Transforming Public Organizations with Strategic Management and Strategic Leadership

Paul C. Nutt
The Ohio State University

Robert W. Backoff
The Ohio State University

This article suggests how to transform public sector organizations using strategic management and strategic leadership. We summarize the theory and process of strategic management and strategic leadership and suggest propositions that identify key questions in using these processes for the transformational change of public organizations. The propositions consider the unique needs posed by the public sector, the way transformational or radical change must be carried out in and for this type of organization, and how a transformation will redirect and channel the energies of strategic leaders in the future.

Public sector organizations are faced with their greatest challenge in decades. There is relentless pressure to change the missions and practices of these organizations. People advocating change are often confronted with inertia-ridden or politically protected agencies and organizations. In other cases, forward-looking leaders in these agencies and organizations are seeking ways to adjust to changes in expectations that are becoming ever more frequent in their occurrence and comprehensive in scope. How does one create new directions for the inertia-ridden organization, make change seem attractive to the politically protected organization, and help the proactive organization respond to rapidly changing and often times contradictory expectations? This article explores some ways to make these types of organizational change.

When describing how to change an organization, theorists provide a bewildering array of prescriptions. These prescriptions include process based, leader-based, and delegation-based ideas. The strategic management literature provides process-based prescriptions that offer steps to take to make change (e.g., Pettigrew, 1985). Leader-based prescriptions identify what leaders should do to make change (e.g., Vaill, 1989). What we call "guidance principles," that
suggest how leaders can take action, can be found in the strategic leadership literature. Delegation calls for leaders to give up authority and empower others to make changes. These prescriptions can be found in the currently vague "total quality management" (TQM) management (Sashkin & Kiser, 1991).

The prescriptions indicating how to carry out in strategic management, strategic leadership, and TQM often seem contradictory. How can someone brought in to make change empower others and, at the same time, show leadership through individual initiative? Are the prescriptions for strategic management the same as those of strategic leadership? Do they offer complementary or competing processes for leaders to follow? Does strategic management offer a set of steps that discounts leadership or acts as a substitute for leadership? If so, how does one account for the notions of visionary leadership? Should the vision be brought to the organization, developed by the organization, or co-created by the leader and key insiders? These questions pose some of the significant challenges to understanding how organizations can be changed as we enter the twenty-first century.

In this article we will focus on public sector organizations, identifying some ways to make significant change through strategic leadership, strategic management, and self-managed work groups. Drawing on the literature describing public-private differences, we will show how strategic management and strategic leadership approaches must be tailored to meet the special needs of public organizations that attempt broad-scale sweeping change, which we call "transformational." Propositions suggesting how to transform public organizations are presented. The propositions consider some of the issues that must be addressed to transform public and organizations' using strategic leadership, strategic management, and empowerment. We also consider the extent to which these transformational mechanisms are complementary or competing ideas. Finally, we will highlight public-private differences to point out the significance of sector distinctions in our propositions.

**Public Private Differences**

The unique problems of public sector organizations have been a topic of study for some time (Levin, Backoff, Cahon, & Siffin, 1976; Allison 1984; Weschler and Backoff, 1986; Bozeman, 1987; Neustadt, 1989; Rainey, 1989). Factors found to create differences in how public sector organizations cope with change are shown in Table 1. Markets, constraints, goals, authority, authorization to act or take action, and performance aims in a public organization differs from firms that make strategic transformations to produce profit (Perry & Rainey, 1988). The market in a public organization is made up of rule making bodies, such as a legislature or a board appointed by public officials. Constraints limit flexibility and autonomy, goals are often vague and in dispute, the leader's authority is limited, political interference and scrutiny by outsiders can be expected as a strategy is formed, broad accountability is required, and performance expectations continually shift. These differences, more fully discussed in Nutt and Backoff (1993a), suggest that private sector approaches to strategic leadership and
Table 1. Transformational Needs Posed by Public and Third Sector Organizations

<table>
<thead>
<tr>
<th>Factor</th>
<th>Consideration</th>
<th>Transformation Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENTAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td>Market determined by authority networks</td>
<td>Must identify the beliefs and demands of people in authority networks to premise strategic development and guide implementation</td>
</tr>
<tr>
<td></td>
<td>Collaboration and cooperation expected</td>
<td>Find substitute for competitive devices</td>
</tr>
<tr>
<td></td>
<td>Financing by fees limited or ruled out</td>
<td>Maintain financing arrangements</td>
</tr>
<tr>
<td></td>
<td>Market characteristic unclear</td>
<td>Identify scope and nature of service use without data</td>
</tr>
<tr>
<td>Constraints</td>
<td>Mandates and obligations often limit autonomy and flexibility</td>
<td>Mandates and obligations must be understood and put in proper historical context</td>
</tr>
<tr>
<td>Political Influence</td>
<td>Influence attempts are apt to occur</td>
<td>Bargaining and negotiation tactics should be incorporated at key decision points</td>
</tr>
<tr>
<td></td>
<td>Political influence from user (contractors) and authority networks</td>
<td>Balance contractor or user concerns with those of people in authority network</td>
</tr>
<tr>
<td><strong>TRANSACTIONAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coerciveness</td>
<td>Opportunities to ensure service consumption and payment</td>
<td>Consider coercive opportunities as part of a formulation and implementation of strategic change</td>
</tr>
<tr>
<td>Scope of Impact</td>
<td>Narrow conception of role misses opportunities to act, supportable by a public charter</td>
<td>Find ways to discover important externalities that guide aspects of strategy development</td>
</tr>
<tr>
<td>Public Scrutiny</td>
<td>Idea development can be subject to public review</td>
<td>Find ways to open up process for outside participation and review</td>
</tr>
<tr>
<td>Ownership</td>
<td>Everyone is a stakeholder or my act like one Many stakeholders</td>
<td>Learn about public desires and expectations for service delivery</td>
</tr>
<tr>
<td><strong>ORGANIZATIONAL PROCESSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goals</td>
<td>Often hard to specify goals. Equity concerns as important as efficiency</td>
<td>Find a substitute for goals that overcomes vagueness and potential for conflict</td>
</tr>
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(continued)
Table 1. (Continued)

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<thead>
<tr>
<th>Factor</th>
<th>Consideration</th>
<th>Transformation Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authority Limits</td>
<td>Resources needed to act beyond control of strategic manager</td>
<td>Offer ways to identify and manage essential resources</td>
</tr>
<tr>
<td></td>
<td>Limits posed on actions of government</td>
<td>Learn how to deal with constrained action space</td>
</tr>
<tr>
<td></td>
<td>Involve authority structure in deliberations</td>
<td>Find ways to represent disinterested oversight bodies</td>
</tr>
<tr>
<td>Performance</td>
<td>Lethargy and inertia inherent in political time frames or peer assessments</td>
<td>Process should create urgency and need to take action</td>
</tr>
<tr>
<td>Expectations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incentives</td>
<td>Incentives hard to apply based on personal achievement</td>
<td>Create excitement about strategic action that rewards through participation in action taking</td>
</tr>
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strategic management must be re-thought before being applied in a public organization.

Why Transformation: The Public Sector Morass

The public sector is made up of service providing organizations. Typically, these organizations offer or contract for services and provide information about service transactions. For example, bureaus of unemployment service connect job seekers with leads and keep statistics about unemployment. Economic development commissions broker the transactions carried out to entice firms to locate in their area and keep data on the jobs created. These functions are both misunderstood and undervalued (Jones, 1988; Levine, 1984). Few see the contracting and information roles as essential, which accounts for the eagerness of many to cut public programs. Perceptions of waste and gold brickling abound. The value of an exemplary public service is recognized in Europe and elsewhere, but less so in the United States (Salamon & Lund, 1984).

This lack of understanding and perception of low value was intensified during the Reagan years, leading to a disillusioned public sector workforce and programs in “free fall,” spiraling downward without a safety net. As missions erode and people leave, the reputed ineffectiveness of the public sector becomes a self-fulfilling prophecy. To clarify the public sector morass, some features of the dilemmas facing the public sector are presented.

Contemporary Public Sector Dilemmas

There are many thorny problems that face the public sector. These problems are interrelated and complex, making it difficult to separate them out for discussion. We describe some of them to characterize the magnitude and nature of the problems and why these problems seem to call for massive change in public sector programs.
1. **Downsizing**—Many believe the services provided by public and third sector organizations have become unresponsive to clients. The image of calcified bureaucrats repeating past practices that fail to meet client needs and ignore their hopes and aspirations is a widely share picture of public sector service delivery. To increase accountability, downsizing is being proposed. Downsizing would dramatically cut the size of service units. For example, large public school systems could be subdivided into many smaller systems made up of single high schools with enough grade and middle school feeders to provide students to fill it. This approach has been suggested to make school boards accountable to parents, parents accountable for their child’s education, and school systems accountable for giving children skills. By inference, large public schools are not accountable to any of these groups for much of anything under today’s mode of operation.

Resistance to downsizing stems from cost reduction logic. Economies of scale can be lost if large units are divided into smaller independent units. Cost based arguments emphasize running efficient as opposed to effective units. The conflict between efficiency and effectiveness, however, is seldom discussed.

2. **Fiscal stress**—Virtually every publicly funded program has experienced belt tightening in the 90’s. This financial stress stems from poor economic conditions and the growing resistance to new taxes in the U.S. publicly funded organizations face periodic maintenance and bust cycles. Services are maintained, and then cut when declines in business activity produce tax revenue shortfalls. Taxing authorities are caught in a dilemma when this occurs. New taxes are vigorously resisted because they are believed to hinder economic recovery at a time when recovery is most needed. As a result, budget cuts are made which disillusion the service provider and recipient alike. Idealistic service providers often depart when the prospect of providing adequate service becomes unlikely, leaving disgruntled providers to "do more with less." For instance, staffers in children services agencies can see their case load doubled in hard economic times, making it impossible to meet the needs of troubled juveniles and their families. Oversights in which children are returned to abusive homes are more apt to occur.

3. **Entrepreneurship**—Movements to privatize and contract out governmental services are frequently advocated. City governments are studying ways to privatize garbage pick up, one municipality often buys its water from another, and city health departments give their hospice program to a private hospital in the hopes of reducing the cost of providing hospice services for low income people. In each case, the motivation is to reduce public sector involvement in service provision by encouraging entrepreneurship. Privatizing by contracting out makes these services seem more “business like” and encourages government to be run more like a business. This movement also reduces the size of civil service and public sector unions which are thought to be inefficient and hard to motivate.

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4. **Economic Development**—Government often plays a role in economic development. Attempts to spur the creation of jobs through partnership with business is a recurrent theme. Both state and local governments put together incentive packages of tax abatements that encourage a business to locate in their jurisdictions. Both internationalization and globalization are involved as a state bids for a new Honda plant. However, states and local governments attempting to attract business often give away too much and get too little in return. When the tax-free period ends, business often threatens to leave unless the tax abatement is extended. In the meantime, the tax payers are expected to make up the shortfall of tax dollars to support the growth of infrastructure, such as roads, schools, utilities, and the like, that is required by the influx of people.

5. **Media scrutiny**—Sunshine laws, that require open meetings, make it difficult for public leaders to experiment with ideas. It is difficult to innovate without speculating about possibilities, some outrageous. Public managers are often put into situations that crimp what they can consider to learn about objections and ways to overcome these objections. Considering an idea is tantamount to proposing it for the media. Whether real or imagined, the belief of wide scale wrong-doing by public officials limits the development of creative and innovative ideas.

6. **Civil Service**—During the Reagan years, civil service was down graded and many people left public service. New initiatives through the Volker Commission (Ingraham & Rosenbloom, 1990; Volker et al., 1989) are seeking ways to enhance governmental service. Similar commissions are studying state civil service. Both types of initiatives are seeking ways to empower the civil servant working under the many constraints posed by instability in mission, programs, and resources which have created rule following bureaucracies. To move away from this situation, a new vision of governmental management is needed. A new sense of possibilities seems essential to bring new blood and encourage the best to enter public service.

