). At the same time, however, the prestige of strategic management in a commercial context was benefiting from the expansion of business schools and the impact of books such as *In Search of Excellence* by Peters and Waterman and *Explorations in Corporate Strategy* by Johnson and Scholes.

As local authority powers and resources were attenuated from the mid-1980s, and local government was again shifted back in a managerialist direction, there was a renewed emphasis upon corporate management, and ‘strategy’ came once again to be seen primarily as a managerial device. The Audit Commission argued in the late 1980s that whilst ‘systematic forward planning has fallen into disrepute’ any council wishing to shape its future must operate a simple but effective policy planning system. The re-emergence of these ideas was, however, associated with a recurrence of the technocratic tendency, with corporate planning specialists attempting to control policies they do not manage and to establish complex systems for performance review or for Total Quality Management.

The history of corporate strategy in British local government suggests the importance of a balanced approach, avoiding excessive technocratic zeal in strategy formation but also avoiding a return to the chaos of ‘muddling through’. It is in this context that we can refer to Henry Mintzberg’s useful examination and critique of strategic planning. The focus of Mintzberg’s attention is upon planning in the private sector and upon planning as one route to strategy; but we can nevertheless use this book to raise a number of questions about the way in which corporate strategy is conceived in British local government.

**DESIGN AND EMERGENCE**

Existing schools of management thought generally view strategy formation as a planned process – involving the establishment of organisational values and objectives, formal SWOT analysis, the exercise of strategic choice, and the monitoring of implementation. But Mintzberg argues that this notion of planning relies upon a false analogy which compares the organisation to a machine like a motor car that is modelled from a blueprint drawn up by engineers in the design centre. In popular usage the word ‘strategy’ has two meanings; it refers to a plan formulated in advance (the ‘intended strategy’) and it refers to the actual pattern of activities that are undertaken by an
organisation (the ‘realised strategy’). Planners like engineers have attempted to plan for everything, but in practice the behaviour of an organisation – its ‘realised strategy’ – ‘emerges’ from the interaction of an intended strategy with numerous short-term decisions. Emergent strategies need not come from the centre of the organisation but may develop through ‘learning’, through the diffusion of changes in behaviour amongst staff.

Seeking to combine these features Mintzberg suggests that ‘organisations ... often pursue what might be called “umbrella” strategies: the broad outlines are deliberate while the details are allowed to emerge within these’. This is an important advance on the exaggerated claims of the design school. But we are bound to ask whether the ‘realised strategy’ in Mintzberg’s sense represents a strategy at all, and not merely a post hoc rationalisation of events. Whatever the popular usage, can the behaviour of an organisation be regarded as ‘strategic’ unless it reflects conscious design? On the other hand, if we adopt a learning perspective then the concept of ‘intended strategy’ itself becomes problematic, implying a clarity and unity of view that may be absent or undermined by conflict between rival strategies. Mintzberg does not really investigate these issues deeply enough to produce a convincing picture, and so we must draw on our own resources.

One starting point would be to acknowledge that most people in organisations are likely to be pursuing a ‘strategy’ of some sort, in the sense of a conscious approach to longer term objectives which guides much of what they do. Most of these strategies will be relatively informal and quite limited in scope, perhaps concerning personal or team development. But some will be more ambitious, and some – a small minority – will concern the organisation as a whole. Several corporate strategies may co-exist within the organisation and may be pursued in ignorance or conflict with one another, and corporate behaviour may either be the unintended product or the negotiated resolution of the conjunction of these strategies – as sometimes occurs in negotiations between political parties in hung authorities. But whilst the outcome may not coincide with any pre-existing strategy it will generally be embraced by those in command as the best compromise that was available at the time, and so become the ‘intended strategy’ through a combination of ‘design’ and ‘emergence’.

LOGIC AND POLITICS

The advocates of corporate strategy are liable to view office politics, indeed politics in general, as an irrational impulse which is destructive to a planned approach. But Mintzberg suggests that planning processes may be more political than practitioners think, involving the arrogation of control from middle and even senior managers and politicians. As Wildavsky points out:
‘Planning assumes power. Planning is politics.’ The more that planners seem to own the strategy forming process the more this will undermine commitment amongst other power holders and throughout the organisation. So whilst strategists are liable to think of themselves as restoring the ‘soul’ of the organisation, they may come to be seen by others as the corporate ‘thought police’.

