THE UNIVERSITY OF HULL

Strategic Management in the Public Sector:

An Interpretive Study of the Application of Strategic Management Practices

In the Local Authorities in Malaysia

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By

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ABSTRACT

This research examines strategic management practices in local government in Malaysia. It offers an understanding of how actors construe and enact principles of strategic management in their organisations. Taking a qualitative and interpretive approach, and as part of the 'micro-turn' in the study of strategy, this thesis presents empirical insights into three important areas in the field of strategic management, namely, strategic positioning; approaches to strategy development; and the nature of organisational strategy in the Local Authorities (LAs) in Malaysia. Its contribution is to illuminate key aspects of local practice within this important part of the Malaysian public sector.

An interpretive approach is employed in an attempt to uncover the dynamics of strategy processes in the LAs, by engaging with the discourses of senior managers to grasp the beliefs, intuitions, assumptions and preferences which shape their approaches to strategic management in their organisations and their wider contexts.

This research takes LAs in Malaysia as the setting. Effective strategic management in local government organisations is vital, not least given their significant roles in dealing directly with the public at the frontline. Efforts to strengthen the LAs have been placed centre stage by the Malaysian government, manifested by recurring calls to revisit and reexamine various aspects of their management to meet their objectives and fulfil stakeholders' needs. However, to date, little research has been undertaken on how important elements of strategic management unfold and develop within these institutions. This research seeks to bridge this gap.

Part of the originality of this research has been its attempt to conduct enquiry at the intersection of political science and organisation studies, and thus, to advance the interpretive framework in the field of strategic management. This is done by reflecting on and analysing a mélange of complex and diverse actor narratives that give insights into how people understand their organisations, based on their webs of beliefs, signified

through their expressions and discourses. This study's critical engagement with structure-agency debates means that it includes analytical attention to the importance of the wider context in which state organisations are situated.

The key argument of the thesis is that strategy making in the LAs in Malaysia is fundamentally a political and contested process. This research provides empirical insights into the practices of public sector strategy, which move away from 'mechanistic' and 'rationalist' models of strategy making, which dominate much of the literature on strategic management. This study suggests that dilemmas and conflicts – two important constructs illuminating cultures and traditions in the LAs – have a strong link to the contested and political nature of the strategy making process.

Looking from an interpretive lens, this research contends that LAs in Malaysia possess different characters; exist in different contexts; deal with different internal and external environments; are made up of different structures, skills and resources; and are run by different styles of leadership. As such, each of the LAs examined is imbued with different traditions; has inherited different legacies; is bestowed with different capacities; and embraces different sets of values and cultures. This research argues that it is from such a complex, intricate and dynamic context that strategic management emerges in these institutions.

In the memory of

My mum, Allahyarhamah Hjh Chombi Hj Hussain, who departed peacefully on the eve of *Eid'-ul-Adha* (Thursday, 9 *Dzulhijjah* 1418 / 17 April 1997),

and

My dad, Allahyarham Yusoff Saad, who passed away on one fine morning of the blessed month of *Ramadhan* (Friday 12 *Ramadhan* 1421 / 8 December 2000),

Thanks for all your love and sacrifices for us. Your deep love of your children imbued in us a strong sense of intimacy and brotherhood.
May Allah have mercy on you and place your souls among those of the believers.

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PART I – SETTING THE CONTEXT

CHAPTER 1 – RESEARCH OVERVIEW: JUSTIFYING THE NEED FOR THE STUDY

Route Map

This chapter provides an arena in which the researcher justifies why the research is important and a study is needed. It starts by presenting the 'micro-turn' in the study of strategy that gives high importance in capturing experiences and human interaction. Riding on the prominence of a qualitative paradigmatic stance, and driven by the desire to unpack the dynamics of particular settings, this research offers an understanding of how actors construe and enact strategic management in their organisations. This research argues the need to offer fresh empirical evidence in the area of strategic positioning, strategy approaches and strategy nature in an effort to lay a more valid foundation for the understanding of strategic management in public sector organisations. Little has been revealed on how elements of strategic management unfold and develop within local authorities (LAs) in Malaysia, despite their significance as the third tier government in the country. Five research questions, which served as the vehicle to address the research problem and ultimately to realise the study's objectives, are duly deliberated. The significance of the research and the scope and limitations of the study are also outlined.

1.1 PROBLEM STATEMENT:

1.1.1 Debate on Paradigmatic Stance in the Study of Organisational Strategy

Strategic management initially emerged as the exclusive preserve of the private sector, focusing on how firms could achieve their business goals through strengthening their competitiveness within the market environment (Ackoff 1999; Ansoff 1987; Porter 1985; Bovaird 2003). A review of the literature, however, suggests that strategic management is not something to be championed only by the private sectors. As will be observed in this discussion, although the study of strategy has flourished in the business world, its application in the public sphere has also been significant, given that both types of organisation share certain similarities, regardless in which domain they originate (Hughes 2003; Ferlie 2002; Boyne 2002; Alford 2001; Rainey and Bozeman 2000). The literature

suggests that despite differing in some aspects, similarities in terms of organisational behaviours and managerial practices render a sound platform for the private-born strategic management to be implanted into public sector organisations. Chapter 2 will throw more light on the debate on public sector strategy.

Strategic management has been presented as capable of providing concepts, procedures and tools for firms to ascertain their long-term direction; to position their location in relation to the environment, to fulfil the needs of key stakeholders, and to stretch their resources towards producing more value for the customers (Johnson *et al.* 2005; O'Regan and Ghobadian 2005; Barney 2003; Grant 2002; Ferlie *et al.* 2003). A global survey by Bain and Co. (2005) shows that strategic management has been a perennial leader in terms of management tools among companies in almost every region in the world (Rigby 2005). Scoring a top position in terms of usage and level of satisfaction rates among the surveyed companies for the past 12 consecutive years (1994-2005), strategic management is undoubtedly the 'recipe to look for' to remain competitive in today's environment.

Elsewhere, however, there are critics who argue that the field of strategy is still suffering from a lack of clear direction, imprecise and confusing propositions and advice (Wilson and Jarzabkowski 2004; McKernian and Carter 2004). Others argue that the field of strategy is replete with various competing fashions, perspectives and directives, resulting in the subject matter being ambiguous, fragmented and multivocal (Choo, 2005) and hence, moving towards irrelevance and stagnation (Whittington *et al.* 2002). Many writers in Europe have recently argued that the field of strategy is in a state of crisis and is under threat, hence demanding a new direction, roles, respect and contribution (McKernian and Carter 2004, Choo, 2005).[1]

It is somewhat ironic that despite its having been established in the academic realm for almost half a century, the question of 'what is strategy' is still being asked by

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[1] These views were expressed in the inaugural issue of the *European Management Review* 2004. Such a 'rebirth' of the debate on epistemological contribution and practical implications of strategic management is said to have had its genesis in a key-note address by R. Whittington, who articulated his concerns about the state of research in the field of strategy and offered an 'after-modern' practice-based perspective.

contemporary writers. Whittington (2001), chose to title in his thought-provoking and prize winning book *What is Strategy - and Does It Matter?*; and four years later, in his article published in *European Management Review* (2004), this writer candidly admitted that despite being engaged in the teaching of strategy for over fifteen years, he still knew very little about how to do strategising (Chia 2004; Choo 2005). Also, Michael E. Porter asked the question 'What is strategy?' in *Harvard Business Review* in 1996, sixteen years after his breakthrough *Competitive Strategy*. Campbell and Alexander (1997) lamented **'**What's Wrong With Strategy?, also in no less than *Harvard Business Review,* in trying to figure out why most planning processes often met with groans rather than cheers.

In their concluding chapter entitled *Doing More in Strategy Research,* Whittington, Pettigrew and Thomas (2002) proposed that:

> *..the strategic management discipline should do more to seek out and actively confront the empirically irregular. The inductive approach, while hardly amenable to detached statistical testing, does produce both the ability to get deeply inside strategic dilemmas and the respect for uniqueness that are essential to strategic originality. Accordingly, it is a hermeneutical approach that is most likely to prompt practitioners to creative reflection on their opportunities and constraints. General statements are particularly challenged by the power of context. With the spread of the strategic management research community around the world the element of context is inescapably claiming more attention.*
>
> (p. 478-480)

The above quotation suggests two crucial shifts, to which contemporary research on strategic management should pay attention – firstly, the importance of strategic dilemmas; and secondly the significance of acknowledging the 'power of context'. As Pettigrew and Thomas (2002) put it, the primary role of research in strategic management nowadays is less to do with laying down laws and new (grand) theories, but more with helping practitioners think in a strategic manner about the complex and shifting world within which they operate. Arguing in a similar vein, Whittington (2004); and Levy *et al.* (2003) contended that the traditional approach of strategic management that relies overly on modernist detachment and (industrial) economic theory can now be relaxed as strategy can also draw on rich resources of sociology and political science. While the emphasis on

making generalisations from extensive (secondary) data can produce interesting points for reflection, it provides limited insights into the specificities on how organisations actually work and create value.

In a similar context, the grip of the positivist stance in strategy research is said to have been able to reveal little about the actual process of strategising, especially when one is trying to capture the experience of the human condition in a particular setting (McKiernan and Carter 2004, p.3). Central to this context is the keenness among researchers to 'get off the veranda' and immerse themselves into the thinking, perceptions, and intuition of organisational strategists in shaping their strategies. It has also been argued that the old dichotomy of strategy 'process' and 'content' seems unable to hold water, paving the way to the emergence of new impetus such as structure and agency, power and politics, values and culture, and how these variables are understood and interpreted, and the way they influence human intuition, judgment and preference in strategy making (Hay 1995; 2002; Pettigrew *et al.* 2002; Musolf 2003; Yuthas *et al.* 2004).

Mapping of the terrain of research in the field strategy brings to the surface the important tradition of theoretical pluralism, which contributed to the growth of its concepts and theories (Bowman *et al.* 2002). As argued by Whittington (2004), as the discipline of strategy itself has grown in strength and maturity, strategy researchers now can be more bold and plural in their approach. The domination of logic and rational conceptions under the modernist regime is beginning to succumb to the allure of sociology, history and political science, resulting in strategy research beginning to show appreciation of the institutional context, such as distinctive cultural values and organisational politics. Accordingly, the important roles of traditions, dilemmas, ideas and narratives are also securing strong footings in the study of strategy, for to understand organisational phenomena, one needs to understand the bodies of knowledge and the webs of meanings associated with language, accounts and practices that organisational actors use to make sense of and control their world (Doolin 2003; Ezzamel and Wilmott 2004). These ideas will closely inform the research undertaken in this thesis.

Having outlined the current concerns and suggestions on the epistemological and ontological debates with regard to research in the field of strategy, and in an attempt to complement the various shortcomings and inadequacies presented above, this research seeks to offer an understanding on how the top management of the LAs in Malaysia construe and enact some principles of strategic management in their organisations.

1.1.2   Local Authorities (LAs) in Malaysia: The Importance of the Setting

This study aims to shed light on the strategy processes in one important region within the public sector in Malaysia, namely, local government administration. The role of LAs as the catalyst of economic development as well as political and social stability is critical, given their status as the government at the third level with certain autonomous powers. Measures to enhance the performance of the LAs are therefore crucial to ensure that these organisations are capable of meeting the increasing demands from the communities for a more citizen-driven and higher standard of urban services. It is in this context that the study investigates how the process of strategising is carried out by organisational actors against a number of different forces, influences and constraints. Equally important is to understand the roles of key actors in influencing (or being influenced by) and shaping organisational strategies and the dynamics of the context in which their processes are enacted.

As one important sector of the overall government bureaucracy, LAs in Malaysia offer unique features of a public sector organisation. Chapter 4 elaborates on the local government system and administration in Malaysia. Areas touched upon include the nature of their external environment and how various external drivers have impacted upon the overall running of these organisations. Equally important is LAs' key stakeholders and how their political interplay and bargaining of power had profound influence on LAs' strategy making process. LAs in Malaysia are distinguished by different traditions and legacies, conflicts and dilemmas. They are characterised by their own unique systems and structures. These include their 'constitutionally inseparable attachment' to their respective state governments; their 'exclusive' system of

appointment of Mayors, Presidents and Councillors; their 'legacy' of a committee system in policy-making; their 'long-inherited' recruitment and human resource management system; their 'much debated' closed service system and (in some parts), their 'one-of-its-kind' 'two-hat CEOs' system. Given such specificities, the choice of LAs as the setting of this research will help enrich and develop new aspects of the existing theory in some of the sub-areas of strategic management, through its attention to the specific context and traditions of public sector organisations.

As frontline agencies dealing directly with people on the ground, the performance of the LAs have been scrutinised from many directions. Political masters, government officials, media and community leaders have continuously reiterated the importance of LAs improving their service through a clear long-term direction; customer focus; strong communication and feedback system; high integrity and transparency; enhanced people participation; and continuous efforts to inculcate a quality culture in their organisations. Although the government has been emphasising the enhancement of service delivery systems in the public sector under its *Excellent Work Culture Movement* since the early 1990s, relatively little has been revealed on how elements of strategic management unfold and develop within these organisations. Thus, an in-depth study on the process of strategising and the factors influencing that process in the LAs is, at this point, compelling and necessary.

The study on strategic management in the LAs in Malaysia is also both compelling and useful for other reasons. A number of writers and influential personalities in the field of local administration in Malaysia have voiced their concerns about the need to revisit various aspects of LAs to improve their management and operations. Mohd. Nor Bador (2000)[2] argues that the failure of LAs to position themselves as excellent public agencies is due basically to unclear vision and direction, attributable to, *inter alia*, the absence of strategic planning efforts and the weak forces of internal change. Along the same lines,

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[2] Mohd. Nor Bador was then the President of Petaling Jaya Municipal Council.

Ahmad Kamaruddin (1999)[3], Mohamed Zin (1998)[4] and Phang Siew Nooi (1997)[5] call for extensive research and reexamination of the LAs in various areas, including their organisational structure; scheme of services; competency building programmes; public needs; and new dimension of managing LAs in the current changing environment.

The adoption of strategic management in the LAs in Malaysia requires further exploration as there has been little attempt in this context to understand how the subject is understood by organisational actors and the process by which strategy is enacted. This study will help narrow this gap by providing some insights on how strategic management is being undertaken by the LAs. Employing a phenomenological-interpretivist paradigm, this study seeks to explore the perceptions of the importance of strategic management and to examine how some important tenets of strategic management are adopted by the LAs.

1.2   RESEARCH OBJECTIVES

The main concern of this study is to offer an understanding of organisational phenomena, in particular, how the top management of the LAs construe and enact some principles of strategic management in their organisations. The study aims to unpack how key actors in the LAs think about the relationship with their external and internal environment; how strategy development is undertaken in the organisations; and how different factors within the organisation's internal and external circle shaped the different nature and characteristics of strategies. In so doing, the specific research objectives are as follows:

a)   To explain how LAs undertake strategy positioning against their external environment. This task is done by exploring how LAs understand and make sense of various demands from their external forces, and assessing how their understanding influences the shaping of LAs' organisational strategies;

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[3] Datuk Ahmad Kamaruddin was Deputy Secretary General of the Ministry of Housing and Local Government Malaysia and former Deputy Director General of MAMPU.
[4] Dr. Mohd Zin Mohamad is an expert on local government studies in Malaysia and is currently a lecturer at the University of Brunei Darussalam
[5] Prof. Phang Siew Nooi is a lecturer in local government studies at the University of Malaya, Malaysia

b)   To elucidate how LAs realign themselves in relation with their stakeholders.

This task is undertaken by examining how LAs assess and map out their key stakeholders, and how these different groups or entities are seen as influencing the development of strategies in the LAs;

c)   To ascertain how LAs ensure strategic fit with their internal environment.

This task is performed by examining how LAs appraise their internal strengths and weaknesses and how such assessments are incorporated in their strategies;

d)   To explain the dynamics of strategy development in the LAs.

This objective is achieved by studying how LAs approach strategy formulation, unpacking various ways of, and perspectives on, the development of organisational strategies by the top management; and

e)   To explore the nature and characteristics of strategies in the LAs.

This is done by assessing various environmental and contextual factors, including the roles of organisational leadership and their construal, which condition the different nature of organisational strategies in the LAs.

1.3   RESEARCH QUESTIONS

According to Punch (1998), research questions are important as they could help delineate the boundary of the research, hence ensuring constant focus on the topic under investigation. Research questions and research objectives are complementary to each other, as it is through answering the research questions that the objectives of the research will be met. Research questions and research objectives, therefore, should be read together as the former will lead to the latter. With that explanation, the research questions for this study are as follows:

a)   How do LAs position themselves in relation to their external environment in ensuring strategic fit with their external environment?

b)   How do LAs realign themselves in relation to their internal and external stakeholders?

c)   How do LAs assess their internal strengths and weaknesses in order to ensure strategic fit with their internal environment?

d)   How can approaches to strategy formulation in the LAs be best explained in relation to different factors and circumstances?

e)   How do internal and external environmental factors influence the nature and characteristics of strategies in the LAs?

1.4   SIGNIFICANCE OF THE STUDY

This study employs a phenomenological-interpretivist paradigm which gives due recognition to the roles of ideas, perceptions and judgment among organisation members in interpreting their environment and strategy making process. It provides an alternative to understanding a phenomenon by studying it in its natural context and interprets it from participants' perspectives. As this research examines how major activities in strategic management are handled in the environment of public organisations, it provides useful insights to public managers about approaches to dealing with the complexities and the fabric of multiple layers of forces within their surroundings.

Theoretical and methodological contributions, which are discussed at the end of this thesis, include suggesting a new framework of stakeholder identification and prioritisation; offering a rich and diversified approach to strategy-making; explaining how strategising tasks are conditioned by an internally and externally complex environment; and extending the previous work on strategy typologies by offering a number of new strategy patterns in public organisations. The findings of the study also enrich a number of important areas in the public administration theory. Finally, the findings of the research have important implications for policy makers, suggesting the

need to review LAs' structural impediments, such as their employment and recruitment systems, in an effort to create more vibrant and energetic LAs.

1.5   SCOPE, LIMITATIONS AND THE ORGANISATION OF THE THESIS

This research is not intended to prove or disprove a particular theory via hypothesis testing, which stands as the primary objective of quantitative research. Instead, it seeks to use new constructs or theoretical perspectives to view organisational phenomena. This research examines three major areas in the field of strategic management, namely, organisations' strategic positioning, approaches to strategy development and understanding the different nature of organisational strategy in the LAs in Malaysia. This research seeks to understand human behaviour by giving attention to people's accounts and narratives, which represent the beliefs that shape their actions. In so doing, the study, however, does not cover the aspect of appraising the effectiveness of various strategy processes, nor does it touch upon evaluating strategy implementation. The exclusion of these areas will allow a more focused discussion on strategy making process. As those (untouched) areas also stand as important sub components of the strategic management cycle, they can be explored and researched separately within their own right. Chapter 12 highlights areas for future research which could address these limitations.

The thesis consists of twelve chapters which are divided into five parts: Part I: Setting the Context (Chapter 1); Part II: Review of the Literature (Chapter 2 – 4); Part III: Research Methodology (Chapter 5 and 6); Part: IV: Analysis of Findings (Chapter 7 – 11); and Part IV: Conclusion (Chapter 12). Figure 1.1. illustrates the overall structure of the thesis and provides an explanation of the objectives of each chapter.

1.6   CONCLUSION

Chapter 1 has set the context of the research from two broad perspectives – paradigmatic and scholarly stance; and practitioners' points of view. Accordingly, the overriding objectives, scope and limitations of the research were discussed. Having established and justified the foundation and the background of the study, Chapter 2 will begin a review of the literature in relation to the study's research problems.

| PART 1: | SETTING THE CONTEXT | | To justify why the research is important and a study is needed. |
| | **Chapter 1: Research Overview** Problem Statement and Research Objectives | | |

PART 2:	REVIEW OF THE LITERATURE		To argue the applicability of strategic management (SM) in public organisations and to draw the importance of strategic positioning against the changing environmental forces.
	Chapter 2: Strategic Positioning: Concept, Principles and Its Application to the Public Sector		
	Chapter 3: Understanding the Dynamics of Strategic Management and the Different Nature of Organisational Strategies		To provide justifications for deliberating the dynamics of strategy development and nature of organisational strategies.
	Chapter 4: Public Sector Reform; Strategic Management and Local Government in Malaysia		To discuss the role of SM in the global public sector reforms. To provide a launching pad for the closer examination of SM practices in the LAs in M'sia.

PART 3:	RESEARCH METHODOLOGY		To provide justifications for the phenomenological - interpretive paradigm, alongside an inductive approach and multiple case-studies method.
	Chapter 5: Dimensions in the Research Process Research Paradigms and Case study Research Design		
	Chapter 6: Data Collection and Data Analysis Overall Process of data collection; Data analysis via Interpretive Approach		To present a complete account of the actual process of data collection and analysis as a means to demonstrate the procedures that led to a particular conclusion.

PART 4:	RESEARCH FINDINGS		To present the findings from the research in relation to the research questions and to bring to highlight insights and emerging issues arising from the overall exercise.
	Chapter 7: Examining External Strategy Positioning		
	Chapter 8: Stakeholder Mapping and Analysis		
	Chapter 9: Examining Internal Strength & Weakness		
	Chapter 10: Examining Approaches to Strategy Dev.		
	Chapter 11: Examining Nature of Strategies		

| PART 5: | CONCLUSION | | To discuss and inductively interpret the research findings in order to probe the dynamics beneath the surface. To discuss the research contributions and implications from theoretical; methodological and managerial perspectives. |
| | **Chapter 12: Discussion of Findings and Research Implications** | | |

Figure 1.1   The Structure of the Thesis

INTRODUCTION TO PART II:

REVIEW OF THE LITERATURE

Knowledge doesn't exist in a vacuum; one's work only has value in relation other people's.

<div align="right">Jankowicz (2000, p.159)</div>

Part II consists of three chapters, discussing the three areas related to the study's research questions. It starts with **Chapter 2,** which is intended to meet three sub-objectives: to establish the argument that strategic management is practically applicable in the public organisations by highlighting their similarities with private organisations in organisational behaviours and managerial practices; to show the importance of strategy positioning against changing environmental forces; and to provide the rationale for adopting a phenomenological-interpretivist paradigm through a sense-making approach, informed by sociological and a psychological-cognitive perspective.

Chapter 3 provides justifications for deliberating two critical areas in the field of strategic management – the dynamics of strategy development; and the nature of organisational strategies – in an attempt to reveal how environmental forces, supported by the leadership roles driven by CEOs' knowledge, perception and level of agency, impact upon the basis of their decisions and strategies. Accordingly, the debate on structure and agency, which is relatively new in the field of strategic management, warrants further exploration due to its relevance in this field.

Chapter 4 deals with global public sector reform, and argues that the philosophy underpinning such reform fundamentally upholds the principle of strategic management. This chapter also examines the emphasis given to strategic management in the context of public sector reforms in Malaysia and reveals calls by several parties for the undertaking of strategic management studies in the LAs in the country. Integral to this chapter is the argument that although much attention has been given to the need to manage LAs in a strategic way, relatively little has been revealed on how important elements of strategic management unfold and develop within these organisations.

CHAPTER 2:

STRATEGIC POSITIONING:
CONCEPT, PRINCIPLES AND ITS APPLICATION
TO THE PUBLIC SECTOR

_____

Route Map

At the outset, this chapter establishes the fact that strategic management is fairly applicable in the public organisations just as in the business world. The literature suggests that while public and private organisations do differ in some fundamentals, the similarities they share in terms of organisational behaviour and managerial practices render a strong platform for public organisations to implant private-born strategic management into their organisations. Acknowledging the underlying features of public organisations, this review moves on to discuss the application of strategic management principles into the public organisations. Next, the focus is narrowed down to deliberate on organisational strategic positioning in an attempt to understand how public organisations realign themselves to the demands from their external and internal environment, as well as fulfilling the needs of multiple key stakeholders. Arguments are raised on the important roles of ideas, perceptions and judgment among organisation members in interpreting their environment. This review argues that whether the changing trends in the environment are offering opportunities or threats; strengths or weaknesses, will depend on how the key actors find meaning in phenomena and establish relationship with the organisation by bringing connections and patterns to their decisions. The objective of this chapter is not only to argue that the phenomenological-interpretivist approach (in analysing the organisational environment) can enrich and expand the theory and practice of strategic management, but also to show that the time is ripe to embark on such debates.

2.1   INTRODUCTION

Organisations and environment are two key concepts in the vocabulary of strategic management. Firms' adaptation to the changing demands of the environment, both externally and internally, is the very essence of strategic management. Similarly, firms' realignment to the needs and interests of various key stakeholders has also been regarded as a *sine-qua-non,* as it poses a 'do or die' situation to their relevance and prosperity. Both notions are relevant to any organisation, regardless of from which domain they

originate. This chapter essentially discusses how public organisations ensure congruence with their environment in a notion referred to by the literature as organisational-environmental positioning. This review argues that exploring strategic fit via the established rational-objective approach needs to be complemented by the interpretive lens, which views the organisational environment as socially constructed by human beings through their social interaction. The discussion will, however, begin by discussing the essence of private and public organisations, in order to show that strategic management is applicable in both domains.

2.2   PUBLIC AND PRIVATE SECTOR – HOW DO THEY DIFFER?

> *…there has never been an absolute distinction between public sector and private sector, nor has a 'pure' public and 'pure' private sector ever existed.*
>
> Vinten (1992, p.4)

2.2.1   Public and Private: The Fundamentals

Purpose; Ownership; Legal status; and Accountability

Financial resources; Public Goods; Public Interest; Market Failure and Relationship with the public in terms of
- ❑   Power coerciveness
- ❑   Scope of impact
- ❑   Extent of public scrutiny
- ❑   Public expectation

Organisational environment
- ❑   Complexities with various stakeholders
- ❑   Degree of permeability in policy formulation
- ❑   Instability in policy adoption
- ❑   Degree of competitive pressure
- ❑   Legal and formal constraints
- ❑   Political influences

Organisational goals
- ❑   Degree of multiplici ty and diversity
- ❑   Degree of ambiguity and vagueness
- ❑   Evaluation criteria

Organisational structure and work process
- ❑   Degree of bureaucracy and red tape
- ❑   Level of managerial autonomy

Diagram labels: Fundamentals; Nature of Services; Structure & Managerial

Figure 2.1   Public and Private Distinctions from Three Major Perspectives

Adapted from Flynn (2002); Pollitt (2003); Boyne (2002); and Nutt and Backoff (1992).

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Drawing from the literature, distinctions between public and private sector can be argued from three perspectives, namely, the fundamentals; the nature of services; and the managerial (Figure 2.1). Private organisations, in their best known form, are those created by individuals or groups, for the purpose of business or profit. In business terms, the creators and owners of private firms are known as entrepreneurs and shareholders. Private firms provide a wide range of goods and services involving primary, secondary and tertiary sectors of the economy in a country (Farnham and Horton 1993).

Public organisations, on the other hand, are created by government for collectivist or political purposes. Thus, as put by Euske (2003), elements of political focus versus profit focus are central in differentiating public and private sectors. Accordingly, Stewart and Ranson (1994) define public domain as organisations of collective purpose or the arena in which collective values are pursued. The fundamental purpose of the public domain is to constitute social and political preconditions that make society possible. Political process, thus, is an inherent feature of the public sector. It serves as the means by which collective needs are defined and a process by which choices are made for collective action. Hence, public organisations are often equated with government bureaus, and they are ultimately accountable to political representatives and the law. As a result, while criteria for success for private firms are largely economic or market-based, the defining criteria of success for public organisations are more related to creating public values (Bryson 2004).

2.2.2 Public and Private: The Nature of Services

The second perspective from which to differentiate between public and private sector is by looking at the kind of services provided by both types of organisation. The first issue is the element of public goods, which looks at the impact an organisation has on the public interest (Perry and Rainey 1988; Flynn 2002). Provision of public goods is said to be the main function of the public sector. Security, education, health and welfare services, for example, are said to be public goods as they benefit everyone living in a society, rather than a selected few stakeholders.

Related to public goods is the issue of market failure (Euske 2003). As observed by Bovaird and Lőffler (2003a), public services are those which merit public intervention because of market failure. The argument is that the public sector should provide services where the market fails to do so, and the goods and services are required collectively (Flynn 2002). Government cannot choose to opt out of a product or a market just because it is environmentally unfavourable. It may well take such a role because of market failure. Again, this stance is open for debate as many activities of providing public goods are now undertaken by private companies under privatisation and contracting out programmes. The first two perspectives discussed above are termed as the 'content' part of the public and private sectors domain (Alford 2001, p.5).

2.2.3 Public and Private: Structural, Environmental and Managerial

The third perspective in determining the differences between public and private sectors is from the 'process' angle – an area that looks at the structural, environmental, managerial and behaviourial aspects of the organisation. In terms of organisational structure and work process, the general view is that private firms have less bureaucracy and are inherently superior in efficiency and effectiveness (Rainey and Bozeman 2000, p.448). Public sector organisations are often associated with a high level of bureaucracy and slow work process due to procedural requirements. Public sector managers are also said to have less freedom to react to changes in the environment, even if they can see such changes are needed to establish organisational fit (Perry and Rainey 1988).

Boyne (2002) argues that, from the environmental point of view, the public sector often faces complexities in dealing with a variety of stakeholders, many of whose needs and demands are likely to be conflicting. Stakeholders in private organisations are more specific and less conflicting as private firms are not publicly accountable. Changes in policy are said to be more frequent in the public sector, resulting from political constraints, which often involve political processes. In terms of the level of competitive pressure, the popular belief is that public agencies typically have few rivals for the

provision of their services, so much so that public sector organisations often are expected to collaborate rather than compete (Bryson 2004; Bovaird 2003a).

As for organisational goals, while private organisations are perceived to have a distinctive goal of profitability for 'the business of business is business' (Friedman 1970, cited in Bailur 2007, p.65), goals in public sector organisations are most of the time multiple, as they are imposed by numerous stakeholders, with different needs and expectations. Accordingly, Rainey and Bozeman (2000) observe that the vague, hard-to-measure and conflicting goals often associated with public agencies are due to, among others, lack of performance indicators, complication from political oversight and intervention by multiple interest groups. In contrast, private firms pursue a single goal of profit. The goals in the public organisations are vague also because organisational purpose is imposed through political processes, in contrast to private firms.

With regard to managerial and behavioural aspects, Politt (2003) asserts that managers in large private corporations and in government departments share common tasks, such as objective-setting and staffing, but argues that the approach of these activities, and the 'circumstances' in which they are performed are quite different (p.2). His assertion suggests that one can hardly separate between the fundamentals and the nature of service (the 'content' part), and the managerial and behavioural aspects (the 'process' part) in either public or private domain. The link between these two perspectives is clearly visible. In almost all cases it is the nature of the 'content' that determines the nature of the 'process'. As interestingly put by Kurland and Egan (1999), public organisations, having to serve multiple constituencies and fundamentally not tied to market incentives, display an inflexible bureaucratic structure coupled with particular human resources practices. By comparison, private sector organisations, being primarily driven by market preferences, which dictate flexibility and responsiveness in both process and outcomes, are likely to be less encumbered by rules and regulations (p.438).

This research argues that the issue of red tape and bureaucracy often associated with public organisations needs clarification. Structurally, public organisations have formal

procedures for decision-making; hence, they are said to be less flexible and more risk-averse. Rules and regulations are made to govern the overall systems to ensure public interests are preserved. Some of the procedures are legally binding, to ensure that public managers necessarily uphold integrity and accountability. This is of paramount importance in public sector organisations, to achieve goals such as safeguarding public money and upholding the national interest. Achieving efficiency and effectiveness can take place alongside upholding integrity and accountability. It should be a win-win approach; not a zero-sum-game. No doubt there will be elements of conflict. However, various management tools have been and are still being applied in public organisations to continuously improve their operation, under the name of public sector reform.

In another study, Nutt and Backoff (1992) identified environmental and transactional as two other factors that distinguish public from private. Environmental refers to factors external to an organisation and largely beyond their reach. They include degree of market exposure, legal constraints and political influences. Market exposure refers to the differences based on extent of involvement with economic markets as a source of resources and information. Legal and formal constraints concern fundamental requirements that limit the autonomy and flexibility of an organisation. According to Rainey (2003), while private organisations need only to obey the law and the regulations of regulatory agencies, government organisations tend to have their purpose, methods and spheres of operation defined and constrained by law and legally authorised institutions to a much greater degree. Political influences deals with the role and importance of politicians in influencing organisational objectives and decision-making.

Transactional factors are concerned with the relationship between an organisation and key entities in its environment. This relationship is mediated by coerciveness, scope of impact, extent of public scrutiny, and public expectation. Public organisations possess coercive power by virtue of their mandate; hence, their actions have a somewhat monopolistic or 'unavoidable' nature (Chandler 1991; Rainey *et al.* 1976). Public sectors have broader scope of impact and deal with a greater variety of concerns than private organisations (Nutt and Backoff 1992, p.40). The provisions of public education, security

and health for instance, have greater social impact compared to, say, a local plastic factory. Related to breadth of scope, is the extent of public scrutiny. Public scrutiny refers to mechanisms of oversight and accountability and the multiplicity of representatives involved in the management of an organisation. A higher degree of 'publicness' will result in a larger extent of public scrutiny. Accordingly, the public sector, being perceived as government-owned and responsible to a larger number of people, is expected to show a higher level of integrity, responsiveness and accountability.

2.2.4 Public and Private: The Levels of Political Influence

The degree of external influence by major institutions of the political economy, such as political authorities and economic markets, is another significant factor distinguishing organisations. In this context, organisations' ownership and sources of funding have been asserted to be important elements representing these sources of control (Wamsley and Zald 1973, quoted in Perry and Rainey 1988). Publicly owned and funded organisations (as in the case of most public organisations), are claimed to be more heavily subject to the institutional process of government. As a result, these organisations are more exposed to the elements of political influence and government control.

As will be shown in the following chapters, public organisations are essentially politically driven and their focus has been on satisfying political demands. The provision of public values – such as education; security; political stability, economic growth and the overall well-being of the citizenry – are the expression of political goals. In this regard, the effectiveness of public organisations is judged in terms of their compatibility with legal mandates and the interest of the current legislative authority (Euske 2003, Doyle 2001). This will also subject public organisations to political influence. This phenomenon is assumed to be less in evidence in private firms, due to the strong influence of the economic market; great independence from government oversight; and less concern with satisfying the public voters in general.

2.2.5　Public and Private Organisations: The Moment of Truth

While not discounting the truth of the observations by all the writers discussed above, it is also justified to say that many of those assumptions can be debated in today's rapidly changing environment. The complexity of managing things in the current world, propelled by competitiveness, economic efficiency and advancement in technology, makes distinctions between public and private not as clear as they were thought to be. As argued by Chandler (1991, p.387), just as a government has to project a favourable public press, many large firms seek widespread public support to ensure an image that will guarantee greater sales. Firms involved in the provision of public goods and services under privatisation programmes bear greater responsibilities concerning public scrutiny. Any unsatisfactory performance may result in their being dragged into public debate. One can say that public service rarely has competing organisations. However, competition can exist, as can be seen now, between the same department in different states or districts. The public has been making comparisons between the services rendered by similar departments at different places in one country, or even with different countries in other parts of the globe, given the phenomenon of today's globalised and borderless world.

On the issues of lack of consensus and precision in determining goals in public organisations, research by Rainey and Bozeman (2000) and Kurland and Egan (1999), discovered that in spite of a sort of general consensus that public organisations have more goal complexity and ambiguity, public managers do not differ significantly from their counterparts in business firms in regard to this matter. Their research also reveals that public managers do not differ significantly from business managers in terms of the degree of organisational formalisation or the extensiveness of rules and formal procedures. These findings proved to be controversial, amid the chorus of assertions by many parties that government agencies have more red tape, higher levels of bureaucracy and longer work processes. However, they are supported by Ferlie (2002, p.286), who argues that the cluster of 'weaker' traits such as ambiguous goals, multiple stakeholders, high degree of politicisation, larger organisational size, weak market and few private property rights, actually lies only at the extreme end of the organisational continuum. This echoes

Boyne's (2002) conclusion, that available evidence does not provide clear support for the view that public and private management are fundamentally dissimilar in all-important respects.