**Organizational Transformation**

These dilemmas and others like them are used to demand massive change in public organizations. Such a sweeping change calls for a transformation or a radical change. The transformed organization develops more flexibility and adaptability, that becomes a part of its capacity to act. Transformation is developmental. The organization increases its repertoire of responses, such as serving a greater variety of clients in new and different ways. For instance, a state department of natural resources (DNR) incorporated critics into its programs by building joint interests. Conflicts between sportsmen and environmentalists were managed by opening up new hunting and fishing areas and using fees (hunting and fishing licenses and other user fees) to support wildlife and environmentally threatened areas, as well as state parks.
Cooperation between these historically antagonistic groups was created which resulted in broad support for tax-based funding to protect endangered areas and wildlife. Recreational areas were expanded increasing revenue from user fees thereby providing revenues to fund other initiatives. The synergy of protection and use programs lead to a DNR budget that relied on the state funding for less than one-third of its programs, making a state agency take on the characteristics of a private-nonprofit organization. Note how DNR moved to a higher order of complexity in which change, such as new services, are not just added on but provide new possibilities. As a result, after transformational change an organization can respond in new ways to changing demands.

Transformational change is both desirable and very difficult to create. Many public organizations have a hard time making any kind of change. With this in mind, transformational change can seem very difficult, if not impossible. To make this point, we present some brief cases of public organizations that are facing difficult times. The cases also provide a vehicle to illustrate how to deal with strategic management, strategic leadership, and empowerment in public sector organizations. Each illustration is drawn from a real situation, although we must disguise the organizations and key players because we promised them anonymity. They show a variety of situations, degree of failure, perceived need to act, and source of concerns.

**State Historical Society**

A state historical society has a twelve member board appointed to staggered terms by the governor of the state. The board is charged with providing oversight for the executive director and a top management team of seven professional managers. The society manages the state’s historical museum, which houses documents and artifacts deemed to have historical significance. It also operates a number of smaller museums and park sites that contain historical landmarks. The society also supports historical societies in local communities and programs and events important to the state’s history. The society operates a pioneer village that has preserved historically important buildings and puts on reenactments of historical event that had occurred in the state during the holiday season, and at other times during the year.

The society has a number of volunteer groups that assist in its programs and give input on issues thought to be important. The volunteers provide much of the labor that is required to put on special events and programs at historical sites. This free labor is essential to keep these programs and activities going.

The executive director has become frustrated with the difficulties of managing the demands from the volunteers and the board as well as finding compromises when the volunteers and the board disagree. The annual turnover of one-third of the positions on the board creates continual difficulties. A massive educational effort is needed each year to get the new members up to speed.

During one of these annual board of education programs, a new board member, who represented business, asked why the society did not plan “like a business” and volunteered to help. The society was still reeling from its last
attempt to plan, which had been a complete failure. This effort had produced considerable conflict over priorities. Staff had engaged in turf battles to promote and protect their interests. Staff members approached sympathetic board members to gain support for the staff member’s programs, areas of responsibility, and budgets. The coalitions that emerged produced a stalemate. This stalemate effectively blocked a plan in which the society had invested considerable time and money.

State Bureau of Worker’s Compensation

A state bureau of worker’s compensation operates a system that processes the claims of workers who have been injured on the job. The bureau applies guidelines drawn from legislation and makes rulings on claims by determining eligibility after reviewing a statement of medical needs. As in many states, an employer can pay into a state fund or be self-insured. The state pays out claims from the funds collected from employers, acting like an underwriter. A few employers were self-insured. Claims from people in these organizations were handled in the same way as other claims.

The agency operated like a classic input, throughput, output system with its case management. Individuals filed claims, and the bureau applied guidelines to make recommendations. If a claim is approved, a check is written to providers to underwrite the cost of medical treatment and rehabilitation. Claimants can appeal to a commission in another agency if they are dissatisfied with the outcome of a claim. This agency schedules a formal hearing. Lawyers and state examiners assemble to hear appeals and render judgments.

The bureau had been under fire for some time. Critics contended that the long wait for a decision caused providers serious delays in obtaining payments. It took five months to process a clear-cut claim. Claimants often waited in long lines at the bureau’s office without even being able to get the simplest of inquiries answered. This unresponsiveness frustrated claimants and resulted in calls to legislators, who eventually protested to the governor. Bureau procedures were in a shambles. The bureau often lost claims, in part because of its manual claim handling system and the poor management of bureau staff.

Employers were concerned about the mounting cost of their workmen’s compensation charges and called for reform. Inefficient bureau practices were linked by critics to these increased charges. The governor was being inundated with calls from injured workers, providers, and legislators, who cited unresponsiveness of the bureau and indifference to people’s needs, and from employers, who called for reduced costs in claim processing.

The governor, frustrated with endless complaints and the bureau’s inaction, fired its director and initiated changes that he thought would create private sector management practices. An oversight board was appointed. An executive director was hired that had considerable experience in organizational turnaround. The director’s annual salary of $260,000 was set in part to signal the governor’s commitment to reforming the bureau. The new executive director has to move quickly to show that reform is under way.
County Public Library

The leaders of a public library operating in a county with a large city and numerous wealthy suburbs had been experiencing considerable stress. Demands for services had been changing with the advent of computer systems and technological developments. The library had to continue its traditional services and initiate new ones, which was straining its budget. There was considerable pressure to maintain old services and to meet the many new demands. However, the physical plants of most library sites were too small to be technologically upgraded, and staff members would need considerable training to operate the new computer systems that were deemed essential.

In the past decade, most of the population growth in the county had taken place in the suburbs. The library had few sites in these areas, which led to complaints about poor service. The county board of supervisors was under pressure from people who lived in the suburbs to provide library services and called on the library's director to consider expanding into areas that currently had no library facilities. In some of the more affluent suburbs, local funding had been obtained to start a competing library. These libraries had the latest technological features, which indicated what could be done with an investment of public funds. Each was making inroads into the county library's traditional service area.

Strategic Management

Many contend that a transformation is best carried out through a process called strategic management (Chandler, 1962; Schendel & Hofer, 1979; Ansoff, 1984). Strategy specifies organizational purposes; policies to achieve these purposes; the range of business or activities that will be pursued; the type of economic or human organization to be created; and the kinds of economic or non-economic contributions to be made to stockholders, customers, employees, and communities (Andrews, 1980). Strategic management is a process carried out to create a strategy. Thus, strategic management is one way to realize an organizational transformation.

There are several types of approaches to strategic management that can be grouped by focus and dominant activities (Table 2). Approaches that stress analysis have a problemlike focus. The emphasis is to evaluate by sorting key activities, such as products or services, into categories to identify the activities that need modification or elimination. A search is mounted for problems to be rectified. Conceptual approaches tend to have either an actor or an agency focus. Approaches that focus on an actor are concerned with understanding claims for action directed toward the organization by insiders or outsiders. A focus on an agency examines the capacities of the organization and sorts them out to identify attractions and repulsions, things to emphasize and avoid. Organizational capacity then becomes the focus of attention. The emphasis in actor and agency approaches is on discovery. These approaches do less with assessment, which is emphasized in approaches with a problem focus.
<table>
<thead>
<tr>
<th>Type</th>
<th>Focus</th>
<th>Approach</th>
<th>Procedure</th>
<th>Key Uses</th>
<th>Limitations</th>
</tr>
</thead>
</table>
| Analytical Problem            | Portfolio Approaches   | Classify products (services) or activities by market share and growth potential to determine value. | 1. Balancing portfolio to evaluate activities against criteria deemed important.  
                                 | (Henderson, 1979)       |                                     | 2. Applying economic criteria.                                                            | 1. Analysis assumes a strategy to assess.                                                      | 2. Dimension are sector specific.                                                           |
|                               | Industry Analysis      | Analyze forces that shape industry to find entry and exit barriers and threat from rivals.      | 1. Assessing, competitive behavior of organizations and strategy options that are given.  
| Conceptual Actor              | Stakeholder Analysis   | Find priority stakeholders and what they expect. Develop ways to deal with each in strategy.     | 1. Alerting an organization about key claims and claimants.                 | 1. No way to prioritize stakeholders via importance and impact.                            | 2. Stakeholders need to be involved in both strategy and implementation.                      |
|                               | (Freeman, 1984; Mason & Mitkoff, 1981) | | 2. Fitting in with most other approaches.                                               |                                                                                     |                                                                                                 |
|                               | Interpretative Strategy| Capture culture and symbols to motivate stakeholders.                                          | 1. Finding social contracts and treaties.                                    | 1. Interpretation is demanding skill.                                                      |                                                                                                 |
|                               | (Pettigrew, 1985)      |                                     | 2. Constructing legitimacy.                                                        | 2. Creating useful symbols can be difficult.                                               |                                                                                                 |

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| CONCEPTUAL Agency  | Harvard Policy Model Andrews  | Analyze SWOTs to capture management values and obligations. Find strategy with best fit to the environment and the competencies of the organization. | 1. Analyzing SWOTs  
2. What is a strategic planning unit.  
3. Identifying strategy planning team. | 1. Means to devise strategy from SWOTs unclear. | 1. No way to identify articulate issues beyond SWOTs. |
|                   | 1980; Child 1982              |                                                                          |                                                                           |                                                                           |                                                 |
| Issue Management   | (Ansoff, 1980; 1984)          | Recognize and resolve issues that must be managed for organization to meet goals. | 1. Linking issues to SWOTs  
2. Using issues to identify strategic responses. |                                                                           |                                                 |
| Adaptive Strategy  | (Miles & Snow 1978)           | Match opportunities with distinctive competencies.                       |                                                                           |                                                                           |                                                 |
| Planning Systems   | (Lorange 1980)                | Apply systems ideas of integration across organization levels and coordination of functions. | 1. Choosing domains  
2. Selecting technology  
2. Implementation strategy not clear. |
|                   |                               |                                                                          |                                                                           |                                                                           | 1. Politics and implementation network not considered. |
Analytical Approaches with a Problem Focus

Analytic approaches have a problem focus and carry out some type of assessment to uncover what to do. Typical approaches consider portfolios and industry segments.

Portfolio Analysis—Portfolio approaches use analysis to determine how well various product lines fit into an organization’s growth strategy. The most widely used framework is the Boston Consulting Group or BCG matrix (Henderson, 1979). The BCG matrix is used to assess businesses, product lines, or products. Although not proposed for this purpose, it can be used to assess services as well. An assessment is carried out determining each product’s (service’s) growth and its market share, classifying the product (service) as a star, cash cow, dog, or wildcat. The usual prescription calls for taking profits from cash cows to fund growth for stars and a few select wildcats, selling off the dogs and the remaining wildcats. This approach treats strategy as the management of a portfolio of businesses. Each activity (product or product line, service or service line) is managed to bring in the best return to the organization.

Industry Analysis—Porter (1980, 1985) developed a competitive analysis model using industry norms. The forces that shape an industry are used to predict the success of strategy. Porter and others (Harrigan, 1981) identify six key forces that shape an industry. Success is influenced by the relative power of customers and suppliers, the threat of competitors and new entrants, the competitiveness or rivalry among key players in the market, and exit barriers that keep organizations from leaving a market. Porter claims that strong forces lower financial returns for both the industry as a whole and the organizations that make up the industry.

Conceptual Approaches with an Actor Focus

Approaches with an actor focus attempt to understand the pressures put on the organization by stakeholders and competitors. Actor-based approaches to strategic management tend to emphasize one or the other.

Stakeholder—This type of approach looks for ways to identify and manage key stakeholders (Freeman, 1984; Mason & Mitroff, 1981). Stakeholders are defined as individuals in a position to influence the organization or place demands on it. Customers, employees, suppliers, shareholders, financial institutions, and partners or partner organizations are often stakeholders in private organizations. Clients or service users, professional staff, oversight bodies, legislatures, political appointees, elected officials, reimbursement agencies, and contractors, such as the medical staff of a hospital, are frequently stakeholders in public and third sector organizations. Organizations in both sectors must deal with regulators, the courts, environmentalists, trade associations, local zoning boards, and land use agencies. According to Freeman (1984) political and social actors are as important as economic actors, such as banks. Strategy is sought by leaders that can satisfy the interests of key stakeholders. Thus, stakeholder approaches attempt to integrate social, political, and economic considerations. The strategic manager is challenged to
figure out what aims are relevant to each stakeholder or differentiate responses to provide a way of satisfying key stakeholders (Bryson, Freeman, & Roering, 1986).