Those in departments who oppose strategy and planning on the grounds that this is an attempt to control departmental behaviour from the centre are therefore not necessarily wrong. But at the same time departmental critics will have their own reasons for neutralising strategy, including the desire to assert their independence and to retain as much discretion as they can for themselves. There is an important political dynamic at work in relations between central and other departments which may be described in terms of the tension between ‘centrifugal’ and ‘centripetal’ pressures. In the history of British local government centrifugal forces have gained the upper hand at certain points when external threats are at their greatest, but otherwise centripetal forces generally seem to have held sway.

It is not within Mintzberg’s remit to investigate the impact of party politics upon corporate strategies in local government. But there is a danger that in deriving our ideas from business sources such as Mintzberg we will leave democratic politics out of the picture and thereby contribute to the gradual conversion of ‘government’ into ‘management’. Indeed, it is important to recognise that politics too is a rational activity, concerning the construction of coalitions and the negotiation of agreement, and that corporate strategies will often be developed with coalition maintenance in mind. A way must be found of accommodating both political and managerial logics in the process of strategy formation, and in our understanding of this process.

UNITY AND DISUNITY

Few if any organisations can be described as integrated wholes, in which the different parts understand each other and act in a consistent manner. Indeed the effort that must be put into finding out what others are doing and resolving differences across the board – what might be called ‘the costs of cohesion’ – are generally prohibitive and guarantee that oblivion will remain a fact of organisational life. But there is a tendency for corporate strategists to take literally the dream of cohesion, of building a self-conscious organisation fully identified with its own objectives. It is in this sort of context that Mintzberg cites Wildavsky, who has shown that logical consistency is difficult to sustain in organisations, especially where consistency over time – ‘vertical’ consistency – is sought together with
consistency across a range of activities – 'horizontal' consistency: 'one requires extraordinary rigidity to ensure continuity, the other unusual flexibility to achieve accommodation with other policies. Be firm, be pliant are hard directions to follow at one and the same time.'

Indeed, we can extend Mintzberg's argument, because there does also seem to be a tendency for corporate strategist to overlook the 'horizontal' dimension of cohesion and its development over time. Part of the looseness of an organisation may, however, be observed in the fact that its structure is rarely 'finished', reflecting the intrusion of new plans before old ones have been completed. Just as the parts of an organisation are divided from one another by a veil of ignorance or riven by conflict, so these parts are divided from themselves by the time taken to implement decisions and the unsuitability of yesterday's solutions to tomorrow's problems. But these observations raise difficulties not only for technocratic planners but also for Mintzberg's learning approach. What, for example, is to stop the effects of 'organisational learning' from being offset by the effects of what might be called 'organisational forgetting'? The fractured and amnesiac realities of organisational life together with the high costs of cohesion provide further grounds for doubting the validity of the planning approach but also cause difficulties for the Mintzberg alternative.

STEERING AND ROWING

Mintzberg identifies four assumptions underlying strategic planning – the assumption of detachment, quantification, pre-determination and formalisation. The assumption of detachment describes the divorce of strategic from operational management, strategy formulation from its execution. It is often assumed, for example, that the preparation of strategy must be performed by specialist planners and separated out from the process of implementation. This assumption has reappeared recently in the distinction between 'rowing' and 'steering' and the argument that governments should confine themselves to the latter. But Mintzberg suggests that effective strategists are not people who abstract themselves from day-to-day management: 'Effective strategy making under difficult circumstances requires either that the formulator be the implementor or else that the implementors take personal charge of the formulation.' These observations also raise questions about the current fashion for limiting the involvement of elected members with service management so they can focus on bigger issues.

For the assumption of detachment to work there must be a way of supplying information to managers to support decision making, and this method is supposed to be provided by management information systems,
leading to the fallacy of quantification. But quantitative information tends to drive out qualitative impressions and takes time to assemble, whilst the most important information cannot be measured through statistics and is required at the moment things change. This is linked to the fallacy of pre-determination, which is found in the assumption of the ability to forecast the future and to unfold the strategy on demand.