2.2.6   Public and Private Organisations: Conclusion

To sum up, we can agree that political purposes versus market orientation is a fundamental distinction between public and private sectors. They are also different in terms of legal status, goals and ownership. However, when it comes to managerial functions and practices, the dividing line between the two sectors tends to blur. Even Bovaird (2003a) admits that there is no single answer to the question 'what is public about public service?' (p.7). Rather, apart from the dissimilarities in terms of their 'fundamentals', the differences between public and private sector in terms of their managerial functions and tasks are only matters of degree. Propositions suggested by the literature to distinguish public and private sector oganisations and management should be treated as variables on a public-private spectrum. They are not the nominal kind of data that can be ticked 'exist' or 'non-exist'. As argued by Alford (2001, p.4), very few organisations are purely public or private in nature. Most of them sit somewhere along the public-private continuum, sharing some basic similarities. It is from this standpoint that this study argues that strategic management can be applied as an important management tool in public sector organisations.

2.3   STRATEGIC MANAGEMENT IN PUBLIC ORGANISATIONS

Having established the fact that similarities in managerial functions and organisational practices between private and public organisations permit strategic management to be applied in public sector organisations, this study will continue to deliberate on the application of strategic management in public sector organisations. In so doing, however, due acknowledgement should be given to some differences in the 'fundamentals' between private and public organisations, as these differences do impact upon the approach and focus of strategic management practices in the public organisations (Ring

and Perry 1985; Nutt and Backoff 1993). As argued by Hughes (2003), Ferlie (2002), and Boyne and Walker (2004), approaches to strategic management in the public sector organisations need to be adjusted in terms of areas of emphasis to suit the features of public sector management.

2.3.1 Understanding Strategy: Concept and Principles

Derived from the military perspective[1], the term 'strategy' in the business world refers to a set of measures designed and carried out by top management of an organisation to achieve the goal of the organisation (Chandler 1962; Ansoff 1987; Johnson and Scholes 2001; Thompson 1995; Harrison and Caron 1994). Fundamental aspects often linked with the term strategy in this context, include establishing the organisation's long-term direction, goal setting and determination of the course of action toward achieving the goal (Coutler 2002). This requires the management to undertake internal and external strength analysis, develop proper plans, allocate enough organisational resources, create competent human capital and ensure careful implementation by close monitoring.

Strategy also concerns a firm's competitive environment, as achieving organisational goals requires firms to strengthen their competitiveness, understand their enemies, undermine their competitors, outdo their rivals and partner their collaborators (Johnson *et al.* 2005; Bovaird 2003; Porter 1985; Mintzberg 1994). The idea of strategic fit suggests the importance for firms of identifying opportunities in the environment and adapting resources and competence so as to take advantage of the situation. Perhaps a fair definition of strategy, which takes into consideration all the elements suggested by writers in the field of strategy, is the one suggested by Johnson *et al.* (2005), who define strategy as:

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[1] A review of the literature generally agrees that the concept of 'strategy' has its root in the military context (Bowman *et.al.* 2002; Costin 1998; Whittington 2001; Nutt and Backoff 1992; Patton 1990; Bryson 1995; Bracker 1980). Derived from the Greek *strategos,* strategy means 'to plan the destruction of one's enemy through effective use of resources' (Bracker 1980, p. 219; Nutt and Backoff 1992, p. 56). Strategies are 'means to ends' (Thomson 1995, p. 9) in the arts of winning the war, stressing basically the roles of leaders in formulating and implementing 'means' to achieve the 'ends'.

the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences, with the aim of fulfilling stakeholder expectations   (p. 9)

A more holistic understanding of strategy could be obtained by dividing it into two major strands, namely, the *content* part of strategy and the *process* part of strategy (Alford 2001; Chakravarthy and White 2002; Thompson 1995). *Content* answers the question 'what' is to be done, while *process* deals with 'how' to go about doing it. Strategy as a *content* involves setting of long-term direction, positioning, scoping, fitting and stretching. It deals with alignment between the organisation and its environment; assessing organisational capabilities and resources; and assisting the organisation's efforts to develop distinctive and competences in order to deliver better products or services to the satisfaction of relevant stakeholders.

By *process,* a strategy is concerned with enhancing our understanding on how it is best formulated, implemented, controlled and improved continuously. Recalling that public organisations are created for collective purposes, strategies in public organisations are fundamentally aimed at enhancing 'public value' (as opposed to strengthening competitive advantage, as in the case of private firms). Creating 'public value' entails producing policies, programmes, projects or services that advance the public interest and the common good at a reasonable cost (Bryson 2004). Strategies in the public sector organisations can be understood as a pattern of purposes, policies and programmes, actions and decisions (including resources allocation) that are formulated to create the maximum public value in accordance with their specific mandates and objectives (Bryson 2004; Ferlie 2002; Rainey and Bozeman 2000; Flynn 2002; Joyce 2000).

2.3.2 Strategic Management: A Combination of Content and Process

Although theoretically, the *content* and *process* of strategy imply 'what' is to be prepared as the first stage and 'how' to execute it in the final stage, in practice both of them are embedded in one comprehensive package of process. Coulter (2002) envisages strategic

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management as a process of identifying, choosing, and implementing activities to enhance the long-term performance of an organisation. This could be achieved by setting the organisation's direction and creating an ongoing compatibility between the internal capabilities of the organisation and the changing external environment in which it operates. Echoing the same idea, Thomson (1995) views strategic management as the process by which an organisation determines its purpose and objectives, decides upon actions for achieving these objectives in the desired time scale, implements the actions and assesses the results.

From the definitions cited above, strategic management is fundamentally a continuous process undertaken by a firm or organisation, involving three main elements, namely, understanding the firm's strategic position; identifying and developing strategic options or suitable strategies; and turning the chosen strategies into actions (Johnson *et al.* 2005). The strategic management process, thus, refers to a process that links planning and implementation and seeks to manage an organisation in a strategic way on an ongoing basis (Bryson 2004). The elements of monitoring, control and evaluation are also important to ensure the process of implementation works as planned, brings effective results, satisfies customers' needs, and hence increases the performance of the firm (Peter *et al.* 1992; Thomson 1995).

At a glance, literature on the subject of strategy tends to use the terms strategic planning and strategic management interchangeably. However, a closer look at the literature will uncover that strategic planning emphasises more the process of planning rather than managing it, while strategic management covers both, from the planning process until implementation and monitoring. Thus, strategic management is an all-encompassing process of developing and managing strategic agenda (Ansoff 1984; Bryson 2004; Poister and Streib 2005). While strategic planning could be characterised as the 'cornerstone' (Vinzant and Vinzant 1996) of strategic management, other components, namely the implementation and evaluation, must be included (Halachmi *et al.* 1993). This study will use the term strategic management to refer to the overall process of planning, implementing and controlling as suggested by the literature.

2.4 APPLYING STRATEGIC MANAGEMENT PRINCIPLES TO PUBLIC ORGANISATIONS

The review of the literature suggests that as in the case of private firms, strategic management also lends a number of advantages to public sector organisations (Bryson 2004; Johnson and Scholes 2001; Joyce 2000; Vinzant and Vinzant; 1996; Nutt and Backoff 1992), for it promotes strategic thinking, acting and learning in an organisation (Bryson 2004). Those actions are called strategic because they are undertaken based on systematic information gathering, analysis and learning about the overall factors that determine the success of the organisation. Strategic management also provides a framework for improved decision-making. Strategic management focuses on the organisation's crucial and strategic issues, which, unchecked, will have the potential to affect the organisation's very existence. Finally, having been able to think, act and learn strategically and improve strategic decision-making, strategic management will enhance organisational performance and effectiveness (O'Regan and Ghobadian 2005).

2.4.1 Strategy Positioning: Ensuring 'Fit' between Organisations and their Environment

The subject of strategic management in the public sector continues to gain acknowledgement, giving rise to new ideas on how to approach strategy in the public domain (Rainey 2003; Bovaird 2003; Bryson 2004; Johnson and Scholes 2002; Joyce 2000, 2001; Nutt and Backoff 1992, 1993; and Osborne and Gaebler 1992). Appropriate ways of approaching strategic management in the public sector have been suggested that were derived from private organisations, but have been reoriented to suit the public setting, taking cognisance of the complex textures of the internal and external environment of their context. Johnson *et al.* (2005) lay great stress on the importance of strategic fit, or the need to temper strategic logic according to the cultural constitutions of an organisation. Similarly, Bryson (2004) and Nutt and Backoff (1993) propose a framework that identifies the features of publicness and how those features relate to strategic management practices.

Strategic positioning is one of the central tenets of strategic management in both private and public sector organisations. This fundamental concept emerges as among the earliest streams in the research on business strategy, having found its genesis in the earlier writings of the so-called 'institutionalist' group (of management scholars) in the 1960s and 1970s (Bowman *et al.* 2002; Ramos-Rodriguez and Ruiz-Navarro 2004).[2] Such a somewhat mechanistic (Miles and Snow 2003; Farjoun 2002) character of management orientation is underpinned by the notion of 'strategic fit', with an emphasis on ensuring 'match' or 'congruence' between the organisation and the environment (Andrew 1971; Hofer and Schendel 1978; Lawrence and Lorsh 1967; Johnson *et al.* 2005).

The keystone of strategic fit was the philosophy that unless firms understand the context within which they exist and operate, their ability to respond effectively to changes in the environment is unlikely to occur. Mintzberg's (2003) definition of strategy as a 'ploy' and 'position' exemplifies the idea of strategic positioning, in that strategies are seen as acts of manoeuvring by firms to locate themselves in the right position so as to achieve harmony with their internal and external context. In any circumstances, a firm's strategy has to respond to what the environment wants. Advancing the notion of organisation-environment fit, Porter (1980; 1985) came up with the idea of firms' competitive advantage in the industrial environment. His analytical 'five-forces' framework, aimed at assisting firms to assess and strengthen their competitive positioning, was a classic example of the notion of 'organisation-environment fit'.

While the centrality of strategic positioning is well accepted theoretically, there are a number of critics that question the possibility of analysing the environment in a systematic way, given the current unpredictable and turbulent environment. Sixteen years after his landmark book, *Competitive Advantage,*[3] Porter (1996) himself acknowledged

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[2] Strategy positioning as a fundamental concept in strategic management could be found from the writings of earlier authors such as Chandler (1962), Ansoff (1965), Andrews (1971), Lawrence and Lorsh (1967), Miles and Snow (1978), Hofer and Schendel (1978), Cyert and March (1963) and Thompson (1967)

[3] A study on 'Changes in the Intellectual Structure of Strategic Management Research 1980-2000' by Ramos-Rodriguez, A.R. and Ruiz-Navarro (2004) witnessed Porter's *Competitive Strategy* (1980) sitting at the top among the 50 most cited works and their frequency in the articles published by the *SMJ* during the 21 years covered by the study

that strategy positioning – once the heart of strategy – is rejected as too static for today's dynamic markets and changing technologies. He further admitted that his idea of 'competitive advantage was, at best, temporary'. The term 'fit' has also been criticised by McKiernan (2006) as implying a farfetched reality for it signifies 'tight interlocking' between organisations and their environment (p.20). He proposed the term 'harmony' to offer a rather fluid and less tight parlance in describing the notion.

This research argues that strategy positioning as a generic concept in the field of strategic management will remain relevant to firms and public organisations. Strategy positioning serves as the framework that promotes strategic thinking among managers to deal with the forces that might influence or dictate the way their organistions should be run (Bryson 2004). Organisations never exist in a vacuum. As a collection of people joined together to pursue some missions in common, an organisation comes with its mandate, mission, values, people and structure and is governed by certain agreed rules and culture (Mintzberg 2003; Herber *et al.* 2003). An organisation is also a system that exists within its own external environment consisting of multiple stakeholders and other key external actors with different expectations and agendas. It is hardly imaginable how an organisation can be truly effective, in the sense that it is able to design effective strategies to address its strategic issues, when the organisation itself is not clear of what is expected from it by various forces in the environment.

Strategy positioning as one of the fundamental strategic *contents* does not dictate hard and fast rules on how external or internal analysis should be undertaken. The SWOT or PESTEL frameworks, often seen as the outgrowth of strategy positioning are, at best, guidelines. They all depend on the organisation's key actors to identify what they think, based on their knowledge and experience, are the actual key success factors or potential uniqueness (Johnson *et al.* 2005; Bryson 2004) to be exploited from the environment. They are the ones who know their organisation better than others. Strategy positioning is here to stay; it is how it is perceived and understood that will lead to different analytical tools adopted by different organisations to come up with their own strategies.

2.4.2 Strategy Positioning:Understanding The External Environment in Public Organisations

It has been argued that the public sector is an arena in which collective values are pursued. Public organisations, thus, exist and function within their own macro-environment and at all times have to deal with changes brought by political, economic and social influences, forcing them to adjust and shift their focus and strategies (Eppink and De Waal 2001; Bryson 2004). Thus, changes in political fray, economic structure and social landscape will impact upon the existence and their operation. Today, changes in the external environment are even greater, aggravated by the interconnectedness of the world, as governments worldwide turn to the opportunities provided by the new operating paradigm, namely, information technology (IT). At the same time, concerns about the deterioration of the world ecosystem and natural resources and their effects on the well-being of people have prompted many governments to undertake a holistic approach of sustainable development.[4] This, in turn, calls for public organisations to place due emphasis on the natural and physical environmental issues.

This research does not dispute the centrality of strategy positioning in public sector organisations as a pre-requisite for the identification and formulation of effective strategies. This research recognises that analysis of the external environment will provide insight into unique changes and the implications these changes have for a firm's strategies. In line with such agreement, this research is also concerned with how various forces and demands are perceived, understood and interpreted by organisations' key actors and how their understandings have shaped their judgment and preferences, manifested in different ways of responding to those forces and demands.

2.4.2.1 PESTEL Framework as a Guiding Principle in Understanding the Environment

The literature often categorises organisations' external forces into six broad categories, namely political, economic, social, technological, environmental and legal, also known as

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[4] Paragraph 1, Chapter 1: Preamble, Agenda 21 (1992)

the PESTEL framework (Johnson *et al.* 2005, pp.65-70; Bryson 2004, pp.131-136; Bovaird 2003, pp.79-81; Walsh, pp.115). Looking from a macro level, the underlying challenges of the new world order since the last decade have been the impact of globalisation, competitiveness and market dynamics, deregulation and privatisation (Eppink and De Waal, 2001), burdens of rising expectation, growing population and urbanisation, turbulence and declining resources, the information age and the rise of new technologies (Bryson 2004). In addition, there has been a movement towards commercialisation of public sector activities as alternative ways of providing services traditionally performed by the public service.

In undertaking PESTEL analysis in public sector organisations, due concern should be given to the multiplicity of layers in their environment. As observed by Eppink and de Waal (2001), while some issues concerning public organisations might be dealt with at the global level, many other issues need to be managed at national, state or local administration level (p.40). Such a 'hierarchical' structure is apparently not found in private organisations. As an analytical framework, PESTEL has been criticised for its lack of ability to assist public managers to scan, identify and interpret environmental factors critical to the organisations (Burt *et al.* 2006; Walsh 2005; Grant 2003). Burt *et al.* (2006, p.52) assert that the generic nature of PESTEL's traditional taxonomic classifications offers limited help to organisations as it falls short of providing an understanding of the interrelationship and interdependencies among external environmental variables. He further argued that the lack of proper techniques for noticing cues or weak signals, together with a simplistic approach in detecting potential drivers of change, often result in managers experiencing jolts in dealing with their environment. Listing down factors and changes under the PESTEL framework, in the view of Bovaird (2003, pp.79-80), could result in a ludicrously large document, detailing all thought-to-be-relevant factors. Critics also argue that strategic issues are most of the time organisation-specific, thus limiting the generic one-size-fits-all approach to analysing and understanding the environment.

This research looks at the PESTEL framework as no more than a guideline that assists organisations' key actors to set out key factors that are likely to impact their organisations. The PESTEL framework triggers key executives to think in a strategic way on various external trends and the importance of using that information to create ideas for strategic response (Bryson 2004). PESTEL, however, stops short at providing guiding principles and leaves it to the managers to evaluate their environment and the way it could impact upon the organsation. To expect PESTEL to provide a complete package for an objective environmental analysis would seem not to do justice to this framework. Furthermore, strategic issues, by their very nature, are most of the time ill-defined and their potential impact is often uncertain. As a result, those issues and challenges are subject to perception and interpretation of their possible multiple meanings (Schneider and De Meyer 1991). This research argues that public key actors should take PESTEL as the first step of information generation and should be able to filter that information. To make PESTEL meaningful, an environment must be well interpreted by strategic actors.

2.4.2.2 PESTEL: The Importance of Interpreting the Environment

Arguments on whether organisational environments are objective or perceptual phenomena stand as a major debate within strategic management theories. The rationalist conception of strategy formulation sees the environment as rather objective, suggesting a sort of dichotomy between an organisation and its environment. Such an objective view of the environment perceives an organisation as embedded within an independently existing environment. An environment is seen as real, material and separate – just as they appear out there (Smircich and Stubbart 1985); hence, it is possible for management strategist to look for the opportunities and threats in it. Rationalists' views give a paramount role to strategic managers in accurately analysing the environment against the organisation, to ensure fit between both entities. And this is to be carried out rationally – by obtaining, assessing, calculating and evaluating hard data in a scientific manner – before delineating organisational 'objective' strategies (Porter 1980; Ansoff 1987; Andrew 1971).

There are others who view the environment as socially enacted by organisation members through their social interaction. Such a belief is inherited from a sociological point of view that perceives orgnisations as socially constructed systems (Burrell and Morgan 1979; Barry and Elmes 1997; Knights and Morgan 1991; Weick 1995). Forces, trends and events are sheer facts and phenomena. They never speak for themselves. It is how those facts and phenomena are interpreted by organisational actors that will lead to a particular set of strategies designed by in organisation in responding to those forces. As argued by Schneider and Meyer (1991), environmental uncertainty can be assessed 'objectively' through industrial analysis; yet is perceived differently by different managers. Subsequently, perceptions of environmental uncertainty influence the choice of (proactive or reactive) strategic behaviour.

In what could be understood as a *post-realist* (Burt *et al.* 2006) or *post-rational* (Ezzamel and Willmott 2004) approach to strategy, an environment is not seen as singular and given, able to be detected and understood rationally. Pushing the idea further, Weick (1995) questioned the existence of a monolithic and fixed environment that is detached from and external to people; arguing that people are very much a part of their own environment because they act and create materials that become constraints and opportunities to them. Finally, increasing recognition that environment is often organisation-specific prompted organsational actors to perceive their environment as a web of interrelated events and objects that, upon their own interpretation, will have meaning only to themselves and their organisation.

Against the above backdrop and drawing from the literature, this research argues that there is a need to further enrich the extant literature on understanding the organisational external environment, that is informed by sociological and philosophical traditions (Schwandt 2003; Vidich and Lyman 2003) and a psychological-cognitive (McKernian 2006) perspective, by appealing to environmental sense-making by organisational actors (Chia 2000; Burt *et al.* 2006; Smircich and Stubbart 1985; Ezzamel and Willmott 2004; Mir and Watson 2000). In their plea for the adoption of a constructionist approach in understanding firms' external environment, Mir and Watson (2000), drawing from the

earlier works of Foucault (1983), Smircich and Stubbart (1985) and Knight and Morgan (1991), contend that in situations where rules and principles are viewed as socially generated, strategic managers may be seen more as actors than reactors; hence, they call for managers to be active participants in the construction of their own environment (p.945).

This research seeks to understand how strategic thinking with regard to analysis of the external environment by public key executives could be unpacked by exploring their understanding about their environment and subsequently develop the best strategic response to such events. In particular, studies on environmental sense-making among public sector organisations have not been sufficiently explored. This research is deemed to be both compelling and timely as it will unveil the different nature of environments in public organisations and their construal by key public managers in analysing the environment.

2.4.3 Strategic Positioning: Organisational Realignment to the Needs of Stakeholders

Strategic positioning also calls for firms or public organisations to strategically realign themselves in relation to the powers, expectations and interests of a number of people or groups that have stakes in the organisation – the stakeholders – for these groups of people are capable of influencing organisations' purposes and choices of strategies.

2.4.3.1 Organisational Stakeholders: A Critical Review

Discussion on the centrality of stakeholders to business firms has held a firm place within the management literature for the last two decades. Much of the discourse on stakeholders and its relation to strategic management surfaced since Freeman's seminal work, *Strategic Management: A Stakeholder Approach,* published in 1984. Convinced that firms' stakeholders should not be limited only to shareholders and customers, as this will hinder a complete explanation of the dynamics and complex interaction among different interest groups within the circle of an organisation, Freeman broadened the

notion of stakeholder to cover *any group or individual who can affect or is affected by the achievement of the organisation's objectives* (Freeman 1984 p.46). In a similar vein, Buchholz and Rosenthal (2004, p.144), look at stakeholders as those individuals or a group of people who have some kind of stake in what a firm does and may affect the firm in some fashion. As a group that depends on the organisation to fulfil their own goals and on whom in turn, the organisation depends (Johnson *et al.* 2005 p.179), stakeholders can come from outside as well as from within the organisation.

Discourses on the stakeholder-firm relationship witnessed the widespread use of the term 'stakeholder theory' in explaining the identification and managing of firms' stakeholders. Developed by incorporating a business planning and policy model and a corporate social responsibility model of stakeholder management (Elijido-Ten 2004), the stakeholder theory proposes that firms' success is dependent upon the successful management of all relationships that a firm has with its stakeholders. Despite its acknowledgment in usage, there has been much contention over the theoretical underpinnings of the stakeholder theory. Donaldson and Preston (1995) contended that the stakeholder theory had been used in very different ways and supported by contradictory evidence and arguments. In a rather stronger tone, Treviňo and Weaver (1999) argued that there is no such thing as stakeholder theory, but it is more of a research tradition. Other critics claim that there is no final way that stakeholder theory can provide managerial guidance in understanding and prioritising stakeholders, nor does it give primacy to one stakeholder group over another. Stakeholder theory has also been criticized for its inadequacy to give direction to managers on how they should allocate organisations' scarce resources to attend to stakeholders' needs (Phillips (2004, p.3).

In their attempt to provide more coherence in the understanding of the concept, Donaldson and Preston (1995) suggest that the stakeholder theory should be understood from three perspectives – descriptive, normative and instrumental. The descriptive perspective describes *how* organisations manage and interact with stakeholders based on the understanding of their behaviour, characteristics and relationship. The normative theory prescribes how organisations *should* treat their stakeholders, based on the

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principles of ethics, fairness and moral obligations (Bailur 2007). Finally, the instrumental perspective emphasises the establishment of a framework for examining the connection between the practice of stakeholder management and the achievement of success and competitive advantage (Friedman and Miles 2002).

The debate on who should be treated as an organisation stakeholder continues to grow. From the nature of relationship standpoint, the literature divides firms' stakeholders into 'primary' and 'subsequent' stakeholders (Hillman and Keim 2001, p.126; Winn 2001, p.135). Primary stakeholders are those who bear some form of risk as a result of having invested some form of capital, human or financial and something of value in firms. Those 'risk-takers' include shareholders, suppliers, distributors and customers. In addition, firms also need to deal with 'subsequent' or the 'social/political environment' stakeholder groups. These include the communities and government authorities that provide markets and whose laws and regulations must be obeyed (Clarkson 1995, p.106), and those who will influence the social legitimacy of the firms' strategy (Johnson *et al.* 2005). While different management scholars emphasise different aspects of the concept of stakeholder, a common thread that runs across those definitions is that firms should heed the needs, interests and influence of those affected by their strategies and operations.

2.4.3.2 Stakeholders in Public Organisations: Managing their Multiplicity and Conflicting Nature

Understanding the stakeholders is critical in organisations striving to establish 'harmony' between the organisations and their environment, and this notion applies to both public and private organisations. Bryson (2004, p.107) argues that if an oganisation has to do only one thing when it comes to strategic management, that one thing ought to be a stakeholder analysis. Public managers have to be alert to opportunities and constraints of the policy setting in which they are located and to the changes in needs and aspirations of users and citizens. Public managers work within a set of legal, regulatory and policy rules that require them to be accountable to various key stakeholders for their actions. The argument is, if an organisation does not know who its stakeholders are, what criteria they use to judge the organisation and how the organisation is performing against those

criteria, then there is little likelihood that the organisation will succeed in fulfilling its mandates and objectives (Bryson 2004; Rainey 2003).

Eden and Ackerman (1998, p.117) emphasise that a stakeholder in the context of public organisations can be any person or group with the power to respond to, negotiate with, and change the strategic future of the organisation. Recalling that public agencies are created for public and political purposes, attending to the needs of key stakeholders is key to enhancing political feasibility, especially when it comes to achieving common good (Bryson, 2004; Stoker 2006; Campbell and Marshal 2002). As argued by Rainey (2003), public agencies are born of and live by satisfying interests that are sufficiently influential to maintain the agencies' political legitimacy and resources that comes with it. The fact is that strategic decisions in public organisations involve not only leaders and managers from within the organisation, but are also influenced by interested parties external to the organisation (Stoker 2006; Bovaird 2003; Campbell and Alexander 1997; Bryson and Roering 1988). As noted by Osborne and Gaebler (1992):

> *…in government, another important element is necessary: a consensus. A government organization has more stakeholders than a business, and most of them vote. To change anything important, many of those stakeholders must agree. This is the piece most private versions of strategic planning miss* (p.233).

Changes in the local political, economic and social landscape call for a meaningful involvement from the public and stakeholders in the public organisation's decision making process under (the emergence of) what is termed as public governance – a concept of networked community (Stoker, 2006) and an approach where collective problems can only be solved effectively by the cooperation of other players, including citizens, business, NGO's, media and others (Lőffler, 2003). Accordingly, Joyce (2001) suggests that the five-forces framework in public sector organisations should look more at political forces rather than competitive forces. He suggests that the five political forces within public organisations should be political oversight forces; professional forces; market forces; citizen forces; and service user forces (p.29).

Generally, the current literature acknowledges that little research has thus far been conducted on the issue of multiplicity of stakeholders and managing their conflicting needs in public organisations (Wisniewski and Stewart 2004; Bryson 2004; Ferlie *et al.* 2003; Nutt 2002; Pollitt 2000; Mitchell *et al.* 1997). Despite various definitions put forth by the literature, the question of who constitute an organisation's stakeholders and what is the basis of their legitimacy still remains as a point of contention (Phillips 2004, p.2). Ferlie *et al.* (2003) argued that at the time when the 'new public management' (NPM) was dominant, the question of what public organisations were for or what they added for the benefit of a variety of stakeholders was largely ignored, as was the importance of governance issues in public organisations. Thus, he called for research to look at how decisions are made, on whose behalf and for which stakeholders (p.9). Similarly, Hillman and Keim (2001, p.136) suggest the processes of managing and balancing of diverse demands of stakeholders groups in different organisations would be   a valuable area of future research. This is one of the gaps that this research seeks to bridge.

2.4.3.3 The Importance of Understanding the Stakeholders from Managers' Perspectives

According to stakeholder theory, the top management play a critical role in deciding which stakeholder interests get attention and what priorities to assign to stakeholders' concerns (Bucllolz and Rosenthal 2004, p.144). The management must keep the relationship among stakeholders in balance, otherwise, the survival of the firm will be in jeopardy. Stakeholder theory suggests that key executives should always question the very purpose of the firm as a means to encourage them to articulate their shared sense of value and what brings its core stakeholders together. Stakeholder theory asks what responsibility management have to stakeholders, in terms of the relationship they need to establish to ensure organisational purposes and mandates are served and fulfilled (Freeman, *et al.* 2004).

Accordingly, a number of scholars have suggested approaches to identify and map out the stakeholders according to their power, needs and interests. For example Johnson *et al.* (2005) suggested a stakeholder mapping exercise to identify stakeholder interests; how

they exercise their power to impress their expectations on organisations' choice of strategies; and to what extent they have the power to do so. Developing the framework further, Rawlins (2006) came up with a model that prioritises stakeholders according to their relationship, attributes and communication to the organisation. Bryson (2004) and Scholes (2001) extended the use of stakeholder mapping to public organisations and suggested that the diversity of purposes and priorities among public organisations' stakeholders are the products of the political interplay among different stakeholders groups within their external environment. Thus, both strategic managers and politicians must fully understand this political context and be able to develop 'politically viable' strategies (p.165). Also a prominent topic of discussion among management theorists is the understanding of how stakeholders try to act to influence the firm's decision-making and ultimately the firm's behaviour (Frooman 1999; Neely *et al.* 2001; Wisniewski and Stewart 2004). The fact that stakeholders are so important in relation to firms' strategies is implicit in McAdam and Hazlett's (2005) argument that *the only reason an organisation has a strategy is to deliver value to some set of stakeholders* (p.260).

The fact that stakeholder theory does not dictate any formal process or means of balancing stakeholder interests (Freeman *et al.* 2004; Donaldson and Preston 1995), supports the need for studying stakeholders' positioning through an interpretive approach. The importance of stakeholders to a particular organisation is dependent upon managers' lens – how key executives perceive or value their stakeholders from their perspective (Bryson 2004b, p.25). Mitchell *et al.* (1997), and Friedman and Miles (2002) argued that stakeholders became salient to public managers to the extent that they (the stakeholders) are perceived as possessing power, legitimacy and urgency to a particular organisation.

Drawing from the above arguments, and recognising the fact that key stakeholders in public organisations should be defined according to managers' own lens of what they see as valuable (Bryson 2004, Fletcher *et al.* 2003; Moore 1995), this research sees a need to apply an interpretive approach to understanding organisational stakeholders in public organisations within the generic framework of stakeholder theory. This research seeks to

extend the research tradition on stakeholder theory in public organisations by looking at how public managers realign themselves in relation to their stakeholders. Moreover, recognising the fact that the issue of stakeholder-driven strategies is in need of further fine-grained empirical studies, this research seeks to reveal how most public sector strategies are tailored towards accommodating the influence and needs of different groups of stakeholders.

2.4.4 Strategic Positioning: Assessing Internal Strengths and Weaknesses

The literature argues that firms' successful strategies are very much dependent on the important elements that make up their (internal) strategic capabilities (Barney 2003; Grant 2002), and these comprise basically their resources and competences (Johnson *et al.* 2005; Ferlie *et al.* 2003; Bryson 2004). Organisation resources include tangible human, financial and other physical assets used to produce goods or services. Organisation resources also come in intangible and non-physical forms such as firms' management skills, organisation processes and work routines (Barney 2001, p.625). Also considered under intangible assets are a firm's reputation, information and intellectual capital (Johnson *et al.* 2005; Fletcher *et al.* 2003). Developing the theme further, management intelligence such as ability to persuade or to be heard through the utilisation of appropriate analytical tools, negotiation skills, and personal networking can also serve as organisation resources as they help, in one way or another, to fulfil the organisation's objectives. Equally critical, intangible resources should never neglect firm culture, as an important aspect of organisational capital, and top leadership as an important component of human capital (van den Berg and Wilderom 2004; Barney 1991).

2.4.4.1 Resource-based View of Firms and Internal Analysis

Discussions on firms' internal resources and capability often take place within the framework of the resources based view of firms (RBV) – a notion that has dominated

studies of firms' competitive advantage for the last two decades.[5] Drawing from the works of the earlier writers, the RBV was, in part, proposed to balance up the emphasis placed on external and industrial analysis in sustaining firms' competitive advantage. RBV complements organisation external analysis by looking at firms' internal resources, critical in making firms effective (Bowman *et al.* 2002). Increased market volatility, accelerated technological change and unpredictable trends in customer behaviour place a greater premium on core internal capabilities (Ferlie *et al.* 2003; Mintzberg 1998) over the sole dependency on external strengths. RBV sees an organisation as a bundle of resources and capabilities and argues that the competitive advantage of an organisation is explained by how these distinctive capabilities are deployed (Barney 2003; Teece *et al.* 1997). Expanding on these ideas, the extant literature extends the coverage of organisations' intangible resources by including socially complex elements such as culture, knowledge and experience (Carpenter *et al.* 2001; Teece *et al.* 1997).

The importance of firms' internal resources, which are valuable, rare, imperfectly imitable and hard to substitute (Wernerfelt 1984; Barney 2003, 2001; Priem and Butler 2001), is also pertinent to public sector organisations. Many would agree that resource heterogeneity can serve as an important asset to public organisations. Many would also agree that core competencies as suggested by Hamel and Prahalad (1994), such as 'speed' or the ability to respond promptly to customers' demands; 'consistency' or ability to unfailingly produce satisfactory services, 'acuity' or ability to anticipate and forecast customers' needs; 'agility' or ability to adapt simultaneously to changes in the environment; and 'innovativeness' or ability to think out-of-box and create new ideas, are central to ensure maximisation of the creation of public values.

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[5] The concept of RBV was first introduced by B. Wernerfelt in his article *A Resource-based View of the Firm* – the piece that received award for 'best paper' published in the Strategic Management Journal in 1984 (Johnson *et al.* 2005 p. 157; Wernerfelt 1995, p.171). But according to Teece *et.al* (1997, p. 510), it was Rumelt (1984) who was the first to explain that the strategic firm is characterized a bundle of linked and idiosyncratic resources and resources conversion activities.

2.4.4.2 The importance of People and Leaders as Organisational Resources

That people are strategically important resources in forming organisational internal strength needs no emphasis. Studies that go across academic fields including economics, political science, sociology and organisation development identify human capital as one of firms' key resources (Chan *et al.* 2004; Peter *et al.* 1992; Youndt *et al.* 1996; Ferris *et al.* 1999; Skaggs and Youndt 2004). The literature argues that human resources are fundamentally described in terms of their competences, dynamic capabilities and knowledge. Such resources serve as the bridge between successful strategy formulation and effective strategy implementation (Joyce 2001; Wright *et al.* 2001). Organisations can have the most sophisticated 'state of the art' technology, but still it is the people who will make it work. A survey conducted in 1999 by the Economist Intelligence Unit on 700 senior civil servants in 12 countries, showed that 75 percent of the executives ranked human performance as the most important source of competitive strengths (Muhammad Rais and Nazariah, 2003).

Along these lines, the literature argues that the capability to manage human capital in a more strategic way (Huselid 1995) is highly critical in the creation of public value. A more dynamic view of resources argues that maximising public value among public organisations critically depends on the ability of these organisations to build, renew, reallocate, rejuvenate and redefine their resources in coping with the changes in political, economic, social, technological and environmental within the public sector sphere (Chan *et al.* 2004, p.19). It has been argued that from the strategic management point of view, firms' human resource development and management practices should be aligned to the overarching strategic goal of the organisation. This suggests that organisations' strategic choice and design should be tied up to the quality and strength of the existing human resources to ensure internal fit (Ferris *et al.* 1999).

Organisational leadership is undoubtedly another important organisational resource (van den Berg and Wilderom 2004; Kotter 1996; Barney 1991). Strategic leadership theory, which evolved from the original upper echelons theory developed by Hambrick and

Mason (1984), argues that senior executives make strategic choices on the basis of their cognitions and values, so much so that an organisation becomes a reflection of its top managers (Hoskisson, *et al.* 1999; Vera and Crossan 2004). Essentially, leadership is about a leader inspiring, building (teamwork) and leading organisation members to achieve organisation objectives by providing a sense of direction, instilling strategic thinking and initiating strategic change (Johnson *et al.* 2005; Kotter 1996; Muhammad Rais 1999; Hartley and Allison 2000). Equally important is for organisation leaders to establish a guiding coalition; ensure sound human resource competencies; and institute good communication systems. Leaders also have responsibility for instituting standards of ethical conduct and moral values that guide the behaviour of the followers (Grojean *et al.* 2004).

The literature also suggests that studies on strategic leadership need to pay attention to the organisational and environmental context that surrounds the conditions, timing, and means of strategic leaders actions (Boal 2000). It has been argued that in the current era of 'public governance', a true leader in the context of the political environment is one whose conduct goes beyond statutory responsibilities. They are expected to act as a focal point for community participation; garnering public support; providing civic leadership and empowering the people (Broussine 2003; Bovaird 2005; Martin 1997, 2003).

2.4.4.3 Organisation Culture and Structure as Internal Resources

Organisational culture refers to the embedded underlying values, shared beliefs and perceptions that serve as the foundation for the organisation management system and practices (Carmeli and Tishler 2004; Bowen and Ostroff 2004). Organisational culture represents particular ways of conducting organisational functions that have evolved over time and these practices reflect the shared knowledge and competence of the organisation (Kostova 1999). Major elements that constitute organisational culture include organisational climate; 'rules of the game'; embedded skills; shared meaning; as well as espoused values and norms (Schein 1992). As argued by Hamel and Prahalad (1994), it is culture that offers direction for employees to develop their skills and learn new

innovations, and clear guidance for allocating firm resources for competing for the future. Accordingly, an organisational culture is central to create a strong sense of need for creativity, and a positive and proactive attitude toward change (Chan *et al.* 2004; Kotter and Heskett 1992).