Interpretative—The interpretative approach attempts to fold in considerations such as culture and management of symbols. As a result, implementation is stressed. The notion of a "social contract" (Keeley, 1980) is used. An organization is treated as a collective of individuals who have made implicit treaties that regulate the organization’s affairs. Change depends upon marshaling the support of these key individuals. Thus, strategy is the product of environmental opportunities and the dilemmas faced by key constituents. These dilemmas go beyond "who gets what" to commitments that recognize tradition. Symbols become a central part of a strategy, and the construction of legitimacy becomes a crucial goal (Pettigrew, 1985). Interpretative approaches focus on desired relationships, such as promoting consensus and treating customers as valued informants, not complaining nuisances. Symbolic acts and communications are used to deal with the environment. Strategic managers convey meanings to motivate stakeholders, such as using poetry to promote tourism in the Grand Canyon (Chaffee, 1985). Although useful, such an approach is very demanding and calls for considerable skill to carry out.

Conceptual Approaches with an Agency Focus

An agency focus occurs when the organization’s capacities and its place in the environment become key considerations. Approaches to strategic management with an agency focus make assessments of the organization’s distinctive competencies and look for ways to apply them.

Policy Model—The policy model has its roots in the 1920s. The notion of finding actions that fit the environment is stressed (Andrews, 1980; Child, 1972). Strategy is defined by the pattern of goals and activities that make up the organization and define what it is about. Strategy is determined by analyzing internal strengths and weaknesses and external threats and opportunities posed by the environment. The organization’s management identifies the SWOTs (short for strengths, weaknesses, opportunities, and threats) that characterize its position and searches for an appropriate response.

Issue Management—The issue management approach concentrates on issues (Ansoff, 1980, 1988). Issues are treated as emergent developments that are apt to influence the organization’s ability to meet its goals. Issues can arise internally or externally and may have beneficial or negative effects. Issues are used to fill the gap between a SWOT analysis and strategic development. This approach allows for the continuous revision of SWOTs, suggesting a process that periodically updates strategy with the insights drawn from recent developments. Annual strategy sessions are planned to resolve a few pivotal issues, with SWOT review and revision done every five years. Using issues as the focus of inquiry allows strategic managers to become more flexible and responsive to emergent developments.

Adaptive—The adaptive approach attempts to find a match between opportunities in the environment and the organization's capacity to exploit these
opportunities (e.g., Hofer & Schendel, 1979; Steiner, 1979). Strategic
development takes shape as recurring cycles of activity in which domain
(business or market) choices, selection of technology, and implementation take
place. Adaptive strategy also includes subtle nuances, such as style, and involves
several layers of the organization. Whether action is proactive or reactive, the
environment is the focus of attention as the organization strives to read signals
that contain salient information about opportunity. The organization is called
on to change with the environment, but may not be able to deal with all
significant trends and events that are recognized.

Planning Systems—Strategic planning is often treated in systems terms
Bryson, 1988). The key notion is to link mission, strategy, resources, and
direction so their interrelationship can be identified and carefully managed.
These approaches tend to be formalistic and highly prescriptive, which give them
the appearance of rigidity. Chaffee (1985) calls these approaches linear strategy
to denote the tendency to require sequential action and a step-by-step procedure.
The aim is to produce new markets or products through formal planning that
recognizes competitors and marshals resources to attain preset goals. Strategy
is developed to anticipate environmental shifts and events. Emergent strategy
tends to be ignored. These approaches assume that organizations are responsive
to directions from strategic managers, that desirable futures can be imagined,
and that environments, such as the purchasers of products can be influenced
by clever leaders.

Comparing the Approaches

These strategic management methods call for very different steps and
considerations. It seems reasonable to conclude that different methods will
produce different results, which poses several questions. The most important
cconcerns how strategies produced by each approach differ and the consequences
of these differences.

Proposition 1: The types of strategy that are created will depend
upon the strategic management approach that is followed.

For our purposes the key conclusion is that existing strategic management
methods are apt to create very different results. Some of these results may be
useful for public organizations, others less so. This suggests that a search should
be made for useful ideas and a synthesis created. In the next section we identify
relevant features of these approaches and tailored them for use in public sector
organizations, and added some of our own.

Special Needs of Public Sector Organizations

The special needs of public organizations have been summarized in Table 1.
The operating environments of public sector organizations differ from those
of a business firm. The firms sets strategy for its lines of business by selecting
markets or market segments in the industry in which it is located. Strategic
managers can test the appropriateness of specific strategies by obtaining feedback on profitability from sales to customers in the marketplace. Public organizations, however, must be responsive to external oversight (e.g., elected officials and appointed boards) as well as to their clients in the provision of services (Table 1). Strategic emphasis, therefore, shifts from simple marketplace dependence to a more complex set of political, economic and legal considerations.

Private organizations, such as business firms, can assume a goal of profit. Most strategic management approaches developed for firms use some form of profit measurement to select among courses of action (Henderson, 1979; Porter 1985). There is no equivalent for profit that applies to public sector organizations. In such organizations, goals tend to be both vague and disputed. Attempts to sweep away this ambiguity encounter several problems. The difficulty of goal setting can supersede the development of strategic options. Goal-setting processes that become ends in themselves stymie action. However, leaving goals implicit makes it difficult to modify or even evaluate current practices.

These difficulties suggest that strategic leaders should avoid using private sector approaches to strategic management (Nutt & Backoff, 1993a). For example, the library and the historical society had customers dictated by its controlling board. The board stipulates the scope of services to be offered and philosophy for charges. Often such boards call for free services or target indigent clients for fee waivers. State and federal structures govern what the historical society could do to get block grants that made up a significant part of the society's budget. Goals were articulated in terms of the scope of services and clients to be served by the library. The board was calling for the bureau of workmen's compensation to increase the speed of claim resolution and increase the speed of provider payments, with reduced funding. Any one of these features creates a "public environment" in which strategic management must take place. The process that is used to fashion strategy must be able to deal with each of these considerations, as shown in Table 1.

Proposition 2: Tailoring a strategic management process to meet the special needs of public organizations will improve the prospect of a successful transformation.

Strategic Management In Public and Third Sector Organizations

Organizational leaders are vitally concerned with the what, or the content, of the strategy as well as the how, which indicates the steps that will be taken to develop and refine ideas as well as to implement them. Our approach to strategy management deals with the "dance of the what and the how" by moving between content and process in several waves, or stages, of activity. Each move creates content and provides a way to take the next step. In the discussion that follows, we outline a strategic management process and show how it can cope with the dilemma of transforming public and third sector organizations (Nutt
and Backoff, 1987; 1992). The stages in this process are: understand history, explore the situation, uncover issues, identify strategy, assess feasibility, and implement strategic change.

Understand History

Key staff and board members must be informed about origins and founding ideas to create a shared interpretation of where the organization has been. Past events provide a vehicle with clear and compelling imagery on which to build. This step is essential before people can decide where the organization should go in the future.

To create a shared understanding of the organization’s history we have a “strategic management group” or SMG, made up of board members and other key people, uncover directions, trends, and events. Directions indicate where the organization has been and where it will go without change. Trends and events capture key developments that have forged this direction and will influence it in the future. For example, the historical society had to expose its new board to the trends and events that shaped its current activities. At the same time, new trends and events must be considered that suggest new directions. As these developments are discussed, the historical society can determine what it wants to continue and what it could change.

We use this discussion to set the stage for ideals development (Nutt & Backoff, 1992). Ideals identify the best situation for an organization to give strategy development a target. For instance, ideals for the historical society called for programs in the several areas that balanced the interests of its key benefactors. Ideals for the library called for a user oriented organization with dynamic leadership providing the best possible service to the public including the handicapped, minorities, and the disadvantage. Thus, ideals answer questions such as who are we? Who should we serve? What should we be doing? How do we want to be regarded and whose regard is important? What persona will we have? Ideals create a vision of what an organization can become stated in concrete terms, such as clients and programs, that are preferred by organizational leaders.

Why Understand History—The initial mindsets of key people are explored using directions and trends to reconstruct the organization’s history. The rationale for reconstructing history is based on the “mirror effort.” Studies of time horizons show that going back into history is an essential step in making useful conceptual forecasts (El Sawy, 1985). The further back in time a stream of events can be recalled, the longer into the future a potential action or stream of events can be projected. For example, Weick (1979) shows how envisioning an auto accident that happened in the past resulted in more precise and vivid descriptions of conditions that could surround such an event in the future. Data describing actual situations helped managers articulate a desired future. These studies suggest that past events provide a vehicle with clear and compelling imagery on which to build.

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Proposition 3: Public organizations that explore history before making strategic change are more apt to create a transformation.

Events serve as temporal markers. They depict a happening, such as the oil embargo, that punctuates a trend or direction. Uncovering events allow SMG participants to recall situations in which they got burned, to reflect on what they want to avoid, and to identify what had been useful. Each suggests possible actions. Trends, such as regulatory growth, are more easily interpreted through the lens of a salient event, such as a controversy that precipitated regulation. Directions provide "reference projections" (Ackoff, 1981) that suggest likely trends that may be desirable or undesirable. Directions and events are used to "unfreeze" the SMG (Lewin, 1958), enticing its members to walk into the turbulent environment that they must confront to make a transformation.

Proposition 4: Public organizations that uncover important directions are more apt to create transformational change.

Ideals provide a picture of the organization's desired future that push the planning horizon forward. Discussion allows the SMG to develop a shared interpretation of the organization's directions and its idealized future and whether its current directions are apt to reach its ideals.

Proposition 5: Public organizations that use ideals in place of goals or objectives are more apt to produce transformational change.

Setting Differences—Reconstructing history is particularly useful in public sector organizations to help deal with ill-defined markets, constraints, political influence, authority, limits, and broad ownership, as noted in Table 1. Authority networks make up the market in organizations with significant degrees of publicness. The strategic manager must identify the beliefs and demands of key people in these authority networks to guide strategy development. Strategy is also influenced by mandates and obligations, the expectations for collaboration with others competing for the same pot of limited funds, organizational financing arrangements, and sources of political influence. Each makes up a part of the historical context, which must be appreciated as the organization devises new ways to act. Also, the rapid turnover of people and the environmental turbulence experienced by public organizations make it essential to periodically appraise events, trends, and directions. Noting these factors alerts the SMG to key constraints which help the SMG to target services in new ways, change a service profile, identify services not valued by users, and surrender some services to private sector initiative. In private organizations, historical context has less important because data depicting signals are available and can be interpreted more directly. Ideals provide targets that identify intentions, suggesting aims that can be articulated in concrete terms.
Proposition 6: Public organizations that appraise their origins and historical commitments make transformation more likely.

Explore the Situation

Exploring history gives a planning body, such as a board, an understanding of the organization’s past and from its ideals a picture of its desired future. The next step is to identify factors that influence the prospect of reaching this desired future state. The organization’s strengths, weaknesses, opportunities, and threats, or SWOTs are uncovered and explored to identify things that enable or limit strategic change (Christenson, 1983). For example, the Worker’s Compensation Bureau identified its competencies (strengths) and possibilities (opportunities) that could be mobilized to deal with its weaknesses (staff and systems) and blunt threats (political pressure to change).

Why Situational Assessments—The Harvard policy model (Christenson, Andrews, Bower, Hammermesh & Porter, 1983) provides a way to do situational assessment in our approach, as it has for many others. The SWOTs perspective is often used to pose questions for strategic management (e.g., Ansoff, 1980). Steiner’s (1979) “WOTS” approach, Rowe, Mason and Dickel’s (1982) WOTS-UP, and Delbecq’s (1989) “TOWS” framework identify three of many derivations. Each indicates how SWOTs-like framing can help to uncover insightful as well as candid assessments of the current organizational situation.

Our approach is more faithful to the Harvard model in which attention is directed toward the values of key stakeholders in determining strengths and weakness. We also adopt the Harvard view that mandates and social obligations influence the threats and opportunities that impinge on an organization. Many contemporary adaptations tend to ignore values, mandates, and social obligations.