Mintzberg’s last fallacy is formalisation. This breaks activities down into their component parts and stresses analysis as the route to strategy making, but creativity cannot be programmed: ‘the work of creating strategy cannot be programmed like that of shovelling coal.’ Most management is about using the right, creative and synthesising side of the brain, but planning emphasises the left, analytical and rationalistic side: ‘By decomposing an integrated process into a sequence of steps, planning shifted that process from the realm of synthesis to that of analysis, and so rendered it incapable of executing its own mandate.’

BETWEEN TOTAL STRATEGY AND NO STRATEGY

In drawing attention to the limitations of the planning approach and the pursuit of what – following Ansoff – might be called ‘total strategy’, Mintzberg risks pushing us towards the opposite extreme of ‘no strategy’. Aware of this danger he argues towards the end of his book that in drawing the reader away from the planning model he has had to overstate his case. Strategy formation is now seen as requiring both the analysing skills of the planner and the synthesising skills of the manager, and planning should be seen as support for strategy formation rather than as a substitute for it. The legitimate roles of planning are three-fold – identifying the organisation’s emergent strategies; analysing hard data and presenting this to senior managers; and drawing attention to future issues and future thinking in the broadest sense: ‘In the catalyst role ... the planner does not enter the black box of strategy making so much as ensure that the box is occupied with active line manager.’

Mintzberg argues that planning by itself is insufficient, and that three approaches to strategy formation – planning, visionary and learning – must be combined. The ‘visionary’ approach aims to set broad outlines for a strategy whilst leaving the details to be specified as events unfold. The ‘learning’ approach allows ideas to emerge within the organisation and to be taken on through adaptation where they are beneficial. Mintzberg refers to the ‘formalisation edge’, where the planning process can raise the strategic abilities of an organisation so long as formalisation is not pursued to the point where it begins to intrude upon strategic thinking.

Mintzberg has used this book to mount a powerful critique of strategic
planning and of the technocratic gospel very much in the tradition of Aaron Wildavsky. Although drawn to a considerable extent from a business environment, many of his observations will resonate with the experience of corporate managers in British local government. As the critique develops it raises a number of deep issues which will stimulate thinking and no doubt receive closer academic attention by virtue of the airing they receive here. Mintzberg sketches a practical way forward by means of ‘soft strategies’ that combine ‘vision’ and ‘learning’, and in this context he offers advice that will be valued by managers in any setting. All these provide good reasons for warmly recommending this book.

On the other hand, however, it is difficult to avoid some dissatisfaction with the dramatic balance of Mintzberg’s argument, which demolishes strategic planning at great length then seeks its rehabilitation in the closing chapters. It is important to establish the limits of the planning approach, but the implications of Mintzberg’s arguments extend well beyond these limits to encompass strategic management as a whole. It is also important to establish the limits of strategy, but perhaps the positive case for strategic thinking – as a way of encouraging debate, of making goals more transparent, of empowering organisations – also needed to be restated. A less one-sided argument would have balanced the case against ‘planning’ with the case against ‘no planning’, or combined these with a more developed account of the ‘soft strategy’ route between these extremes. If the book ends rather lamely then it is because having assembled his arguments Mintzberg has to some extent fallen victim to them.

It would be unfair to accuse Mintzberg of neglecting party politics and government, as these were clearly beyond his remit. But there is nevertheless a danger that in drawing upon business literature and ‘management thought’ to inform government practice we will reinforce the neglect of politics that is all too common in discussion of public sector management. Certainly there have been attempts in local government to undertake formal planning – to establish technocratic procedures, and to delegate key decisions to ‘corporate planners’ – but these have generally been short lived and curtailed by the realities of government. In practice local councils in the UK have generally moved away from the technocratic approach in recent years towards something more like ‘soft strategy’. On the evidence of this book there is much that businesses and business schools can themselves learn from ‘government thought’, and it is time that we reversed the prevailing flow of influence from one to the other.

NOTES


12. Ibid., p.144.


17. Ibid., p.320.

18. Ibid., p.382.