An organisational structure is defined as a network of *durable* and *formally sanctioned* organisational *arrangements* and *relationships* (Khandwalla 1977, p.482, emphasis original). Oganisational structure basically concerns the division of work and people into different tasks, process and lines of reporting and how such arrangements are organised horizontally (by work flow and task design) or vertically (by hierarchical order) to achieve organisational goals (Brass *et al*. 2004). The concept of structure in an organisation is drawn chiefly from the theory of bureaucracy since the times of Max Weber (Child, 1972; Pugh *et al.* 1969), and developed afterwards by the writings of management scholars and firms' management consultants. The classical management theory places distinctive organisation charts, forms of departmentalisation and the span of control as important elements of an organisation structure. Organisation structure also stood as an important area in the contingency theory of firms (Burns and Stalker 1961; Khandwalla 1977) which holds that differences in contingencies faced by organisations will depend on the differences in their structures.

The importance of an organisation structure lies in three major functions it performs. First, it offers a mechanism by which an organisation can reduce external and internal uncertainty and this is normally done through forecasting and planning. Secondly, it enables the organisation to undertake a wide variety of activities through departmentalisation, specialisation and delegation of authority. Finally, it enables the organisation to keep its activities coordinated (Khadwalla 1977). In the context of strategic management, Chandler (1962) proposes that in organisations' strategy-making process, 'unless structure follows strategy, inefficiency results' (p.314). He suggests that organisations design their strategies by firstly analysing their external environment and then by assessing their resources and capabilities. Only after strategies have been determined and constructed in an explicit manner, will the organisation then design an

appropriate organisational structure to support the implementation of the strategies. In the case of public organisations, failure to adjust organisational structures appropriately towards fulfilling organisation strategies as a means towards achieving their mandates and purposes will undermine efforts to deliver public values (Bryson 2004).

2.4.4.4 Interpreting Organisation Internal Strengths and Weaknesses

This research argues that tendencies to over-emphasise a positivist and rational-linear approach in examining organisations' internal capabilities lead to inadequate appreciation of the importance of beliefs, perceptions, power and judgment among organisation members in describing the diverse characteristics and unique nature of their organisational life (Dunphy and Stace 1993). This research seeks to offer a complementary approach to scientific and objective investigations that deterministically explain the relationship between a firm's internal strength and various dependent variables within the organisation. This entails unearthing how organisation members give meaning to what they understand as constituting internal strengths and weaknesses. It is assumed that the understanding of one's own organisational life is subjectively shared by individuals and this will require an interpretation of managers' accounts and narratives.

Studies that explicitly examine leadership within organisational contexts, particularly from the strategic management literature, often typically ignore the cognitive, interpersonal and social richness of this phenomenon. They fail to come to grips with processes that would explain or account for outcomes (Zaccaro and Klimoski (2001). This research serves as a response to that deficit. An important finding from social psychological research on leadership, as argued by Khadwalla (1977) is that leadership is partly situational and partly intrinsic. In understanding leadership roles and qualities, it is crucial to enter into the mind of key actors, to understand various factors that influenced and drove their actions.

Equally important is to examine the thinking of the followers about how they see and judge organisational strengths such as human and financial resources and the overall

organisational structure and system. Chan *et al.* (2004, p.20) contend that despite assertions that a corporate culture has a major impact on the firm's ability to carry out strategies, empirical studies are still limited. This research argues that the notion of organisational culture is itself an abstract construct due to its inherent tacitness and complexity. This suggests that an attempt to understand organisational culture fully will necessitate attending to the perceptions of managers and key executives through interpreting their accounts, narratives and actual experiences.

2.5 CONCLUSION

This chapter has provided the rationale for the interpretivist approach in capturing *how* organisation members understand their environment, through interpreting their accounts, discourses and narratives. Having presented the debate on environmental 'objectivity', this review raised the importance of viewing the environment as socially constructed in an approach informed by a sociological and psychological-cognitive perspective that appeals to environmental sense-making by organisational actors. Accordingly, this chapter advocated the significance of defining organisation stakeholders and the basis of their legitimacy according to managers' own lens in an attempt to offer a fine-grained empirical study on how most public sector strategies are tailored towards accommodating the interests of their multiple stakeholders. Similarly, this review argued that over-dependency on the rational-linear approach in examining organisations' internal capabilities produces a worrying underemphasis on the centrality of beliefs, perceptions and judgment among people in describing the diverse and unique characteristics of their organisation's internal state. This review serves as the platform to answering the first three research questions presented in Chapter One, by showing that organisational strategies designed in response to environmental demands often emerge from key actors' sense-making, influenced by their own knowledge and experience.

CHAPTER 3:

UNDERSTANDING THE DYNAMICS OF STRATEGY DEVELOPMENT AND THE DIFFERENT NATURE OF ORGANISATIONAL STRATEGIES
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Route Map

Two areas are critically reviewed in this chapter – revisiting the dynamics of strategy development in organisations and examining the nature of organisational strategies – against different organisational characteristics and environment. Dominating the first part is the argument on how a rational and deliberate approach to strategy development, informed by classical theory, still has a strong footing in strategic management literature. This review however cautions that the 'scientific' ontological approach informed by the rational paradigm has to pay tribute to the 'wonders of learning and adaptation' characterising the descriptive and political school. Arguing that organisations need to retain some degree of flexibility to respond to different trends as they unfold, the review further contends that where political interplay is strong, strategy is not necessarily designed in a scientific and rational manner; rather it emerges from the bargaining of power and a contested process. The review then moves on to discuss the distinctive nature and characteristics of organisational strategies and examine how different types of strategies are conditioned by different situational and contextual factors within the internal and external circle of the organisation. Various strategy classifications and typologies in private and public organisations are examined. Also, the debate on 'structure and agency' informed by the structuration theory and its relevance in influencing strategy content is duly highlighted. Integral to this review is the argument that the extant literature gives insufficient attention to a number of attributes that pervade and contribute to the uniqueness of organisational strategies in public organisations. These include the interpretive approach that focuses on CEOs' judgment, perceptions and orientation towards change; CEOs' level of agency; and the nature of political influence and the webs of power within a particular public agency.

3.1   INTRODUCTION

The 'think-then-act' and 'formulate-then-implement' approach to strategy making seems perfectly sensible as it appears in the literature on strategic management. However, many would argue that in real life, strategies need not always be rational and prescriptive; they

can also, in a sense, emerge. This debate on rational and emergent strategy development forms the first part of the two interrelated areas in strategy development to be addressed in this chapter. First, it examines how strategy develops in an organisation, looking at various approaches or schools of thought suggested by the literature in the field of strategic management. Secondly, this review will highlight how the nature and characteristic of organisational strategies are influenced by environmental diversity and contextual reality. Equally critical are the central roles of organisational leadership, their construal of their environment and their 'level of agency'.

3.2   EXAMINING STRATEGY DEVELOPMENT IN ORGANISATIONS

3.2.1   Strategy Development: Rational versus Emergent

Studies in strategic management distinguish a number of approaches and different schools concerning the development or formulation of organisational strategy. These schools of thought can be classified into two main groups, rational or prescriptive and emergent or descriptive. These classifications are differentiated according to their premises and assumptions as to the nature of the strategy process. Table 3.1 shows various schools of thought in strategy development.

Table 3.1   SCHOOLS OF THOUGHT IN STRATEGIC MANAGEMENT

NO	AUTHORS	SCHOOLS OF THOUGHT/ STRATEGY APPROACHES	
		Rational/Prescriptive	**Emergent/Descriptive**
1	Mintzberg, Ahlstrand and Lampel (1998)	Design; Planning; Positioning	Entrepreneurial; Cognitive; Learning; Power; Cultural; Environmental and Configuration school
2	Johnson, G., Scholes, K., and Whittington, R. (2005)	Strategy as Design	Strategy as Experience; and Strategy as Ideas.
3	Whittington, R. (2001)	Classical school;	Evolutionary school; Processual school; and Systemic school
4	Kearns, K .P. (2000),	Analytical approach; Visioning approach	Incremental Approach
5	Bryson, J. (1988, 1995,2004)	Harvard Policy Model;	Strategic Planning Systems; Stakeholder Management;

			Content Approach; Strategic Issues Management; and Strategic Negotiations
6	Idenburg, P.J. (1993)	Rational planning;	Guided learning process; Logical incrementalism; and Emergent strategy
7	Farjoun (2002)	Mechanistic Approach	Organic Approach
8.	Chakravarthy and White (2002)	Rational; Intentional and Goal-directed	Intuitive; Political; Emergent; and Non-Teleological

The rational or prescriptive school is concerned with dictating how strategies should be formulated as opposed to how they necessarily do form or emerge. This school is called prescriptive because the strategy making process provides details on what to do and how to do it. This school assumes two other characteristics of strategy, namely, that it is deliberate and objective. By deliberate, it means that the strategy is a planned one – it does not simply emerge. Finally, strategies are objective in that they involve analytical analysis by employing sufficient quantitative data (Dettmer 2003, p.4). The rational school defines an organisational objective in advance, describes the 'as-is' or current position of an organisation, and uses a prescriptive approach to arrive at the 'to-be' or desired position by linking together sequentially all the three core areas of strategic analysis, strategic development and strategy implementation (Carr *et al.* 2004, p.80).

The descriptive school, on the other hand, places more emphasis on describing how strategies get made – how a strategy forms, or develops. This school tends to describe how strategies emerge in a more natural manner, applying more abstract thinking and non-quantifiable factors. The descriptive or emergent approach to strategy is characterised by trial, learning, experimentation and discussion. Accordingly, the elements of personal intuition, judgment and preferences are central in this approach. The descriptive school is more comfortable with adopting a series of experimental approaches (Carr *et al.* 2004).

In describing all the schools of thought from various writers as listed in Table 3.1, this review combines a number of schools of thought found in the literature that share the same ideas on strategy formation into the same group. Figure 3.1 illustrates the grouping.
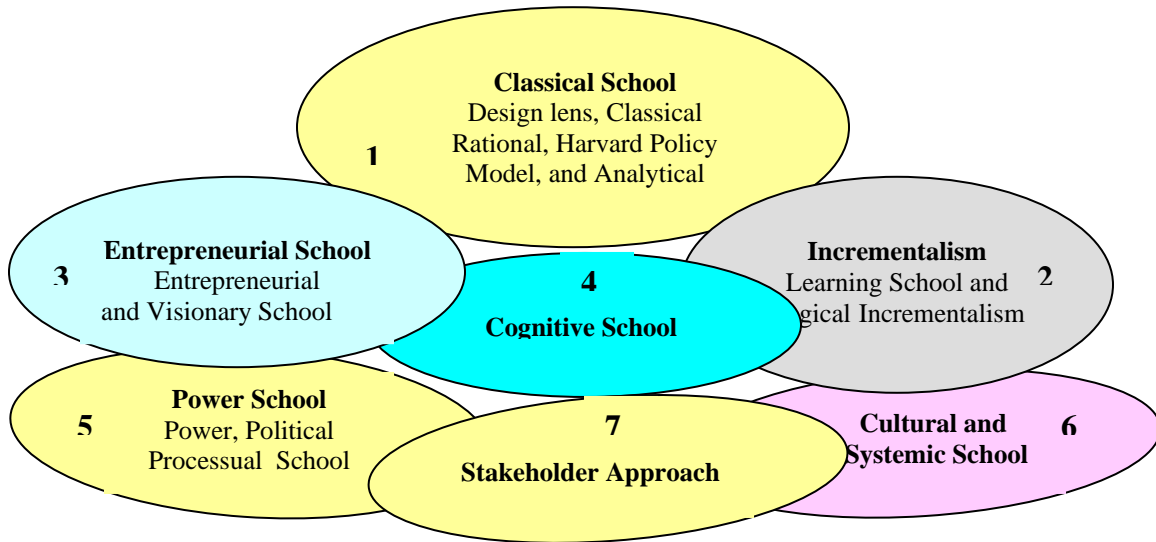
Figure 3.1   Schools of Thought in Strategic Management

3.2.1.1 The Classical and Design School

The classical school, as the name indicates, is the oldest and conventional, yet still the most influential approach to strategy development (Johnson *et al.* 2005; Carr *et al.* 2004; Choo 2005). As shown in Table 3.1, all authors seem to agree on the significance of this approach. Often linked with strengths, weaknesses, opportunities and threats (SWOT) analysis, this school upholds the principle of establishing a firm's strategic fit with its environment. This Harvard-Business-School approach has been regarded as the mainstream in strategy formulation since the 1920s (Farjoun 2002; Alford 2001).

Upholding a rational approach to strategy development, the classical school subscribes to a number of basic premises. Firstly, the strategy formation should be a controlled conscious process of thought, taking shape in the form of systematised, step-by-step and chronological procedures. Secondly, the approach places the implementation part of the strategy as a distinct phase in the overall strategy process that takes place after the earlier phase of explicit formulation. Finally, it employs analytical and evaluative techniques to establish a clear strategic direction by fitting the organisation with its environment. In the view of the classical school, planning can anticipate and adapt to external environmental

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change. It assumes that the organisation's goals are rather predictable and the future position of the firm can be determined in terms of quantifiable objectives.

Founders of the classical school include management theorist Philip Selznick (1957), business historian Alfred Chandler (1962) and management strategist Igor Ansoff (1965). Selznick is said to be the first to come up with the idea of strategic fit, when he raised the importance of bringing together the organisation's internal state with its external expectation (Mintzberg *et al.* 1998, p.25). Chandler established the field of business strategy in its relationship with organisation structure. Kenneth Andrew (1971), cited in Moore (1992, p.10) coined the term 'logical sub-activity' in strategy formulation, which emphasises objectivity in analysing the firm's environment to ensure a match between external opportunity and corporate capability. Mintzberg's (1998) 'design', 'planning' and 'positioning' schools are perceived as variations of the classical school.

Despite the above elaboration, the rational/prescriptive approach to strategy formulation seems less than simple. As argued by Bryson (1995) and Idenburg (1993), rationality will work only in an organisation that has a clear vision and goals. It is workable in a situation where an organisation's external environment is highly predictable or within the control of the organisation. This school also believes that complexity, if confronted by an organisation, can be understood and managed in an analytical way. However, not all firms, either public or private, can operate under such conditions. In this respect, the situation in the public organisations must be more critical as they, more often than not, suffer from goal complexity and ambiguity in designing their long-term strategy. Critics have described the classical school as too static, linear and fragmented (Farjoun 2002).

SWOT analysis, the primary strength of the classical school, is applicable to the public sector. However, whilst SWOT analysis appears appealing as a theory, the classical model, as observed by Bryson (1995), does not offer specific advice on how to develop strategies. It only tells that effective strategies will build on strengths, overcome weaknesses, take advantage of opportunities, and minimise threats. Mintzberg *et al.* (1998), argue that as this school promotes strategy formation as a process of conception

rather than learning, it creates difficulties for an organisation to know exactly its strengths and weaknesses (p.33). Ultimately it is left to the public managers to leverage on their judgment and preference, based on their intuition, knowledge and experience to assess various forces in the environment before they can come up with their 'best' strategies.

3.2.1.2 The Incrementalism and Learning School

Incrementalism can be defined as a deliberate development of strategy by experimentation and learning from partial commitments (Johnson, *et al.* 2005, p.578). This strategy development approach owes much to the work of two authors who laid the building blocks for this school – Charles Lindblom and James Brian Quinn. Writing in the sixties, Lindblom introduced the concept of 'disjointed incrementalism', in describing policy making in government agencies, which he described as a 'serial', 'remedial' and 'fragmented' process (Mintzberg *et al.* 1998, p.178). Following Lindblom, Quinn (1978) observed that the processes through which firms arrived at formulating their strategy are evolutionary and largely intuitive. He suggested that even with the existence of a well-developed strategic planning system, major strategic decisions are taken outside that planning framework. Quinn was the first to coin the term 'logical incrementalism', which sees strategy changes as a series of small steps, each of which is related to its predecessor, and allows the integration of powerful interest within the organisation.

Logical incrementalism believes that managers have a somewhat generalised idea of the future position of their organisations and try to move towards this position gradually. Looking positively, incremental change is an adaptation by organisations to the opportunities which arise in a continually changing environment. The incrementalist school believes that the environment of any organisation is too complex to be systematically analysed, given the nature of multiple stakeholders with their own need to be negotiated and resolved (Kearns 2000). This suggests that incrementalism places importance on the role of government and stakeholders, as well as the roles played by power, politics and conflicting values in dealing with strategic issues (Kearns 2000, p.45). The incrementalist approach also believes in flexibility to address new

circumstances as they emerge – a stance that somewhat contrasts with the rational, analytical or even entrepreneurial approach.

3.2.1.3 The Entrepreneurial School

The entrepreneurial school believes that the strategy formation process relies exclusively on one single leader in an organisation. This visionary leader drives the organisation towards realising its objectives, by mobilising organisation resources and capabilities. Mintzberg *et al.* (1998, p.124) define vision as a mental representation of strategy, created and expressed in the head of the leader (p.124). Vision depicts the desired future state of an organisation. It serves as the inspiration and guiding principles of what the organisation needs to do to achieve its objectives. In coming up with a vision, the leader may use, to the fullest, his knowledge, competencies, and experience; supported by his intuition, wisdom and judgment. Kearns (2000) terms this approach a visionary approach, as it relies heavily on a visionary and charismatic leader. This kind of approach is said to be practical in smaller firms such as owner-managed and entrepreneurial firms, where the structure is simple, the size is relatively small, the environment is somewhat manageable and goals are less complicated (Kearns 2000; Bryson 1995). It is also for that reason that this school is called entrepreneurial.

The importance of having a great leader who can lead an organisation towards meeting its goal is very fundamental in any organisation, and to say that the principle of good leadership belongs exclusively to the entrepreneurial school is not really a fair statement. Any study on management and organisation development will advocate the importance of leadership as a main driver of organisational change. Having said that, one should also be mindful that relying almost fully and exclusively on one leader, if left unchecked, will over time put an organisation in risk. It will complicate smooth transition and it will also lead to an autocratically-led oganisation. In this respect, an organisation should never ignore the concept of collectivity and sharing of ideas – the importance of deliberation and brainstorming among managers and key interested parties in making major decisions, especially those that have far-reaching impacts on the organisation.

3.2.1.4 The Cognitive School

The cognitive school is rooted inthe field of psychology. According to *The Dictionary of Psychology* (Corsini 2002), the word 'cognitive', as in the case of cognitive development, refers to thinking processes of all kinds, such as perceiving, remembering, concept formulation, problem solving, imagining and reasoning (p.180). Cognition, more simply, is what a person knows and understands, or the process of knowing. Thus, in the cognitive school, strategy formation is perceived as a mental process that takes place in the mind of the strategist. This school sees strategies emerges as emerging perspectives, in the form of concepts, maps, schemas and frames. There are two types of cognitive process – the objective wing and the subjective wing. According to the objective wing, the inputs of perspectives will flow through all sorts of distorting filters before the cognitive map decodes them. However, according to the subjective wing, those perspectives will be merely interpretations of a world that exists only in terms of how it is perceived.

3.2.1.5 The Power and Political School

Mintzberg's (1998) 'Power school' and Johnson's (2005) 'Organisational politics' see strategies as developing or emerging as a result of a bargaining and negotiation process between interested individuals or groups within an organisation or external power holders or interest groups. Internally, organisations are formed from a coalition of various individuals and interest groups with enduring differences in terms of values, information, interest and perceptions. As a result, the strategy process in an organisation has to take into account the different views of these groups and match them with organisation constraints.

This school also believes that, externally, goals and decisions emerge from bargaining and negotiation among different stakeholders. To some extent, this school shares some elements with the stakeholder school, as it recognises the significant role of various stakeholders in designing organisation strategies. The power school believes that power is an important factor in determining the interaction between firms and their external

environment. This school upholds, in contrast with the design school, that the development of strategy is far from rational; rather, it takes shape through a process of negotiation, bargaining and compromise involving certain individuals or groups within or outside the organisation. Johnson *et al.* (2005) classified this school as an emergent school because it is the bargaining and negotiation that give rise to strategy, rather than a carefully analysed, deliberate intent (p.584).

3.2.1.6 The Cultural and Systemic School

As the name imples, strategy in this school is seen as a product of social interaction; it develops in an organisation based on common beliefs and understanding shared by all the members of the organisation. Organisational culture, as viewed by Johnson *et al.* (2005) is the basic assumptions and beliefs that are shared and operate unconsciously among organisational members. Those assumptions and beliefs are often defined in a basic taken-for-granted fashion within the organisation's environment (p.47). Resembling the same notion, the systemic school of thought believes that the rationales underlying strategy are peculiar to a particular sociological context (Whittington 2001, p.26). The cultural school has its roots in anthropology and sociology. It holds that an individual in an organisation acquires shared beliefs through the process of acculturation and socialisation, which is tacit and non-verbal (Mintzberg *et. al.* 1998, p.267).

3.2.1.7 The Stakeholder School

The stakeholder approach argues that firms' approach to strategy development will be effective if they satisfy the demands and needs of various stakeholders in their environment. Companies that do not win the loyalty of stakeholders will go out of business. Thus, an organisation's mission and values should be formulated in relation to various stakeholders (Campbell and Alexander 1997; Bryson and Roering 1988). The strength of the stakeholder approach lies in its recognition of the need to satisfy a number of key stakeholders to ensure survival and support. Satisfying the needs and expectations of various stakeholders is no doubt a key notion of strategic management.

Bryson (1995) believes that because the stakeholder school integrates economic, political and social concerns, this model is highly applicable to the public world. The stakeholder approach also bears a resemblance to the idea of 'good governance' – a notion that has assumed a prominent place in the field of public sector management since the early 1990s. As elucidated by Löffler (2003), collective problems can no longer be solved only by public authorities but require the cooperation of other players in the environment (p.164). It is in this respect that governance is perceived as the way in which stakeholders interact and negotiate order to influence policy outcomes. It is further emphasised that in order for good governance to be sustainable, such negotiation must be made operational and evaluated by multiple stakeholders on a regular basis.

While not discounting the centrality of the stakeholder approach, public organisations need to be mindful that demands from different stakeholders are most of the time varied and conflicting. The competing claims are, in many cases, driven by different agendas and interests, aiming for different goals. Oganisations might end up trying to meet many stakeholders' demands, resulting in strategies becoming less focused. Bryson (1988) observes that the stakeholder school does not provide criteria for making a good judgment in dealing with competing claims or developing strategies to deal with divergent stakeholder interests (p.34). It is important for an organisation to seek ideas and suggestions from different stakeholders and try to incorporate those views in its strategy.

3.2.2 Prescriptive and Descriptive Schools: Looking from the Practical and Contextual Lens

As acknowledged by contemporary writers, the rational classical-prescriptive school is still the most popular approach to strategy development. It provides a clear framework of when, where and why an organisation needs to engage in strategic management. In its own *mechanical* way (Farjoun 2002), the classical school provides prescriptions on how to go about strategy making. The descriptive or emergent school, on the other hand, implies that strategy can develop in an environment where managers explore, learn, share and piece together a set of behaviours over time. While it is true that deliberateness will lay down the directions and create commitment, emergence allows a certain degree of

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flexibility among managers. Dealing with an unknown and unpredictable future often precludes a pure deliberation process. An organisation needs to retain some degree of freedom to respond to different trends as they unfold, and to grab unforeseen opportunities as they emerge. Managers in organisations must proactively ride the wave of opportunity, using the momentum in the environment. At the same time, as has been discussed in the previous chapter, organisational strategies are, by and large, determined by the role played by organisational leaders. Sitting at the apex of the organisation, it takes CEOs to apply their strategic thinking to systematically define the means by which the mission of the organisation is to be achieved.

Apparently, both prescriptive and descriptive schools look at different priorities in developing strategy. While primary attention should be given to analysing the internal and external environment, as suggested by the classical school, one should never ignore the value of key stakeholders, as emphasised by the stakeholder school. Contextually, where political interplay is strong, as in the case of public sector organisations, strategy is not necessarily designed in a scientific and rational manner. Rather, it emerges from a political and contested process. That kind of negotiation and bargaining of power is necessary before agreements between conflicting parties are achieved. Also, in undertaking SWOT analysis, the aspects of human experiences, cognition and environment, as suggested by appropriate descriptive schools, must also be taken into consideration.

The learning process tells managers that more often than not, the best way to find what works is through trial and error. Although this concept sounds somewhat 'conservative', it is actually an approach that people have been applying all the while. They just use different names - market-testing, pilot projects, trial runs and gradual steps. All of those are undertaken based on the same principle – what will be successful in the real world must first be discovered by experimentation. Developing strategy through the culture and cognitive approach, as a learning process, will encourage people to be more creative and will build up an entrepreneurial spirit within the organisation. Also, the power and political school drives public managers to realise that strategy sometimes emerges as a

result of negotiation and bargaining of power among powerful organisational stakeholders.

As observed by De Wit and Meyer (2004), while deliberateness gives direction, emergence permits opportunism; while deliberateness facilitates fixed programming, emergence encourages ongoing learning. Mintzberg and Lampel (2003, p.29) urged scholars and practitioners to continue to probe the important elements of various approaches in strategy development and go beyond the narrowness of each school in the endeavour to understand how strategy formation really works. This research seeks to respond to this call by providing empirical evidence on how strategy process and approaches take place in public sector organisations, blending real-life concerns of strategy making with the reified concepts of strategic management.

3.2.3 Understanding the Dynamics of Strategy Development: Unpacking the Different Images of Approaching Organisational Strategies

The above discussion encapsulates diverse strands of strategic thought into two broad perspectives, namely, the rational/prescriptive and emergent/deliberate. Each of the perspectives has its own schools with unique characteristics, emphasising certain important aspects of strategy formation. In its own right, this discussion provides an array of images of organisations and how they go about enacting their strategies. These different approaches to strategy making often exist as assumptions on the part of managers, as to how they deal with strategy – how to be a strategic manager, to behave strategically and to succeed in strategic decision making. Analogizing strategy formation as an elephant, Mintzberg *et al.* (1998), having presented their ten schools of thought (of strategy formation), argue that at the end of the day, one can hardly see the whole elephant, as it sometimes exists in people's minds:

> *These pieces of paper have been about the conventional mode of knowledge – words in linear order. That other mode takes place beyond words, as some kind of image perhaps, in the mysterious reaches of the human mind.* (pg. 350)

As will be revealed in Chapter 10, dependent upon different situational and contextual factors, and influenced by unique preferences and beliefs on the part of the CEOs, organisations adopt diverse approaches to strategy making. Organisational strategy is not something to be picked from a range of assumptions and ideas just like diners do at a buffet table. Thus, the whole purpose of this discussion is to provide a foundation for an argument that strategies are often developed by combining various aspects from the different schools to suit the situation at hand – or mixing different foods into palatable dishes, as chefs do in the kitchen. This review contends that where political interplay is strong, as in the case of public organisations, for example, strategy is not necessarily designed in a scientific and rational manner; rather it emerges from the bargaining of power and a contested process.

3.3   EXAMINING THE NATURE OF ORGANISATIONAL STRATEGIES

If strategy approaches talk about the *process* of strategy making, the nature of strategy will focus on the discussion of strategy *content* or, more precisely, the nature or characteristics of an organisation's strategy. Boyne and Walker (2004, p.232) define strategy content as a pattern of action through which (organisations) propose to achieve desired goals, modify current circumstances and latent opportunities. Research on strategy content examines the decisions regarding the organisational goals, scope and strategies, where goal content focuses on ensuring firms' survival and meeting the mandates; scope addresses the issues of diversification, alliances and integration; and strategies looks at fitting the organisation to its environment and stretching oranisational capabilities to create value for stakeholders (Alford 2001; Thomson 1995; Fahey and Christensen 1986).

This review will examine how the distinctive nature and characteristics of organisational strategies are influenced by different determinants within the internal and external circles of the organisation. The central argument in this review is that different types of strategies in a particular organisation take shape within a relatively complex environment and how organisational actors enact or construct their own environment is based on their

understanding and the amount of autonomy they are privileged to exercise, or they interpret that they posses, in initiating organisational changes

3.3.1 The Environment and the Nature of Strategy: How 'Publicness' Shapes the Different Nature of Strategies

The review of the literature on different views of the nature of strategy or strategy orientation suggests that over a period of time organisations develop a systematic, identifiable approach to environmental adaptation. That said, the discussion on strategy positioning in Chapter 2 does suggest that organisational environment is not a homogeneous entity but rather is composed of a complex combination of various external and internal factors. These include the influence of stakeholders, market competition, political bargaining, policy changes, customers'/citizens' needs, organisational culture, resources and leadership traits…the list goes on. It has also been argued that each of these factors tends to influence the organisation in its own way. As argued by Miles and Snow (2003, p.18), the behaviour of certain environmental elements can be reliably predicted, while that of others cannot; the impact of some conditions can be buffered, while the impact of others cannot; and some factors are critical to the organisation's operation, while others are only incidental.

Much of the study on the relationship between environment and the nature of organisational strategies thus far has been undertaken within the industrial setting, placing due emphasis on factors such as industry structures, market forces and the intensity of rivalry among firms (Zahra and Pearce II 1990; Nutt and Backoff 1992). Advancing the notion further, Boyne and Walker (2004, p.236) argue that even if the available taxonomies (of the nature of strategies) among private firms were valid, they might have limited relevance to the external circumstances and internal characteristics of public organisations. They further argue that literature on private organisations tends to assume that key managers are free to select their strategies from a range of options, albeit within constraints such as market forces and technological feasibility. By contrast, public agencies are more likely to have strategy content imposed on them by political forces. The whole discussion suggests that there is a need to extend the current literature to

reflect the unique nature of strategies in public organisations that inherit public features, to see how such 'publicness' shapes the different nature of strategies.

3.3.2 Strategy Typologies within Private and Public Settings

One of the important frameworks that categorises classifications of strategies according to their nature and characteristics is the one developed by Miles and Snow (2003).[1] Miles and Snow propose that managers develop enduring patterns of strategic behaviour that seek to align an organisation to its environment. The Miles and Snow typology highlights an 'adaptive cycle' that represents 'a general physiology of organisational behaviour (Zahra and Pearce II, 1990). Miles and Snow identify four main types of strategy based on their field work undertaken within the industries, namely the 'Prospectors'; 'Defenders'; 'Analysers' and 'Reactors'. Firms that display the prospector's characteristics and behaviour engage almost continuously in a search for new market opportunities and product development and regularly experiment with potential responses to emerging environmental trends. As Miles and Snow (2003, p.55-56) put it, prospectors are the creators of change in their industries.

The nature of defenders, as opposed to prospectors, is more conservative to new market opportunities. They are rather comfortable in maintaining a narrow segment of the market they are currently in. Subscribing to a sort of 'maintaining the status-quo' approach, defenders devote the main attention to improving the efficiency of their existing operations (Boyne and Walker 2004). 'Analysers' come in between prospectors and defenders – while trying to prosper within their narrow domain (by controlling secure niches in their industries), they also seek new market and products. Analysers are rarely first movers and often adopt a selective approach in embarking on new ventures. As described by Miles and Snow (2003), analysers watch their competitors closely for new

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[1] Miles and Snow's *Organizational Strategy, Structure and Process* was originally published in 1978 and became an instant classic, for, according to scholars, their work broke fresh ground in the understanding of strategy at a time when thinking about strategy was still in its early days. The 2003 version (which has been taken as the reference for this research) is the Stanford Business Classics reissue and it contains two important additions – Donald Hambrick's new introductory notes; and Miles and Snow's new introductory material to update the book's central concepts and themes.

ideas and adopt those which appear to be promising. Finally, the reactors, as the name implies, seldom make adjustments of any sort until forced to do by environmental pressures. The reactors lack a coherent strategy (Zahra and Pearce II 1990, p.752).

Miles and Snow's classifications of firms' strategies has been criticized for relying too much on external factors, namely, market volatility and the orientation of competitors (Nutt and Backoff 1995), without clear emphasis on the role of firms' internal capabilities. Such a view, however, requires further scrutiny, for when discussing their *adaptive cycle* theoretical framework, Miles and Snow (2003) argue that organisation structure is only partially preordained by environmental conditions, and they place heavy emphasis on the role of top decision makers who serve as the primary link between the organisation and its environment (p.20). In short, the central role of organisational leadership has never been sidelined by these authors.

Apparently, Miles and Snow's pioneering framework has been widely accepted and seems adaptable to organisations with public features. However, the literature on public sector strategies suggests that most of the strategic management research in public sector organisations has been concerned with the strategy process (Ferlie 2002; Ring and Perry 1985; Nutt and Backoff 1993). This leaves the area which examines the nature of public organisations' strategy 'small and sketchy' (Boyne and Walker 2004; Nutt and Backoff 1995). Thus, studying how different kinds of strategy develop in response to different environmental milieux within the public sector domain will help improve the current 'disequilibrium' in the research on the nature of organisational strategies.

Among the important efforts undertaken to address this deficit include Wechsler and Backoff's (1986) case-studies approach, which examines the distinctive nature and characteristics of strategies in four agencies of state government in Ohio.[2] Employing eight dimensions in analysing the account of strategic management in these agencies, Wechsler and Backoff (1986) derived four distinctive types of strategies –

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[2] The four agencies were the Department of Natural Resources; the Department of Mental Retardation and Development Disabilities; the Department of Public Welfare and the Public Utilities Commission of Ohio.

'developmental'; 'transformational'; 'protective' and 'political'. Developmental strategies are characterised by efforts to enhance organisational status, capacity and resources and strive to produce a new organisation future. Developmental strategies develop in a situation where the impetuses for strategic action are internally driven. Transformational strategies are conditioned by a commitment to fundamental change both internally and externally. This kind of strategy is nurtured by a strong influence from external forces. Protective strategies flourish in a rather hostile and threatening environment combined with a limited capacity on the part of the organisation leadership to introduce strategic change. The main thrust of the protective strategy is to accommodate external influence while maintaining the organisational status quo. Finally, political strategies take more than one form and are designed to absorb a new balance of power among external influencers and to limit pressure for organisational change.

This research argues that all the organisational strategies identified by both Miles and Snow's (2003) and Wechsler and Backoff's (1986) frameworks should be seen as sitting on the same spectrum – the transformational-oriented nature of strategy on the one end and the maintaining the status-quo-driven nature of strategy on the other. As one could see, 'analysers' are essentially an intermediate type between the 'prospector' strategy at the one extreme and the 'defender' strategy at the other. Similarly, the developmental strategy comes in between the 'transformational' and 'protector'. It is how these organisations adapt to the nature of the external and internal forces that determines their position on the spectrum. This research argues that another important factor in determining the different nature of strategy is the leader's judgment, perceptions and intuitions, which shape his beliefs, preferences and orientation towards change.

3.3.3   Leadership Orientation; Strategic Choice Theory and the Interpretive Approach

The central roles of organisational leadership in shaping organisational strategies has been discussed in the first part of this chapter. As argued by Miles and Snow (2003), according to the strategic choice theory, organisational leaders are viewed as being in the position not only to adjust the organisation structure and process, but also to manipulate

the environment itself to bring it into conformity with the organisation. Drawing from the work of Child (1972), the strategic choice theory determines a number of features characterising organisational leadership in navigating their organisations towards arriving at their organisational goals. This includes the (interrelated) features of 'dominant coalition' and 'perceptions'. 'Dominant coalition' refers to a group of decision makers in an organisation whose influence on the overall system is greatest. This group of key executives possesses relevant knowledge, skills, experience and other personal resources to influence or undertake problem finding and problem solving responsibilities effectively. Strategic choice theory argues that this 'dominant coalition' group of decision makers largely enact or create the organisation's relevant environment – that is, the organisation responds largely to what its management perceives – hence, those environmental conditions that go unnoticed or are deliberately ignored will have little effect on management decisions and actions (Miles and Snow 2003).

The essence of strategic choice theory concurs with history's and sociology's interpretive approach, now penetrating comfortably the boundary of political science and organisational studies (Schwandt 2003; Vidich and Lyman 2003; Bevir and Rhodes 2003; Alvesson and Karrema 2000; Samra-Fredericks 2003). Drawing from the ideas of Bevir and Rhodes (2003); Ezzamel and Willmott (2004); Chia and Holt (2006); and Selsky *et al.* (2006), the arguments are that managers not only interact with their environment, they also seek to make sense of their contextual environment through their interpretation of events and the meanings that they ascribed to them. As different interpretations will trigger different behaviours and orientation, actors' different interpretations are likely to affect their different actions, producing the distinctive nature of organisational strategies.