Sector Distinctions—A SWOTs content varies markedly across sectors. First, firms have tight markets and weak political linkages. The reverse is true for public sector organizations; markets are loosely defined and authority systems impose constraints such as sunshine laws that force strategy to be created in a “fishbowl” (Blumenthal & Michael, 1979). Second, firms are pulled toward opportunities and public sector organizations tend to be driven by threats. Strategy making can be difficult in an environment in which governmental organizations are expected to do as little as possible, spend as little as possible, make wise use of tax dollars, and avoid acts that deprive firms of the chance to make a profit. In firms, the challenge for strategic management is to recognize threats in an ocean of opportunities. In public sector organizations, a way to identify opportunities in a turbulent sea of threats is needed.

Proposition 7: Public organizations tend to be threat driven. Attempts to find opportunities must be emphasized before these organizations can be transformed.
The internal-external distinctions that are made in the Harvard model do not apply to public organizations. In the Harvard model, strengths and weaknesses arise internally. In public organizations, strengths and weaknesses can arise internally and externally and are not limited to organizational capacities. For example, in the historical society external strengths sprang from a new public awareness of the need for preservation. External weakness from came the budget cutting mentality of the 90's, called for by many of the same people who want preservation. Internal weaknesses could be linked to squabbling staff and volunteers. Internal strengths stemmed from the causes that volunteers and staff members were championing. For private organizations, strengths and weaknesses tend to be more internal and to deal with the organization's distinctive competencies. The Harvard model treats threats and opportunities as external. Organizations in the public sector have threats and opportunities that can arise both internally and externally. For example, the bureau of worker's compensation had an opportunity to win over critics but installing new claim processing systems with faster turnaround. Critics pose a threat if actions are seen as incomplete or untimely. In firms, opportunities are seen in market terms as propitious niches that can be exploited and threats are seen as vanishing markets. Publicness brings with it the notion of internal threats, such as professional values, that can conflict with organizational aims. Internal opportunities, such as the realization that collaboration among similar agencies is desirable, as well as external market-based threats and opportunities can also arise.

Proposition 8: Public organizations SWOTs can arise internally or externally. Attempts to look for SWOTs both internally and externally will increase the chance of a transformation.

Uncover Issues

Historical and situational assessments help an organization develop a shared view what must be managed. Priorities in the SWOTs, trends, events, and directions must be identified to form an issue agenda (Ansoff, 1980). We express issues as tensions that are pulling or pushing the organization away from its ideals (Rothenburg, 1979; Argyris & Schon, 1978; Nutt & Backoff, 1992). For example, in a board of regents the key issue tension was between "job readiness and college preparation," which called for educational change. This is a "productivity-productivity" tension, moderated by a transition (educational change). We help organizations search for other values such as human relationships and preservation (Quinn, 1988). In the example, the learner's needs (human relations) may be in tension with educational change, and preservation (profit for firms and research productivity for universities) may be in tension with the learner's needs as well as college preparation and job readiness.

To identify generic types of issue tensions, we noted how concerns arise from environmental scanning in which people extract meaning from trends and
events that seem salient. The scanner's type of attention and direction of attention suggests what concerns will be identified. As shown in Table 3, attention can be directed inside or outside the organization and see action in terms of regulation or change. People who select one of these ways to direct and to focus their attention are prone to see concerns in terms of equity, preservation, transition, and productivity. Equity concerns arise from internal scanning seeking a change. Fairness in people's growth and development and their treatment of one another takes shape as a concern. Preservation concerns arise from an inward focus with a control purpose. For instance, changes in library utilization can be used to call for a return to past practices. Transition concerns stem from external scanning with a change perspective. For example, the leader of the bureau of worker's compensation may see major changes that are welcomed in similar agencies and decide that radical change is both feasible and desirable. Productivity concerns stem from external cues and call for control. For example, the per transaction spending of a library may seem excessive, when compared to another library, and be interpreted as a call for increased staff productivity.

Two steps are taken to form an issue agenda from these concerns (Nutt & Backoff, 1993b). First, each concern thought to be important is paired with another concern to create an "issue tension" (Table 3). The tensions show how an organization is being pulled and pushed in several ways at the same time.

<table>
<thead>
<tr>
<th>Table 3. The Issue Tension Framework</th>
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<tr>
<th>Open or Flexible</th>
<th>Innovation and Change (Transition)</th>
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<tr>
<td>Human Resource Needs (Equity)</td>
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<tr>
<td>Maintenance of Tradition (Preservation)</td>
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<tr>
<td>Rationale Process (Productivity)</td>
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<th>TYPE OF ATTENTION</th>
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<td>Regulatory or Control</td>
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<th>ATTENTION DIRECTION</th>
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<tr>
<td>Internal</td>
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<tr>
<td>External</td>
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Note: The six tensions are shown by arrows
1) Transition - productivity tension
2) Equity - transition tension
3) Equity - preservation tension
4) Preservation - productivity tension
5) Equity - productivity tension
6) Preservation - transition tension

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by all important issues. Second, issue tensions are classified using the six generic
tensions of productivity-equity, productivity-transition, productivity-
preservation, equity-transition, equity-preservation, and transition-preservation
to ensure comprehensiveness. These tensions arise from all combinations of the
generic concerns, as identified in Table 3. Organizations frequently recognize
issues that deal with some of these values, but tend to overlook others (Ring,
1987; Quinn, 1988). Classifying the issue tensions reveals those that are
overlooked, providing new insights into useful strategy. Strategy is sought that
attempts to balance opposing forces in each type of tension. Being cognizant
of both values, increases the prospect of fashioning transformational strategy.

To illustrate, the library identified concerns about markets and services,
funding, staffing, capital improvement, new technologies, and security. To
create issue tensions, each concern was paired with a concern that was pulling
in the opposite direction. This suggests tensions between old and new services,
maintaining current funding and getting new funding, staff productivity and
participation in decision making, new physical plant and the new funds called
for, past computer innovations and new developments, and staff and patron
safety and access. To manage these issue tensions, the library fashioned a
strategy which led to passing a levy that funded a modern library for the
community.

The issue tensions are then classified by type (Table 3). The market and
services (old vs new services) and adequate and stable funding (old vs new
funding sources) were preservation-transition tensions. Capital improvement
(new plant vs new funding) and new technologies being current vs funding
innovation) were productivity-transition tensions. Finally, adequate staffing
(staff productivity vs participation) and safety of staff and patrons (safety vs
access) were equity-productivity-tensions. Three types of issues did not emerge:
productivity-preservation, equity-preservation, and equity-transition. The
library had a culture that had been tied to productivity and preservation.
Transition (innovation) was new to the library and occurred only when a threat
emerged. Considering the three overlooked issue tensions helped the library deal
with hidden issues that caused difficulty in the past. Confronting equity concerns
in dealing with the suburbs and the suburb’s concept of fairness allowed the
library to secure its position in the community and move toward
transformational change.

*Why Issue Tensions*—Issue management is supported by several streams
of research. First, issues are emerging as the preferred conceptual focus from
which to develop strategy. The notion of an issue agenda is consistent with the
way effective managers frame strategic concerns (Kingdom, 1984) and prefer
to operate (Buchholz, 1982). Second, framing issues as tensions is consistent
with Janusian thinking (Rothenberg, 1979) and the steps Argyris and Schon
(1978) find to be essential in cognitive learning. Tensions are similar to dialectics

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which Mason & Mitroff (1981) use to fashion strategy. The dialectic produces strong claims and counterclaims that create tensions from which synthesis can emerge. Organizations that test issue tensions in their agenda of issues using the framework in Table 3 are more apt to identify and deal with chronic concerns and difficulties (Mason & Mitroff, 1981; Quinn, 1988; Pascale, 1990).

Proposition 9: Testing an issue agenda for its comprehensiveness is more apt to uncover and deal with important issues that must be managed for a transformation to occur.

Sector Distinctions—Forming issues as tensions seems particularly appropriate for public sector organizations. The web of political and market forces facing these organizations often pulls them in several directions at the same time (Table 1). Examples include: the need to control spending and to expand to meet latent service demands; the dictum of separation of powers which causes conflict between judicial renderings and administrative edicts. Responding to one tension without dealing with the other can create serious problems (Cameron, 1986). For instance, dealing with latent demand creates conflict with funding agents, calling for budget cutbacks. If this tension is not managed, the organization can be whipsawed by powerful individuals in its authority network. Also, actions by public organizations often provoke advocacy on both sides of an issue and from many sources, including: the media, treatment professionals, interest groups, and formal branches of government. In firms, these tensions are less complex, typically stemming from the actions of competitors and responses to these actions (Porter, 1985).

Proposition 10: Forming issues as tensions is more apt to produce a transformational strategy.

Identify Strategy

The issue agenda directs the search for actions, beginning with the most important issue tension to be managed. Considering the SWOTs found to be crucial, a search is mounted using group process and other creativity devises (Nutt, 1992). The search is directed toward finding ways to manage these issue tensions and realize ideals by building on strengths, overcoming weaknesses, exploiting opportunities, and blunting threats (Ansoff, 1984; Nutt & Backoff, 1992). For instance, the regent's executive director could use such an approach to find ways to deal with the tension between "job readiness and college preparation" by asking how strengths (e.g. educational programs), weaknesses (e.g. the applicability of educational programs to the needs of firms), opportunities (e.g. co-op programs that give credit for on-the-job training), and threats (e.g. firms that boycott graduates) offer useful ideas. Following these steps helps people organize their thoughts and stimulates their creativity.

Why Use Situational Assessment and Ideals to Develop Strategy—The strategic principles call for building on strengths, overcoming weaknesses,
exploiting opportunities, and blunting threats. The inference that springs from joining the SWOTs with an issue, framed as a tension, and an ideal leads to more innovation strategic actions than other approaches we have tried.

Proposition 11: Joining SWOTs with an issue tension in search of ideals leads to more innovative strategy being identified for public sector organizations, which is more apt to have transformational features.

Sector Distinctions—Firms can undertake strategies that call for divestiture, horizontal and vertical integration, acquisition, and other proactive moves that change their domains. Strategies in public organizations typically have jurisdictional or domain limits. For instance, Porter’s (1985) “low cost leadership strategy,” which merely segments a market, has no meaning for a fire department or a mental health center. Pure opportunities occasionally arise for governmental organizations stemming from new social concerns and produce honeymoon periods, but these periods tend to be short lived.

Typically, a strategy must take shape as an incremental movement that balances opportunity with threat. For example, in the EPA, being too proactive can crystallize opposition that may hamstring future efforts, but being too reactive forces the EPA to concentrate on putting out fires using threat management tactics. Opportunities in public organizations can also arise from the coercion to pay for and use a service found in enabling legislation, such as the fluoridation of water (Table 1). Also, the tacit authority to deal with broad societal concerns can produce opportunity. For example, child abuse programs are feasible in public schools even though the public school’s mandate may not mention such programs. Carefully managing the tensions inherent in an issue and the SWOTs moves organizations with significant publicness to a new posture that responds to opportunities in a feasible manner.

Assess Feasibility

The resources needed to carry out a strategy and the reactions of key people who are stakeholders suggest feasibility (Freeman, 1984; Savage, Nix, Whitehead & Blair, 1991). Public sector organizations can get resources from internal reallocations and from additional support. For instance, the county library was able to pass a county wide levy to support its strategic plan. Mental health centers have been successful in replacing lost funds with levies. State departments of natural resources charge user fees and support up to two-thirds of their budget in this way. Strategic leaders must inventory both available funds and potential sources of support. The prospect that these sources of support can underwrite cost provides one test of a strategy’s feasibility.

Time and resource limitations call for the targeting of the high-priority stakeholders. First, the SMG identifies stakeholders for the strategy under consideration. This list often includes users of services, key providers of support, cooperating units, and providers of services. After the list has been compiled, each stakeholder is ranked by the SMG in terms of importance and likely position on the strategy. The ratings are plotted on a grid, allowing stakeholders
to be classified as one of four types called: problematic stakeholders (oppose strategy, low importance), antagonistic stakeholders (oppose, high importance), low priority stakeholders (support, low importance) and advocates (support, high importance). By referring to the grid classifications, which clarifies how much and what kind of power each stakeholder has, prospects of strategy implementation can be assessed.

A second test stems from stakeholder assessments (Mason & Mitroff, 1981). Stakeholder are inventoried and assessed much like resources. Stakeholders are identified and their positions determined, and plans forged to capitalize on supporters and to manage antagonists (Nutt & Backoff, 1992). The nature and number of stakeholders in each category suggest whether implementation is apt to be successful (Nutt, 1992).

A ranking similar to that for stakeholders is used for resources. The resources called for by the strategy are assessed in terms of their criticality and availability, suggesting ease of finding or mobilizing. Average ratings, from the SMG are plotted on a grid. The grid allows resources to be classified as one of four types. These four types are called essential scarcity (critical with low availability), core support (critical with high availability), auxiliary support (noncritical with high availability), and irrelevant (noncritical with low availability). This ranking identifies the resources that must be obtained to ensure that a strategy can be implemented. Using this test ensures that a strategy has some chance of success.

Why Identify Stakeholders and Resources—The identification of stakeholders and resources is needed because a cooperative ecology must be in place before public sector organizations can offer new initiatives, such as a new service. In building these joint commitments, the public organization must consider whether this service could have harmful effects on both users and firms and whether it can be supported by fees, levies, or tax authorizations (Mokwa & Permet, 1981). The firm, in contrast, has only to ensure that its products or services are safe for consumer use and can be sold to consumers. This suggests that the actions of public and third sector organizations come under close scrutiny from a variety of sources, including firms. Each action must be managed if implementation is to be successful.

Proposition 12: Public sector organizations that make resource and stakeholder assessments are more apt to be successful in creating viable implementation plans.

Sector Distinctions—To build joint agreements, public and third sector organizations may have to negotiate with oversight bodies to alter jurisdictions. For example, a new Tennessee Valley Authority (TVA) program would have to deal with a host of agencies, such as existing water authorities and bureaus responsible for land reclamation and development. The needed agreements often set precedents that require extensive internal and external negotiations (Allison, 1984).
Everyone is a potential stakeholder, which calls for careful assessments of a stakeholder’s motives to block the strategy and his or her power to do so. Key people in the organization’s authority network can be mobilized to pry resources away from other uses, to support new budget authorizations, or to authorize usage fees that can underwrite the costs needed to carry out a strategy. Either an actual or a potential strategy can be described to call for financial support. Both users and people in the authority network of the organization can draw on political influence that is seldom available to firms. Thus, public organizations have both opportunities to underwrite the costs of a strategy and barriers to carrying it out, no matter how financially feasible the strategy may be. Strategic managers in firms tend to ignore external negotiations and often use authoritarian postures in their internal dealings (Nutt, 1987).

Proposition 13: Public sector organizations that conduct stakeholder and resource assessment are more apt to identify barriers that can block a transformational change.

Implement Strategic Change

Our approach to implementation deals with the broad-scale concerns raised by a change in strategy, not with steps to install new procedures. In strategic management, programs are devised to monitor and evaluate stakeholders’ predicted actions and to manage resource suppliers. Tactics for the management of resource suppliers follow the same line of reasoning as that used for stakeholders.

The SMG examines each of the stakeholder categories of antagonistic, advocate, problematic, and low priority. First, the numbers and proportions of stakeholders in each category are determined. Additional analyses are carried out to suggest the extent of stakeholder support or opposition. The clustering of stakeholders in a category suggests the prospects of a coalition and neutral stakeholders identify people who could be targeted for lobbying. A similar approach is applied to resources, identifying who controls access to the resource and how to approach them to re-allocate and to provide other kinds of support.

During implementation, plans are devised to deal with the concerns posed by the resource and stakeholder assessments. For instance, diverting funds from employer collections to underwrite change in the Bureau of Worker’s Compensation, although seemingly desirable and supported by key stakeholders, can be prohibited by law. Implementation in this case would identify people who must authorize such action to work for a change in agency rules. Implementation can involve lobbying, negotiation, bargaining, education, coalition building, co-optation, selling, and promotion (Nutt, 1992). Stakeholders thought to be amenable to one or more of these tactics are approached by the organizational leader to win them over.

Why Use Resource and Stakeholder Management—Resource and stakeholder management are often overlooked in strategic management procedures (see Table 2). A careful consideration of what is needed to make
Implementation possible and steps that must be taken to secure the needed support are essential components of a transformation. These steps are important because barriers to action can be pervasive in public organizations. In dealing with stakeholders and resource suppliers one should use political instead of power tactics. Tactics such as edicts and intervention (Nutt, 1987) assume a level of power that does not exist in most public organizations. Indirect tactics, such as co-optation, must be used in forums that include legislatures, courts, open hearings, public and press briefings, and interest group negotiations (Bryson, 1984).

Proposition 14: Public sector organizations that create forums in which the participation of key stakeholders is stressed are more apt to be successful in implementing a transformational change.

Sector Differences—The public organization brings with it constraints, political influence, authority limits, scrutiny, and ubiquitous ownership (see Table 1). Each makes implementation more complex in public organizations, calling for more elaborate procedures that differ from those used in private organizations, such as the local steel mill. The beliefs and demands of key people in an authority network and of users can be fickle, shifting without notice, but still play a major role in determining what types of change will be accepted in welfare reform, whether or not to drop a costly but popular concert series, and the like. Constraints and authority limits make it essential to carefully manage external as well as internal stakeholders. Authority limits often pose significant problems in finding the resources needed to underwrite strategic action, no matter how meritorious. Private organizations have fewer needs to manage external stakeholders and find resources and, as a result, have fewer difficulties with implementation.

Proposition 15: Transformation calls for cooperation among key stakeholders to support the strategy and find ways to fund it.

Strategic Leadership

We define leadership as a process of guidance carried out to make something happen. The key notions are guiding, with a motive or purpose, to make something go. Guidance is relational. People are moved in some way to support something. To provide effective guidance, a leader must mobilize, inspire, and enroll others by seeking a commitment to support an action plan from people.

Strategic leadership makes the motive or purpose explicit. The strategic leader wants to enroll others in transforming the organization by changing it in some significant way. This type of aim frequently calls for a long term commitment. The entire organization and its ecology must be taken into account when an enterprise-wide change is to be made. Thus, strategic leadership can be thought of as a process of guidance that sets a new strategy in place. As
Burns (1978) and Kantor (1983) point out, the ultimate test of strategic leadership is to realize a change of enduring value.

Several theories of leadership have emerged in the past few years (Nanus, 1989; Land & Jarman, 1992; Covey 1990). These theories are similar in some ways and different in others. Each of the unique features, such as Covey’s “principle centered” approach, contains many useful insights. To appreciate these different insights one must compare and contrast a cross section of leadership theories. To keep the task of reviewing leadership theories manageable and deal with approaches that have distinctive differences, we will review and contrast four approaches that have used different means of developing prescriptions. The tactics used to develop the four leadership theories range from empirical to introspection. The leadership approaches are summarized in Table 4 indicating how each was developed, the source of vision (strategy), and proposed guidance process with its supporting steps. They are named for what each attempts to do: describe successful leaders, use language creatively, interpret what successful leader do, and derive leadership principles from exemplary followership. There are few public sector illustrations because these theories were typically derived from private sector leaders.

Descriptive

Kouzes and Posner (1987) offer a leadership approach derived from surveys of 2600 top-managers. Using cases analyses and the results of the surveys, they found that leaders who accomplished extraordinary things followed five crucial practices which make up their guidance process. The guidance process is based on peak performance and attempts to captures “best practices” (Table 4).

Leaders were found to be early adopters of innovative ideas. The “pioneering act” recognizes the value of ideas from many sources, internal and external to the organization. The vision taken from the ideas provides an opportunity to act. The leader takes on the challenge of getting the strategy derived from the vision (new service, product, re-organization, etc.) adopted. The vision is created external to the guidance process. The leader searches for a vision and then shapes it as the strategy is implemented.

The guidance process begins when a leader questions current practices and suggests the need for change. Strategic leadership alters the business-as-usual attitude in an organization. As a precursor for change, current practices must be challenged. However, Kouzes and Posner say little about how to mount such a challenge. Their illustrations deal with organizations faced with a turnaround, not with the steps taken to get key people to face up to the need for strategic change. The leader’s role is to recognize good ideas and show how these ideas address important concerns. This calls for two steps, which Kouzes and Posner call “behavioral commitments.” First, strategic leaders mount multiple searches for opportunities. The strategic leader creates an environment in which innovation is encouraged and rewarded. People are encouraged to question the merits of current practices and suggest new ones. The strategic leader starts many such initiatives to uncover innovative possibilities. Second, to support the search people are encouraged to experiment and take risks. For example,
**Table 4. Approaches to Strategic Leadership**

<table>
<thead>
<tr>
<th>Type</th>
<th>Origin</th>
<th>Source of Vision</th>
<th>Guidance Process</th>
<th>Key Steps</th>
</tr>
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<tbody>
<tr>
<td>DESCRIPTIVE</td>
<td>Survey of leaders</td>
<td>Recognize good ideas</td>
<td>PRACTICES</td>
<td>Behavioral Commitments</td>
</tr>
<tr>
<td>(Kouzes &amp; Posner, 1987)</td>
<td></td>
<td></td>
<td>1. Challenge the status quo</td>
<td>• Search for opportunities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Inspire a shared vision (strategy)</td>
<td>• Experiment and take risk</td>
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<td></td>
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<td></td>
<td>3. Enable others to act</td>
<td>• Visualize the future</td>
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<td>4. Model the way</td>
<td>• Enlist others</td>
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<td>5. Draw people forward</td>
<td>• Foster collaboration</td>
</tr>
<tr>
<td>LANGUAGE</td>
<td>Introspection</td>
<td>Opportunities in the environment</td>
<td>SKILL CATEGORIES</td>
<td>• Strengthen others</td>
</tr>
<tr>
<td>(Conger, 1991)</td>
<td></td>
<td></td>
<td>1. Framing</td>
<td>• Set example</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>2. Rhetorical crafting</td>
<td>• Plan small gains</td>
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<td>• Recognize individual contribution</td>
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<td>• Celebrate accomplishments</td>
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<td></td>
<td>• Techniques</td>
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<td></td>
<td>• Values</td>
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<td></td>
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<td></td>
<td></td>
<td>• Beliefs (the strategy's importance, need for the strategy, antagonists of the strategy)</td>
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<td></td>
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<td></td>
<td></td>
<td>• Metaphors, analyzes stories</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>• Gearing language to audience</td>
</tr>
<tr>
<td>STRATEGIES</td>
<td>ACTIONS</td>
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<tr>
<td>1. Attention through vision</td>
<td>• Search for vision</td>
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<tr>
<td>2. Meaning through communication</td>
<td>• Create a direction</td>
<td></td>
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<tr>
<td>3. Trust through positioning</td>
<td>• Search for commitment</td>
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<tr>
<td>4. Deployment of self</td>
<td>• Recognize the architecture</td>
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<thead>
<tr>
<th>LEADERSHIP FROM THE EYE OF THE FOLLOWER</th>
<th>ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Explain followers as co-creators of strategy</td>
<td>• Sharing information</td>
</tr>
<tr>
<td>2. Support followers to take action</td>
<td>• Co-create vision</td>
</tr>
<tr>
<td></td>
<td>• Share in risk and reward</td>
</tr>
<tr>
<td></td>
<td>• Supportive environment</td>
</tr>
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<td></td>
<td>• Leader makers</td>
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</table>
Kouzes and Posner show how G.M. gave a new division manager the leeway to try virtually anything to turnaround a strike and grievance ridden assembly plant. To support such initiatives, the leader treats ideas that fail as learning opportunities. Experimentation as well as success is rewarded. By focusing on success and ignoring failure, subordinates learn from mistakes and provide a continuous flow of new ideas.

The vision and a leader’s belief in it is the force that “invents the future.” The leader must imagine what it will be like to arrive at the point called for by the vision. This image of the future is used to pull people forward. The leader’s role is to organize a movement toward this future. This is done by inspiring a shared vision of the future that has been adopted by the leader. Two steps are used. First, the leader must describe the vision using scenarios, forecasts, or perspectives, such as the florist who understands the distinction between selling flowers and selling beauty. Successful CEO’s set aside short term goals and try to visualize something that will create a sustainable competitive advantage, that will be hard for competitors to copy, over a long (e.g., ten year) period. A strategic leader also sets out technical, political, economic, social, and ethical priorities. Second, the leader must enlist others by getting them to appreciate the vision and see its value. This is done by connecting the hopes and interests of others to the vision-making it clear that the exciting possibilities of the vision also connect to people’s needs and aspirations. Leaders use passion and vivid language to create enthusiasm. If this enthusiasm becomes catching, support will spread to others. The committed and enthusiastic leader is more apt to inspire.