It is also important to note that an interpretive approach is not just about taking individual beliefs and preferences at face value and relating them to their actions. An interpretive approach never discounts the objective facts encircling orgnisation actors that influence their worldview, stance and conviction. This research argues that working from the strategic choice theory and an interpretive approach in understanding actors' beliefs, stance and preferences, it is important to see how actors' orientation towards strategic

change and organisational transformation is derived from their interpretation of their own environment, supported by their knowledge, experience, networking and socialisation.

3.3.4   The Debate on Structure and Agency

Related to the notion of firms' adaptation to their environment is the sociological notion of 'structure and agency'. Essentially, the structure and agency perspective examines the relationship and interconnectedness between 'context' and 'conduct' within a social, political or organisational setting. As 'context', structure denotes a setting within which various events and actions occur and develop (Hay 1995, 2002). Structure in broader terms refers to the social and political arrangements, relationship and practices that take place within one's location or status, which stretch across the elements of ideology, institutions, power, hierarchy, culture, rules and resources (Musolf 2003; Yuthas *et al.* 2004).[3] Agency refers to actions or conducts by a particular agent in a particular setting. In strategic management terms, such conducts or actions are often referred to as formulating organisational strategies – the capacity by organisational key actors to consciously introduce strategic change or transformation (Cooren *et al.* 2006, p.539). Structure and agency debates centre on how the nature of decisions or the characteristics of strategy by political or organisational actors are tailored to, or shaped by, the existing setting or environment within which these agents are exercising power. In short, the debate about structure and agency is about explaining the actions of individual agents in relation to the structural features of their society or organisational setting.

The notion of structure and agency cannot really be adequately reflected without reference to the 'structuration theory' posited by Anthony Giddens (1976, 1984), for it was his groundbreaking work on structure and agency theory that made an influential academic contribution not only within the field sociology and humanities, but also in studies of political science and organisational theory (Hay 2002, Yuthas *et al.* 2004; Pozzebon 2004). In essence, structuration theory recognises the essential relationship

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[3] It is important at this juncture to differentiate between the concept of 'organisational structure' in the context of organisational internal strengths and resources discussed in Chapter 2 and the notion of 'structure' in the current discussion, 'structure and agency'.

between agency and structure, and suggests a 'duality' instead of a 'dualism' between the two notions (Hay 1995). Viewing the interaction of human actors and social structure as reciprocal, Giddens suggests that agents and structure do not exist independently of each other and thus, cannot be understood separately from one another. Structuration theory strikes the balance between the over-structuralist view that explains political/social/economic effects, events and outcomes exclusively in terms of contextual factors on the one hand, and the pure-intentionalist school that believes actors are in complete control of their structure and, based on their knowledge and capability, form the determining factor in creating events or materialising strategic change, on the other.

Giddens' 'non-dichotomist' and 'mutual dependency' logics of structure and agency sit side by side with the objective-subjective debate on organisational environment discussed previously in Chapter 2. Just as the post-rational view rejects treating the environment as fixed and objective, the 'duality of structure' proposed by structuration theory also looks at structure as not 'external' to individuals. Rather, structure exists and is maintained through the interactional activities of members of the society (Hays 1994). Structure has no existence independent of the knowledge and capabilities of the agents; while organisational agents cannot be understood independently from the social/organisational structure enacted by the agents (Yuthas *et al.* 2004; Hays 1994).

Given that the discourse of 'agency' refers to the ability of an organisational actor to exercise discretion in choosing to act or to make decisions within his/her own enabling or limiting structure, the term 'level of agency' then emerges to explain the amount of autonomy an individual is privileged to exercise, in terms of introducing new policies or strategies in his/her setting against external opportunities and constraints. Looking from the intentionalist view, the level of human agency explains the extent to which organisations' actors are able to construct explanations out of the direct intentions, motivations and self-understandings of the issues at hand (Hay 1995; 2002), and such values are mediated by culture, traditions and webs of beliefs. Level of agency seeks to understand actors' capability to realise their intentions by relying on their resources to influence events, forces and outcomes within their own context.

Level of agency also explains how structures impact upon agents' choice of focus. This dimension (of the level of agency) looks at where managers divert their attention in designing their strategies and what is high upon their (organisational) agenda against their current encircling structure. Relating the top management's focus of action to the debates on the level of agency gives insights into their thinking and the choices they make within their context. As will be discussed later in this thesis, the differeing extent of agency among public sector managers leads to different expressions of agency.

From the interpretive point of view, level of agency is often enacted in the minds of the organisational agents. As argued by Pozzebon (2004, p.253), one of the important concepts in structuration theory is that of *competence of agents* (emphasis original), which stresses the importance of agents being reflexive, to think and interpret their situation. It has been argued that CEOs have a central role in determining and designing organisational strategies. Sitting at the apex of the organisation, the CEOs apply their strategic thinking, experience and resources to systematically define the means by which the mission of the organisation is to be achieved. The literature argues that the behaviour of public sector managers, for example, is most of the time constrained by political forces and is subject to coercive isomorphism (Boyne and Walker 2004, p.236). Thus, the level of agency denotes the extent to which organisational actors feel themselves to be empowered or in full control within their structure; or, by contrast the extent to which they describe themselves as being the victims of external forces. Such feelings could be captured through interpreting actors' accounts, discourses and narratives.

To conclude, the useful contribution of the structure and agency debate to the research on organisational strategies, as viewed by Hay (1995), emanates from two angles, namely the 'contexualisation of agency' and the 'strategic selectivity of structure' (p.205). Contexualisation of agency suggests that examination of organisational actions, decisions and strategies by organisational key actors' should take into consideration the structural context in which they take place. Contexualisation of agency believes that external processes and events have specific impacts peculiar to the context and setting, as well as to the strategies and actions of the agents. On the other hand, structure in any circumstances is both enabling and constraining – it is in a position to dictate or drive

correct strategies that best fit the organisation's objectives, or otherwise. Thus, 'strategic selectivity of structure' means that actors' choice of strategies is dependent on their own vantage point and how they perceive their context – whether they choose to describe their context as enabling action or limiting opportunities for action. Accordingly, the issue of level of agency deals with how oranisational key actors place themselves and act between the 'superiority of structure' and the 'dominance of agency'.

3.4   CONCLUSION

This chapter provided the rationale for studying both the dynamics of strategy development and the nature of organisational strategies in public sector organisations. It provides a strong platform for answering the research question that seeks to explain various approaches to strategy formulation and to understand how environmental factors, supported by the strategic choice theory that relies on the interpretive framework, impact upon different kinds of organisational strategy. This review concludes that strategy cannot be understood from a single theoretical perspective. Organisational strategies are not always formulated in an objective and scientific manner, but can also emerge through exploring, learning and adapting to emerging phenomena.

Accordingly, this review concludes that the different natures of strategies are often dependent on leaders' traits and perceptions that make up their understandings, which subsequently form the basis of their decisions and actions. Finally, this review implies the following – firstly, there is a need to expand the current research on strategy development in public organisations by engaging in an in-depth study to yield fresh empirical evidences to lay a more valid foundation of understanding of the subject matter. Secondly, in expanding the understanding of the distinctive nature of public organisations strategy, the time is ripe for a thorough examination involving larger samples with higher public features in an attempt to unearth wider strategy typologies and classifications. Finally, the interesting debate on structure and agency and the central notion of actors' level of agency, which are relatively new in the field of strategic management and organisational studies, merits further exploration due to its relevance in those fields.

CHAPTER 4:

PUBLIC SECTOR REFORM, STRATEGIC MANAGEMET AND LOCAL GOVERNMENT IN MALAYSIA

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Route Map

This chapter commences with a discussion on the winds of change sweeping through public sector management around the globe in the last two decades and argues that the philosophy underpinning such reforms places a strong emphasis upon the importance of strategic management and the idea that strategic management can be an effective response to environmental turbulence. The aim is to underscore the importance of strategic management as part of a package of management innovations designed to 'reinvent' and 'reengineer' the public sector by providing ample evidence of its practices. The chapter then goes deeper into reviewing administrative modernisation endeavours in Malaysia and examining how strategic management fits in, in the overall public sector reform package. This review, however, warns that the pervading 'consumerist' view of the government-citizen relationship within public sector management, as a result of a blanket adoption of the private business model, if unchecked, could turn democracy into a market place, downgrading those elements of citizenship that presume a more collectivist and political linkage between individual and state. Finally, attention is directed to the local authorities' (LAs') administration in Malaysia – the setting the entire research is exploring – to show that not only have reforms in the LAs always been an unfinished agenda, but also that despite special attention being given to managing the LAs in a strategic way, relatively little has been revealed on how elements of strategic management unfold and are developed within these organisations.

4.1   INTRODUCTION

The profound political, economic, social and technological changes that have beset most economies in the world called for a paradigm shift from the public sector organisations – the need to embrace a new set of management philosophies and approaches to deal with new demands from all classes of citizens. Malaysia, like many other developing economies, chose to respond to those demands by initiating a public sector

transformation, witnessing the birth of the quality movement in her public domain. In relation to these arguments, it is important, at the outset, to understand the context of public sector reform in the world and to see how such fundamental changes have raised the potential usefulness of strategic management within the realm of the public sector. This chapter aims to show the emphasis given to strategic management in the context of public reform in Malaysia, and accordingly, to provide a platform for a closer examination of strategic management application in the administration of local government in the Malaysia – the setting of the study. The overall purpose of this review is to draw attention to the lack of in-depth studies on strategic management in the LAs in Malaysia and the need for appropriate remedial measures in this regard.

4.2 PUBLIC SECTOR REFORM AND STRATEGIC MANAGEMENT

4.2.1 The Context of Change

The 1980s and 1990s witnessed winds of change sweeping through many economies in the world in terms of a public service modernisation agenda. Often referred to as public sector reform, it involves deliberate changes to the philosophy, and approaches structures and processes of the public sector organisations with the objective of 'getting them to run better' (Pollitt and Bouckaert 2004, p.8). The global trends surrounding most public services in the 1970s called for a shift in their focus, strategies and management ethos. The economic downturn, triggered by the oil crisis of the 1970s, resulted in inability of governments in most Western democracies to sustain the expansion of their public services (Isaac-Henry *et al.* 1993; Barzelay 2001; Common 2001). Measures have been taken to curb public spending and to scale down the size of the civil service. Pressures on the role of public service necessitated a shift from the traditional way of running the public service to a more private-like style of public management. Enthusiastic efforts have been undertaken to create a more performance-based, outcome-driven, customer-oriented and objective-led management practice to replace the traditional rule-based, hierarchical and authority-driven process in the public sector   (Pollitt 2003; Hood 1991; Lynn 2001).

Internally, the government bureaucracy was often seen as too big in size; slow in responding to client needs; inflexible; and less sensitive to public choice and customers' views. The traditional model of public administration was perceived to be inadequate in responding to global change in markets, fiscal capacity, technology, politics and public attitude (Lynn 2001, p.192). Public organisations also faced criticisms for being inward-focused and short-term in perspective (Hughes 2003, p.132). There were also changes in culture and perceptions of the people. The public service was then dealing with a new generation of citizens – a socially heterogeneous population less tolerant of the stereotyped and 'maintaining-the-status-quo' approach in public policy (Hood 1991; Caulfield and Schultz 1994).

4.2.2 The New Public Management (NPM)

Despite witnessing a host of changes, this era of reform was initially not given any label. It was only a decade later that the literature to some degree settled on Hood's term, New Public Management (NPM). Despite receiving a warm response from many, NPM was also perceived as 'controversial' by others (Dunleavy and Hood 1994). One of the critiques was that much of what constitutes NPM was borrowed from private sector managerial techniques, and as observed by Pollitt (1990, p.11-27), these techniques were rooted in a long tradition from Frederick Taylor's Scientific Management to contemporary Human Resources Management. So what is new about NPM?

Lynn (1998) further asserts that the claim that NPM has been inexorably replacing bureaucracy with virtual markets around the world has, from its first appearance, seemed tenuous in the study of public administration and its ambiguities are reason enough for the term's popularity, especially among academics (p.232). On the other hand, Common (2001) seems comfortable to view NPM as an unmistakable trend in public administration (p.58). Advancing further, Lane (2000, p.3) views NPM as a manifestation of a fundamental transformation and a theory of a paradigm change in public sector management affecting nearly every corner of the globe. Some of the key elements of the NPM are summarised in Table 4.1 below:

Table 4.1   **Characteristics of the New Public Management**

	Focus	Explanation
1	Strategic and result-oriented	A service that places greater emphasis on impacts and outcomes to ensure customers' expectations are met and stakeholders' interests are fulfilled. Organisations are required to have clear definition of goals, strategies and indicators of success.
2.	Performance-based	A service that gives due concern to the capability of public sector personnel in performing their jobs by creating a mechanism to measure and quantify their performance through explicit performance indicators or quality standards and performance targets.
3.	Flexibility in organisational structure	A more entrepreneurial management style of the modern private sector. Subscribes to the idea of 'disaggregation' or the breaking up of certain functions or services from the main body of the ministry and placing them under certain agencies or corporatised units on a contractual basis.
4.	Private sector style HRM	A more merit-based reward system, short-term appointments by contract, monetary incentive and more freedom to manage. A more customer oriented service.
5	Competitive environment	Underpinned by the public choice theory, competition will lead to efficiency and effectiveness in cost and services. Emphasis is placed on the importance of tendering and contracting out as a way to create a competitive environment.

4.2.3   NPM and Strategic Management – A Shared Principle

The above discussion suggests that most of the elements of NPM fit neatly with the principles of strategic management. As elucidated by Hughes (2003), shifting the focus from inputs to outputs and impacts has several linked steps which are clearly suggested by strategic management principles – setting the objective and determining strategies; devising programmes to meet objectives; setting structure and funding to undertake the programmes; measuring performance and evaluating objectives (p.64). Strategic management sits comfortably within the overall public sector reform movement in the last two decades. In the case of the UK, the application of public choice theory, good governance and best value for money under the NPM calls for the creation of a new set of strategies and a performance-led public sector. As for the US, the 'reinventing government movement' in the 1990s gave new breath to strategic management in assisting public agencies to think and act strategically to achieve their objectives. Public

sector reform has also attracted interest in other developing countries around the globe; Malaysia could not remain isolated from this trend.

4.3   A REVIEW OF PUBLIC SERVICE REFORM IN MALAYSIA

Efforts to modernise public service in Malaysia have been part of the government's master plan since independence in 1957, and such initiatives were undertaken in concert with the country's national development agenda. As in almost every developing country, the main task of a newly formed government was to prepare a development plan for the country. And as in many other countries, there was no other vehicle to shoulder these responsibilities except public service. Ensuring full and quick realisation of this 'nation-building' task required a strong government machinery, supported by a committed and competent public service.

4.3.1   The Establishment of the Development Administrative Unit (DAU)

The need to create a sound administrative machinery and competent human resources to carry out the national development agenda necessitated the government to look for ways and means to develop and strengthen the public service. In a situation where local expertise was inadequate, assistance from outside became necessary. In 1965, the government engaged a team of consultants under the sponsorship of the Ford Foundation, led by two experts from the Harvard University, namely, Professor John Montgomery and Professor Milton J. Esman, to undertake a review of the public administration in Malaysia. The main objective of the study was to improve the administrative systems in the public service to meet the needs of a dynamic and rapidly developing country (Montgomerry and Esman 1966).

Following the Esman-Montgomery Report, the Development Administration Unit (DAU) was established in November 1966 under the Prime Minister's Department to assume the function of planning and guiding major programmes in administrative improvements for the government (Mahmud and Johari 1992). DAU was also responsible to focus on

matters involving personnel and career development, budget and expenditure control; procurement and contracting; and to help various governmental and statutory bodies plan and implement their management improvement programmes (Abdul Aziz 1974, p.57; Abdullah Sanusi 1998, p.61). As recalled by Esman (1972):

> *Programming the activities of the DAU was a matter of the continual balancing of four key variables: priorities, pressures, opportunities, and capabilities. Priorities were the central government-wide system; pressures were the demands from the environment for the DAU's attention; opportunity reflected the difference between change readiness and change resistance among key participants; and capability is a measure of the technical resources available to an organization to undertake a commitment.* (pp.175-176)

The Esman-Montgomery Report and the subsequent setting up of DAU represented a milestone in the Malaysian administrative reforms because it marked the departure in the approach and philosophy of the public service reform from maintenance administration to development administration (Muhammad Rais 1995, p.4). Following suggestions by DAU on the training needs of public personnel, the government established the National Institute of Public Administration (INTAN) in 1972. INTAN was entrusted to provide the necessary professionalism competencies to enable the public service personnel to undertake development efforts.

4.3.2   The New Economic Policy (NEP): Reinforcing Institutional Building Agenda

Another marked development of post-independence Malaysia, which had a strong impact on the role of government bureaucracy, was the launching of the New Economic Policy (NEP) in 1971. The economic wealth that resulted from high growth and strong economy during the sixties had apparently created a somewhat ethnically unbalanced society. The persistence of an urban-rural compartmentalised society with certain ethnic groups dominating different economic functions helped worsened the scenario. While the existing social structure and demographic differences between the three main ethnic groups of Malays, Chinese and Indians were the product of the British's prolonged system of 'divide-and-rule' the Government of post-independence Malaysia, in striving

for high growth and building up the economy during the first decade after independence, placed this issue on the sidelines. As a result, the prevalence of poverty and income disparities between the various ethnic groups exacerbated tensions and fear within the society.

NEP was introduced with two-pronged objectives, namely, to reduce and eventually eradicate poverty irrespective of race; and to restructure the Malaysian society so as to eliminate the identification of race with economic function (Govt. of Malaysia, 1971). Its basic philosophy was growth with equity and equality, with the ultimate goal of achieving national unity (Govt. of Malaysia, 2005). While certain emphasis was to be given to enhancing the economic standing of the Malays, such policies were intended to be undertaken without depriving any section of society of rights or opportunities. The implementation of the NEP witnessed the acceleration of efforts to bring greater development to both rural and urban areas, so as to uplift the social and economic status of the people.

The NEP called for a significant developmental role of the government machinery, and thus placed a heavy premium on the role of the public service. The NEP reinforced the shift from systems maintenance to development administration, with more capacity enhancement and institutional building (Common 2001, p.171). The NEP essentially contributed to the bureaucratisation of public services, whereby the public sector as a whole experienced a significant expansion in terms of size, involvement and expenditure (Noore Alam 2002). This subsequently gave rise to the need for a sound personnel planning and training programmes, upgrading of skills, and enhancing the knowledge of the civil servants to augment their developmental roles (Muhammad Rais 1995).

4.3.3 The Establishment of the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU)

Perhaps another landmark development in the quest to bring in reform to the public service in a more holistic, systematic and continuous manner was the establishment of the

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Malaysian Administrative Modernisation and Manpower Planning Unit (MAMPU) under the Prime Minister's Department in 1977. MAMPU came into force when the Government decided to split the functions of project monitoring (and coordination); and administrative improvement, earlier placed under a single agency of the Implementation, Coordination and Development Administration Unit (ICDAU). The establishment of MAMPU reflected the new concern of the Government to bring in innovations and improvements more rigorously to the public service. MAMPU is tasked with spearheading administrative modernisation in the government agencies by engaging in continuous study to identify problems and weaknesses in various areas, before making relevant recommendations on how best to address the shortcomings. The bottom line of such initiatives is to ensure quality in the output from the public service.

One of the important reform strategies is the issuance of directives and guidelines of improvement programmes known as Development Administrative Circulars (DACs). The uniqueness of DACs is that they not only give directives to government agencies but also provide systematic and detailed guidelines on how to undertake a particular improvement initiative. DACs are issued to all government agencies at the federal, state and the LAs. Special training programmes are carried out by INTAN to ensure guidelines are fully understood by the public personnel. In addition, inspectorate visits and consultancy services are undertaken on a regular basis by MAMPU to ensure all the programmes are implemented effectively and produce the desired results.

The 1980s witnessed a global economic slowdown following the second oil shock in 1979, forcing many governments around the world to put their public sectors under review, so as to reduce massive public expenditure. The government introduced the Privatisation Policy and Malaysia Incorporated Policy (Malaysia Inc.) in 1983 to deal with domestic economic setbacks as well as to curb public spending and improve public service effectiveness. The privatisation policy fundamentally aims to relieve the financial burden of the Government through gradual disengegement of public sector involvement in the economic sphere. At the same time, Malaysia Inc. stressed the importance of cooperation between public and private sectors in order to achieve rapid economic

growth and national development agenda. As elucidated by the Development Administration Circular No. 9/1991, the implementation of the Malaysia Incorporated Policy was aimed at creating a win-win situation for both the public and private sector:

> *The success of the private sector leading to its expansion and increased profit will provide more revenue to the nation through the collection of various government taxes. It is therefore crucial that the public sector ensures the success of the private sector.*

In implementing both policies, the government agreed to setup various panels at various government levels to discuss matters pertaining to the implementation and coordination of government policies involving the private sector. The basic terms of reference of these committees were to emphasise strengthening public sector services that directly affect the private sector in its business and investment dealings (Mahat and Balan 1999).

4.3.4   Administrative Reform in the 1990s: Upholding The Culture of Excellence

The 1990s was marked by increasing global competitiveness in the international market. As the country came out from the economic doldrums, economic growth was consistently encouraging and Malaysia began to move towards rapid industrialisation. Privatisation continued to be an important economic policy, and the private sector continued to be the engine of growth. Manufacturing and services emerged as important economic sub-sectors contributing significantly to the economic growth. In 1991, the Government announced Vision 2020 as a long-term master plan for Malaysia to achieve the status of a fully developed nation by the year 2020. While maintaining much of the philosophy of the NEP to create a balance between growth and equity, Vision 2020 focuses on industrialisation as the country's development base, relying heavily on private sectors and foreign investors (Noore Alam 2002, p.108). In his speech in 1991, when announcing the challenges Malaysia had to face in order to achieve Vision 2020, the then Prime Minister, Mahathir Mohamad, summed up the role of the public sector as follows:

> '…..*it must be the core moving force for modernisation, for our full thrust towards comprehensive modernity. The civil service must provide the*

leadership and the ideas, policies, and programmes that will turn the national vision palpable reality'.   (Malaysia: The Way Forward)

A number of principal strategies have been employed to transform the public service to deal effectively with the new era of the 1990s and beyond. These include providing customer-oriented services; improving work systems and procedures; streamlining organisational structures and strengthening the human capital, enhancing discipline; inculcating values of excellence; strengthening public-private sector cooperation; and incorporating extensive use of ICT (Muhammad Rais 1998, p.58). The overriding objective of the public sector reform in this era has been to achieve a state of excellence through the provision of quality services (Ahmad Sarji 1993). The *'Excellent Work Culture Movement'*, launched in 1989, is seen as the watershed for the new effort for achieving excellence and quality in public service delivery. The theme of the movement, *'Quality: The Foundation of Success'* reflected the emphasis given to quality service by the government bureaucracy.

Measures to strengthen quality services as promised in the administrative reform kicked off with the launching of the Development Administrative Circular (DAC) No.1 of 1992, entitled *'Guide on Total Quality Management in the Public Sector',* which, according to Nazariah (2004)[1], has institutionalised the quality culture movement in the country. TQM has been regarded as the umbrella for a series of quality improvement programmes introduced subsequently, including the Client Charter (1993), ISO 9000 (1996), Benchmarking (1999) and Review of Work Process (2001).

TQM, in the context of administrative reforms in Malaysia, concentrated on building the quality culture among public organisations. Major concerns have been to give a new focus on efficiency and effectiveness; redefinition of quality from customers' standpoint; people empowerment in decision making and a long-term commitment to quality services by organisational leaders (Nazariah and Gopalakrisnan 1999). TQM is critical during strategy implementation because to execute the planned strategies effectively will require

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[1] Nazariah Mohd Khalid was the Director General of Malaysian Administrative Modernisation and Management Planning Unit (MAMPU), Prime Minister's Department from 2003 until Jun 2005

creating the right organisational structure and strengthening work processes to support successful performance. It will also necessitate strong enabling factors including human resources, financial resources, information and technology, and strong organisational leadership to build the right values and culture for organisational transformation.

4.3.5 The Application of Strategic Management Practices in Public Sector Organisations in Malaysia

Common (2001) in his study on public management and policy transfer in Southeast Asia argues that strategic management was not given any particular emphasis in the context of public service reform in Malaysia (p.179). This opinion seems to have justification, for, of twenty five DACs issued by the Government of Malaysia so far, no particular DAC was issued on strategic management per se. Although some elements of strategic management are visible in the circulars (such as establishing organisational mission and vision and undertaking environmental analysis), these principles are embedded in various DACs such as ISO 9000 and TQM. They did not stand as one single DAC. Taking DACs as an indicator, one can say that strategic management has not been given due priority in administrative reform in Malaysia, as compared to TQM.

This is not to say, however, that strategic management has not been given any emphasis at all in the Malaysian public sector. A counter-argument is that strategic planning has been treated as one of the seven principles of TQM under the term 'strategic quality planning' and it involves processes with basic similarities to the concept of strategic management found in the literature – internal and external environmental analysis; formulation of organisational vision; formulation of quality objectives; and identification of improvement activities. It can be argued that public service reform in Malaysia includes strategic planning as one sub-component under TQM. The argument is that strategic management should be regarded as the broader management framework and should create an environment that allows TQM to take place, not vice-versa. Nazariah and Gopalakrishnan (1999) and Musalmiah (1999)[2], in supporting this notion, argue that

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[2] Musalmiah Asli at the time of writing was the Deputy Director General of MAMPU

to ensure a successful TQM, an environment that supports such practices must be created, and strategic management is seen as capable of providing such a supportive environment.

4.3.6   Citizen-consumer Discourse in the Context of Public Sector Reform

Public sector reform movements apparently subscribe to the consumer model of public sector management which treats citizens as consumers or, more specifically, as customers. This is manifested by the easy use of business related terms such as customer-focused, customer satisfaction or customer relationship management. Private sector businesses are taken as the benchmark for excellent quality services with the hope that this will create more customer-responsive public services. While such a 'consumerist' view is seen by many as capable of offering an antidote to the long-standing government bureaucracy, such a notion still sits uneasily within contemporary public management literature. Critiques are centered around the validity and adequacy of the term 'customer' to describe the entire relationship between government organisations and the public (Pegnato 1997; Martin 2003; Alford 2002; Needham 2003, 2006).

One of the main critiques in the citizen-consumer debate in the public sector concerns the clash between 'collectivism' and 'individualism' and how the consumer model is seen as subscribing to a rather reductionist and narrow focus in the public sector reform (Alford 2002; Nedham 2003; Smith and Huntsman 1997). Many would not argue that the terms 'customer' or 'consumer' are fundamentally business expressions, as they refer to a market exchange between an individual and a private firm that involves a financial transaction.

Drawing from the field of economics, Needham (2003) describes consumers as rational actors maximising their utility through their purchasing decisions (p.13). The key element, which is an exclusive preserve of a customer, according to the language of economists and sociologists, is his or her freedom to choose. Needham (2003) further argues that the act of having preferences and deciding what to choose reflects an exercise of individual or personal autonomy. A private-sector customer transaction is basically a

reciprocal and bilateral process in which the customer provides money for goods and services and the exchange takes place in a direct way. Both parties receive private value in that the goods or services are consumed by the customer individually.

Treating public managers as manufacturers, producers or suppliers of government services, the consumer model seems to focus on production in the operation of government, aimed at maximising the satisfaction of individual public service user. It is in this narrow context that Alford (2002) rejects blanket adoption of a private business model of management, arguing that it would devalue citizenship (p.337). Looking from the lens of social-exchange theory, he contends that the customer-firm relationship is just a restricted economic change, not the *only* type of relationship as perceived by public sector management reformists. In addition, not all relationships between citizens and public institutions are service delivery. A consumerist view looks at citizens in their roles as public service recipients and users and, as such, terminology such as customers or clients emerges to refer to that particular role. In actual fact, citizens also have other roles and responsibilities which are not conditional on service use. These include roles as residents, citizens, lobbyists, advocates, voters or constituents.

In the public sector-citizen relationship, value delivered by the public sector organisations is often consumed by the public in a collective manner. This is because, as asserted by McAteer and Orr (2006), a focus on citizenship implies a concern with common social interest, the political good of the community and deliberate and participative political relations (p.133). In addition, the idea of citizenship does not come from the business world. Instead it is rooted in the idea of democracy, whose imprint can be traced from ancient Greece civilisations. The idea of democracy upholds the notion of collectivity in citizen-government relationship. The government and its agencies represent the citizens in providing common goods, protecting their established interests and ensuring the well-being of the community – a notion referred to by the literature as 'public value' – and this is necessarily consumed or enjoyed collectively.

The citizens, on the other hand, carry some rights and responsibilities for improving the government through a democratic political process of interaction and deliberation. This is because, as a member of political community a citizen is a concentration of rights and duties in the person of an individual, within a constitutional state under the rule of law (Bouckaert 1995, p.153). Paying taxes is part of a citizen's responsibilities in a democratic system. The term taxpayers (or ratepayers) is thus used to refer to those citizens who exercise or fulfil one of their responsibilities within the hierarchy of law and regulations. Hence, as argued by Needham (2003), efforts to diffuse consumerism into the government–citizen relationship would turn 'democracy' into a 'market place', downgrading those elements of citizenship that presume a more collectivist and political linkage between individual and state (p.7).

The fact is that most public-sector consumers do not pay money directly for the services they receive. When parents send their daughter to a state school, they do not hand over any cash to the school for the education. When a patient receives eye treatment from an NHS clinic, he or she does not exchange any money for that treatment, as opposed to when the same patient receives treatment from a private eye clinic – in which case he or she will then be regarded as a client of the clinic. The public in the above cases are just beneficiaries of public services, but give no money directly to the organisation. Even in instances when money changes hands, the charge is often a subsidised one, rather than the full economic cost.

It would seem that the political concept of citizenry is wider than the specific economic construct of customer or client. A citizen can become a so-called 'customer' in a very isolated and precise situation – a situation which will (perhaps) require him or her to adopt a 'customer-like' behaviour to ensure services from public organisations are delivered satisfactorily. But as a citizen, he or she has to perform other rights and responsibilities required by law, which a mere customer is not required to undertake. Drawing from Bouckaert (1995), a citizen is part of the entire social and political contract; a customer is just part of a market contract.

Deriving from the above observation, the terms customer or consumer or clients in the context of public sector management reform could be interpreted as being used in a metaphorical sense. Ironically, most of the time people tend to use them literally and as the preceding discussion has highlighted, such a scenario is described by some critics as misleading and unhelpful. 'Customers' constitute a problematic concept in the realm of public sector management and yet it is a concept that is often used somewhat arbitrarily in the literature. The truth is that the terms citizen, customer, client and taxpayer are different constructs, which carry different meanings, and hence, have different implications for practice.

4.3.7   Debates on the Role of Traditions and Dilemmas in the Context of Organisational Reform

The discussion of the global change taking place since the last three decades, which calls for a shift in focus, strategies and management ethos among public sector organisations, and the discussion on LAs' historical context, unpacking their legacies, traditions, conflicts and dilemmas presented above (and to be further reflected throughout the thesis), are actually very much interrelated. This research argues that public sector reform takes place within inherited traditions and legacies among public institutions, and as reform often challenge the status quo and question the current set of ideas, beliefs and practices, it often creates organisational conflicts and dilemmas.

Traditions and dilemmas are focal points for Bevir and Rhodes' interpretive approach to understanding governance organisations. By tradition, Bevir and Rhodes mean a set of connected beliefs, ideas and habits (that inform practices) and that was intentionally or unintentionally passed from generation to generation at some point in the past (p.33). For Bevir and Rhodes (2001), tradition is one important notion in explaining human life and interaction. In their discussion on governance, Bevir and Rhodes (2001) reject complete individual autonomy, able to avoid the influence of tradition, for they argue that people arrive at certain stance based on a prior set of beliefs, or drawing from prior theories. However, they also argue that because individual (and organisations) inherit tradition does not imply they cannot go on to change it (p.109).

Fundamental within debates about reform, are the role of conflicts, ambivalence and dilemmas among organisational members (and other stakeholders), in the pursuit of organisational change and effectiveness. Thomson (1967, p.159) wrote that uncertainty appears as a fundamental problem for complex organisations, and coping with uncertainty is the essence of managing organisations in a strategic way. The review of the related literature suggests the importance of integrating organisational uncertainties, dilemmas and conflicts into an innovative way of managing organisations. The situation is more acute in the public domain. Hogget (2006) argues that the public sphere is the site for continuous contestation of public purposes and the complexity of maximising public value emerges within pluralist societies in which differences of culture, faith, lifestyle and values proliferate. Such pluralism places public organisations at the intersection of conflicting needs and alternative definitions of common good (p.176).

Dilemmas and conflicts, within individuals and institutions, arise when a new idea stands in opposition to existing beliefs and practices, which necessitates a reconsideration or modification to the existing ones (Bevir and Rhodes 2003). Developing the theme further, dilemmas and conflicts emerge as responses to new developments in the environment. As argued at the beginning of this chapter, the profound political, economic, social and technological changes that have beset most economies in the world called for public sector managers to embrace a new set of management philosophies and approaches to deal with new demands from all classes of citizens. Viewed through an interpretive lens, dilemmas and conflicts are related to how organisation members view new changes and interpret them in relation to existing traditions and new possibilities. Arguing in the same vein, dilemmas can serve as driving force to move forward in that they highlight alternatives and frame choices. Within their own capacities, public sector managers use dilemmas and conflicts to question the current practice and change the status quo.

As will be discussed through the entire thesis, the undertaking of strategic management in the LAs in Malaysia has been characterised by a political and contested process, and underpinning this nature of process is the significance of responding to different conflicts

and dilemmas as a result of different traditions, values and cultures inherited by these institutions.

4.4 LOCAL GOVERNMENT IN MALAYSIA

4.4.1 The Concept of Local Government

Despite its universality in practice, a clear-cut one-size-fits-all definition of local government is rather difficult to articulate. Thus, a few definitions are quoted below. The United Nations describes Local Government as:

> *"A political sub-division of a nation or (in a federal system) state, which is constituted by law and has substantial control of social affairs, including the power to impose taxes"*
>
> (Norris 1980:4)

Hills, (1974), in her book, *Democratic Theory and Local Government*, gives the following definition:

> *"Local Government generally meant a system of territorial units with a defined boundaries, a legal entity, an institutional structure, powers and duties laid down in general and special statues and a degree of financial and other autonomy"*   (p.23)

A more comprehensive definition of Local Government is the one from the United States Treasury (http://www.ustreasury.hulnc500/lessons/glossary.html, which says:

> *Local government is a collection of public bodies with authority over a subdivision of a significant area of a country's territory. It is either the third tier in federal countries or the second and third tiers in unitary countries (regions, counties, municipalities, etc.). To exist as a separate entity, a local government body must have the authority to exercise powers independently from other levels of general government*

From the perspective of citizens or the public that receive the service, a local government:

"is a part of government dealing with local matters concerning the residents of a particular area or town. Local government undertakes its work through local councils and is financed by a mix of local taxes, e.g. council tax and grants from the central government".

(http//:www.citizenz.org/public_html/topics/I-demproc/dp-terms.html)

Apparently, some similarities and distinctive elements could be drawn from the definitions quoted above. The features of a local government thus, could be summarized as in Table 4.2 below:

Table 4.2:   Features and Characteristics of Local Government

NO	FEATURES/ ELEMENTS	DESCRIPTION
1	Political	It is a political process of subdividing a nation into smaller units of government.
2	Territorial	It has a clear territorial and defined boundary
3	Legal	Its basis of power and functions are derived from laws and statutes, hence it has its own legitimacy.
4	Power	As a result of its legitimacy, local government has certain autonomous powers especially in imposing taxes and collecting revenue as part of its income.
5	Position	It is the closest government to the people and most of the time has direct communication with the citizens within its territory.
6	Duties	Basically the responsibilities deal with local affairs, covering *inter alia,* the provision of urban services, environment protection and maintaining cleanliness. On the larger scale, local governments also play a role as a catalyst for social and economic development.

The concept of local government reflects adherence to democratic principles through what is often described as Local Self-Government, which is concerned with a national political system based on citizen participation, majority rules, consultation and discussion and the responsibility of leader to lead (Hills 1974, p.23)

4.4.2   Local Government System in Malaysia

Malaysia generally has a federal system of government which comprises three units of government, namely, the Federal Government, the State Government and the Local

Government. The division of authority between the Federal Government and the State Government is enumerated in the Ninth Schedule of The Constitution of The Federation of Malaysia, spelt out into three lists, namely the Federal List, State List and Concurrent List (Muhammad Suffian 1972). The Federal List details matters that fall under the full authority of the federal government and the State List does likewise for the States. The Concurrent List contains the subjects over which both Federal and State Governments have power to legislate. The legislative power of the federal government is the Parliament, while those of the States are the State Legislative Assemblies. Having said that, the 9th Schedule of the Federal Constitution makes clear that where the provisions of State laws are inconsistent with those of the Federal laws, the provisions of the Federal laws shall prevail.

Local Government in Malaysia falls under the jurisdiction of the State Government.[1] Notwithstanding that, the constitution also provides the avenue for central government involvement for the purpose of uniformity in programmes and policies, as well as in modernising the administration of local government. Item 95A of the federal constitution agreed on the establishment of the National Council for The Local Government (NCLG) as the highest body to formulate national policies for development and control over the local governments and for administration of any laws relating thereto (Beaglehole 1976, p. 55). NCLG, which came into formation in 1960, acts as a consultative body of Federal and State representatives to discuss matters as per the terms of reference of NCLG. The Ministry of Housing and Local Government (MHLG) acts as the secretariat of NCLG. As far as the Constitution is concerned, the decisions of NCLG are legally binding and shall be adhered to by the State and the Local Governments. Figure 4.1 illustrates the current set-up of local government in Malaysia.

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[1] As stated in Item 4, Second List of the Ninth Schedule of the Constitution, except for City Hall of Kuala Lumpur which is directly under the Ministry of Federal Territory.

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                        ┌─────────────┐
                        │   Federal   │
              ┌─────────│ Government  │─────────┐
              │         └──────┬──────┘         │
              ▼                ▼                ▼
     ┌──────────────┐  ┌──────────────┐  ┌──────────────┐
     │  Ministry of │  │  Ministry of │  │National Council for│
     │   Federal    │  │  Housing &   │─ ▶│Local Government│
     │  Territory   │  │    Local     │  └──────┬───────┘
     │              │  │  Government  │         │
     └──────┬───────┘  └──────────────┘         ▼
            │                           ┌──────────────┐
            ▼                           │    State     │
     ┌──────────────┐                   │ Governments  │
     │ Kuala Lumpur │                   └──────────────┘
     │  City Hall   │
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| City Councils | Municipal Councils | District Councils |
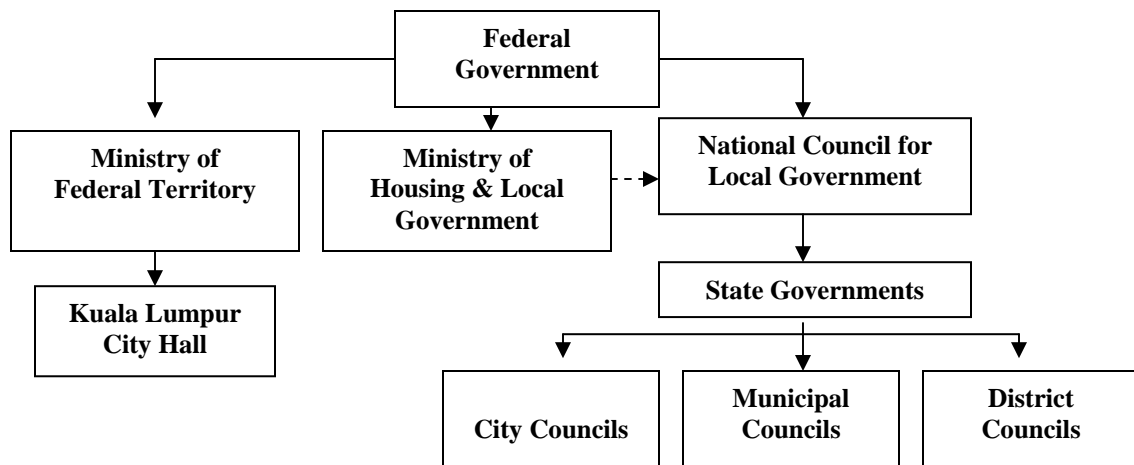
Figure 4.1 The current set-up of Local government in Malaysia

The local government system in Malaysia is a British legacy and began with the creation of an *adhoc* body known as "The Committee of Assessors" in Penang[2] in 1801. This committee played a role as a local authority with its main responsibility to plan and develop the state (Ahmad Atory: 1991). According to Athi Nahappan (1970), the committee was entrusted " *to lay out the town in a manner most suitable to the requirement of the inhabitants".[3]* This committee was composed of a British Officer as a chairman and members who were appointed from the local residents (Athi Nahappan 1970, p.12). The formation of the Straits Settlement[4] in the early nineteenth century witnessed an expanded and more structured local government system. The British introduced the first Municipal Council in Georgetown (Penang) and Malacca, established under the Straits Settlement Municipal Act 1857. According to a report by Bedale (1953), both Straits Settlement Municipal Act and Ordinance were based on the English Local Government and Public Health Act of the British Government.

The local government system in Malaysia has undergone various changes and modifications in terms of its position and power since the country gained independence in

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[2] Penang, an island originally part of the Kingdom of Kedah, was the first territory in Peninsular Malaysia to be occupied by the British in 1795

[3] This committee was authorised to construct streets, to sell adjacent lands in lots and to plan a system of drainage. It was also responsible to preserve law and order, and to levy and raise assessment

[4] The Straits Settlement consisted of Penang, Malacca and Singapore, which were governed together as a crown colony of Great Britain.

1957. The year 1973 witnessed LAs experiencing a major restructuring exercise as a result of a study by a Royal Commission formed in 1968. A new law governing the local government was formulated, namely the Local Government Act 1976, also known as Act 171. This law is still effective today. Based on Act 171, various categories of LAs are streamlined into two principal categories, namely, the District Councils and the Municipal Councils. As of 2008, there are 144 LAs in Malaysia with a breakdown of 97 in Peninsular and 47 in Sabah and Sarawak. Of the total, 12 Municipal Councils have been granted the status of City Councils. Table 4.3 shows the distribution of LAs according to various categories in Malaysia.

Table : 4.3   **Malaysia: Local Authorities by States (2008)**

State	No. of Local Authorities			
	City Council	Municipal Council	District Council	Total
Johore	1	5	8	**14**
Kedah	1	3	7	**11**
Kelantan		1	11	**12**
Malacca	1	2		**3**
N. Sembilan		3	5	**8**
Pahang		3	8	**11**
Perak	1	4	10	**15**
Perlis		1		**1**
Penang		2		**2**
Selangor	2	6	4	**12**
Terengganu	1	1	5	**7**
Fed. Territory	1*			**1**
Sarawak	3	2	20	**25**
Sabah	1	2	19	**22**
Total	**12**	**35**	**97**	**144**

* Kuala Lumpur City Hall
Source: Ministry of Housing and Local Government.

4.4.3   The Roles and Functions of the Local Authorities

Before discussing in more depth the role and functions on the LAs in Malaysia, it is important to differentiate between the terms 'local government' and 'local authority'.

Ahmad Atory (1991) clarifies that local government is one of the approaches of governing or administering a state at the lower level, while a local authority is the administrative unit under the system of the local government that runs the administration (Ahmad Atory, 1991, p.2). Within the same understanding, Milne (1967, p.164) uses the term 'local government authorities' to refer to the administrative arms that run the local government (p.165). Sharing the same view, Husin (2000) further clarifies that in the case of District, Municipal or City Councils, it is the council which comprises appointed council members, a chairman (normally known as 'President' or 'Mayor') and administered by a secretariat or the administrative arms that we refer to as a 'local authority'.

Apart from the main legislation of Act 171, LAs are also governed by two other laws that form their basis of power and functions. They are the Town and Country Planning Act 1976 (Act 172); and the Streets, Drainage and Building Act 1974 (Act 133). Based on the three main laws, the roles and functions of LAs are centered on four main areas. Firstly, the LAs are the providers of various urban services to their residents; secondly they are the local planning authorities in their areas; thirdly, LAs are bodies that oversee particular developments in their locality; and finally LAs play a role as the enforcement body in the administration of the laws within their remit. In addition, Section 13, Act 171 gives the LAs a body corporate status, which enables them to impose certain kinds of taxes, to collect rents, fees and to increase income through property assessment.

Under Act 172, LAs are designated as the local planning authority with the power to plan and control development, including regulating the use of land within their ares. It is under this power that the LAs are the authorised agencies in the formulation of local plans – detailed plans that include all the development proposals and land development programmes within the boundary of the LA in question. LAs will have to come up with strategic development plans in their area that take into account the needs of the people. Act 133 empowers LAs as overseeing bodies in developments to be carried out the locality, aimed at ensuring such developments are well planned and take into account the

safety and well being of the people. This includes giving approval for any development to be undertaken and issuing the Certificate of Fitness to all residential, commercial and industrial premises before they can be occupied and operationalised.

4.4.4   Administrative and Policy Matters: Powers and Constraints

LAs are given the power under the Local Government Act 1976 to recruit their own personnel to carry out their functions. Accordingly, LAs can undertake appropriate human resource management functions such as training and competency building; promotional exercise; retirement planning and managing disciplinary matters among their staff. However, given that LAs fall under the purview of each state government, some important administrative and financial matters are constrained by the power and control of the state authorities. For example, the budget and justifications for creating new posts and recruitment of personnel should first be approved by the state government (Item 16 (1) Act 171). Similarly the chief executives of the LAs (i.e. the Mayor for City Councils or President for Municipal or District Councils) are also appointed by the state.[5] In addition, Councillors are also appointed by the state government, and most of them (apart from a small number of successful professionals and businessmen) are grass-roots politicians from the ruling party.

The state governments are also given the power under the Local Government Act 1976 to expand the boundary of local authorities by either combining a few small LAs or adding new areas including rural areas into existing LAs in order to have a more significant, meaningful and viable size of LAs. The same act also provides the power to the state governments, after consultation with the Minister of Housing and Local Government, to upgrade the existing category of an LA to a higher category, based on the agreed criteria. One can argue here that in many respects, LAs are part and parcel of the state

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[5] Currently, most Mayors or Presidents of LAs are appointed from among government officials. However, as such appointments are the prerogative of each state government, there have been cases where some state governments opted to appoint politicians from the ruling party to be a Mayor or a President of a particular local authority in their state.

government's machinery. The position of LAs in the country is systematically and constitutionally attached to their respective state governments.

LAs in Malaysia practise a closed-service recruitment system. This means that all managers, professionals and technical/supporting personnel (other than the Mayors, Presidents and their Deputies, and in some cases, the Secretaries) who have been appointed by a particular LA will have to stay with the same authority throughout their service. They cannot be transferred, even to another LA in the same state, let alone to another new department altogether. The LAs' closed-service system or lifetime tenure makes the recruitment process especially important to these organisations to avoid 'mismatch' between recruited personnel and the job requirements. Such mismatching will seriously hinder the effective functioning of LAs.

The highest policy and strategy-making body in a particular local authority is the Full Council Committee. This committee comprises the Mayor or President of the LA, who acts as the Chairman, and a group of councillors. The Local Government Act 1976 provides for the appointment of between eight and twenty-four councillors to sit in the full council.[6] LAs also practise a long-inherited Committee System as their important decision-making mechanism. Any issues, either of a general or special nature, will be discussed in a formally set-up committee consisting of a chairman (normally the Mayor or President), a number of councillors and other persons who, to the opinion of the LA, are fit to examine the issues at hand. The committee system serves as the technical working group to deliberate on various issues and propose recommendations to the Full Council Committee for endorsement.

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[6] Councillors of a local authority shall be appointed from amongst persons who in the opinion of the State Authority, have wide experience in local government affairs or who have achieved distinction in any profession, commerce or industry, or are otherwise capable of representing the interests of the communities in the LA area.

4.4.5 The Local Authorities' Committee System: Conflicts of Traditions

LAs' inherited committee system in their decision and strategy making approach often attracts criticisms from the public and service users as being too formal and bureaucratic. Such a feature of decision making is also viewed as a main contributor to delays and inefficiencies in problem solving, which will result in backlogs in various approvals and dealings. Timeliness is, without doubt, an important characteristic of quality services. Drucker (1993) argues that effective executives do not start with their tasks; they start with their time. They start by finding out where their time actually goes. Along similar line, Mackenzie (1997) identified long-winded meetings and massive written documentation for record keeping as among major time-wasters in organisations. Many also argue that in the current environment where time is precious, LAs need to embrace a decision making process that will facilitate the taxpayers, businessmen and developers.

A bureaucratic process of decision making via a highly formalised committee system is also seen as narrowing the avenue for creativity and innovation. Where adherence to the *status quo* seems to rule the entire system, 'the joy of originating' is hardly in evidence. Many would agree that many constructive decisions in organisations often take place outside the highly formal and official deliberation, as this offers a more relaxed environment and supportive for generating new ideas. There are things that people are more comfortable to express over a cup of coffee – a less pressuring atmosphere where people can be creative. In addition, many look at committees as serving more of a rubber stamping function, than as a forum for debating issues with a view to arriving at an optimal solution.

On the other hand, there are requirements for public agencies to be accountable and transparent. As many would counter-argue, the public sector relies on rules and procedures to control the exercise of official judgment – a system of check and balances. When public agencies are held responsible for managing taxpayers' money and required to demonstrate transparency in their decision making, the importance of having official

records or minutes will arise. Records and documentation are also important to lend credibility and ownership to a particular issue and decision to be undertaken. Record and minutes are also needed for the reference of the public, as they serve as public records.

This is actually the dilemma LAs are facing in their decision making and strategy formulation approaches. In one tradition, people are talking about modernising the service by borrowing the private sector model of decision making – reducing red tape and abolishing unproductive practices. Such a tradition insists on maximising the benefit of informalities in fostering a culture of creativity and innovativeness. But this tradition is somewhat 'new' to the deep-rooted and established tradition of a committee system created to uphold the principles of accountability and transparency. LAs are at all times subjected to public scrutiny – a situation where the slightest doubt, suspicion and imprudence is intolerable and a situation where transparency matters greatly. Interestingly though, these two traditions are co-existing very uneasily.

4.4.6   Administrative Reforms in the Local Authorities in Malaysia

The restructuring exercise in the LAs in pursuance of the recommendations from the Royal Commission of Enquiry in 1973 resulted in two main improvements: first, the streamlining and reclassification of various categories of LAs; and secondly the enactment of Local Government Act 1976, which spelt clearly the roles and responsibilities of all LAs in the country. At the same time, the setting-up of the National Council for The Local Government (NCLG) in 1960 provided the avenue for central government to be involved in the running of local government for the purpose of uniformity in programmes and policies, as well as in modernising their administration.

As in other federal and state level government agencies, The *Excellent Work Culture Movement* and TQM gave new impetus for change and concern for quality service among the LAs. Due to the significant roles played by the LAs in dealing with various citizens and stakeholders at grass-root level, special attention was given to improving their service and performance. In particular, two major undertakings have been carried out.

The first involved the convening of an Annual Working Meeting of Senior Officials of Local Government Authorities. This meeting assembles representatives from all LAs in the country with the main aim of deliberating on various quality and service delivery enhancements to be applied in the LAs. This meeting also invites professionals and personalities with relevant background to work out the best and most practical way to improve the service of LAs.

The second undertaking was the introduction of Local Authority Quality Awards for those LAs that have successfully institutionalised features of excellence in their organisation (Ahmad Kamaruddin 1999, p.148). Giving awards to successful organisations as a gesture of recognition has been a common practice. In the context of TQM, the Japanese introduced the Deming Application Prize in 1950. The US government established the Malcolm Baldrige National Quality Award (MBNQA) in 1987, while the European Foundation for Quality Management followed a similar step by introducing the European Quality Award (EQA) in 1992. The introduction of those awards has the same objectives – to generate and stimulate quality awareness among firms; to promote better understanding on the important of quality management; and to provide avenues for the sharing of experiences and best practices (Leonard and McAdam 2002). The Local Authority Quality Award in Malaysia was introduced in 1993. One of the important criteria for the award is the involvement of top management in creating a sound environment for achieving excellence through proper strategic planning.

4.4.7   Strengthening Local Government: The Unfinished Agenda

The issue of the performance of various government agencies, especially the 'front liners', in terms of their service delivery capacity, has been discussed time and again by many interested parties, including top politicians. Mr. Abdullah Ahmad Badawi, the then Deputy Prime Minister, articulates his concern over the future of Malaysia with regard to the service delivery system:

We see our destination, but our roadmap has yet to crystallise. We want to be a fully developed economy, but the global economy – on which we are greatly dependent – is becoming more volatile and unpredictable. In an increasingly globalised world, competition will come to us even if we do not seek it. From poor execution and inept management to shoddy maintenance and appalling customer service, Malaysia is in danger of possessing the hardware but little software. If you operate a hotel in Malaysia, you need approximately 64 separate approvals every year from multiple agencies. Loan documentation in Malaysia can take months, when international benchmarks are measured in days. We must move up the value chain.[7]

In a similar vein, the Chief Secretary to the Government, in his closing speech at the Seminar of District Officers and the Local Authorities 2003, reiterated the importance of LAs improving their service to the people through a strong communication and feedback system; effective enforcement; high integrity and transparency; prudent financial management; enhancing pulic participation in their programmes; and continuous efforts to inculcate a quality culture in their organisations. As frontline organisations dealing directly with people on the ground, the performance of LAs will reflect the image and credibility of the entire government.

It is against this backdrop that studies on how strategic management is understood and adopted by the LAs in Malaysia are both compelling and useful. A number of writers and influential personalities in the field of LAs in Malaysia have voiced their concern on the need to revisit various aspects of LAs to improve their management and operations. Mohd. Nor Bador[8] (2000) argues that failure of the LAs to position themselves as excellent public agencies is due basically to unclear vision and direction, attributable to, *inter alia*, the absence of strategic planning efforts and weak forces of internal change. Along the same line, Mohamed (1998)[9] and Phang S.N. (1997)[10] call for a

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[7] Keynote address entitled 'Competing for Tomorrow' delivered at Oxbridge Society of Malaysia, 3rd June 2003

[8] Mohd Nor Bador was then the President of Petaling Jaya Municipal Council (MPPJ)

[9] Dr Mohamed Zin Mohamad is an expert on local government in Malaysia and is currently a lecturer at the University of Brunei Darussalam

[10] Prof. Phang Siew Nooi is currently a lecturer in local government studies at the University of Malaya, Malaysia

reexamination of the LAs in various areas, including their organisational structure; scheme of services; competency building programmes; and new dimensions of managing LAs in the current changing environment. Also Ahmad Kamaruddin (1999, pp.158-159)[11], stressing the importance for LAs to undertake research, needs assessment and intelligence gathering, argues that research in LAs is currently discretionary; planned research is rare.

4.5   CONCLUSION

This review has shown that for two reasons, strategic management has been given due emphasis in public sector reform in Malaysia, in particular, in the LAs. First, strategic management has been taken as one important principle of TQM. Secondly, strategic management has been made an important criterion in local authority quality awards. This review has also shown that the importance of LAs is strongly acknowledged by the government. Some critics clearly link the 'not-up-to-the-standard' performance of LAs with the absence of clear vision and strategy, and their inability to identify current needs and react to occurring trends. While the initial review suggests that there are a number of LAs that apply strategic management in their administration, there seems to be a lack of in-depth studies on how the principles of strategic management are understood and applied by these organisations. In this particular setting, this study aims to address this deficit by capturing CEOs' ways of understanding and analysing their environment and positioning themselves in relation to their surroundings. Equally important is to examine approaches to strategy formulation, as well as exploring the nature of strategy development among the LAs.

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[11] Ahmad Kamaruddin was the Deputy Secretary General Ministry of Housing and Local Government, Malaysia and former Deputy Director General of MAMPU.

INTRODUCTION TO PART III:

RESEARCH METHODOLOGY

Research methodology relates to the choice of analytical strategy and research design which underpins an academic inquiry. The following two chapters, which make up Part III of the thesis, will discuss the study's research methodology. It starts with **Chapter 5,** which presents the macro view of various traditions in knowledge inquiry. Directing the torch to the discussion of epistemological and ontological aspects of an academic research, this chapter brings to light the research paradigms, approaches and strategies adopted by the study. This chapter also provides justifications for taking those paths. Consequently, **Chapter 6** narrows down the discussion to the actual fieldwork of data gathering and analysis by presenting the actual accounts of the entire process, involving various phases of interrelated activities. The unveiling of the field work activities presents evidence to answer the 'what' question; the 'how' question; and the 'why' question with regard to the undertaking of the field work and data analysis for the study.

CHAPTER 5: RESEARCH METHODOLOGY: DIMENSIONS IN THE RESEARCH PROCESS

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Route Map

This chapter presents an overview of the overall tradition of research inquiry so as to give an understanding of the research methodology and the justification for adopting such a methodology by this study. It starts with a discussion of three dimensions of the research process, namely, research paradigms; research approaches; and research strategies and the justification for the choices made. Subsequently, a discussion of case study research design is presented, which covers the debate on sampling techniques; the selection of multiple cases; and the selection of respondents. Finally, this chapter discusses the data collection process, emphasising two main data collection methods in qualitative inquiry and the case study approach, namely, interviews and documentary survey.

5.1 INTRODUCTION

Part II (Chapters 2, 3 and 4) of this thesis presented a review of the relevant literature for the study, which built the foundation for and justification of the need for the research. This chapter will discuss the research methodology employed by this study as a vehicle to answer all the five research questions stated in Chapter 1. It is not uncommon to find literature using the terms 'methodology' and 'methods' interchangeably. However, a number of methodological researchers argue that both terminologies belong to different levels of philosophical understanding. According to Bryman (1984, p.76), the term 'methodology' refers to an epistemological position; while 'methods' and 'techniques' refer to ways of gathering and analysing data, hence, both terms indicate different levels of analysis. Arguing in a similar vein, Saunders *et al.* (2007) assert that the term methodology belongs to a bigger construct as it is linked to the theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which a research study is based (p.3). Research methods, on the other hand, explain 'how' research questions will be answered in terms of tools or instruments to be used by a researcher to gather empirical evidence. The selected methodological setting discussed in this chapter is depicted in Figure 5.1 below.
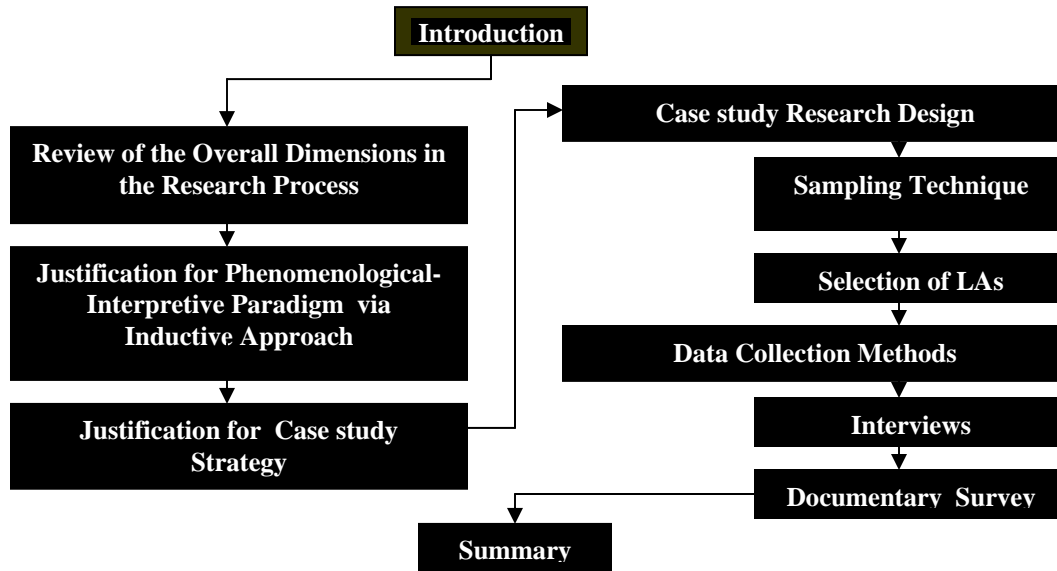
Figure 5.1   Outline of Chapter 5

5.2   DIMENSIONS OF THE OVERALL RESEARCH PROCESS

5.2.1   Research Paradigm – A Critical Review

Generally, a paradigm is a set of beliefs, propositions or a worldview that defines the nature of the world (Guba and Lincoln 1994, p.107), and explores what constitutes proper techniques for inquiring into that world (Punch, 2000, p.35). It refers to a researcher's perspective on a way of thinking about, and making sense of the complexity of the real world (Patton 2002, p.69). Accordingly, the research paradigm shapes the entire research process and provides directions for the overall exercise, covering the approaches and data collection techniques within its philosophical setting. Two fundamentally different and long standing debated paradigms among research philosophers are logical positivism and phenomenological inquiry (Patton 2002, p.69; Sarantakos 1997, p.32; Collis and Hussey 2003, p.47). Some writers use the term *philosophies* and *perspectives* to explain the difference between the two main traditions of inquiry (Saunders *et al.* 2007, p.102; Smith, *et al.* 2002, p.28; Patton 1990, p.68).

Logical-positivism

QUANTITATIVE

Deductive

Research paradigms/philosophies

Experiment
Survey
Case Study
Grounded theory
Ethnography
Action research
Phenomenology

Research approaches

Research strategies/methods

Sampling; Secondary data;
Observation; Interviews;
Questionnaire

Data collection methods

Inductive

Phenomenological-interpretivism

QUALITATIVE

Figure 5.2   A Holistic View of the Research Process
Adapted from Collis and Hussey (2003); Saunders, *et al.* (2007); Denzin and Lincoln (2000) and Patton, M.Q. (2002)

As illustrated by Figure 5.2, the logical-positivist paradigm uses quantitative and experimental methods to test hypothetical-deductive generalisations, as opposed to phenomenological inquiry which adopts qualitative and naturalistic approaches to inductively understand human behaviour. For this reason, many writers find it convenient to refer to the positivist paradigm as *quantitative* research and the phenomenological paradigm as *qualitative* research.

In discussing the differences between these two dominant cultures of inquiry, the terms ontology and epistemology are often used to examine how human beings come to know about their world (Burrell and Morgan 1979; Creswell 1998; Smith *et al.* 2002). Ontology is concerned about the nature of existence; hence, it seeks to answer, 'what is the nature of reality?'(Denzin and Lincoln 2000 p.19). The ontological assumption within the logical-positivist paradigm is that reality is objective, external and singular, and hence separated from the individual who observes it. By contrast, phenomenological-interpretivism views reality as subjective and multiple, as seen and interpreted by human beings through sense-making processes. Epistemology, on the other hand, is concerned about knowing the relationship between the inquirer and the known (Denzin and Lincoln 2000 p. 9). Epistemological debate has been centred on whether reality exists beyond

human minds and the researcher is independent from that being researched (as advocated by the positivist view), or reality is part of that being researched, so that a researcher interacts with the subject being investigated (as assumed under the interpretivist belief).

The roots of the logical-positivist paradigm lie in natural science. Hence, this school of thought upholds the philosophy that 'reality' can be discovered through 'experimental reasoning' or 'scientific observation' and tested in terms of its cause-effect relationship among identified variables (Creswell 2003; Collis and Hussey 2003; Saunders *et.al* 2007). The basic tenets of positivism are, thus, empiricism and objectivity (Denzin and Lincoln 2000; Sekaran 2000). The application of the positivist paradigm in management and organisational studies is therefore aimed at producing general causal theories in explaining various aspects of organisational behaviour, which are validated through scientific methods.

Phenomenological-interpretive inquiry, on the other hand, emphasises understanding the social world through an examination of the interpretation of that world by its participants (Burrell and Morgan 1979; Bevir and Rhodes 2003; Bryman and Bell 2007; Gummesson 2003, 2000). Interpretive inquiry believes that human beings are dynamic and they continuously construct their own social world. Consequently, efforts to understand social phenomena, necessitate an unveiling of the understandings and beliefs of the people who shape such phenomena, often undertaken via qualitative or interpretive approach (Silverman 2000; Seal 1999). Similarly, in the field of management and organisational study, new organisational theories and emergent concepts are often derived from the sense-making process (among organisation members within their environment), spawned through researchers' engagement in conducting an in-depth phenomenological inquiry in the real setting (Miles and Huberman1994; Bryman and Bell 2007).

5.2.2 Justification for Adopting the Phenomenological-Interpretive Paradigm Via an Inductive Approach

This research adopts the phenomenological-interpretivist paradigm via an inductive approach as its guiding principle. The reason for adopting this paradigm and approach

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lies in the fact that this study is subjective and humanistic in nature. It is interested in studying and understanding the dynamics of the strategic management process in organisations, focusing on human behaviour, judgment and interpretations and how these elements are pieced together in developing organisational strategies. In the interpretivist-inductive research, a researcher attempts to make sense of the situation without imposing pre-existing expectations on the phenomenon under study (Patton 1990, p.44). An inductive approach refers to observation of empirical reality that leads to theory development, which means that general inferences are induced from particular instances (Collis and Hussey 2003; Snape and Spencer 2003).

As elaborated in Chapter 1, the overriding objective of this research has been to investigate how LAs in Malaysia subscribe to some of the principles and practices of strategic management. Two main areas of concern were identified – firstly, to understand LAs' strategic positioning within their 'business' environment and secondly to understand the dynamics of strategy formulation and the nature of strategy in different LAs. A closer look at the research questions indicates that the main concern of this study is to offer an understanding of organisational phenomena, and as this study is concerned with reflecting on human views, perceptions and judgments based on their knowledge and experiences in order to gain an understanding of social and human activities, it fits comfortably with the phenomenological-interpretivist paradigm (Miles and Huberman 1994, Collis and Hussey 2003); at the same time it appeals to an inductive approach.

The above explanation also explains why this research will not employ the positivist paradigm via a deductive approach. This research does not aim to prove or disprove a particular theory via hypothesis testing, which is the primary objective of quantitative research. Instead, this study seeks to uncover new constructs or invent theoretical perspectives from which to view organisational phenomena (Currall and Towler 2003 p. 518). As suggested by the literature, the best way to uncover the dynamics of a particular organisational process is by putting oneself as part of that being researched and immersing oneself in the minds of key actors (Collis and Hussey; 2003; Saunders *et al.*

2007; Janesick 1994; Morse 1994), to be able to understand the reasons underpinning certain processes from their viewpoints and experiences.

The literature review presented in Chapter 2 suggests that the inductive phenomenological-interpretivist paradigm occupies a firm footing within strategic management research, particularly from those offering an understanding of the dynamics of strategy process and content in both the public and private sector organisations (Bryson and Roering 1988; Perry 1998; Giola *et al.* 1994; Hartfield and Hamilton 1997; Dunfold and Jones 2000; Isabella 1990). As asserted by Pettigrew (1997), strategy process and content is concerned with understanding human conduct as a dynamic activity. This involves understanding how the past history of a particular organisation could impact upon the current reality (p.339). In a similar vein, qualitative data sources obtained from qualitative research serve as effective tools for understanding the interchange between agent and structure in an organisation and how it shapes the present scenario, manifested in the enactment of certain policies and strategies.

5.2.3 Justification of Case Study Strategy for the Research

Saunders *et al.* (2007) define research strategy as the general plan of how a researcher will go about answering the research questions (p.90). A research strategy should be clear about the sources from which data will be collected and the constraints which a researcher might encounter in the course of undertaking the research. Some writers also use the term 'research methods' to explain the 'vehicle' that will lead to meeting the research objectives (see for example Gillham 2000, p.13). Yin uses the terms 'research strategy' (1989, p.13, 22) and 'research method' (2003b p.4) interchangeably when discussing case studies in social research. For this reason, the current discussion will also use both 'research strategy' and 'research method' to refer to the same construct.

This study adopts a multiple case study method as its major research 'tool' to address its problem statement and to provide answers to all its research questions. There are several justifications for this decision. First, the case study as the research strategy represents one

of the primary research methods, which is normally undertaken within the phenomenological-interpretivist paradigm. In addition, the case study method also works well with the inductive approach. A case-study method is appropriate when a researcher wishes inductively to describe, explore or explain the phenomenon being investigated in its real context, with the aim of adding and developing new aspects of the existing theory in a particular area of research.

The relevant literature reflects a general agreement that case study should be the preferred strategy firstly, when it seeks to address 'how' or 'why' questions; secondly, when the investigator 'has little control over events'; thirdly, when the research is driven by a problem that was uncovered in the setting; and finally, when the researcher interacts with the participants during the investigation (Yin 2003a; Stake 2000; Guba and Lincoln 1994; Perry 1998). In short, as summarized by Yin (2003a), a case study is 'an empirical inquiry that investigates a contemporary phenomenon with its real-life context, especially when the boundaries between phenomenon and context are not clearly evident' (p.13). This research employed a multiple case studies approach within the case study method, considering a point made by Yin (1989 p.52), that the evidence from multiple cases (in comparison to a single-case study) is considered more compelling, and the overall study is therefore regarded as being more robust.

Finally, case studies have been a common research strategy in attempting to obtain deep understanding of individual, organisational, social and political phenomena within their own unique context, in the journey to propose a new concept and theory, or to add to the current ones. Indeed, some exemplary works undertaken by a number of renown researchers in the field of strategic management employed the case study method (Chandler 1962; Miles and Snow 2003; Allison 1971; Mintzberg *et al.* 1976; Nutt 1984; Eisenhardt 1989; Wechsler and Backoff 1986; Choo 2005; Palmer and Quinn 2003).

5.3   CASE STUDY RESEARCH DESIGN

5.3.1   Sampling for this Study: Purposive and Theoretical

Methodologists in qualitative research have reached a (sort of) general consensus concerning sampling for qualitative studies – that selection for case studies should be undertaken based on purposive sampling as opposed to random sampling. Denzin and Lincoln (2000), observe that:

> *..many qualitative researchers employ purposive, and not random sampling methods. They seek out group, settings and individuals where the processes being studied are most likely to occur*
>
> (p. 370)

Accordingly, Ritchie *et al.* (2003); Stake (2000); Perry (1998) and Eisenhardt (1989), noted that qualitative research uses non-probability sampling for selecting the population for the study. In his support of purposive sampling, Eisenhardt (1989 p.537) argued that *'random selection of cases is neither necessary, nor even preferable'*.

Purposive sampling involves selecting a sample or people who are most readily available to participate in the study, and who can provide information that answers the research questions of the study. The logic and power of purposive sampling lie in selecting information-rich cases for an extensive and in-depth study (Patton 2002, p. 230; Stake 2000 p.446). Also known as judgmental sampling (Saunders *et al.* 2007, p.486; Sarantakos 1997, p.152), purposive sampling techniques are non-probability sampling, in which sample units are selected based on the researcher's judgment that they are capable to focus on key themes and engage in in-depth data gathering (Saunders *et al.* 2007). The chosen sample are believed to be reliable in revealing detailed information required in the exploration and understanding of the central themes of the research, that relates to specific experiences and behaviours (Ritchie *et al.* 2003 p.78).

The literature also suggests another sampling technique in qualitative inquiry, namely, theoretical sampling and often implies that purposive sampling should work hand in hand

with theoretical sampling, as the former often leads to the latter (Silverman 2005; Bryman and Bell 2007; Glaser and Strauss 1967; Strauss and Corbin 1998). Silverman (2005 p.130, citing Mason 1996) notes that theoretical sampling involves selecting groups or categories to study on the basis of their relevance to one's research question; one's theoretical position and the explanation or account which one is developing. This argument shows that theoretical sampling provides a specific and clearer objective for the (somewhat) general concept of purposive sampling. In short, purposive sampling serves as the means; theoretical sampling determines the ultimate purpose of the sampling.

Against those backdrops, and considering that 'information richness' is key for undertaking qualitative case studies, a purposive and theoretical sampling technique was used in identifying multiple cases for this research. Purposive and theoretical sampling were considered appropriate because this study aimed to study a phenomenon in an organisation and sought to uncover new constructs or add new insights to theoretical perspectives from which to view organisational phenomena. Purposive sampling would ensure that key constituencies of relevance to the subject matter were covered. Correspondingly, the sampling had to be theoretical at the same time, as this research aimed to develop new aspects of the existing theory of strategy positioning; approaches to strategy; and the nature of strategy in the LAs. This is done by presenting fresh insights and richness of meanings into a number of sub-areas of the field of strategic management within the specific context of LAs' administration in Malaysia, hence pushing the existing boundary of knowledge on the subject matter a few steps forward.