The third step of the guidance process calls for enabling others. This is done by building ownership in the vision. Typically, some form of participation or collaboration is used in which teams are empowered to take action, making things happen that are essential to realize the vision. Teamwork is built by collaboration and empowerment. Enabling others to act creates commitment and energy, and builds trust. To secure the behavior commitments, leaders set an example by stressing cooperation and reciprocity, not competition, and seeking win-win solutions that integrate the best ideas of people. By sharing power and information, followers are strengthened. Sources of power, such as control of critical tasks and the discretion to act, are given away to strengthen followers.

Next the leader models the way by providing milestones that indicate process toward realizing the vision. Two steps are used. First, examples are set through learning by doing and stressing key values. Leaders who are seen spending their time pursuing the vision become credible. Second, by noting small gains as they occur people get a sense of progress. Creating milestones that can be recognized as tasks are completed maintains momentum.

Finally, leaders draw people forward. When disenchantment and frustration set in, leaders help people carry on. Recognition of individual accomplishments with rewards maintains momentum. Also, it is important to celebrate team accomplishments through public ceremony.
Language-Based

Conger (1991) offers a process of guidance for strategic leadership based on developing a “language of leadership” (Table 4). Describing what one wants in a far-reaching and meaningful way can inspire. Articulation and communication are stressed. The language of leadership is broken into two skill categories. The first is called “framing” in which the strategic vision is presented. The second, “rhetorical crafting,” is used to heighten the emotional appeal of the strategy.

The vision on which the strategy is based is assumed to exist at the outset. Strategic leadership is undertaken merely to get it adopted. This is similar to the case in which a leader brings a strategy to an organization. Like Pygmalion, the leader seeks to bring something to life and make it a reality.

Framing is used by the leader to describe the strategic vision in an intrinsically appealing way. Frames are pictures that describe purpose and suggest a map for action. The purpose is made clear by clarifying the end state which is sought. Conger notes that Jobs of Apple computer created a strategic vision around software developments in universities and his commitment to learning. In addition, the frame offers a map that lays out steps to take. Conger notes how Jobs used capital budgets and sales objectives to identify what to do to realize the vision.

Conger contends that meaningful frames are created by amplifying values and beliefs. The skillful leader selects or creates positive values that can be sold to organizational members. Values are sought that can inspire people, like May Kay’s Ash who used equal rights for women to sell the company’s mission of stimulating cosmetic sales. A second step calls for “belief amplification” in which the mission’s importance, need, antagonists, and efficacy are addressed. Leaders must dramatize importance to underscore the demands for transformation, making the strategic vision seem a viable and attractive way to change. For example, the president of a data processing company dramatized the company’s plight and gave a pitch for his vision as the best hope for a turnaround. Articulating the reasons behind the need for a transformation makes a change in strategy seem compelling. The data processing CEO pointed out how innovations by the company no longer guaranteed market share. If the firm loses this leading edge, a decline of massive proportions was predicted. Next, the leader stereotypes antagonists to create commitment and cohesion from a common enemy, such as calling IBM “big blue.” Finally, the efficacy of the change is described using past successes to build confidence that the strategy called for in a vision is feasible as well as needed. The leader of the data processing company contended that we were market leaders in the past and can be again.

Rhetorical Crafting is used by the strategic leader to find words to describe a strategic change that will have the greatest impact as a symbol. Leaders are admonished to seek devices that make the content of their message seem profound. Metaphors, analogies, and stories are then tailored to each audience. When particularly vivid, expressive, or striking the analogy or metaphor can
be a powerful communicator. For example, Mary Kay’s Ash likens a bee, with a body too heavy for its wings, to women in the workplace. With many milestones to carry women shouldn’t succeed, but do. Ash shows women “how to fly.” Iacocca called for sacrifice and for everyone to “bear the burden” during the turnaround years at Chrysler. By taking no pay for a year, he tried to demonstrate the depth of his commitment. Stories can convey vivid examples of the values and commitment that are desired. The ability to tailor the metaphor or story according to the intended audience considers the experiences and situation of the listener. Iacocca’s talks to Chrysler’s management team stressed family values and a common goal of reducing dependency on the government. The pitch to governmental leaders to get the loans, stressed a strong America and the foreign threat to jobs. Effective leaders keep the message simple and repeat it over and over again.

Interpretive

Bennis and Nanus (1985) and Bennis (1989) offer an interpretative theory drawn from intensive interviews with successful leaders (Table 4). “Kernels of truth” about leadership were distilled from the experiences of 90 leaders, using a few structured questions (e.g., describe your strengths and weaknesses) and following up on open ended discussion that seemed to provide useful insights (Bennis & Nanus 1985, p. 24). The leaders who were interviewed came from public, private, and third sector organizations and had titles such as CEO, president, or board chair.

According to this theory, the source of the vision in strategic leadership typically comes from others. The strategic leader undertakes a search from many sources including subordinates, the literature, and the practices of others. (A few, such as Jobs at Apple computer and Land at Polaroid, developed their own ideas by exploring the limits of technology.) They rarely conceive the vision but give it legitimacy and shape it to fit the situation being confronted.

The guidance process called for by Bennis and Nanus has four “strategies” and supporting steps, as summarized in Table 4. In the first, attention to vision, the strategic leader promulgates an idea which creates focus. For successful leaders, the strategy emerged as an agenda. The leader shapes this agenda so its components are compelling and pulls people toward them. Leaders search for “agenda items” and assemble them to create a sense of direction.

The guidance process in strategic leadership is seen as in transactional terms. Transactions between leaders and followers are carried out in which leaders pay attention and create attention. The successful leader created meaning through communication that captured the listener’s imagination. A key skill links what’s wanted to something concrete. Some use metaphors, such as stories that suggest what’s wanted or desired in vivid terms. Others rely on symbols and clever language. In each case, the communication must recognize where people are (the architecture) and what change is to be made (how the architecture will change). Successful strategic leaders make their massage clear at all levels of their organization and hear what is said about their ideas.
Trust is built through accountability, predictability and consistency. The successful leader seeks out a position that sets out what’s wanted and then persistently works toward that end. For example, Sloan successfully positioned G.M. in its environment by creating new cars in a low-priced category. A strategic leader, such as Sloan, then builds trust by staying with a direction once selected. Thus, successful leaders stay "at it."

The creative deployment of self calls for creative learning. Leaders learn about strengths and weaknesses and stress what they and their organizations do well. Beginning with this "positive self regard," the successful leader compensates for weaknesses and moves ahead. Next, skills are nurtured. The leader seeks a fit between what’s needed and the skills available. Skills include: being realistic about people’s abilities, approaching situations in present terms without concern of past problems, insuring courtesy in all relationships, trusting others, doing without constant approval, and avoiding the fear of failure.

**Followership**

Kelley (1991) used surveys of people being lead, called "followers," finding a deep dissatisfaction with leaders in a wide variety of organizations, both public and private. The findings suggest that 50 percent of all leaders have questionable abilities. Few provide positive role models and even fewer instill trust. Feeling threatened by talented subordinates, these leaders respond to their insecurities by refusing to share the lime light.

Drawing on his findings, Kelley offers a different type of guidance process, one which assumes that leaders mold and are molded by followers. Followers must buy-into a leader’s attempts at transformation. When they do not, followers vote with their feet by transferring out and other types of voluntary turnover. Thus, leadership is contractual. Followers decide where to invest their time and effort. Kelley’s guidance process was inferred from what followers look for in leaders before giving their best effort.

The “exemplary follower” was found to be a crucial ingredient in an organization’s success. These individuals must do the work that carries out plans which will transform an organization. Before someone can ride the winds of change, exemplary followers are needed to fill the sails. An exemplary follower is an active, independent and critical thinker who responds to challenges with energy and commitment. They find ways to increase their worth to the organization and to work within an organization’s network of relationships while retaining strong values which Kelley calls a "courageous conscience." These traits make exemplary followers stand out from other followers who are passive, conformist, alienated, and even the pragmatic follower who does what is required without passion and commitment. Leaders do not create exemplary followers, but must sustain and nurture them if they are to make transformation a reality.

Kelley has two messages. First, the best leaders form partnerships with exemplary followers to co-create strategic change. Second, the strategic leader should help followers be successful by aiding and enhancing their productivity. This exemplary follower perspective gives a fresh look at what a leader must do to be successful.
Allowing exemplary followers to be co-creators of the strategy to be used in transformational change is quite different from the views of vision in other leadership theories (see Table 4). This is done because exemplary followers want a role in deciding their fate. They will rally behind leaders who make them partners in shaping a strategy. In a partnership, capable people create synergy in their joint efforts. Partners are equals, which calls upon the leader to share power and reward successful initiatives. To accomplish this, Kelley recommends three steps. The first calls for information sharing. Often leaders hoard information because information is equated with power. However, action often depends on "opening up the books" to make the depth of a problem clear and the need for transformational change compelling. Partners share information and keep one another apprised of what is being accomplished. Kelley found that most leaders get little feedback, typically because subordinates fear the consequences of being candid. The best leaders give and receive progress evaluations.

The second step calls for the strategy to be created jointly by the partnership. Exemplary followers know where they are going. By folding them into a process of strategy development, leaders create transformational change that can be sustained. Leaders who bring a strategic vision and offer it as a bundle of ideas that can be changed and built upon, get valuable contributions from knowledgeable people. Such a guidance process also allows for strategic management initiatives in which key people, including the leader, can co-create a strategy.

A third step calls for a sharing in risk and reward. To encourage this leaders must see that people who make a transformational change are not sacrificed in downsizing through layoffs, when things do not work out. Leaders who share equally in risk and reward and sacrifice along with others in bad times promote commitment. Leaders who allow others to carry all the risk, encourage alienation. For instance, Firestone's CEO maintained his huge bonus during bad times in which layoffs cut the work force by half. Perot resigned from GM's board in the 80's because executive bonuses were increased as plants were being closed. To promote a sharing of risk and reward, salaries can be lowered so risk was shared and bonuses given to people if plans work out.

Leaders are charged with helping followers be productive. Exemplary followers do not need leaders to show them how to do their jobs and to give approval. In many cases, these people are better equipped to do their jobs than the leader, and know it. In such cases, leaders do not have the expertise to evaluate and must look to the follower's peers to determine quality in work. Exemplary followers want leaders to add value to their work. This can be done in two ways. The first is to create environments in which exemplary followership can flourish. This can be done by leaders selling the work of others or by getting resources to get work done. Leaders remove barriers that inhibit productivity. This could involve the elimination of unnecessary paperwork, or by giving a person a free rein to do his/her job. Self-management is powerful incentive for the exemplary follower. Also, peer review among exemplary followers is a powerful motivator that encourages trust and fairness among equals.
TRANSFORMING PUBLIC ORGANIZATIONS

A second step in encouraging productivity calls on leaders to subordinate their ego and let others shine. Exemplary followers prefer team builders to visionaries. A leader’s attitude and emphasis is key. Leaders who are primarily interested in their own success and personal recognition turn off the exemplary follower. Being a team builder enables exemplary followers to become visionaries. Giving people with vision credit for their contribution engages and energizes their talents. These steps also cultivate good leaders for the future that have values which will benefit the organization. These prescriptions make transformational leadership seem a misnomer.

Contrasting Leadership Theories

Comparing these leadership theories pose several questions. Differences are noted in the origins of a strategy, the uniqueness of the guidance process in the leadership theory, the comparative value of the approaches, the distinction between strategic management and strategic leadership, and the usefulness of these ideas for public organizations. The origin of a strategy deals with vision and its role in strategic leadership. The other issues concern the value of particular practices and ways to tailor them to transform public sector organizations.

The Role of Vision—To carry out a transformation, organizations face three types of situations. The transformation can stem from implementing the visions of a leader, coping with the demands made by an oversight body or suggested by environmental signals, or creating a vision in response to perceived needs. A vision can be imposed, emerge from demands, or be created.