5.3.2   Determining the Number of Cases for Multiple Case Studies

The literature does not provide clear-cut rules with regard to determining the number of cases in qualitative inquiry, as opposed to that in quantitative research. Patton (1990 p.181, quoted in Perry 1998 p.793) proclaims that there are no rules for sample size in qualitative research. However, there have been some broad guidelines put forth by a number of writers on how many cases a PhD research should contain. Some writers suggest that qualitative researchers should proceed in adding cases (and interviewees)

until they reach a state of 'theoretical saturation' (Eisenhardt 1989 p.545), or 'to the point of redundancy' (Lincoln and Guba 1985 p.204). Both terms refer to a situation where the data being collected starts to be repetitive and little new major information emerges.

Experiences by other authorities on multiple case study designs have reflected a number of different ranges within which the number of cases should fall. Eisenhardt (1989) for example, suggests between four and ten cases. He argues:

> *While there is no ideal number of cases, <u>a number between four and ten cases often works well.</u> With fewer than four cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be convincing.* (p. 545, emphasis added)

Thinking along the same line, Heddges (1985 pp. 76-77) proposes that in practice, four to six groups could form a reasonable minimum for a serious project, while twelve cases should be the maximum, considering the high cost involved and the huge amount of qualitative data to be analysed. To make the 'ceiling' even clearer, Miles and Huberman (1994 p. 30) contend that more than 15 cases make a study 'unwieldy'. Taking into account all the arguments and suggestions above, nine LAs were selected as the sample for this study and in-depth data gathering was conducted via interviews and documentary survey. The process of selection of the nine LAs for this multiple-case research will be discussed further in the following sections.

5.3.3   Selection of the Local Authorities

Local government in Malaysia can be divided into two broad divisions, namely the rural districts and the urban centres. While there is only one type of LA in the rural districts, which is known as the District Councils, the LAs in the urban centres come in two types – the Municipal Councils and the City Councils. District Councils are generally rural in nature with dispersed population of less than 100,000 and with an annual revenue of less than RM10 million. The Municipalities, which are administered by Municipal Councils are urban in character with a population greater than 100,000 and annual revenues above RM10 million. Finally, the Cities, whose LAs are City Councils, are typically

administrative centres and capital cities with population above 300,000, and annual revenue above RM 80 million. They are usually commercial and industrial centres. Municipalities can be upgraded into Cities when they reach a certain level of urbanisation and fulfil the relevant criteria. Similarly, District Councils can also be upgraded to Municipalities under the same circumstances. Cities are led by Mayors, while municipalities and districts are headed by Presidents, all of whose appointments are made by the respective state government. There are currently 144 LAs in the country, broken down into nine City Councils, 34 Municipal Councils and 101 District Councils.

Although this study adopted a purposive and theoretical sampling strategy, in which the selection of LAs was based on prior information involving those authorities currently engaged in strategic management, it also employed a mixture of *homogeneous* and *heterogeneous* samples (Patton 2002). By mixture, it is meant that the LAs studied covered all the three categories of City Councils, Municipal Councils, and District Councils. The chosen sample also covered different locations and regions, settings, sizes and environments. This was to ensure as far as possible a representation in the sample, which would ultimately yield a fair account of the current practice of strategic management in the LAs in the country.

On that note, the selection of the nine LAs for the research sample also took into consideration elements such as the categorisation of LAs, size, location and complexity, without ignoring the fundamental factor of 'information richness' a particular LA could give, to ensure the objectives of the research were met. The selected LAs for the research are shown in Table 5.1 below:

Table 5.1   **LAs Selected for the Case Studies**

Group 1 : Cities	Group 2 : Municipalities	Group 3 : Districts
a) Shah Alam City Council (MBSA)	a) Petaling Jaya Municipal Council (MPPJ)	a) Kuala Selangor District Council (MDKS)
b) Historic Melaka City Council (MBMB)	b) Subang Jaya Municipal Council (MPSJ)	b) Kerian District Council (MDK)

| | c) Seberang Perai Municipal Council (MPSP) | c) Dungun District Council (MDD) |
| | d) Kemaman Municipal Council (MPK) | |

5.4   DATA COLLECTION METHODS AND TECHNIQUES

Yin (1989) asserts that evidence for case studies may come from six sources, namely, documents, archival records, interviews, direct observation, participant observation and physical artifacts. He further added that:

> *…some overriding principles are important to any data collection effort in doing case studies. These include the use of multiple sources of evidence – that is, evidence from two or more sources, but converging on the same set of facts or findings* (p. 84).

Developing the theme further, Patton (2002, p. 247) used the term 'triangulation' to refer to a combination of different sources in the study of the same phenomena. He identified two types of data triangulation in qualitative studies, namely, method triangulation and triangulation of the qualitative data sources. Method triangulation involves comparing some kind of data collected through qualitative methods with some kind of data collected by quantitative methods. On the other hand, triangulation of qualitative data sources refers to comparing data collected by different means within qualitative methods (p. 467).

Taking cognisance that findings in the case study would be more convincing and accurate if based on more than one source, this study employed a triangulation of several qualitative data sources in its data collection methods, and this was undertaken in line with the phenomenological paradigm and inductive approach. The triangulation of qualitative data in this study basically involved interviews and document analysis. In addition, the researcher also engaged, albeit to a limited extent, in a number of observations during the data collection process[1]. The main strength in triangulation is

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[1] This was done in the form of participating in one Full Board Meeting; two Head of Department Meetings; and two 'Meeting the People' sessions in the LAs under study.

derived from the fact that no single method ever adequately solves the problem of rival causal factors, as each method reveals different aspects of empirical reality (Patton 2002, p.247).

5.4.1   Interviews

> *'…the fact of the matter is that we cannot observe everything – feeling, thoughts and intentions; we have to ask people questions about those things'*
>
> (Patton 2002, p.341)

The interview method is considered one of the fundamental data collection techniques in qualitative research as it provides powerful 'tools' to study human beings and how they interact with their world (Perry 1998; Fontana and Frey 2000; Sekaran 2000; Patton 2002; Denzin and Lincoln 2000). Sharing of experiences through peoples' narratives and reflections will enable a researcher to be immersed into their beliefs, stances, preferences and judgments that shape their actions and practices. The advantage of the interview is that it can reveal information about abstract things and emotionally-laden subjects such as feeling and beliefs, and is capable of probing the sentiments and attitudes that may underlie an expressed view. Yin (2003b) supports this notion by contending that human affairs should be reported and interpreted through the eyes of the interviewees (p. 92).

Taking cognisance of all the points raised, this study employed semi structured interviews as its main data collection method, to solicit respondents' experience, opinions and knowledge of dealing with strategic management practices in their organisations. In particular, semi structured interviews were used to solicit the CEO's views in terms of their construal of the internal and external forces influencing their organisation. Interviews were also employed to understand the thinking of the management of the LAs in terms of how they dealt with the stakeholder issue. Similarly, respondents' reflections and narratives were drawn out from interviews and group discussions to capture top management's ways of strategising and how the strategy making process in the LAs is undertaken, based on their knowledge, experience and worldview. Semi structured

interviews in this research gave freedom to the interviewer to vary the questions to include issues (not originally planned), amend the order in which they were asked, add extra probes and be open to new avenues that could lead into further or even subsequent interviews. It also gave more flexibility and openness to the interviewees to express their views, feeling and experiences on the adoption of any particular management practices by their organisation.

5.4.2   The Number of Interviewees/Respondents

Given the complexity and nature of qualitative research, the literature often avoids dictating specifically the appropriate number of interviewees needed in a particular research. As in the case of determining the number of cases, there has been no harmony among qualitative researchers concerning what constitutes a sufficient number of respondents in a qualitative study. This is understandable, given that the number of respondents in qualitative research is contingent upon a variety of factors such as the objective of the study, the types of event being investigated and the availability of time and resources on the part of the researcher (Silverman 2005; Saunders *et al.* 2007; Lincoln and Guba 1985; Patton 2002; Strauss and Corbin 1998). In support of this notion, Mintzberg (1979) argues that the choice (of the number of interviews and sample size) obviously depends on what is to be studied; but it should not preclude the small sample which has often proved superior (pp. 583-584).

The literature suggests that qualitative inquirers should keep on interviewing the respondents until they feel that they have reached a point of theoretical saturation or stability, in the sense that no major points or new information emerge from the interviews (Glaser and Strauss 1967; Eisenhardt 1989; Patton 1990). Lincoln and Guba (1994) recommend that samples and interviews should be added until the researchers reach what they term 'the point of redundancy'. Another point to note when debating the issue of 'how much is enough', is the 'advice' by the literature that data on organisational strategy should be collected from knowledgeable and senior managers who are really involved in the process. Fortunately, however, Perry (1998) came up with a relatively clear indication

concerning the appropriate number of interviews in a doctoral research, which he described as a rule of thumb that can assist research design. He asserts:

> *Our experience and anecdotal evidence suggests that a PhD thesis requires about 35 to 50 interviews. The PhD interviews would ideally involve about three interviews at different hierarchical levels within 15 case study organisations, for example* (p. 794)

Based on the argument presented above, in this research, 45 interviews were undertaken from the nine LAs selected as the case study sample. This number falls within the rule of thumb suggested by Perry (1998) and at the same time meets his second suggestion, as respondents were selected from different hierarchical positions within each LA.

In addition, as explained in Chapter 1 and earlier in this chapter, the aim of this research was to engage in an in-depth discussion with the respondents in order to gain deep and rich information related to their experiences, perceptions and understandings on a number of phenomena related to a number of areas in the field of strategic management through their discourses and narratives. Thus, given specifically what the researcher wished to accomplish and the type of conversation that the researcher wanted to have with people with this objective in mind, and given the specific areas of study to be covered in the entire research, the number of organisations taken as cases as well as the number of respondents chosen for this research is considered sufficient and reasonable.

The selected respondents represented five groups of different personnel whom the researcher believed to be able to give the richness of information required to provide answers to all the research questions:

a) The Mayor or President of each participating LA, being the CEOs of the LAs;

b) Secretaries of the LAs, being the Chief Administrators and coordinators in the organisations; and the Director of the Secretariat Division or Corporate Planner, as the personnel who perform the duties of formulating strategic planning and management; and

c)   All the Directors of Divisions or Heads of Departments in LAs, being (as the middle management group) the main actors and implementers of strategic management practices in the organisation.

On top of that, this research also included two other categories of respondents in its attempt to obtain a more holistic and true picture of the overall issue, and they are:

d)   The Secretary-General of the Ministry of Housing and Local Government, being the Head of the administration of the ministry that looks after Local Government in Malaysia; and

e)   The State Secretaries, being the chief administrators of the State Governments in which the selected LAs are located.

The inclusion of the last two groups was considered important as they represent the stance of federal government and the respective State governments. This helped supplement the perspectives from within the organisations solicited from CEOs, Heads of Department/Divisions and organisational members.

5.4.2   Documentary Survey

Documentary survey was undertaken as one of the methods of data gathering to supplement primary data obtained from interviews. The main purpose of documentary survey in this research was to ascertain official discourse and policy content pertaining to strategic management engagement in the sampled organisations. A survey of relevant documents was also an important source of information on how strategy is constructed and represented in the organisation. Marshall and Rossman (1999 p.116) suggest that the review of documents is an unobtrusive method, rich in portraying the values and beliefs of participants in the setting. Documentary survey in this research mainly covered official documents such as reports on Strategic Planning Workshops, Annual Work Target Seminars, Department Bulletin and Reports; Parliament and State Acts/Enactments and

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Reports of Local Authorities and Prime Minister's Award Competition participation prepared by the LAs.

In addressing the research question regarding external environmental considerations, documentary survey was used to get the first cut information on various (external) forces that would have major impact on the survival of the LAs. Likewise, in exploring how LAs realign themselves in relation to their stakeholders, official discourses formed an important source in identifying various external actors/stakeholders that had been viewed as crucial by the participating LAs. All this information was subsequently triangulated with interviews and group discussions to provide rich information on the overall issues under study.

5.5   CONCLUSION

This chapter has provided justifications for the study's research methodology. Included in the discussion was the employment of the phemenological-interpretive (qualitative) paradigm, which was undertaken in parallel with an inductive approach. This chapter also explained and justified the multiple case study strategy employed by this study, and along the way, provided a discussion of the sampling techniques; the selection of cases; and the selection of respondents. Finally, this chapter highlighted the data collection process, emphasising two main data collection methods in qualitative inquiry, namely, interviews and documentary survey. Having laid down the discussion on the research methodology of the study, the next chapter will deal with the actual process of data collection and data analysis.

CHAPTER 6:   RESEARCH DESIGN: DATA COLLECTION AND ANALYSIS

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Route Map

This chapter reports the actual operation of data collection and data analysis carried out under the chosen paradigm. The chapter starts by presenting the four phases of data collection undertaken by the researcher, beginning with the preparation of the interview protocol; the preliminary interview fieldwork; the undertaking of the pilot case study; and the commencement of the actual interview sessions. The chapter then deliberates on the entire process of data analysis, covering the 'the massive work of preparing the interview transcripts; checking and validating interview transcripts; and the process of organising and categorising interview data via data coding. All those tasks were carried out as per suggestions by the literature. In undertaking the entire exercise, the overriding objectives of the study were taken as important guidelines. Also highlighted are the interpretive approach adopted by this study in analysing relevant discourses and the important roles were played by 'metaphors' in capturing new ways of seeing and conceptualising organisational phenomena. Finally, the chapter discusses the issues of reliability and validity of the research, highlighting measures undertaken to ensure credibility in this research.

6.1 INTRODUCTION

Following the deliberation and justification for the adoption of appropriate methodology in Chapter 5, the present discussion will deal with the actual research design of the study and will give a full account of the actual research process undertaken by the researcher. As argued by Silverman (2005, p.304), researchers in qualitative study should treat a methodology chapter as a set of cautious answers to questions that might be raised by the audience, and this will call for a transparent documentation of what has been done in the actual setting (the 'what' question); how the processes were carried out (the 'how' question) and the rationale behind the research design (the 'why' question). Furthermore, the literature agrees that quality in qualitative research demands, among others, methodological rigour, which, as asserted by Seale (1999), involves a commitment to showing as much as possible to the audience, the procedures and evidence that have led to a particular conclusion.

6.2 DATA COLLECTION PROCESS

As illustrated by Figure 6.1, the data collection process for this study involved four different phases, namely the preparation of the interview protocol; the initiation of preliminary interview fieldwork; the undertaking of a pilot case study; and the commencement of the actual interview sessions.
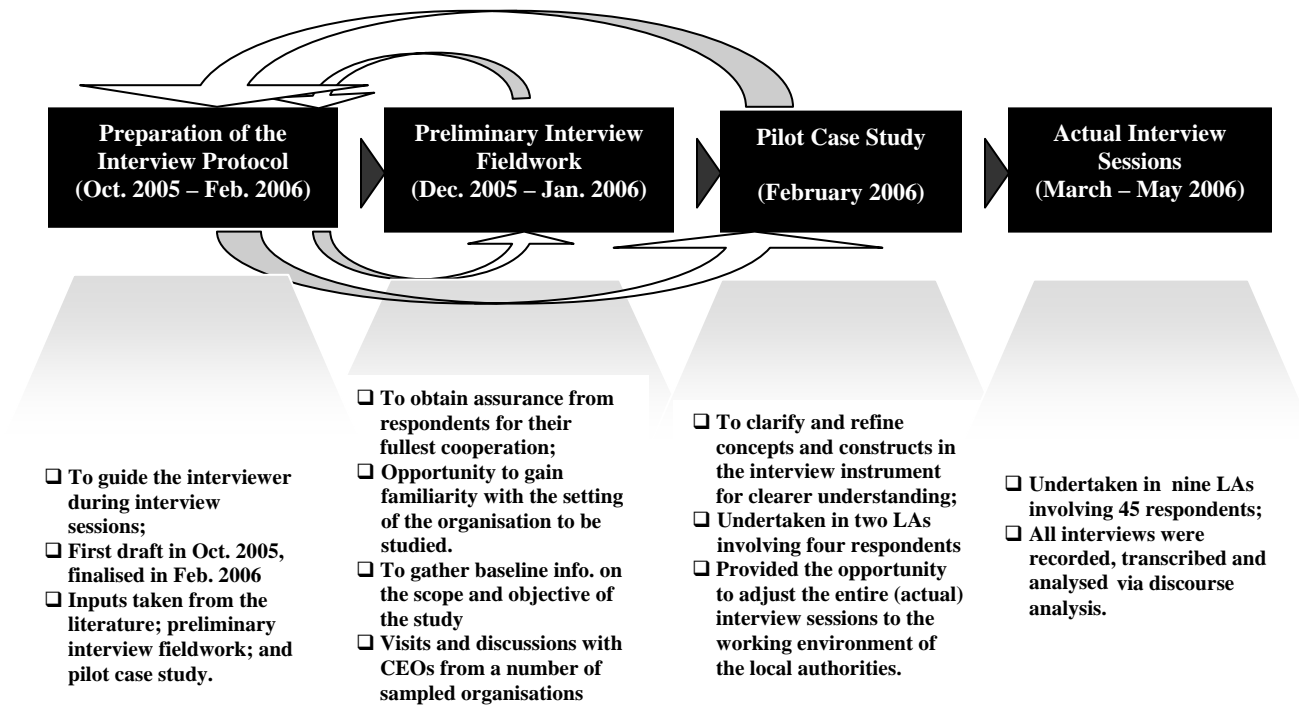
Figure: 6.1   Outline of the Entire Data Collection Process

6.2.1   The Preparation of the Interview Protocol

A 'protocol' is a set of guidelines or rules that help in governing an operation or a task. Yin (1989) recommends the use of a case study protocol as a procedural instrument to be followed by a researcher in the course of undertaking a case study. Similarly, the literature suggests that the use of an interview protocol is necessary to guide the interviewer during interview sessions and follow-up discussions. The main purpose of an interview protocol is to keep the inquirer on track as data collection proceeds, while according to Smith *et al.* (2002), the use of a certain protocol or framework is important

in the researcher's effort to plot out the developing themes. A properly designed interview protocol is also important to allow a smooth flow of discussion, which will ultimately enable the researcher to solicit the information required from the interviewees.

The preparation of the interview protocol of this research took place as soon as the researcher completed his upgrade seminar in October 2005. The first draft of the interview protocol was completed in November 2005. The interview protocol was finalised by the end February (just before the actual interviews took place), after incorporating additional inputs gathered from the preliminary interview fieldwork and the pilot case study undertaken subsequently. In line with the literature, two levels of interview questions were designed, namely the primary questions and probing questions. The interview protocol started with broad and open-ended questions so as to allow the 'ice-breaking' process, creating a cordial atmosphere for a genuine thought-sharing process. The open ended questions, which were also primary questions, were also aimed at providing the widest scope for the interviewees to share their thoughts. This was followed by a set of probing or secondary questions aimed at obtaining detailed information pertaining to a particular issue under study. Following suggestions by Yin (1989 p.77), each question in the interview protocol was accompanied by a list of sources, taken basically from the literature or findings from other research. The research interview protocol is presented in Appendix 'A'.

6.2.2   Preliminary Interview Fieldwork

Preliminary interview fieldwork was carried out in Malaysia from December 2005 until January 2006. The main objective of the preliminary interview fieldwork was to demonstrate the highest level of commitment on the part of the researcher to the CEOs and other respondents; at the same time it served as an important means to obtain CEOs' fullest cooperation with the study. This task was also undertaken to ensure a smooth process of thought sharing with the respondents when the actual interviews took place afterwards. Preliminary interview fieldwork basically involved first round face-to-face discussions with the CEOs. The specific objectives of this preliminary phase were firstly

to obtain the consent from the CEOs for their organisations to be sampled in the study. Secondly, to seek agreement from the CEOs to be taken among the main respondents in the research, together with a number of managers and Head of Departments/Divisions in their respective organisations. Thirdly, to give the opportunity for the researcher to establish face-to-face contact with his future respondents; and finally to enable the researcher to familiarise himself with the setting of the organisation to be studied.

Another important task undertaken during preliminary interview fieldwork was to visit to the Ministry of Housing and Local Government (MHLG) and the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU), Prime Minster's Department. MHLG is important for the study as this institution is the highest body in the Federal Government, which plans, coordinates and monitors policies concerning local government in Malaysia. The significance of MAMPU lies in the fact that this central agency is tasked with looking into administrative modernisation efforts undertaken by various government agencies in order to improve their quality of services. The researcher spent three days in each institution, during which discussions were held with a number of important personnel. These included the Director of the Human Resources Department, and a Principal Assistant Secretary from Legal Division in the MHLG. In MAMPU, the researcher had a series of discussions with a number of Principal Assistant Directors, in particular, those in charge of the Local Authorities Quality Awards Competition.

Undertaking the preliminary interview fieldwork helped the researcher in several ways. First, the first round discussion with some of the CEOs yielded valuable baseline information concerning the scope and objectives of the study. The researcher also got the opportunity to solicit views from a number of senior officers from MHLG and MAMPU whose their inputs formed the foundation of the interview instruments. At the same time, the visits to MHLG and MAMPU gave the opportunity for the researcher to search for relevant (official) materials. Inputs and advice concerning the selection of LAs to be the case study samples were also solicited from the discussions at both institutions.

6.2.3 Pilot Case Study/Interviews

The literature on qualitative research generally agrees on the importance of a pilot study as a final 'check-point' before the 'journey' of data collection takes off. Yin (2003), argues that initial interview instrument and case study design should be kept flexible and open for further improvement. In this respect, he argues that a pilot case study would help a researcher to refine the interview instrument and improve the data collection procedures. In a similar vein, Gillham (2000) emphasises the importance of refining research instruments and insists on the need for 'schedule development' to avoid researchers being plagued by procedural distractions during interview sessions. Others agree that researchers often use pilot case study or pilot interviews to frame questions and collect background information on the setting to be examined (Sampson 2004).

The pilot studies for this research were undertaken in February 2006, in two LAs, namely, the Penang Municipal Council (MPPP) and the Langkawi Municipal Council (MPL). Four respondents were involved in the pilot case studies, namely, CEOs (Presidents) from both LAs, the Head of Corporate Division of MPPP and the Municipal Secretary of MPL. The interview sessions with these four respondents lasted between 45 minutes and one hour. The interviews were transcribed and analysed. The researcher spent between three and four days in each LA and within that period, participated in two important discussions, namely, a Head of Department Meeting in MPL and a group discussion involving three middle managers in MPPP.

The pilot case study assisted the researcher in two important ways. First, it helped the researcher to clarify and refine a number of concepts and constructs in order to give a clearer understanding of the area of the research to the rest of the respondents. For example, the CEO from MPL raised the question of the difference between the term 'strategy' (as in the case of 'designing organisation's strategies') and the term 'strategic' (as in the case of 'strategic management'). The pilot case studies showed that researchers should never take for granted the interviewees' understanding of the subject matter and that ambiguities could arise even over some basic and fundamental terms. The second

advantage was that the pilot study gave the researcher the opportunity to adjust the entire (actual) interview sessions to the working environment of the LAs.

6.2.4   The Commencement of the Actual Interview Sessions

The actual data gathering process took place in Malaysia over a period of three months, from March 2006 until May 2006. Letters were sent to all the CEOs explaining the purpose and the general outline of the research project. This process of obtaining the agreement from the CEOs was a smooth one, especially when the CEOs' attention was drawn to the previous discussion held during the preliminary visit. In securing further cooperation from the CEOs, the researcher used two supporting (official) letters from relevant authorities; firstly from the Malaysian Public Service Department, the body governing the entire public service in the country; and secondly, from the Business School, the University of Hull, the institution in which the researcher is pursuing his study. Copies of both supporting letters are marked as Appendices 'B' and 'C'.

All the interviews were conducted in the interviewees' own offices and each of the interviews lasted between 45 minutes and one and a half hours. Forty five respondents from nine LAs were involved, consisting of the CEOs, the Heads of Departments/Divisions and a number of middle managers. On top of that, the Secretary General of MHLG and three State Secretaries were also among key respondents interviewed. Interviews were carried out in cordial atmosphere, hence allowing the thought-sharing process to take place pleasantly.

It has been an accepted practice among qualitative researchers to record interviews and field observations. Patton (2002) insists that tape recording is an indispensable task in qualitative interviews, arguing that tape recorders do not 'tune out' of the conversation; they do not change what is said through interpretation; and they allow the interviewer to concentrate on the interview. Accordingly, Yin (2003, p.92) argues that recording interviews will provide a more accurate interpretation and rendition compared to any other method. Against this background, all interviews undertaken during the entire

research were recorded accordingly. Permission was requested from every respondent for the discussion to be taped and when it was explained that the status of the research was merely an academic exercise and would only be used for academic purposes, none of the respondents showed any discomfort with the request. Interviews were recorded using a digital voice recorder and a normal tape recorder (for back-up purposes).

6.3   ANALYSIS OF DATA

Analysis of data in this study involved a number of interrelated activities. Figure 6.2 below illustrates all the steps undertaken during the analysis of interview data.

Preparation of Interview Transcripts

❑ Listening and transcribing;
❑ Checking for accuracy
❑ Translating (where possible)
❑ Emergence of recurring features and key areas of the study.

❑ Peer validation
❑ Member checking

Validation of Interview Transcripts

Analysis of Interview Data

Key themes vis-à-vis Research Objectives

Metaphors and Dramatic Phases

Interpretive Approach via Discourse Analysis

Figure 6.2   **Process of Analysis of Interview Data**

6.3.1   Preparation of Interview Transcripts

Preparing the interview transcripts was a pre-requisite for analysing qualitative data from interviews and group discussions. The preceding discussion has highlighted the

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importance of recording and transcribing the entire interview conversation to ensure that the details and richness of information emerging during the 'thought sharing session' are fully captured in their actual sequence. As Silverman (2005, p.184) argues, if one cannot deal with the actual detail of actual events, then one cannot have a science in social life. In addition, as recorded conversations can be replayed and listened to repeatedly, transcripts can be done in the most complete manner, hence greatly assists the analysis process.

Transcribing recorded interviews is a tedious process, often taking a substantial amount of time. For that reason, the researcher decided to engage professional stenographers to undertake the job.[1] Those transcripts were subsequently verified thoroughly by the researcher to ensure accuracy, and in the case of gaps, the researcher filled in the blanks.[2] Most of the interviews were undertaken in English, as all CEOs (Mayors and Presidents of the LAs), the State Secretaries and the Secretary General (of MHLG) were very senior civil servants who had no problems with the usage of English. Some of the managers, however, preferred to mix both Malay and English in their conversation. In cases where most of the conversations were in Malay, translation of the transcript was undertaken. The researcher used four translators[3] to undertake the translation. For this purpose, the translators were given both the original transcripts, as well as the tape recording, for additional verification.

The process of transcribing and checking interview transcripts provided the opportunity to the researcher to grasp important themes and discourses related to the research. The researcher realised that the actual process of data analysis actually began during the preparation and checking of the transcripts. As the process involved close and repeated

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[1] Four stenographers were engaged to undertake these tasks. All of them worked in different public and private organisations.

[2] There were a small number of interviews that were partially transcribed. This is in line with Byman and Bell's (2007, p. 493) suggestion that in the case where a large portion of an interview is likely to be fruitful in terms of answering the research questions, a researcher can listen closely first, and transcribe only those portions that he/she thinks are useful or relevant to the study.

[3] All the translators worked as lecturers at English Language Department, at the Mara University of Technology in Malaysia.

listening to the recordings, it revealed recurring features and key ideas concerning various practices of strategic management in the sampled organisations. It took approximately four months to complete the preparation of interview transcripts.

6.3.2 Validation of the Interview Transcripts

The literature suggests a number of ways to validate qualitative data sources. Two established validation methods with regard to interview transcripts are respondent validation and peer validation. Respondent validation suggests that researchers should go back to the respondents with the transcripts or accounts that they have prepared and ask the respondents to verify or modify them, even to the extent of deleting certain points that had been raised during interviews. The main objective of respondent validation is to seek congruence between the researcher's accounts or impressions and the views or the thinking of the respondents. Peer validation, on the other hand, involves the checking of transcripts or researchers' accounts by a third party who has no connection with either the interviewee or the researcher. The purpose of peer checking is to ensure that researcher's transcripts or accounts were prepared accurately and in accordance with what was actually uttered by the subjects.

A number of writers argue that respondent validation can pose a risk to the process of validating researchers' accounts, especially when the subjects are given a privileged status in relation to the accounts prepared by the researcher. Fielding and Fielding (1986, p.46, quoted in Silverman 2005, p.212), argued that there is no reason to assume that members have privileged status as commentators on their actions; hence, such feedback cannot be taken as direct validation or refutation of the observers' inferences. In addition, Bryman and Bell (2007) agreed that respondent validation may invite defensive reaction on the part of research participants and even censorship (p.412).

Given that the element of individual bias and ethics are the fundamental issues concerning respondent validation, in this research, peer validation was used as part of the efforts to provide a certain depth of validity to the accounts. It was thought that as third

parties, peers stand on a more natural ground. They have no vested interests in interfering or deviating from what was actually spoken in the recorded interviews handed to them. Four people were appointed, on a voluntary basis, to check the transcripts. Copies of the transcripts along with the tape recordings were given to the volunteers for checking purposes. Following Anis (2006), those peers were asked to check between 10 and 25 percent of the transcripts. These procedures were followed rigorously to ensure a reasonable degree of validity in the pre-prepared accounts.

6.3.3   Analysis of Interview Data

Analysing qualitative data is basically a process of organising, categorising and meaningfully interpreting a large volume of words obtained from interviews, field notes or documentary survey. Regardless of the different ways of analysing the data, any analysis technique has to be anchored to the conceptual framework and tied up to the research objectives of a study (Creswell 1998, 2003; Miles and Huberman 1984; Yin 1994; Bourgeois and Eisenhardt 1988). As qualitative data involves a huge amount of written and spoken data, a researcher should look for a 'sound' way to begin the analysis, or else a researcher will simply 'drown' in the stream of data. While there are no hard and fast rules as to how to commence the data analysis, suggestions by Miles and Huberman (1994), who proposed a three-phase qualitative data analysis, namely, data reduction; data display; and conclusion drawing, were useful to the researcher.

As the name implies, data reduction is about organising and reducing a large volume of data by means of focusing, simplifying, summarising, and converting the data from interview transcripts and documents. The major activity in the data reduction phase is data coding and categorisation according to different themes and key areas of research. Data display – the second step in data analysis – involves organising and matching the reduced data into a reasonably understandable shape, to allow the researcher to make inferences and suggestions concerning a particular issue, practice or policy undertaken by the actors in the settings. The final step, namely, conclusion drawing is also known as the

interpretation phase (Creswell 2003; Miles and Huberman 1994) and it entails giving meaning or making sense to the analysed data.

6.3.4 Coding of Data

Coding of data entails reviewing the transcript thoroughly and giving labels to key themes or meanings emerging from the data that seem to have potential to reveal answers to the research questions. Coding is undertaken to look systematically for indicators of different perceptions, preferences, understanding, behavioural actions or events from the people interviewed (Bryman and Bell 2007; Miles and Huberman1994). During the coding process, core categories for the emerging themes were established in which a descriptive label was assigned for each theme. Throughout the process, a number of core categories that provide concepts and constructs for answering the study's research questions were identified. In undertaking the coding for the present study, the pre-determined research questions were taken as principal guidelines.

Among key themes that were monitored during coding of data were:

a) Respondents' construal of key challenges facing the local administration in the country and, in particular, in the respondent's organisation;

b) Various political, economic, social, technological, environmental and legal factors that were being considered by the key executives in monitoring and analysing the external environment;

c) Respondents' understanding with regard to organisation stakeholders; their view on stakeholders' roles/influences and the appropriate approaches adopted in dealing with various stakeholders;

d) Respondents' evaluation of the existing strengths and weaknesses in their organisation, as well as the prevailing culture among organisation members;

e)   CEOs' ways and preferences of designing organisational strategy and how respondents' worldview and experience influenced their approaches of strategising;

f)   CEOs' understanding of various constructs, premises, presumptions and presuppositions that led to different kinds of strategies in the organisations;

g)   The extent to which the respondents felt themselves to be empowered and in control of their environment; or whether they were instead subjected to influences from different influential actors in the environment;

h)   CEO's expressions with regard to values, cultures, traditions, conflicts and dilemmas, and how these constructs were valued as enabling and constraining their pursuit of organisational reform via strategic management and in strategy making process; and

i)   Any particular metaphorical expressions, dramatic phrases or value-laden idioms that framed respondents' thoughts and prescriptions about certain process, problem or phenomena.

The coding process was undertaken for each of the cases. This process subsequently led to analysis on a case-by-case basis. These analyses were then grouped into a comparative table, which enabled the researcher to carry out a cross-authority analysis in line with the research questions. The summary tables were used in cross-case analysis to identify similarities and differences among the nine case studies. Finally the process of interpreting and conclusion drawing was undertaken. The research findings are presented in Part IV (Chapter 7 – 11), while further discussion of the study's findings is offered in Chapter 12 of the thesis. A sample of the adopted data analysis and coding process is shown in Appendix 'E'.

6.4 AN INTERPRETIVE APPROACH TO DATA ANALYSIS

6.4.1 Understanding Organisational Process through Discourse Analysis

Para 5.2.2 in Chapter 5 explained that this research adopted an interpretivist paradigm aimed at understanding the social world through an examination of the interpretation of that world by its participants. Languages and words are prerequisites for social life. Participants in social settings as well as organisational actors actively make meaning of their world through the use of language in a variety of forms. Thus, figuring out what is important to these people in a specific context will necessitate an interpretation of various types of language used by them. Sources of language and thoughts include spoken and written evidence such as interview transcripts and narrative accounts, and other (official or informal) documented materials. These materials are referred to by the literature as 'discourse' (Grant and Hardy 2004, p.6). Chia (2000) describes discourse as:

> *multitudinal and heterogeneous forms of material* <u>*inscriptions*</u> *or verbal* <u>*utterances*</u> *occurring in space-time, and aggregatively produces a particular version of social reality to the exclusion of other possible world*
> (p.513, emphasis original)

The importance of language in the study of social phenomena has been increasingly appreciated across a range of academic disciplines, spawning an interest in the concept of discourse and the methods of discourse analysis (Thomas and Linstead 2002; Alvesson and Karreman 2000). Accordingly, discourse analysis provides an opportunity to a researcher to highlight key underlying assumptions of its bearers and interpret the meaning they are making. Such an approach to analysing various discourses is also known as an 'interpretive approach'. As argued by Chia (2000):

> *The study of organizational discourse, and the way it shapes our habits of thought, by legitimizing particular objects of knowledge and influencing our epistemological preferences, is crucial for a deeper appreciation of the underlying motivational forces shaping the decisional priorities of both organizational theorists and practitioners alike* (p.514)

As will be discussed further, the interpretive approach through discourse analysis adopted by the present study has helped the researcher in understanding interrelated factors that shaped the beliefs and preferences of organisational actors, which ultimately led to the adoption of certain elements of strategic management practices in their organisations.

6.4.2 An Interpretive Approach: Gaining an Insider View of Organisational Strategy

The interpretive approach contends that actions and practices by organisations' key actors are shaped by their beliefs and preferences, and can be uncovered by interpreting their discourse and narratives. An interpretive research approach is, thus, an attempt to understand phenomena or organisational processes by studying them in their natural context, from participants' perspectives. With its origin in philosophy, sociology and history (Schwandt 2003; Vidich and Lyman 2003), the interpretive approach is beginning to occupy an important place in political science (Bevir and Rhodes 2003) and business and management (Alvesson and Karreman 2000; Oswick *et al.* 2000; Currall and Towler 2003; Craig-Lees 2001; Samra-Fredericks 2003). The works of Bevir and Rhodes (2003), for example, have been praised as adding momentum to a debate about the role of ideas and narratives in political science (Orr 2005, p.371).

The growing recognition of the interpretive approach in the field of management and organisation studies is evident in the publication of a special edition of *Organization Studies,* devoted to the significance of narrative methods in management studies. Accordingly, Rouleau (2005) and Dunfold and Jones (2000) studied how narratives among managers and their strategic sensemaking process led to different strategic change initiatives in responding to reforms taking place in the environment. Relatedly, Bryman and Bell (2007, p.417) cited how Gioia *et al*. (1994) employ an interpretive approach to represent the experience and interpretation of informants without giving precedence to a prior theoretical view that might not be appropriate. In the same context, Hartfield and Hamilton (1997) argued that an interpretive approach could provide an alternative technique of research in strategic management, which had been adopting a detached, outsider approach, bound up in straightjacket of 'dated' organisational concepts.

This research employed an interpretive approach to answer the research questions identified earlier, particularly in understanding approaches to strategy formulation, as well as in exploring the nature of strategy development among the participating LAs. It endeavoured to capture CEOs' ways of analysing their internal and external environment and position themselves in relation to their surroundings. Similarly, an interpretive approach was useful in examining how LAs realign themselves in relation to their stakeholders. The same approach was also relevant to capture top management's ways of strategising and how the strategy making process in the LAs was undertaken based on their knowledge, experience, constraints and worldview.

6.4.3   The Importance of Metaphor in Strategy Analysis

> *…even in the realms of public management far removed from poetry, communication relies on the language of metaphor. An economist once remarked that 'successful taxation is the art of plucking the goose without making it hiss; to make more feathers on the goose the government should be put on a diet.'*
>
> (Patterson 1998, p.220)

Discourse analysis is all about acknowledging the central role of language as a means through which reality is mediated. Central to language (and thoughts) in the study of strategy is the crucial use of metaphor in various organisational discourses. Metaphor is principally a way of conceiving of one thing in terms of another, and its primary function is understanding (Lakoff and Johnson 1980, p.36). Drawing from the works of Morgan (1986), the study of metaphor has secured a strong footing in contemporary management and organisational studies (Cornelissen *et al.* 2005; Chia 1996; Brink 1993). In their study on metaphorical images in organisations, Cornelissen *et al.* (2005 p.1548-1549) argue that metaphors could help provide 'enriching' and 'insightful' new understandings of organisations, for metaphoric expressions are capable of creating new ways of conceptualising and understanding organisational phenomena.

As this research aimed to study how organisation actors make sense of reality and how their sense-making subsequently shapes the way they act (and make decisions), due

attention was given to how metaphoric expressions were used to express respondents' thoughts and feeling. A host of writers have argued that metaphor can be a valuable tool in qualitative research (Lakoff and Johnson; Marshak 1996; Burke 1992; Cleary and Packard 1992). Inns (2002) argued that focusing on metaphors and symbolic phrases by organisational participants can give a researcher access to hidden perceptions or feelings that the participant may either not be aware of or may not wish to acknowledge.

Metaphors and dramatic phrases were mapped out from interview transcripts, during data analysis. Some metaphors and symbolic expressions were then quoted and interpreted based on the researcher's understanding of how those actors perceived their world. In so doing, the researcher acknowledged the fact that interpreting narratives and metaphors should take into consideration the individual and environmental framework. Some of the metaphors were uttered consciously to give more colour to participants' expressions in describing a particular situation or as a means to express their despair over a particular phenomenon. There were also some metaphoric expressions that illustrated the nature of the relationship between CEOs and their external environment.

6.5   RELIABILITY AND VALIDITY

Various perspectives have been forwarded by a number of writers on the concepts of reliability and validity in qualitative research, resulting in an array of terms and definitions of both concepts (Guba and Lincoln 1994; Creswell and Miller 2000; Healy and Perry 2000). The literature shows a general consensus that qualitative inquirers need to demonstrate that their studies are credible.

6.5.1   Reliability

Collis and Hussey (2003, p.58) assert that reliability in the phenomenological paradigm seeks to determine whether a similar observation or interpretation can be made on different occasions and/or by different observers. Having said that, discussion on reliability from a phenomenological viewpoint reveals mixed views as to whether the

understanding of the term within quantitative research can be directly applied to qualitative inquiry. This is due to the nature of inquiry in qualitative research, and the complexity of the phenomenon being studied (Bryman and Bell 2007, p.411). Along these lines, there are a number of writers who look for alternative criteria for evaluating the reliability in qualitative research. These criteria include dependability, confirmability, trustworthiness and authenticity (Guba and Lincoln 1994; Bryman and Bell 2007; Collis and Hussey 2003). All these criteria were created to judge the quality and soundness of qualitative research, which essentially represents the notion of the reliability in qualitative research.

Dependability suggests that a qualitative research should possess certain merit and be trustworthy. Confirmability concerns the element of ethics and honesty as to whether a researcher has acted in good faith, and that he or she has not overtly allowed personal values to sway the conduct of the research and findings derived from it (Bryman and Bell 2007, p.414). Authenticity is about the ability of a research to yield consensus of views about what is to be considered true. Trustworthiness refers to the extent to which the research can be audited by developing a case study data base. All these criteria share the same goal, namely, to ensure reliability in qualitative research, on its own terms.

6.5.2   Validity

The main objective of validity is to ensure truthfulness or the ability of a research to produce findings that are in agreement with the theoretical or conceptual values (Golafshani 2003, p.599; Sarantakos 1997 p.78). Validity in qualitative research is concerned with 'truth' in research findings (Silverman 2000, p.175). It is referred to as the extent to which research findings accurately represent what is really happening in the situation (Collis and Hussey 2003, p.58). Developing the theme further, Creswell and Miller (2000, p.124) define validity in qualitative inquiry as 'how accurately the account represents participants' reality of the social phenomena and is credible to them'. An account is valid if it represents accurately those features of the phenomena that it is intended to describe.

Miles and Huberman (1994) use the terms 'credibility', 'trustworthiness' and 'authenticity' to refer to validity in phenomenological research. Flaws in validity may be caused by a problem of 'response bias', which happens when the interviewees do not reveal the whole information on certain issues for various reasons, leading to the failure of the researcher to obtain a true picture of phenomena. Drawing from the work of earlier writers, Creswell and Miller (2000) suggested a number of procedures for establishing validity in qualitative inquiry. These include the application of triangulation in the research evidence and sources; member checking; audit trail; disconfirming evidence; prolonged engagement in the field and peer debriefing.

6.5.3   Ensuring Reliability and Validity for this Study

Keeping the above points in mind, reliability and validity in this study's findings were ensured by taking a number of measures. These included ensuring that all the respondents were only those occupying formally the most senior positions, and as such, were charged with initiating and managing strategic management practices in the organisation. This research also established the correct operational measures for the theoretical concept to emerge, by carefully designing an interview schedule that went through considerable verification and piloting processes. In addition, the researcher, at the very start, established good contact with all the respondents to ensure access to first-hand information and original sources. To ensure accuracy and correctness in the interview transcripts, and hence render more credible the information provided, a peer validation or member checking exercise was undertaken. Finally, the whole study was undertaken in accordance with good practice and adherence to all relevant research ethics suggested by the literature.

6.6   CONCLUSION

This chapter reported and explained the actual process of data collection undertaken at the actual setting and subsequently discussed the process of analysing field data for the study. Also highlighted were the importance of giving attention to key themes and

images, including metaphors and dramatic phrases as a mode of expressing respondents' views and feelings. This is in line with the interpretive approach to data analysis adopted by this research, which was deliberated in this chapter. Finally, the quality and credibility of the overall research design, in terms of its reliability and validity were addressed. Now that all the information concerning the research methodology has been provided, the following five chapters will present the findings of the study.

INTRODUCTION TO PART IV:
RESEARCH FINDINGS

Now that the methodological framework, data collection and data analysis for the entire research have been established and justified in Part III, Part IV will present the findings from the research, bringing to a close insight and emerging issues arising from the overall exercise. Part IV consists of five chapters, examining in turn the research questions identified in Chapter One. Part IV begins with **Chapter 7**, which examines strategy positioning in the LAs, unpacking how LAs realign themselves in relation to their external context.

This is followed by **Chapter 8**, which addresses stakeholders' mapping and analysis. Focusing on the discourse of organisational stakeholders, this chapter unpacks CEOs' beliefs and understandings to see how LAs identify their stakeholders; the power they have or how they become important; and how the organisations try to fulfil their expectations.

The discussion on organisational internal strengths and weaknesses, were the focus of research question number three, comes next, in **Chapter 9.** This chapter deals with the perceptions and views of the CEOs on what internal elements they perceive as important to the orgnanisation, and as such, were given due emphasis when they designed certain organisational strategies.

Chapter 10 addresses research question number four, namely how LAs approach strategy formulation. It aims to identify the process by which strategies come about in the LAs by unveiling various ways or perspectives on developing organisational strategies by the top management.

Finally, **Chapter 11** deals with the last research question - examining the nature of strategy development in the LAs – by identifying various characteristics of strategies in the LAs that have been shaped by different determinants within the internal and external circle of the organisation.

CHAPTER 7 – Answering Research Question No. 1

EXAMINING EXTERNAL STRATEGY POSITIONING
IN THE LOCAL AUTHORITIES:

Route-map

This chapter presents the findings from the study's first research question, which explores how local authorities (LAs) position themselves in relation to their external environment. This is done by determining how changes and demands in their surrounding are analysed and incorporated into their organisational strategies. Incorporating an interpretive approach via discourse analysis, the findings disclose that organisations have both 'official' strategies and 'de-facto' strategies and one way of exploring how strategic thinking is practised is by exploring how key executives construe the environment and develop a sense of what is actually to be undertaken. Using the PESTEL framework, the research reveals that political drivers serve as the most influential forces on LAs in designing their strategies. Economic and environmental forces came into the picture following pressures from the environment demanding LAs to play effective roles in facilitating economic growth and meeting the needs for sustainable development. Changes in social landscape call for social-reengineering efforts to be undertaken by LAs. Opportunities presented by new enabling technology – IT, witnessed the LAs jumping on the bandwagon, upgrading their service delivery systems. The findings suggest strong linkages between different categories of LAs and their level of perception concerning the complexities and turbulence of their outer context. The findings add to and develop new aspects of the existing theory of strategy positioning by presenting a rich meaning and understanding of this sub-area of strategic management within the specific context of public sector organisations.

7.1   INTRODUCTION

Chapter 1 argued that organisational adaptation to demands and changes within the external environment is one of the important principles in strategic management (Ansoff 1984; Andrew 1994; Scott 2003; Johnson *et al.* 2005). External environmental positioning in this study concerns how LAs determine changes and demands taking place outside the organisation and assess how these changes and demands are taken into consideration by the organisations when developing their strategies. External

environmental considerations in this research measure how far external forces influence the organisations, manifested by extent to which those forces are incorporated in their missions and strategies. External variables considered in the strategy formulation process in this research follow two main frameworks suggested by the literature, namely the PESTEL framework (Johnson *et al.* 2005) and the Stakeholder Mapping Framework (Bryson 2004b)[1].

7.2   ANALYTICAL FRAMEWORK

7.2.1   Text and Official Discourse

Information regarding external environmental considerations was first gathered from documentary review as a first cut data compilation. Sources included official documents such as reports on Strategic Planning Workshop, Annual Work Target Seminar, Department Bulletin's and Reports; Parliament and State Acts/Enactments and Reports for Local Authority and Prime Minister's Quality Award prepared by the LAs.

Two fundamental tasks were undertaken during official discourse analysis. The first was the identification of various inter-connected external forces that had been viewed as crucial by the participating LAs in that they were perceived to have major impact on their existence and survival, which in turn, necessitated LAs to respond effectively by developing effective strategies. The second task was to see the influence of such forces on the organisation, and this was done by examining how the organisation responded to those forces by way of addressing them in their formulation of organisational mission, objectives and strategies.

7.2.2   Interviews

Information regarding external environmental considerations was also sought from interviews in an approach referred to by Patton (2002) as triangulation of qualitative data

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[1] Stakeholder Mapping Framework is discussed in Chapter 8.

sources. Generally, the purpose of interviews was to probe for more information from the top management in terms of their construal, views and knowledge on the external forces influencing their organisation. Interviews were also aimed at verifying, updating, supplementing and enriching information collected from official discourse, so as to yield a more holistic, current and true picture of the overall issue. The researcher's interview protocol was used as a guideline during interviews. However, as the interviews were semi-structured and unstructured ones, a number of new themes emerged and this will be discussed accordingly in this section.

Two broad and open-ended questions concerning external environmental considerations were asked as follows:

i) *Could you please describe your views on key challenges facing the local administration in Malaysia in general and your organisation in particular?*

ii) *As in the case of any organisation, your organisation operates within its own [external] environment. Could you please explain various external factors that are considered by your organisation when it analyses the environment?*

The first question was aimed to solicit the CEOs' overall views on the expectations from various interested parties, and the challenges posed by various forces to local administration. The second question, which was more straight-forward, was meant to obtain external variables that were taken into consideration by the LAs in undertaking their external environment scanning.

7.2.3   Level of Influence

A three-level scale – 'high', 'moderate' and 'low' – was used to indicate the extent of influence the organisations had from those external variables. The scale also denotes the degree of explicitness and clarity in the elaboration of external issues presented in their documents as well as highlighted during interviews.

Thus, such influence was considered 'high' when the researcher found an explicit and exhaustive discussion of those external trends and demands, and how those forces were

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incorporated into strategies and programmes developed by the LAs. The 'moderate' rating refers to a fairly lengthy discussion on the relevant external forces, in that there existed information on various external changes but they were not discussed in great detail by the respondents. Finally 'low' influence indicates minimum information and discourse on external changes and little discussion on how the LAs used them as inputs for their strategies.

7.3   FINDINGS FROM 'PESTEL' FRAMEWORK

Findings from documentary review and interviews showed that most of the LAs considered PESTEL forces in their planning process. Table 7.1 illustrates such influences.

7.3.1   Political Variable

'Political drivers' focus on how political forces trigger changes. Political variables in this research include government political climate and changes in policies. As revealed by Table 7.1, changes in government policies at both state and federal levels were one of the major considerations for LAs in designing their strategies. Such a situation was palpable among both city councils and most of the municipal councils. Political influence, however did not seem to attract prominent discussion in smaller and less complex LAs.

The government of Selangor, for instance, created its vision to maintain the state's top position in terms of investments and the standard of living of its people by upholding 'people friendly' values. Towards achieving such a vision, the state government had introduced various policies and programmes related to the roles and responsibilities of its LAs. These include the 'Back to Basics' Policy[2] and the Two-week Policy. In responding to this, LAs in Selangor have set down a range of strategies to expedite the accomplishment of state government's policies. Following the Back to Basics' Policy, for

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[2] Basically, the 'back to basics' policy by the state government required LAs to reprioritise their business focus by putting more emphasis on their core business of providing basic needs to the local community, instead of focusing on impractical and expensive projects. This measure was perceived to directly benefit the ratepayers who pay tax to the council to manage their cities.

example, MPSJ, MPPJ and MBSA placed this policy as a top priority strategy for the years 2006 and 2007.

Table 7.1   Influence of External Environmental Forces

Variables	City Councils		Municipal Councils				District Councils		
	M B S A	**M B M B**	**M P P J**	**M P S J**	**M P S P**	**M P K**	**M D K S**	**M D K**	**M D D**
Political									
Changes in State Govt Policy	High	Mod	High	High	Mod	Mod	Mod	Low	Low
Changes in Fed. Govt Policy	High	Mod	High	High	Mod	Low	Low	Mod	Low
Economy									
Demand for effective facilitation of business activities	High	Mod	High	High	High	Mod	Mod	Low	Low
Demands for sustainable development	High	Mod	High	High	Mod	Mod	High	Mod	Low
Demands for facilitation of other economic activities	Low	High	Low	Low	Low	Low	High	Low	Low
Social									
Changes in people expectation	High	High	High	High	Mod	Mod	Mod	Mod	Mod
People participation	High	Low	High	High	High	Mod	Mod	Mod	Low
Dealing with social problems	Mod	Mod	High	High	Low	Low	Low	Low	Low
Technology									
Development of ICT	Mod	Mod	High	High	High	Mod	Low	Low	Mod
Environment									
Impacts from Urbanisation and Physical development	Mod	Low	High	High	Mod	Mod	Low	Low	Low

Source: Documentary review and interviews

Acknowledging such a move, a respondent from one of the LAs shared his thought:

> *When street lighting is not functioning then it is considered basic. Those who are responsible for street lighting must make sure that they are functioning as they should. Otherwise it will create problems for the people. You have to make sure that the signboards are clear and visible. Otherwise people will get lost. These are all basics. I view this as a challenge to us. We must think of what others feel towards us. If we fail to provide all these basic things, then we breach the trust given to us..*

(IC:3: SA:TP)[3]

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[3] IC3 = Interviewee's code in the transcript; SA= the local authority he/she represents; TP= his/her designation

The above respondent raised two important abstract issues. First, he brought up the notion of trust – the importance of securing faith from the public – reflected in recognition of the organisation's commitment and integrity. Trust is seemingly a noble and big idea that stems from a basic concept of humanity and justice. Trust relates to an organisation exercising rights, responsibilities and obligations. Secondly, the respondent linked the idea of trust to a discourse of functionalism. Street lighting and road signage are supposedly a functionalist concern. They are functional things; they are physical, tangible basic infrastructure. Discussions of ordinary things like street lighting may seem quite distinct from discussion of bigger constructs such as democracy, human rights or globalisation. Here, however, the respondent was making a connection between the discourse of lower level functions of street lighting, and a grand and rich discourse of trust. He argued that both of them are inseparable, in that trust will come if functions are served and violation of functions will put trust at risk.

The diversification and expansion of the roles of LAs as a result of changes in government policies emerged as one popular issue among respondents. LAs are now being asked to undertake various new responsibilities that go beyond merely urban services – responsibilities that were not originally theirs. These include handling security, urban poverty, squatters, transportation and dealing with illegal immigrants. As recalled by the former Mayor of Shah Alam, who, at the time of the interview, had just been appointed as State Secretary of Selangor,

> *..we were actually being burdened by so many things. Sometimes those tasks were not even covered in our terms of reference. All those tasks came from federal government or state government.* (IC:1:SA:DB)

Echoing the same, the President of MPSP expressed his feeling:

> *Now they [the government] want more than that. Not just the core business, but everything. As a local authority, we've got to look into all aspects of people's life. Not just to provide the basic services. They expect us to even go into to their security, poverty, which was not the area of local authority before. It's a new area. New responsibility.*
>
> (IC:1:SP:YDP)

Both respondents drew upon the notion of constant change and new demands and how such changes and demands from political forces were being absorbed into their strategies. These CEOs talked about more than just functions, but the outcome of functional activities. Things like ensuring the security and well being of the community are the ultimate outcomes of basic functional activities provided by the LAs. The respondents' lines of discussion resonated with the language of the new public management (NPM) which emphasizes result-oriented and outcome-driven management (Pollitt 2003; Hood 1991; Dawson and Dargie 1999; Lynn 2001; Chandler 2000).

Such changes in policies were confirmed by some State Governments, namely Penang and Terengganu. In the case of Penang, the State Secretary reaffirmed that:

> *LAs are now expected to play greater roles in all development aspects – both economically and socially. Not only that, the services rendered by LAs must also be on par with those of international standards, as this will help state governments to remain competitive globally.*

Embedded in the above discourse is an important theme of hierarchy and how such a sense of hierarchy should be acknowledged by the LAs as constitutionally and legally binding. The respondent, who was the head of state administration, was reflecting a point on constitutional position between the state government and the LAs, and perceived that based on this notion of a constitutional-hierarchical relationship, LAs should always serve the state government without much ado.

The above discussions suggest that political forces in terms of changes in government policies have been very close to the hearts of the management of LAs. The research indicates that such forces have been monitored thoroughly and have, by and large, underpinned strategies and programmes adopted by LAs.

7.3.2   Economic Variables

Economic variables refer to how LAs respond to demands from the current external economic conditions that demand from them more effective roles. Two important

dimensions emerging under economic variables were firstly, changes in demands from business communities for effective facilitation of business activities with the aim of generating economic development; and secondly, demands for a balanced and sustainable development for the benefit of future generations. These two dimensions were seen as significant as points of analysis because they fall directly under the core business of LAs. Another dimension found to be treated importantly by a number of participating LAs was 'demands for a unique tourism product'.

Apparently, information on economic forces, focusing on the first two dimensions mentioned above, has captured prominent discussion among the highly urbanised LAs. Demand for higher business activities facilitation was found to be paramount in three LAs, namely MPSJ, MPPJ and MPSP; while the aspect of sustainable development captured centre stage in MBSA and MPPJ, and to a certain extent, MDKS. Economic forces with regards to increasing business activities were found to be moderately discussed in MBMB and MPK, as well as fairly evident in MPKS and MDK official discourse. There was very little information offered by smaller and less sophisticated LA such as MDD with regard to both economic trends variables under investigation.

In the case of MPSJ, one of its challenges, as highlighted in its report, was to sustain local economic growth through a 'business friendly' approach.[4] This challenge was backed up by a number of strategies, one of which was to establish strategic alliances with private sectors under the concept of 'Malaysia Incorporated'. At a more macro level, one of MPSJ's strategic issues was 'to balance the development in new economic growth centres with the existing ones so as to support and expedite the neighbouring bigger scale projects'. Its Deputy President gave the details:

> *With the opening of our second Klang Valley, if you notice, from Klang, Banting, Sepang, because our old Klang Valley has got saturated and too congested, we diverted our infrastructure and other facilities [to the new area]. So now it is very much easier for anybody to export goods, as they can easily go to Port Klang or to KL International Airport. As a result of this, the state government sees that we need to have a 'green lane' in terms of facilitating the investment. This is not to say that we were not*

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[4] MPSJ Report for Prime Minister's Quality Award 2005 (p.132)

helpful before. We had been facilitating. But now we want to speed up the process [of creating economic growth]

<div align="right">(IC:2:SJ:TYDP)</div>

The respondent was implying an externally driven strategy undertaken by his organisation in which the state government becomes the key driver. The LA is urged to provide a 'green-lane' in terms of expediting and simplifying the approval process to help the business community and investors. He also shared the notion of expansion and diversification of roles among LAs.

Sustainable development – a concept reconciling socio-economic development with environmental protection – has been taken as an important guiding principle by MBSA and MPPJ in shaping their long-term economic and social agenda. One important feature of the vision of MBSA was to create Shah Alam as a model of a sustainable city, shaped based on the principles of sustainable development.[5] At the same time MPPJ had also established its own mechanism to undertake Local Agenda 21 (LA21) in an effective manner. A Steering Committee and a number of working committees had been set up in these two LAs to discuss policies as well as to oversee and undertake relevant programmes covering social, economic and physical environment aspects.

A Town Planner of MBSA briefly touched on how LA21 was undertaken in a holistic way, embracing all aspects of physical and economic development as follows:

> *…the next one is a committee on economy. We build proper stalls and demolish the illegal ones. We have to think how to make our city competitive through economy. This includes the industries that we mentioned earlier. These three aspects [social, economic and environmental] are not detached from each other. They are linked together. And so far, I'm delighted that we are able to undertake such efforts.*

<div align="right">(IC:3:SA:TP)</div>

Dealing with the physical environment had been the main challenge faced by MPPJ. The challenge was how to strike a balance between fulfilling the desire of land owners who

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[5] *The City of Shah Alam in the New Millennium*, NHF Prroduction 2000 (p.7)

look for profit (in developing their land, however small) and the need of the majority of the people who want a conducive living environment. This is because PJ is located at a very strategic area and as one of the oldest municipalities, had attracted people from all walks of life to reside and do business here. MPPJ was referred to by its President as a 'hotel municipality' because of the large number of five-star hotels in the locality.

MPSP, meanwhile, treated 'strengthening local competitiveness through facilitation of various business activities' as one of its four strategies under its Corporate Focus 2005-2006.[6] Based on the documentation made available to the researcher, this strategy was to be achieved through various activities including producing clear and transparent guidelines on the application and approval of various development plans and licences. Asked to elaborate further on why economic forces had been taken seriously by MPSP, one of its senior managers explained:

> *….as a result of economic downturn in 1997, a considerable number of entrepreneurs and investors had shifted their business to other areas, especially in Thailand. In response to this, we have to improve our delivery system so that you can remain competitive. We should look back at our procedures so that we are competitive with other countries. We are not talking about being competitive with Kulim or Sungai Petani or Alor Star, because we are brothers and sisters. But competitive compared to Thailand, compared to Indonesia.* (IC: 5:SP:VM)

The respondent raised a discourse of economic competitiveness and displayed the belief of an internationalist who always thought globally. He suggested the importance of riding the wave of globalisation for his organisation to remain strong and relevant. He saw how changes in the international economic milieu could pose challenges and threats if LAs were not prepared on capitalize the scenario.

While an internationalist view could be accepted as the driving force for MPSP to considerably take into account economic forces in shaping its strategies, the reason for doing so was more a matter of personal factors, to its CEO. Its President passionately explained:

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[6] MPSP Strategic Plan (2001-2010)

I was with MITI [Ministry of International Trade and Industries]. MITI is more customer-focused. And my background, I'm from an economics background. So I'm more economic focused. I want to increase economic development; to create economic growth for Seberang Perai. That will generate more employment, ancillary industries and so on. That's why I focus on industry to focus sales. Although industries give the highest income, in terms of assessment and so on but you focus on that so that it will bring about economic growth to Seberang Perai, as compared to the island and neighbouring states.   (IC:5:SP:YDP

This CEO shared with the researcher how his formal education and working experience had shaped his beliefs and paradigm towards the importance of economic development. His utterance radiated a sense of pride in having been nurtured in an important academic field and having been given the privilege of serving at one of the respected ministries in the country. His discourse implied that it was such beliefs that had shaped his actions and preferences, and were translated into his organisational strategies.

Externally, MBMB and MDKS were two LAs that had certain advantages in terms of their heritage, history and unique nature. The unique point of MBMB has been its history, heritage and legacy and thus the vision of MBMB has been 'to create the city of Melaka as a city of Heritage, Prosperous and Beautiful'. Economic strategies in MBMB have been to work hand in hand with the state government in promoting Melaka as a tourist destination in the region by way of providing sufficient public facilities while offering a beautiful, clean and conducive physical environment to attract tourists from all over the world. One of its managers remarked:

..concerning heritage, of course, we have many old buildings which we have to preserve. What we want to do is, we use this heritage city as a platform to attract tourists. They want to see these heritage things. So what we do now is, we also concentrate on heritage. Notice that wherever you go within the Bandar Hilir, tourist sites let's say, all historical buildings are preserved. We beautify the infrastructure from that aspect. They become our main attraction to attract tourists.

The unique point of MDKS is its nature – virgin forest, mangrove swamps, a stunning landscape and its historical and cultural heritage. Two of the most exciting tourist activities here are bird and firefly-watching. It was for this reason that the mission of

MDKS has been to promote a 'Clean and Historical' locality. Its President made clear that:

> *Our vision and mission in our development has been to preserve the historical characteristics. It is also meant to offer special attractions to investors and tourists to boost our industries and economy. Another important and obvious aspect is preservation of our physical environment, which is something that we follow strictly in our strategic plan and LA21 framework. We don't allow development to be undertaken in swamp areas. We also refrain from entering our forest areas and river banks.*
> (IC:1:KS:YDP

In both cases, these key executives talked about historical heritage, treasures and the world of nature that gave uniqueness to their organisations and how those 'gifts' could be used as leavers to promote tourism. These respondents were using very entrepreneurial language which described the environment as a set of resources. While acknowledging the architectural and natural richness, these actors were seemingly not raising the issues of architectural importance or appreciation of the topographical or esthetical value of those treasures; instead they were subscribing to more economically oriented thinking that looked at these legacies as economic resources.

Two external economic factors that should give strength to MPK, as noted by some of its documentation, were firstly the spill-over effects from the petrochemical industry in its area following the discovery of petroleum and gas in the early 1980s, and secondly the location of Kemaman as a gateway to Terengganu via Pahang. And with the existence of tremendous infrastructure, such as the newly built highways from Kuala Lumpur to Kuantan, Kemaman should be able to sell such uniqueness for its own advantage. In responding to such demands, MPK has determined, as stipulated in its mission, 'to act towards achieving a high quality of life and to offer a clean, beautiful, comfortable and harmonious environment'.

The above discussion has shown that economic factors had been an important external element that had been given due consideration by LAs. Again such importance was manifested in the changes of strategies adopted by LAs from time to time. Clearly LAs

have to accommodate economic changes in preparing their strategies toward meeting their oranisational objectives.

7.3.3 Social Variables

A number of issues were raised during discussion of social forces. The first discourse was centred on demands for a higher standard of urban services and calls for a more customer-oriented approach in dealing with people. The second issue was the need for more effective and meaningful public participation in LAs' policy making under the concept of 'good governance'. Another emerging discourse was policy changes in dealing with social ills resulting from increase in population and active migration. These included illegal factories, illegal stalls and urban poverty.

As shown by Table 7.1, the first two issues were given highest priority by almost all participating LAs. Changes in demands and expectations from the people have always been key for the LAs in designing their strategies. Not only did this permeate their official discourse, but this dimension was also found to be the most close-to-the-heart issue discussed by most respondents. Nevertheless, it was traced during interviews that the level of criticality of the issue varied slightly among different categories of LAs. It was discussed in greater detail by some respondents from certain LAs, while others just touched it in passing. The discussion concerning dealing with social difficulties resulting from various social phenomena was confined generally to large and metropolitan LAs.

In the case of MPSJ, one of its main challenges as highlighted in its official documents was:

> *'to face the mounting pressure from public for a higher performance of LAs'.*[7]

Clarifying the scenario, its secretary explained:

> *The level of understanding among people of government and delivery systems is higher. People are now talking about participation in*

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[7] MPSJ Report for Local Authority and Prime Minister's Award 2005

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government decision making. Expectations from ratepayers times some surpass the ability of LAs to fulfil their wishes and wants.

<div align="right">(IC:3:SJ:SU)</div>

Another LA, MPPJ, interestingly, admitted that the only weakness hindering the organisation in achieving its objectives in a faster manner was *'the unlimited wants and desires of the public.*[8] A human resource manager from MPSP described the people in their locality as follows:

> *The people or the public are more demanding. They are more positive, they know their rights. If we say no, they want to know why. They want value for the tax they pay.*

<div align="right">(IC:4:SP:HRM)</div>

The above narratives depict a discourse of public engagement and consultation, which was driven by the idea of public rights. Respondents' thoughts captured the pervading view that LAs were generally performing below par in dealing with the new breed of public, who were more well-informed and wanted to be seen not as mere taxpayers, but as an assertive community that undertook the check-and-balance roles in the policy-making process. The respondents believed that the time was ripe for LAs to adopt a more collaborative approach in their strategy formulation.

Against that backdrop, *'Customer Service'* had been made Focus Area no 3 in MPSP's Ten-year Strategic Plan, aimed at providing efficient and effective response in customer service delivery. To this end, MPSP was determined:

> *to develop the mindset of each of its staff that MPSP exists not only to provide services but more importantly to elevate the quality of services in tandem with the rising expectation from the people.*[9]

This CEO's narrative shed light on a discourse of quality as a journey with no end. This was reflected when he contended that his organisation was in need ….*to elevate the quality of services in tandem with the rising expectation from the people.* The discourse

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[8] MPPJ Report for Local Authority and Prime Minister Award 2004
[9] MPSP's Ten-year Strategic Plan Report 2002

of quality led to another interesting discourse of 'struggle' to continuously improve their services to meet, as revealed by the management of MPPJ, *the unlimited wants and desires from the public.*

Narratives from respondents and review of official discourse suggest that LAs operating in a complex social environment placed great emphasis on changes in social trends in their strategy development. Factors such as social strata, residents' level of education, style of living, level of income and exposure to modern corporate management were those taken into consideration in designing their strategies. The Deputy Mayor of MBSA had this to say:

> *That is our trend and pattern of what we do, what we see, we get their views. Of course if you look at Shah Alam, there are some housing estates that consist of houses worth millions of ringgit. There are bungalows that cost more than RM2 million – very expensive. This gives us some knowledge that these people are rich; they are those who have corporate [buisness-like] thinking; and very much different from those people from inner-city and rural areas. The way they think is different; their views are different. So as a local authority, our role is to provide all the services that can fulfil the desires of every resident.*
>
> <div align="right">(IC:2:SA:TDB)</div>

This respondent raised a discourse of social diversification. This Deputy Mayor was capturing a sense that local communities are not always homogenous. Rather they are diverse and feudalistic in nature, having to different interests and struggles. Intertwined with the discourse of social plurality is the discourse of politics and political process. The respondent's belief that …*our role is to provide all the services that can fulfill the desires of every resident..,* implies that strategies for dealing with social issues in this organisation would have been the product of a political and contested process.

While social forces have been regarded as an important variable to be sensitive to, such forces were found to be less critical in smaller LAs. A case in point is MDK, a small rural district council in the north of Perak. Its President illustrated:

> *In terms of level of education, it is very much higher in places like PJ, Shah Alam, or Kuala Lumpur. The standard of living here is low. They*

[the people] are not prepared to use their time to participate in matters relating to local governance. It is better for the people to utilize whatever time they have to look for some earnings. There is no point in being active in things that don't give any income to them.

(IC:1:KR:YDP)

The above CEO interestingly brought up a discourse of social exclusion – a break in the relationship between the individual and the society at certain levels. The discourse of social exclusion has long stood as a prominent theme in the study of social reengineering, inequalities and poverty. The respondent shed light on how privation and hardship among his people had forced them to adopt different priorities. Their social and economic status prevented them from taking part in the normal activities of citizens in a society. In the above case, the people were being continuously excluded from local decision making and deliberation forums. The respondent was implying that such a flawed situation constituted a challenge to him to look for new ways to bring the people back into the mainstream circle.

It was discovered that LAs, impacted profoundly by social factors, had introduced relevant strategies aimed at addressing people's needs and expectations. The creation of a Residents Representative Council (MPP) by MBSA and the establishment of a Resident Committee (JKP) by MPSJ are relevant examples. MPP and JKP were created to enhance friendship and better understanding between the Council, the Councillors and residents, by way of providing avenues for people's effective participation in the governance of LAs. In the case of MPPJ, efforts to foster community participation were rigorously undertaken through the LA 21 framework.

Another interesting observation was the creation of corporate units in LAs to deal basically with public related issues, customer service and quality management. Corporate Departments had been created in both city councils and all municipal councils, except MPSP. None of the three district councils however had their own corporate department. In the case of MPSP the role of quality manager was played by its Director of Valuation Department. In the case of MDK, albeit a small LA, it did have an officer looking after quality matters. MPSJ was the first LA to create a corporate division with one full-time

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officer to deal just with customer-related matters and management improvements. Its secretary remarked:

> *… first they created a corporate department. There was no corporate department elsewhere at that time. They created a corporate department and placed one full time quality officer there. Previously such matters were not given that strong emphasis. The corporate department is directly under Deputy President. And this officer reports directly to the Deputy President. So she's very strong.*

<div align="right">(IC:3:SJ:SU)</div>

Dealing with social problems such as illegal squatters and hawkers was also been given due emphasis by a number of LAs affected by such problems. Such problems were more glaring in urbanised and metropolitan LAs. MPSJ and MPPJ, for example, in line with the state government's zero-squatters and zero-hawkers policies, had come up with various strategies to solve the problems of squatters and hawkers. This was undertaken by preparing comprehensive relocation programmes, such as provision of better homes and proper kiosks for squatters to live a healthy life and for petty traders to operate legally.

7.3.4   Technology Variable

ICT, as one important component in overall technology, has been recognised as one of the major forces driving change in transforming public sector organisations into a more customer oriented domain through delivering speedy, efficient, effective and transparent services (Bovaird and Löffler 2002). Documentary review and interviews again revealed that LAs characterised by an urbanised nature and those dealing with a highly educated and computer-savvy society placed ICT as one of the important agendas in their long term strategies. Such a trend was visible in the case of MPSJ, MPPJ and MPSP, which represented the said category. MDKS, MDK and MDD, on the other hand, represented a less complex and less demanding society, leaving behind a few others in a rather moderate society such as MBMB, MBSA and MPK in between, but moving steadily towards riding the ICT waves.

The importance of ICT in MPSJ for example was reflected in its vision statement to be 'a smart municipality', the term 'smart' in this context refered to its efforts to fully leverage

on ICT to improve its service delivery system. When probed further as to what the management understood by 'smart', its Secretary shared his views as follows:

> *Most of our clients, our stakeholders and our ratepayers come from the middles class. Most of them work as traders and businessmen. They are self-employed. Even if they are employed, they work with the corporate sector. Farmers are almost none here. We regard our residents here as a middle class group and their income is slightly higher than the national standard. That is one. And secondly, they are computer savvy. Eighty percent of them have a PC at home. When your people are IT literate, you have to prepare yourself to become a 'smart' local authority, which means an IT literate local authority. So all of our systems must be based on IT systems.*

> (IC:3:SJ:SU)

The importance of ICT in MPPJ was reflected in the establishment of Petaling Jaya Integrated Information System (PJIIS) in 2003. PJIIS was developed as a comprehensive system that integrates various functions and departments in the organisation as well as into facilitate smooth dissemination of administrative information to all interested parties. In addition, this LA had also established various on-line systems to deal with its clients and stakeholders.