Some leaders put their ideas into practice as noted in the library case. The library director’s engaged in strategic leadership to detail his vision and get the commitments of key stakeholders to act on it. In a related case, the director of a board of regents that set state policy for higher education sought to impose a vision that education should get people ready for school and ready for jobs. The director challenged his staff and the board to rethink the commitment to education in these terms. Strategic leadership is used to build commitments to the vision in this type of situation.

A vision emerges when a leader recognizes the desirability for expansion or growth, the need to stabilize funding, or new roles bring thrust on the organization or when someone in authority mandates the integration and coordination of services. These demands initiate a process that attempts to change a strategy. The new strategy must recognize and incorporate the proposed ways of doing business and provide coherence. The strategy is shaped according to the emergent ideas that are thrust on the organization, as noted in the historical society.

When a vision is not present at the outset or suggested in part by new demands being placed on the organization, it must be created, as in the library case. The need for strategic change can be suggested by board education, leadership changes, legal mandates for planning, seemingly caught in a rut, or political threats. Signals of this type are uncovered and interpreted to form an
issue agenda. A strategy is sought to deal with the issues. The leadership process is used to create a strategy as commitments are being built.

These three distinctive types of visions can be related to the leadership theories. All of the theories noted in Table 4 recognize that leaders brought in to turn around an organization often have a transformational plan, as in the worker’s compensation case. However, each calls for the strategic leader to carry out some degree of search and testing before implementing a preconceived vision. Conger (1991) calls for an environmental search. Kouzes and Posner (1986) concentrate the search internally. Bennis and Nanus (1985) recognize that visions often stem from “others.” In contrast, Kelley (1991) takes a developmental posture and calls for the strategic leader to work with others to create a strategy.

There was little support for visionary leaders who impose their ideas on an organization. The merit of strategy co-creation seems to be the key research question. Strategic leadership seems to be more of a sales process in leadership theories advocating some type of search. Also, most leadership theories tend to ignore the steps needed to uncover a vision, leaving the origin of the vision on which a strategy is built unclear. Kelley (1991) makes a compelling case for creating a strategy that is co-developed with key people. There seems to be a better case for creating a strategic vision during the process of strategic leadership than imposing it.

**Proposition 16:** Public organizations are more apt to be successful in carrying out a transformation when the strategy is co-developed with key stakeholders.

**Process Differences**—The leadership theories in Table 4 call for different kinds of guidance processes that emphasize different steps. The differences in these processes pose a number of questions, such as the skills required and the prospect of acquiring needed skills through training. For simplicity, we will limit the discussion to differences in process.

There are several striking similarities in how the leadership processes were developed. All attempt to explain what successful leaders do, drawing on the practices of the same leaders and organizations. To build their arguments leaders such as MacDonald’s Kroc, IBM’s Watson, Ford’s Peterson, Hewlett-Packard’s Thronton, Mary Kay’s Ash, Apple’s Jobs, the Boston Celtic’s Auerbock, and CBS’s Morrow are frequently cited. Also, the same examples for bad leadership are used. How can such different prescriptions stem from examining the same source of information? Two answers can be offered.

The old adage about blind men trying to describe an elephant may apply. Strategic leadership is a comparatively new field and may require much more effort to mature. This view would contend that a careful syntheses of ideas, like those in Table 4, is needed before a mature theory of leadership can emerge.

A second view accepts all theories as potentially valid and calls for empirical testing of key ideas in these theories to determine their merit. Key ideas, such as the “empowerment” notions of Kelley and the “selling” languaging of Conger, can be compared in empirical studies. Also, qualitative research (e.g., Patton,
1990; Denzin, 1989) could be used to follow successful and unsuccessful leadership attempts to identify practices that seem useful.

What ever one’s view of the state of the strategic leadership theories, there are many crucial differences in approach. These differences suggest that results are apt to vary with the approach that is used. Thus, research seems needed to identify practices that should be encouraged and discouraged.

**Proposition 17:** The prospect of a successful transformation is influenced by the leadership practices of a strategic leader.

**Strategic Management and Strategic Leadership**—When viewed as a process that leaders can follow, strategic management and strategic leadership have very similar purposes. Both are carried out to transform organizations by installing a strategy that makes significant changes in organizational practices and competencies. Differences arise in emphasis. Both are concerned with getting new ideas and getting these ideas adopted. However, strategic management seems to stress idea development and strategic leadership idea implementation. This relationship of strategic management and strategic leadership has three implications. First, there seems to be merit in contrasting the guidance process in strategic leadership with the developmental processes in strategic management. This exploration would look for insights offered by one approach not found in the other. The expected benefits from following one set of maximums, compared to another, may yield a more in-depth appreciation of how to carry out organizational transformation.

The second question deals with the distinction between strategic leadership and strategic management. One view is to treat the processes complementary with, for instance, strategic leadership implementing the ideas developed by strategic management. Another is to treat the processes as competing, posing questions about which to use.

The third concerns a synthesis. Tying together the best practices for development and implementation may be useful. Such an effort would seek a process that balances the development of a vision with its implementation by offering ways to facilitate creativity and overcoming barriers to change. The strategic management process described earlier in the paper illustrates one such attempt to marry aspects of formulation and implementation. Like others, it contains few of the insights found in the strategic leadership literature that deal with implementation.

Thus, an approach that balances vision development and vision implementation seems needed. By bringing together the emphases on implementation in strategic leadership with the innovation and creativity called for by the more sophisticated strategic management approaches, a superior process may emerge.

**Proposition 18:** Organizational leaders that draw on the best practices for both development and implementation are more apt to be successful in producing transformations.
Sector Differences—The special needs of public sector organizations pose the same problems for strategic leadership as noted for strategic management (see Table 1). To implement a vision, strategic leaders in the public sector face a formidable set of obstacles. These obstacles arise from the leader being exposed politically, coping with subordinates that have divided loyalties, being accountable to many groups with little authority, and keeping a low profile that is expected by political leaders.

Public sector leaders are often exposed politically. The media and others make presumptions of wrong-doing and mount efforts to find a controversy. When wrong-doing or a controversy appears to surface the feeding frenzy that results can make it impossible for anyone to act. No one wants your message. The problem of strategic leadership are made worse by the short tenure of most leaders. Most last less than 2 years (Card, 1992) and many must live with a tainted selection process (Oroz, 1991). All this typically results in threat driven management. Team building is ignored because top aids have suspect or divided loyalties. Key subordinates are often appointed because of patronage and have little motivation to support a leader. Also it is pragmatic to give lip service to the leader’s agenda when one knows the leader will soon leave. Many take a “let’s wait them-out” posture and offer token efforts. The need to be responsible to many oversight bodies further complicates things. For instance, the head of a state mental health department takes walking orders from volunteer associations made up of parents, state legislatures, the governor, service contractors, and many others.

In such a milieu, strategic leadership can become an oxymoron. The public sector leader can be seen as a figure head for people to abuse when they are upset, a cutback manager when the organization is to be down sized, or a caretaker. Clearly a person’s leadership can be severely tested under these conditions. Transformational change is a formidable challenge.

Although some leadership theories were constructed by considering a few public sector leaders (e.g., Kouzes & Posner, 1986; Kelley, 1991), many were not. Also, mixing leaders from multiple settings may obscure differences that would emerge had the sectors been kept separate during theory development. As a result, we believe that the differences in sectors and the problems faced by strategic leaders in public organizations are sufficiently compelling to tailor a guidance process accordingly. We have fashioned guidance process for strategic leadership (see Table 5) that attempts to deal with the considerations noted in Table 1.

Proposition 19: Tailoring a guidance process for strategic leadership to meet the special needs of public sector organizations will improve the prospects of a successful transformation.

Strategic Leadership in Public Organizations

Strategic leaders are concerned with “walking the vision.” By this we mean that the leader must obtain the support of many people, and interest groups,
Table 5. The Elements of Strategic Management and Strategic Leadership for Public and Third Sector Organizations

<table>
<thead>
<tr>
<th>Stages of Strategic Management</th>
<th>Stages of Strategic Leadership</th>
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<tbody>
<tr>
<td>1. Understand History</td>
<td>1. Co-create Strategy</td>
</tr>
<tr>
<td>• Trends and Events</td>
<td>• Delegate to SMGs</td>
</tr>
<tr>
<td>• Directions</td>
<td>• Stress innovation</td>
</tr>
<tr>
<td>• Ideals development</td>
<td>• (Add stages 1, 2, 3, 4, and 5 of strategic management)</td>
</tr>
<tr>
<td>2. Explore the Situation</td>
<td>2. Frame Vision for Public Consumption</td>
</tr>
<tr>
<td>• SWOTS</td>
<td>• Enlarge the strategy space</td>
</tr>
<tr>
<td>3. Uncover Issues</td>
<td>• Switch filters and context</td>
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<tr>
<td>• Issue tensions</td>
<td>3. Blur Leader Follower Distinctions</td>
</tr>
<tr>
<td>• Issue agenda</td>
<td>• Give away information</td>
</tr>
<tr>
<td>4. Identify Strategy</td>
<td>• Empower followers</td>
</tr>
<tr>
<td>• Join SWOTS and ideals with priority issue tension to identify strategy</td>
<td>4. Push the Action Forward</td>
</tr>
<tr>
<td>5. Assess Feasibility</td>
<td>• Position in stream of action</td>
</tr>
<tr>
<td>• Resources</td>
<td>• Promote by networking</td>
</tr>
<tr>
<td>• Stakeholders</td>
<td>• Create positive energy</td>
</tr>
<tr>
<td>6. Fashion Implementation Plans</td>
<td>• Path clear for empowered followers</td>
</tr>
<tr>
<td>• (Add stages 2, 3, &amp; 4 in strategic leadership)</td>
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</table>

both inside and outside of the organization, to carry out a transformation. Our approach to strategic leadership deals with the obstacles that can be encountered when transformational change is attempted. Each move to walk the vision must "walk the talk" with stakeholders. In the discussion that follows we outline a strategic leadership process that complements our suggestions for strategic management and considers the difficulties of making change in public sector organizations.

As shown in Table 5, the first stage of the strategic leadership process maps to the first five stages strategic management. Strategic leadership elaborates implementation stage of strategic management. The stages proposed for strategic leadership are: co-create strategy, frame the vision for public consumption, blur leader-follower distinctions, and push the action forward.

**Co-Create Strategy**

Most public organizations have many stakeholders that may not support a transformational change. To be successful, a strategic leader has two choices. He/she can attempt to "win over" these stakeholders and get them to become active supporters. Alternatively, the strategic leader can get them to a neutral position so these stakeholders will stay out of sensitive negotiations. In organizations that have people with divided loyalties, short tenure leaders, and pervasive implied control from many quarters, dealing with non-supportive stakeholders can be a formidable challenge. As a result, we call for the strategic
leadership process to begin with the leader delegating strategic development to others and then helping to sell the results. A process like that described earlier in the paper can be used to bring out and integrate the ideas of exemplary followers that will make up the strategy for transformation. The strategic leader becomes the chair of the SMG, and facilitates strategy development.

Strategic leaders invent the future by seeking synergy in the ideas of exemplary followers. Exemplary followers become core members of the SMG. If key stakeholders outside the organization can also be involved in the SMG, problems stemming from markets, constraints, political influence, public scrutiny, ownership, and authority limits can be managed in part (Table 1). By involving exemplary followers, the problems of incentives and internal ownership can be addressed. For example, in the historical society an SMG chaired by the executive director and made up of key volunteers, donors, and exemplary staff followers built commitment from key sources and provided persuasive communication when actions were questioned.

Proposition 20: The prospect of transformational change improves when an SMG, chaired by the strategic leader and made up of exemplary followers as well as key outsiders, develops the strategy.

One of the biggest barriers to a transformation is the resistance of people to innovation (Nutt, 1992). Organizational leaders are very reluctant to experiment and take risks. In the past, many public organizations have been able to ignore the demands for new ideas, relying on legislative edicts and the ideas of others (Shortell, Morrison, & Fredman, 1988). Strategic leaders no longer have this luxury. The demands for action in organizations, such as a bureau of worker's compensation, will come and go before its leader can see what others are doing and mimic it. Innovative strategy is more apt to produce a “win-win” result that integrates the best aspects of ideas of exemplary followers, making it an essential ingredient of organizational transformation (Delbecq, 1989).

Proposition 21: The prospect of a successful transformation depends on the extent to which strategy is innovative.

Frame the Vision for Public Consumption

The attention focused on public organizations call for special care when introducing a transformational change. If influential insiders feel threatened, political influence can be mobilized and snuff out a good idea before it can be shaped to fit the situation (Table 1). Thus, the images evoked by a proposed strategy must be carefully managed. The strategy is presented to allay fears as well as to create a sense of direction. Unlike the private sector, it is not enough to paint a picture which entices, suggesting something that seems useful using compelling imagery. In addition to enlisting others in a quest, demonstrating feasibility, and providing reasons to change the strategic leader in a public sector
organization must prepare for public scrutiny that often misrepresents what is being proposed to serve selfish interests (Table 1).

To deal with this situation, the strategic leader reframes the strategy for various interest groups by considering what preferences and values are apt to be important to these individuals and groups. The message can not be altered to fit these preferences because of its public nature. Instead, aspects of the strategy that serve the interest group are stressed. Two types of tactics are used. First, the strategic leader attempts to modify the strategy to create a bigger space, one that has more variety. For example, the leader of the historical society identified common elements in preserving historical buildings and conducting historical plays, which appealed to the values of groups that push for these two types of programs. A synthetic program, drawing on the best features of each, resulted.

**Proposition 22:** Strategy that is enlarged to incorporate the interests of key stakeholders is more apt to produce a transformation.

Second, strategic leaders describe the strategy by changing filters and context. Switching filters casts light on aspects of the strategy that deal with needs and problems of various interest groups. For example, the historical society talked about the cost containment aspects of their strategy to the state legislature, the new preservation programs to potential donors interested in saving certain buildings and landmarks, and new opportunities for activism to influential volunteers. Also, the context can be switched to make a strategy salable. For instance, a public library can show the need for program changes by describing a proposed cut in county government funding. People who understand the context of an action are more apt to support it.

**Proposition 23:** Transformations described through filters selected according to the preferences of an interest group, which take into account context, are more apt to be successful.

**Blur Leader Follower Distinctions**

The distinctions between leader and follower are less pronounced in public organizations. People who operate a bureaucracy are made up of career civil servants who stay on when leaders change, typically in less than two year intervals. Civil servants know that they can often wait out leaders who they distrust or disagree with. Public organizations also have profession staffs, such as physicians, who require autonomy and independence. Thus, strategic leaders in public organizations have more limited power than their private sector counterparts. More importantly, to build ownership, the leader must empower exemplary followers and others who must act to initiate a transformation. Blurring leader follower distinctions in public organizations is both pragmatic, given the limited power of a leader, and essential to get required commitments.

Strategic leaders in the public organizations can reduce hierarchical differences in several ways. First, the leader can give away information depicting
organizational status and important relationships in the authority network (Table 1) to empowered followers. For instance, the leader of the workers compensation bureau was coping with a crisis of shrinking reserves, caused by low rates and pressure to pass on all of the reimbursement requests from physicians and other providers regardless of merit. Reports from consultants sequestered by the previous agency head were distributed and the crisis was described in detail to trusted exemplary followers. These individuals were then asked to provide a liaison to key members of the state legislature and other groups, a role leaders often keep for themselves. This step gets the organization closer to its customers (Table 1) and empowers the follower. It builds trust and encourages reciprocity in relationships throughout the organization.

As these actions are taken, the leader stresses the key values sought by the transformation. For instance, the leader of the worker's compensation bureau stressed, inside and outside the organization, the need for sound fiscal management in which rates were fair and inappropriate claims were rejected. Because ownership had been built many others were repeating this message at the same time.

*Proposition 24: Empowered followers increase the prospect of a successful transformation.*

**Push the Action Forward**

With empowered followers ready to spread the word, the strategic leader pushes the action forward. The leader positions himself/herself in the stream of action. By monitoring key transactions and networking, the strategic leader can create attention and pay attention.

The leader draws on the *positive energy* of learned optimism. Every threat is reframed to create an opportunity. For example, the public library attempted to pass the first operating levy ever attempted by such an organization in the face of opposition from key community leaders. To push the action forward, the strategy leader stressed the benefits that the levy would provide whenever discussion turned to threats from opponents or bad press in the local paper. Such a tactic encourages learned optimism, in which people routinely reframe problems to opportunities.

*Proposition 25: Strategic leaders that create positive energy as they seek a transformation are more apt to be successful.*

The strategic leader must carry on, often in the face of deliberate misrepresentation and the frustration and disenchantment such actions create. The leader copes with these challenges by helping people become more productive. Help is created by path clearing in which empowered followers are helped by the strategic leader to get needed resources and remove internal barriers that limit the follower's discretion. This often calls for self management and peer review, and to reduce the fear of failure. For instance, the leader of
the bureau of worker’s compensation visited field offices and helped the frustrated field staff push through long delayed requests for computer software. The field staff were given the discretion to aggressively seek ways to rid the agency of its claim gridlock. To reduce the fear of failure, the field staff were told any progress in speeding up claim handling would be welcomed. When progress was noted, public recognition was initiated to create incentives for further improvements (Table 1).

Proposition 26: Strategic leaders that accept the role of path clearing for key people are more apt to secure transformational change.

Self Managed Work Groups

The latest fad in business is total quality management, known as TQM. As has happened so often in the past, what becomes a fad in the private sector is being imposed on public sector organizations (Gao, 1990). Critics contending that government must be re-formed or re-invented (Osborn & Gaebler, 1992) are among the leaders in calling for TQM to be used in all phases of government. For instance, in Ohio the governor has mandanted the use of TQM in all state government agencies and departments.

The process called for by TQM is much like those described for strategic management, with one twist. In TQM, every transaction is analyzed to identify “the customer.” The other party in the transaction is then charged with assessing this transaction to ensure that the customers needs have been meet. On the surface, this approach seems to have useful applications in all governmental agencies and other organizations that have a service mission.

A key mechanism in contemporary versions of TQM is the concept of a self-managed work group or SMWG (Sashkin & Kiser, 1991). The SMWG is charged with looking at transactions within a team’s area of responsibility to determine improvements that can be made. As noted by organizational development, strategic management, and others the empowerment of the SMWG to identify and implement change is a powerful motivator. Many observers have reported significant changes after using such an approach (Herzberg, 1968; Walton, 1985).

The TQM idea poses several problems for public sector organizations. Dilemmas concern ambiguous customers and who gets the gains from more efficient operations. The idea of having everyone identify his/her customers and think about better ways to meet the customer’s needs poses two problems. The notion of managing a customer can be ambiguous. A hospital’s customers are its physicians and a welfare department’s customers are the members of legislative bodies that stipulate rules and provide budgets. If such organizations take a user point of view (e.g., hospital patient or welfare recipient) they must be allowed to do so without reprisals from its customers, who control funding.

Determining the value added in each user-provider transaction has been useful in firms to get more work out of employees. The surplus goes to the owners. If one gets more out of public sector employees where does the surplus
go? The political authority system, such as a state legislature, must be clear about who is to benefit. For example, can gains in efficiency be used to serve more people or merely to cut budgets. A SMWG in a public sector organization is more apt to be motivated to apply TQM ideas when reduced transaction cost creates funds that can be used to expand the pool of people that can be helped (see Table 1).

Proposition 27: Public sector organizations must have beneficiaries specified before TQM can help to promote transformational change.

Linking Strategic Management, Strategic Leadership and Empowerment

We have discussed the role of strategic management, strategic leadership, and empowerment in fostering organizational transformation. Each offers some useful ways for organizational leaders to deal with radical change. Here we discuss some of the key linkages of these ideas and the procedures called for to produce a transformation.

Both strategic management and strategic leadership deal with aspects of formulating and implementing strategic change. The emphasis in strategic management is idea development, finding a new strategic initiative and identifying ways to implement this initiative. Strategic leadership deals with perceptions about the strategic initiative and how ownership can be built through relationships as action is taken to realize the strategy. The relationship and, indeed, the conflicts posed by a process designed to create and implement a strategy and a leader empowered to do the same thing is seldom discussed in the literature. One way to connect these activities is through hierarchy, as shown in Figure 1.

TQM provides a way to connect strategic leadership and strategic management. The aspect of TQM (as is currently being practiced), relevant to

![Figure 1. Linking the Means of Organizational Transformation](image-url)
this connection deals with self managed work groups (Figure 1). Getting the work done to facilitate strategic change can take place through massive delegation to work groups empowered to make changes.

SMWG pose several questions for strategic management through the "levels question." If groups throughout an organization are following a strategic development mandate (as in TQM), how does one coordinate these efforts across the organization? The levels question captures this coordinational problem.

The arrows in Figure 1 identifies three unresolved issues that pose research questions.

The Question of Delegation

The link between strategic leadership and SMWG poses a delegation question. Strategic leaders brought in to turnaround an organization, as in the bureau of worker's compensation, are often expected to have a vision. Indeed, many such hires are made because of the candidate's ideas about what to do to realize a turnaround. SMWG, however, call for autonomy and a license to act to make changes. Thus, delegation poses a key question for a strategic leader. The leader must cope with a TQM-like program that empowers people throughout the organization and also act somewhat independently.

Delegation poses several problems for the strategic leader that flow from the role and scope of responsibilities of a SMWG. Delegation is prompted in the hope of creating ownership in a strategic change. However, any restriction in role and scope of responsibilities reduces cooption (Nutt, 1987; 1992). For instance, asking a group to define a problem is less cooptative than coming up with both problems and solutions. This suggests that SMWG and strategic leadership must work in concert.

Proposition 28: Transformations are more apt to occur when the amount of delegation to a SMWG [acting as a SMG] is sufficient to allow independent action without compromising the strategic leader's vision.

The Question of Levels

The link between strategic management and self-managed work groups poses a question of levels. If SMWGs throughout an organization are working independently as SMG's how can their efforts be coordinated? Strategy that is being simultaneously created at all levels of an empowered organization poses problems of integration and communication across the levels of the organization. Mechanisms to carry out this integration often call for a loss in prerogative as one moves downward in the organization. Two types of mechanisms can be used, liaison and a merger of approaches. Liaison can be used to merge the incremental (Quinn, 1990) with the transformation approach (Pascale, 1990). The notion of continuous improvement offers one such link. SMG's at all levels are empowered to deal with reaching for organizational
ideals. Thus, any change that helps to reach these ideals is encouraged. The strategic leader coordinates these efforts and deals with implementation as a coordinational activity.

Proposition 29: When coordination of SMG efforts between levels is carried out by reaching for the organization's ideals with the development of ideas vested in top management, transformations are more likely.

The Question of Hierarchy

The link between strategic management and strategic leadership poses a question of hierarchy. In structural-functional organizational theory, leadership depends on hierarchy (Mintzberg, 1983). Strategic leadership calls for a leader to bring a vision to the strategic management process, which is carried out to install the strategy implied by the vision. The leader is in control and coaxes others to buy in by skillful management of social and political forces in the organization (Nutt, 1987). Strategic management calls for the empowerment of people in a SMG to create a vision that will become a strategy. The steps taken to jointly create the strategy build ownership in the result.

The clash between empowerment and the expectations of forceful leadership pose questions about the prescriptions found in the strategic management and strategic leadership literatures. Are leaders prepared to surrender the visionary role? Will followers accept the responsibility of strategy development? An “exemplary” follower may (Kelley, 1991), but barriers can be erected by the leader’s “vision” that inhibit co-development of a strategy.

Redefining leadership as non-hierarchical, may allow some of these to barriers fall away. This conception of leadership calls for leaders to encourage self-managed efforts and creativity at all levels of the organization and to coordinator these efforts.

Proposition 30: Leaders who give up hierarchical control, empower followers, and stress coordination are more apt to realize a transformation in public sector organizations.

Conclusions

The unique needs of public organizations and ways to make transformational (radical) change in these organizations were discussed. To realize a transformational change, leaders must carry out a process in which history and situation are appraised, issues and innovative responses are proposed, and implementation plans fashioned with the strategic leader framing the vision for public consumption and pushing the action forward. Transformational change stems from successfully carrying out both strategic management and strategic leadership defined in this way. We have identified several propositions which identify crucial questions concerning the steps in these two processes and how the processes can be carried out in a
complementary fashion. We believe that becoming proficient in the use of these processes of transformational change will be essential for public organizations to thrive in the twenty-first century.

References