It is not the purpose of this research to discuss in detail the various electronic services and computer applications packages developed by these LAs. What it seeks to highlight is that LAs did take into consideration the important ICT as one of the important external forces to be given appropriate attention in their endeavour to 'leap-frog' towards achieving organisational goals.

The characteristics of the population as described above – in terms of their income and level of IT literacy – were also shared by other developed LAs, especially those located in highly urbanized areas. So apart from forces and pervasive impacts from the 'digital age' or 'IT era', change in the level of knowledge, especially of IT had been another influential factor.

Having said that, it is also vital to note that the extent of 'investment' in such a 'costly' business was not without a price. It depended on factors such as financial stability, the organisation's internal capabilities; level of complexity in their society; and workload. This perhaps explains why the utilisation of ICT was somewhat limited in smaller LAs. It is not that they were not aware of its importance; they were trying to respond to external needs in an incremental way.

7.3.5   Environmental Variable

This research also examined how changes in physical environment had been taken as an important factor by LAs by giving attention to the negative impact from unchecked and improperly managed urbanisation process in designing their strategies. Much of the environment issue was touched upon under economic forces in para 7.3.2. It is quite clear that the issue of urbanisation and its impacts on the environment was more critical to complex and larger LAs. MPPJ and MPSJ were two LAs that represented this category. Environmental issues were found to be moderately discussed in MBSA, MPSP and MPK. The same issues were found to be not so critical in MBMB, MDK, MDD and MDKS. Perhaps the situation in MBMB, reflected in the remarks of one of its senior managers quoted below, could also represent other LAs that share the same nature:

> *…in Melaka you have not heard of such a big issue as environment problem. This is because over here most are small housing schemes. It is not like Subang Jaya, like the one developed by UEP Subang Jaya. We don't have that; Melaka is on a small scale. We may have people developing 3 or 4 hundred such houses. When they are sold out, they build more. The purchasing power in Melaka is not that big. So those who came were mostly from the middle class, factory workers and others. So we don't build many big luxurious houses. If you observe, developers build 100 units [when they're], sold out, [they] build again. You won't find in Melaka the biggest housing area.*
>
> (IC:3:MB:QM)

This respondent raised the interesting discourse of 'prisoners' or 'beneficiaries' of the locality – that the management of a particular authority is officially charged with working with the locality; they do not have the option to relocate their area (of operation) but must

make do with what is at their disposal within their physical boundary. And in the case of LAs, such a 'virtue of localism' was another fundamental feature that characterised the government agencies operating at the local level, as opposed to profit-driven run private firms. As has been argued in Chapter 2, the fundamental purpose of the public domain is to constitute social and political preconditions that make society possible. Relatedly, the above reflections also raised the notion of a clash between the idea of 'leadership of place' in local government theory and 'securing competitive edge' as the key concept in private firms' strategic management.

7.3.6   Legal Variable

Information gathered from the interviews and review of documentation implied that matters related to legal and jurisdiction had been treated as internal weaknesses by the organisations, instead of forming external forces that affect LAs externally. Such issues included the usage of old and outdated laws. As legal forces are more internal as opposed to external matters, this issue will be discussed under assessment of internal strengths and weaknesses.

7.4   CONCLUSION

The above discussion illustrates how the LAs positioned themselves within their external environment to ensure fit between their organisations and the demands from the surroundings. Emphasis was placed upon perceptions and interpretations of the CEOs' views and judgment concerning the influence of various external forces and how such forces dictated or were incorporated in their orgnisational strategies.

Changes in government policies were viewed as highly influential by city councils and most of the municipal councils and hence, were one of the major considerations in charting their mission and strategies. Two important challenges posed by economic and environmental forces were changes in demand from business communities for an effective facilitation of business activities and demand for a sustainable development for

the benefit of future generations. It was in response to these challenges that many of the strategies in the LAs were designed. Changes in social landscape included demand for a higher standard of urban services and the need for meaningful public participation in policy making. Equally important was the new role for LAs in dealing with various social issues, calling for social-reengineering efforts to be undertaken by the LAs. As in the case of political forces, influences from economic and social forces were more palpable in bigger and more complex LAs. This, in turn, suggests a relationship between different categories of LAs and their level of perception concerning the complexities and turbulence of their outer context.

In making meanings from their external challenges, a number of notions were captured from respondents' reflections. One of them was the noble and rich notion of 'trust' and how it is linked to the tedious and mundane notion of 'functionalism'. Despite appealing to different classes, both notions were seen by some respondents as inseparable and complementary. An important theme of hierarchy was also embedded in respondents' discourse and this notion should be acknowledged as constitutionally and legally binding.

In interpreting economic challenges, respondents' lines of thought resonated with the language of the new public management (NPM), which emphasises result-oriented and outcome-driven public management. The discourse of globalisation and economic permeability, highlighted the importance of the LA fitting itself into the bigger economic picture globally.

The diversification and expansion of the roles of LAs that go beyond traditional services was another important theme raised by the CEOs as a result of constant changes in government policies. In making sense of social challenges, the respondents interestingly highlighted the discourse of social diversification and heterogeneity. At the same time, the idea of social exclusion was also unearthed, suggesting that LAs should move more aggressively in undertaking social reengineering efforts to address the issue of social inequality and poverty.

CHAPTER 8 – Answering Research Question No. 2

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STAKEHOLDERS MAPPING AND ANALYSIS FRAMEWORK

Route-map

This chapter presents the findings from research question number two, which examines how local authorities (LAs) realign themselves in relation to their stakeholders and reveals how most of their strategies are tailored towards accommodating the influence and needs of different groups of stakeholders. In mapping out who their stakeholders are, the findings suggest that most of the CEOs relate the discourse of stakeholders to the notion of power bestowed on a powerful few within their external context. As such, the state and federal governments, to whom the LAs are answerable, were seen as very important stakeholders. Most of the respondents also viewed taxpayers and other service recipients as their important stakeholders. Another important observation is the emphasis given by the LAs to stakeholders' participation, evidenced through the creation of various avenues for their meaningful involvement in strategy-making. The interpretive findings suggest a fairly well-established language of stakeholders among public managers. It seems that the notion of citizenship, which upholds reciprocal obligations between a government and the people, is embedded firmly in their discourses. At the same time, the idea of consumerism, marked by the regular use of a consumerist language, was also present. However, the interchangeable use of the terms customers, residents and taxpayers, although they refer to different concepts and constructs, does reflect a mélange of competing, overlapping and interacting concepts and concerns among respondents; and that the choices of concepts has implications, for how strategic issues or strategic actions are framed.

8.1   INTRODUCTION

Stakeholder mapping is the second aspect examined under external environmental positioning. As suggested by Johnson *et al. (*2005), stakeholder mapping seeks to examine how organisations identify who their stakeholders are; what power they have or how do they become important; what their expectations are; and how the organisations fulfil their expectations. The literature review presented in para 2.4.3.2, Chapter 2, argued that obtaining the buy-in of important stakeholders is key in strategic management. In

particular, Johnson and Scholes (2005) emphasised that the criterion of acceptability to stakeholders of strategic choices is probably of greater significance in the public sector than in the commercial sector. In the same vein, Osborne and Gaebler (1992) contended that a government organisation has more stakeholders than a business and most of them vote. Hence, to change anything important, their agreement must be sought and their involvement is necessary.

8.2   ANALYTICAL FRAMEWORK

8.2.1   Interviews and Group Discussions

Respondents' views and perceptions on the subject matter were obtained through interviews and group discussions, which enabled the researcher to immerse himself in the thinking and understanding of the management of the LAs on how they dealt with the stakeholder issue. Among the main questions asked during interviews were:

i)   *Who or which group among your external stakeholders do you consider to have most power that can influence your organisation? Can you rank a few of them?*

ii)   *Could you share with me what have been your approach[es] in identifying or understanding their needs or the wants or the expectations from those stakeholders you're dealing with?*

iii)   *What do you think are the criteria used by your stakeholder to assess your organisation's performance and service delivery?*

The purpose of the first question was to learn who are the stakeholders to the LAs in general and in what way they became their stakeholders. It was also aimed at ascertaining whether the organisations had their own way of identifying their stakeholders and the powers they had over the organisation. The second question was aimed to gather information on how LAs brought themselves closer to the stakeholders in order to understand their needs and expectations; what approaches had been taken and what mechanisms had been created to achieve this. The respondents were finally asked to respond to the third and final follow-up question, which sought to see how the

organisations assessed the expectations of their stakeholders and found suitable ways of meeting their expectations.

8.3 FNDINGS FROM STAKEHOLDER MAPPING AND ANALYSIS

8.3.1 Identifying Stakeholders

It was found that most of the LAs had firm ideas about who their stakeholders were and they had their own way of identifying them. According to the Deputy Mayor of MBSA, the simplest way of identifying their stakeholders was first by looking at who were the main players that had linkages to the organisation. This should be followed by finding out and understanding the expectations set by them. He clarified that:

> *If you talk about our stakeholders, basically we have two main stakeholders. First, the stakeholder that holds the power and the one that gives directives is the State Government. But at the same time, we also receive directives from the Ministry of Housing and Local Government; we are also subjected to rules and regulations under the Federal [Government]. So these are two main stakeholders that give us various directives. If we take a company for a comparison, these two groups are analoguous to the main shareholders. And our target groups are all the people of Shah Alam – those who reside within the boundary of Shah Alam and those who pay the tax (ratepayers). These groups are our main concern.*
>
> (IC:2:SA:TDB)

The respondent's expressions reveal that the language of stakeholders was fairly well-established among public sector managers. His lines reflected the discourse of stakeholder as managerialist language. He associated the idea of 'stake' with the notion of 'power', hence he equated stakeholders (within his external environment) with those authorities and groups of people who had power under the law and who gave directives to the organisation. The respondent interestingly made an analogy between stakeholders (within the public sector) and shareholders in private companies, which in a way, exhibits the strong footing of his understanding of the construct of public sector stakeholders.

A number of respondents viewed stakeholders in terms of who LAs should be accountable to. One respondent argued that it is the public or those who pay tax that should be taken as stakeholders:

> *Obviously, in the LAs, we are accountable to the public, our taxpayers or ratepayers. In this respect, we are fully accountable in whatever we do or whatever we think, or whatever we set. So obviously, to me, our thinking should be focused on the community.*
>
> (IC:4:PJ:CM)

A corporate manager from MPSJ gave a brief but meaningful definition of what she understood by external stakeholders:

> *Because for us, they are the ones who come first. What and when we want to strategise; what we want to do, they are the ones who come first. Now the catchword is "what ever we do, we do it for you". It's like that. There was one time when we orgnanised a campaign that we created a motto 'We exist because of you'.*
>
> (IC:4:SJ:CM)

Both respondents raised the discourse of public and citizen and their responsibilities as taxpayers. The first reflections emphasised the roles of citizens in a political sphere, upholding a reciprocal commitment between a government and the people. The term 'accountability', used by the first respondent, exhibits the notion of 'mandated political obligations' that a government (through its agencies) must undertake. This respondent, thus, viewed the public and taxpayers as the stakeholders for they are the by-product of democratic political process. The slogan *'We exist because of you',* as expressed by the second respondent, is replete with a rich image of mandate fulfilment, implying that the LAs were specifically created to be at public disposal.

8.3.2 Ranking of Stakeholders in Terms of Power and Importance

Table 8.1 shows how respondents placed the importance of their stakeholders in terms of ranking. The purpose of asking respondents to rank stakeholders was to see how and why they saw them as important. In the case of respondents who were not keen on ranking,

they were asked just to name the top three most important stakeholders and the three groups of stakeholders were listed according to the order of mentions.

Table 8.1   **Ranking of Stakeholders**

LAs / Stakeholders	MBSA				MBMB				MPPJ			
	CEO	Sec	CM	TP	CEO	Sec	CM	TP	CEO	Sec	CM	TP
State Govt.	1	2a			1	1	3		1	2	2	2
Federal Govt.	2	3			2	3	4		2	4	3	3
Ratepayers/Public	3b	1			3b	2	2		3a	1	1a	1b
Business community	3a	2b			3a				3b	2	1b	1a
NGO/ Media	4				4		1		4	3	4	

LAs / Stakeholders	MPSJ				MPSP				MPK			
	CEO	Sec	CM	TP	CEO	Sec	CM	TP	CEO	Sec	CM	TP
State Govt.	1	2	3a		1	1	2		1	1		
Fed Govt.	2	3	4		2	3	3			2		
Ratepayers/Public	3a	1a	1a		3a	2	1b			3		
Business community	3b	1b	1b		3b		1a					
NGO/ Media	4	4	3b		4							

LAs / Stakeholders	MDKS				MDK				MDD			
	CEO	Sec	CM	TP	CEO	Sec	CM	TP	CEO	Sec	CM	TP
State Govt.	1	1			1					1		
Fed Govt.	3	3			3					3		
Ratepayers/Public	2	2			2					2		
Business community												
NGO/ Media/ Tourist												

Note: CEOs   : Mayors/Presidents/Deputies Mayor
        Sec   : Secretaries
        CM   : Corporate Managers/Quality Managers
        TP   : Town Planners/Others
        1 : First ranking; **2**: Second ranking; **3** : Third ranking; **4** : Fourth ranking

A number of CEOs faced difficulties in ranking ratepayers and business community for they thought the two categories were of equal significance. Similarly, in the eyes of most corporate managers and secretaries, the ratepayers and the business communities captured equal ranking in terms of their importance. In such cases the remark (a) and (b) were used to describe the situation.

[shaded box]   Not discussed

8.3.2.1 The State Government

As can be seen from the table, the authorities (namely, the state and federal governments); the ratepayers; and the business communities were the three groups of stakeholders that were considered most important by all participating LAs. Other stakeholders included the media and NGOs and for a small number of LAs, local and international tourists. The majority of the nine CEOs chose state government and the federal government as their top and second most important stakeholders. This was followed by the business communities and the public/ratepayers, although, in some cases, the CEOs thought that the two categories were of equal significance. Similarly, most of the corporate managers and secretaries preferred to give the ratepayers and the business communities equal ranking in terms of their importance. Combining all views from all respondents, it can be concluded that the top three stakeholders to LAs, according to their importance, were state and federal government, ratepayers and business, and the federal government. The media and NGOs captured fourth place in the ranking.

Asked why the state government topped the list, respondent answered that state governments had the power to direct them – they were the ones who called the shots. To the Deputy President of MPPJ, the importance of LAs to adhering to the policies of the state government was encapsulated in his words, 'either you do it or you leave the organisation':

> *We have to be in line with the state government from the top to the bottom. If we go against the tide, our organisation will collapse because we are not moving in the same direction with the state. To me, if LAs or Presidents of the LAs are not moving side by side with the state, they must withdraw. If they continue to stay, it will only create problems to the whole organisation.*

> (IC:2:PJ:TYDP)

A district council's secretary, in responding on why he thought state government was the most important external stakeholder, instantly uttered, '*because we report direct to the*

state'. Another municipal secretary, in justifying why the state government was so powerful to LAs, offered this argument:

> *…because we were established as a state [government] agency. So, of course directives from the state will be the one that receive our immediate response…*
>
> (IC:2:SP:SU)

8.3.2.2 The Federal Government

The influence of federal government comes into the picture basically because the principal laws governing the LAs are made and passed by the parliament, which is under the federal government. In addition, the National Council for Local Government (NCLG), which acts as the highest committee in formulating national policies for the promotion and development of the local government, was established at federal level. As discussed in Chapter 4, NCLG played an important role as a consultative body to deliberate and coordinate on legal and major policy issues pertaining to LAs. The fact that decisions of NCLG are legally binding, makes federal government an important and influential stakeholder to LAs. At the same time, the Ministry of Housing and Local Authorities (MHLA), which acts as the Secretariat to NCLG, is responsible for coordinating and monitoring the implementation of policies and other decisions agreed by NCLG and the Cabinet.

Asked how influential the federal government is on LAs, one of the municipal secretaries implied that although federal government is important, all decisions and policies from federal government have to come through state government to ensure they are implemented effectively. As such, policies from the federal level must be in line with the policies of the state government. However, as currently the state and federal governments were on good terms, there had been not many problems on the part of LAs.

8.3.2.3 The Public and Taxpayers

While state and federal government were considered two important groups of stakeholders, with much justification, the importance of public and ratepayers had never been discounted – also with justification. MPPJ's Corporate Manager, in defending why she felt ratepayers should be the most important stakeholder to LAs, argued:

> *….of course the state authority is our stakeholder and we are related to the state authority in terms of laws, policies and so on. But it will fall back to the service that we give. What I mean here is that in the end, it is the public that receive the service and those who really feel the impact of such policy are still the ratepayers.*
>
> (IC:4:PJ:CM)

The above respondent raised the discourse of citizenship by referring to the 'public' (who reside in the same country or locality). And by linking the notion of the public with a discourse of ratepayers, she was actually making a link between citizens and the idea of democracy. It has been argued in the previous discussion, that as a member of political community, a public or a citizen has rights and responsibilities to exercise within a constitutional state, and paying tax is one of those responsibilities. This respondent did not refer to public service recipients as 'customers' – a construct that most of the management textbooks comfortably use when discussing quality initiatives in the public sector organisations.

MPSJ's and MPPJ's Secretaries were more inclined to rank ratepayers as the most important stakeholders. The reason was simple and obvious – because they pay tax. Their views seemed to carry some authorities, given that more than 70 percent of LAs' income comes from individual and corporate tax. In expressing their views, both respondents were actually narrating the discourse of democracy and democratic practices. The idea of democracy upholds the notion of collectivity and reciprocity in citizen-government relationship, in which the government will provide public values and the citizen in return will exercise their rights in accordance with the democratic system.

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The views that the public and ratepayers should be the ultimate stakeholders to LAs, for the reason that all policies imposed by state government are ultimately meant to fulfil public and taxpayers' needs, seemed to be a popular notion. The Director of Valuation Department, who was also the coordinator of the strategic planning programme in MPSP, shared the same thinking when he contended:

> *If you talk about stakeholders from the organisational point of view, the most important stakeholders are our customers. Whatever the customers want, we will do, regardless of what the media says. And we found that since the beginning, the state government and politicians have been in line [with the customers] and they will follow what the customers want, what the public want. If you serve the public, you are actually serving the state government. Even the media, what ever they report, they take into consideration public outcry.*

<div align="right">(IC:3:SP:VO)</div>

This respondent comfortably referred to the public and those who receive services from LAs as customers. He was adopting the language of consumerism, which regards service recipients and service users as consumers. His interchangeable use of the terms customers and public (as in *..they will follow what the customers want, what the public want..*) interestingly reflects a mélange of complex and diverse narratives that gives insights into how people understood their organisations and gives insights into people's practices. The earlier discussion on citizen-consumer discourse presented on in Para 4.3.7 Chapter 4, reveals how the terms public or citizen and customers are different constructs, which carry different meanings and hence, have different implications for practice. It seems from the above narratives, that despite referring to different and distinctive constructs and concepts, the terms public, customers, clients, and taxpayers were used interchangeably by the public and public sector managers.

8.3.2.4 Business Community and Foreign Investors

The business communities, in the context of this study, cover housing and commercial developers; manufacturers; entrepreneurs; contractors; traders and investors. As has been briefly discussed, most of the respondents perceived these people to be a very important

<div align="center">164</div>

group, for they basically form the basis of the existence of the LAs. Some of the respondents viewed the business community and the ratepayers as belonging to the same category of importance. MPSJ and MPPJ are cases in point. The reason underpinning such thinking was economics and survival – because these people pay tax and bring income to the LAs. According to one of the CEOs, more 70 percent of the incomes of his organisation came from individual and corporate tax.

A corporate manager from MPSP considered the business community as a very important stakeholder – one equals to the state government herself. However, he qualified that it was necessary to be clear on the significance of these two categories of stakeholders. The importance of the state governments is that they are the authorities whose rules and policies the LAs have to follow. The centrality of investors and developers, on the other hand, came in terms of the wealth they bring into the LAs. Again, he qualified that the roles of LAs in helping other sub-categories of the business community such as petty traders and small and medium entrepreneurs – by allocating proper areas for their businesses and facilitating the approval of various licences – were more to do with fulfiling social obligations, as opposed to purely economics, with the aim of creating a conducive environment for living.

In expressing their views, these respondents actually employed the discourse of democracy and democratic practices. The idea of democracy refers to the notion of collectivity and reciprocity in citizen-government relationship in which the government and its agencies will provide 'public values', and the public in return will exercise their rights in accordance with the democratic system.

Creating a conducive business environment for the business communities stood out as important policy in a number of LAs, particularly those operating in cities and urbanised localities. Such policies required these LAs to realign their strategies and programmes accordingly. As explained by one of the senior managers in one of the LAs:

.... we here in Selangor, our LAs are [located] in the rapidly developing Klang Valley. And the additional expectations from the state [government] are not only confined to just the normal services but also covers the roles of bringing in investors to LAs. This means that the efforts to attract foreign investors into the country have also been entrusted to LAs. We have to provide facilities, infrastructure and publicity [to the investors].

(IC2:SJ:TYDP)

The above CEO brought the notion of trust to the fore when he highlighted about responsibilities and expectations. But in this case the respondent was linking the idea of trust to the discourse of globalisation. This CEO exhibited his sense of looking outward at his external environment by going beyond merely the local community when he talked about attracting foreign investors into the country. The CEO represented the thinking of an internationalist, which related the notion of trust and reliance to the discourse of globalisation and international economics.

8.3.2.5 The Media and NGOs

There were a small number of LAs that regarded the media and NGOs as their important stakeholders. Some respondents felt that the media had an important role to play, especially in bringing to their attention events in the surroundings that needed action to be taken by their management. As I was informed by the president of MPPJ:

..we take the press as something which highlights the people's problems. Sometimes they [the press] inform us. We'll relay the problems to the respective department. For example the engineering department will be responsible to matters like repairing the roads, drainage etc.

(IC:1:PJ:YDP)

However, he felt that the media should also understand that certain matters require LAs to follow certain rules and regulations, which will result in a slight delay in the work process. For the sake of maintaining a good rapport with the media, he wished the media would acknowledge the working environment and constraints faced by LAs:

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… sometimes due to delay in the tendering or quotation process, which will take a few weeks or so, it may appear in the press. When it appears in the press, very often, in fact the Malay Mail for example, the local Klang Valley newspaper, almost every other day you can see news about MPPJ. Of course most of them are not good things. But we respect the opinion of the proposal or the reports.

(IC:1:PJ:YDP)

In the first quotation, the respondent shared his feeling on how the media (and NGOs) could serve as a 'check and balance' instrument in ensuring effective role performance by LAs. In this situation, the respondent viewed the media and NGOs from a positive and constructive lens. The following quotation, however, echoes his uncomfortable feeling at being placed under intense scrutiny by the media. The respondent shares his concern that uncontrolled involvement of the media and NGOs would put the organisation under too much exposure, which, in his view could possibly portray a misleading picture of the organisation. As interestingly expressed by the State Secretary of Penang:

If you talk about Penang, the press or the media here is very-very powerful. That's why I always remind my officers that sensitive issues must be tackled amicably. Because when the issue blows up [through the media], we don't have the chance to answer back. The Press will always look for sensational [issues]. They form a very strong force.

(IC:1:PP:YDP)

A Corporate Manager from MBMB offered a slightly different view when he argued that while taxpayers were important, there is another group who are more important and they also need the LA's our service – the tourists to Melaka. They also should be considered as important stakeholders as they generate income to the state government and to MBMB. He argued:

Ok…the most important group is of course our ratepayers or our residents. No doubt that those [groups] are [under] our responsibility. But to me, I still go to our customers. Our main customer in Melaka City is still our tourists. Why did I say that? You see, our population is just around 380,000, but the number of tourists that came to Melaka City last year alone was 4.5 million. So we have more tourists to serve than our own residents.

(IC:4:MB:CM)

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Echoing the consumerist view, this respondent's comment illustrates his understanding that customers are merely those groups of people who receive and use goods and services from a service provider. And in the above case he regards the tourists to Melaka as the most important customers of MBMB, simply because they are one of the largest groups that 'buy' the services from MBMB or in his own words, the biggest group of people MBMB has to 'serve'. He was implying that as long as these groups of people are those who receive and buy the services, they should be regarded as customers, regardless of whether they are the residents or citizens from the same country or locality. By submitting to such a narrow view of customers, the respondent seems to ignore the important notion of citizenry in the wider context of politics and governance.

8.3.3 Identifying and Fulfilling Stakeholders' Needs and Expectations

It was found that efforts to address the needs and expectations of their stakeholders were been given top priority by almost all participating LAs. Scores of measures were undertaken to build closer and strong relationship the stakeholders. One of the important approaches in this respect was the establishment of what could be called a 'People's Forum' as an avenue for the public to channel their views and voice their needs. Such forums provided meaningful public participation in policymaking, budgets planning and programmes implemented by the LAs.

Table 8.2   **Stakeholders' Needs and Identification Programmes**

	MBSA	MBMB	MPPJ	MPSJ	MPSP	MPK	MDKS	MDK	MDD
Public & Ratepayers									
People's Forum	RRC	JPRUN	LA21	RC	SPW	na	RC	LA21	na
Seminars	√	√	√	√	√	na	na	√	na
Customers and Clients									
Survey	√	√	√	√	√	√	na	√	na
Customer service	√	√		√					
'Meeting the Customers' Day	√	√	√	√	√	√	√	√	√
Press Conference	na	√	√	√	na	na	na	na	na
Investment Comm.	√	na	√	√	√		√	na	na
State Govmt.									
EXCO Meeting	√	√	√	√	√	√	√	√	√
HOD Meeting	√	√	√	√	√	√	√	√	√

As depicted by Table 8.2, six out of nine LAs had established their own people's participation forum. Although known by slightly different names, they shared the same objectives. As gathered from documentary review, the setting up of these forums was aimed at establishing a bilateral relationship between LAs and the residents to foster better understanding between both parties. This was achieved through channeling to the public, accurate information regarding activities and programmes to be undertaken by LAs. It also enabled LAs to get feedback on problems and complaints from the public to be resolved at local level. The Resident Representative Councils (RRCs), as in the case of MBSA, were created to bring together the residents, the management and the councillors in one forum to discuss matters concerning the interest of all parties. To give recognition to the councillors, they were appointed as chairman and vice chairman of RRCs. As explained by the Deputy Mayor, RRCs were established to ensure that MBSA effectively looks after its residents through a 'representative system':

> *We have a population of around 480,000 population. Of course we cannot get hold of each and everyone of them. So we establish a system where we have representatives, as a channel to communicate, to put across our views and a forum that enables us to listen to them. We set up what we call Residents Associations (RAs). And these RAs are watched or controlled by a mechanism that we call the Residents Representative Council (RRC). We have 12 RRCs in MBSA.*
>
> (IC:2:SA:TDB)

If RRC in MBSA were likened to a 'representative system', RCs in the case of MPSJ reflected more of a 'decentralisation' approach. By 'decentralisation', it means that the RCs does not only became a forum to discuss programmes that best suited the needs of a particular area, but they RCs were also given (financial) allocations to carry out certain projects. It was learnt that MPSJ was the only LA in the country that undertook such a

pratice, which was introduced in 2001. Discussion with the first president of MPSJ, whose brainchild the idea of the RCs was, revealed an interesting insight of this leader:

> *Participation means they are allowed to prepare their budget. I give you the freedom to think of the suitable projects and to choose the good contractors. We give you a certain allocation. Then we have av gathering – the 'meet the people' programme twice a year. You meet the people [residents] in a big crowd. Present your budget. 'Ok this is your budget for next year. These are the things, this, this, this. We try to be fair by doing this, this, this. We chat, we discuss. So these people begin to know us, to get closer to us.*
>
> <div align="right">(IC:1:KPKT:KSU)</div>

Another popular approach in identifying stakeholders' needs was through organising annual seminars or meetings involving the public, councillors and the management of LAs. MBSA for example, organised public seminars twice a year to discuss its annual budget and allocation; development projects to be implemented and the progress of the implementation of sustainable development. Also, for the same purpose, MPPJ convened a 'Councillors' Seminar' every year. As explained by one of its senior managers:

> *….we use this forum to explain to everybody, especially our councillors what is our wish, objective and this was made during the President's keynote speech. We will then discuss the President's keynote speech and that will become our vision, our way forward.*
>
> <div align="right">(IC:5:PJ:SocM)</div>

MPSJ had introduced what they called a 'knock on the door policy' with the objective of bringing the people closer to the municipality. The same approach was also adopted by MDKS who introduced the idea treating the public and ratepayers as 'companions' or 'good friends' rather than just citizens that have to pay tax. Measures were being undertaken to involve the public in most of their programmes and activities. Carrying out customer satisfaction surveys and managing customers' complaints were among common measures adopted by most LAs. Most of the LAs had developed their own customer feedback systems – most of them electronically. Organising 'Meeting the Customers Day

was another programme aimed at creating an avenue for the public to meet LAs' top management.

The acts of undertaking surveys, managing complaints, understanding clients' attitudes and developing key performance indicators, again echo the consumerist approach to public sector modernisation. By emphasising surveys and managing complaints, these LAs displayed their strong adherence to a customer model philosophy which views the government as the producer and deliverer of quality services and the public as consumers of government services. Consequently, the effectiveness of government agencies is measured their ability fulfil customer's satisfaction by delivering quality services.

Taking cognisance of the importance of the media as an influential stakeholder, some LAs occasionally organised press conferences (PCs). The press would be represented by reporters from various newspapers, mostly locals. There were also people from radio and TV. As usual, the PC would be the forum for two-way communication between the management of the LAs and the media. Most of the time, the PC was used by the reporters to raise questions, to seek for clarification and to probe for detailed information on current issues concerning the public interest. On the part of LAs, PCs were used to respond to questions, inquiries and uncertainties raised by the press all at once, in an open and transparent manner.

The establishment of investment committees was the latest effort undertaken by a number of LAs to create cordial relationships between LAs and foreign investors as well as local entrepreneurs and businessmen, with the purpose of enhancing the understanding of the needs and requirements of both parties. As explained by Deputy President of MPSJ, investment committees aimed to assist investors in solving their day-to-day operational problems as well as to provide the investors with comprehensive information, advice and assistance. Briefly, these committees acted as moderators to facilitate communication between government and investors and vice versa.

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Drawing from the answers and discussions with the respondents concerning assessing stakeholders' expectations, it can be summarised that expectations from the general public consisted of two main categories – the basic needs and basic facilities. Basic needs included the basic services they needed for their day-to-day life. These included efficient and systematic rubbish collection and good maintenance of roads, drains, grass and streetlights. Basic facilities consisted of things that are just next to basic, in terms of their degree of necessity. They included community halls, fish and fruit markets, recreational parks, parking areas and other small development projects for the benefit of the community. According to surveys and public complaints systems managed by the corporate divisions of MPPJ, MPSJ, MPK and MDK, between 80 and 90 percent of public complaints had been centred on these two categories.

In terms of quality of services from LAs personnel, narratives from a number of CEOs raised a number of characteristics of services that the public want, which are summarized in the following table.

Table: 8.3   Characteristics of Services Expected by the Public/Clients

Characteristics of Service	Explanation and examples	Case studies referred to
Quick, transparent and consistent service	If people have not complied with the certain requirement or specification, then tell them directly.	Application for Certificate of Fitness (CF)
Trustworthiness and integrity	Officers and staff should not sit on the files as delays could be misconstrued as indicating that they look for under the counter money.	Application for Building Plan and Planning Approval
Customer-friendly	If the mistake is on the client's side, tell them nicely and explain why. If the mistake is on the officers' side, say sorry to the clients.	Application for licences and permits, managing public complaints, and matters dealt with at the counters, especially those that involve with filling in different kinds of forms.
Honour your promise or appointment	If you make a promise to meet the customer at a certain date and time, give priority to that. It is not only you that are busy, the clients are too.	Various matters that require a visit or inspection by the LA officer.

Expectations from the state and federal governments were very clear to LAs. With all the channels and avenues established between both parties, and based on the discussion on political forces highlighted under PESTEL analysis previously, there is no doubt that the wishes and expectations from the state and federal government had been communicated and were completely understood by all LAs. Being part of the overall government machinery to serve the people, both levels of government wanted LAs to work hand in hand with them; to continuously enhance their service delivery system; and to make sure LAs continued to give full support and commitment to both governments in their pursuit of the state and national vision.

8.4   CONCLUSION

This chapter answered the second research question of this study which concerned how LAs realign themselves in relation to their stakeholders. This was done by addressing three sub-areas, namely identifying who their stakeholders are; how they become important; and what are their needs and expectations.

To summarise the findings, the following points may be suggested as the result of the discussion of the three sub-areas examined. First, LAs identified stakeholders from two perspectives, namely those authorities who had powers and gave directives to them and those people who paid tax and received services from them – the latter being the group they often referred to as ratepayers and clients.

Secondly, in terms of ranking of stakeholders, the state government and federal government; the public and ratepayers; and the business communities were the three groups of stakeholders that were considered most important by all participating LAs. Discourse analysis on why state and federal governments were considered the most important stakeholders revealed a mixture of views. Most of the responses, however, were centered on the constitutional relationship between these entities and the LAs, which gave them, especially the state government, the power to issue directives and policies in the LAs. The influence of federal government stemmed from the fact that the principal laws governing the LAs are made and passed by the parliament, which is under

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the federal government. Moreover, the National Council for Local Government (NCLG), which acts as the highest committee in formulating national policies for the LAs, is established at federal level.

Thirdly, the public and taxpayers and the business communities were viewed as important stakeholders by many LAs, for the reason that all policies imposed by the state governments were eventually meant to fulfil the public's and taxpayers' needs. The importance of the business communities stemmed from two attributes – economic and social obligations. The fact is that bulk of the income of LAs came from tax collected from individuals and corporations, which formed an important source of income for the LAs. From the social obligations point of view, these two groups of stakeholders actually fromed the *raison d'être* of the LAs

Next, with regard to identifying stakeholders' needs and expectations, various avenues had been established to allow meaningful two-way discussion between the people and the LAs, and at the same time to promote public participation in the decision making process in the LAs. Most of these efforts were undertaken under the concept of good governance, in line with the Local Agenda 21 Framework. In this regard, while strong emphasis was given to fulfilling people's needs and aspirations, the level of public engagement, however, varied between LAs. This will be discussed more detail in the following chapter.

Finally, in presenting their views and judgment on the subject matter, respondents interestingly highlighted a number of notions and ideas. The notion of citizenship, which implies commitments between a government and the people, appeared to be imbedded firmly in the respondents' discourses. At the same time, the idea of consumerism, marked by the use of consumerist language, was also present. However, the interchangeable use of the terms customers, residents and taxpayers, despite the fact that they connote different concepts and constructs, indicates a mixture of complex and diverse narratives that constitute organisational life and one that has implications for how organisational strategies are framed.

CHAPTER 9 – Answering Research Question No. 3

EXAMINING INTERNAL STRENGTHS AND WEAKNESSES IN THE LOCAL AUTHORITIES:

Route-map

This chapter presents the findings from the third research question, which investigates how LAs assess their internal strengths and weaknesses. This exercise is done by soliciting CEOs' views and judgment on what have been the elements they perceived as important to the organisation and how these internal capabilities impacted upon the accomplishment of their organisational mission and objectives. Discussion on organisational capabilities evolved around five major internal elements suggested by organisational development theory, namely, human resources; leadership; organisational culture; financial situation and organisational structure. Employing a discourse analysis based mainly on respondents' narratives and reflections, the findings reveal a mixture of interpretations of what constitute their organisations' internal strengths and weaknesses. Human resources and organisational leadership seem to sit at the apex of discussion. These are followed by organisational culture. The findings suggest that there was a thin relationship between organisational strengths and weaknesses, in the sense that a particular organisation characteristic can be a strength in one scenario; but it can also constitute a weakness in another instance. The findings also show that the long-standing issue of the closed-service structure[1] in the LAs have been seen as a stumbling block in their striving to create an image of excellence in public organisation.

9.1   INTRODUCTION

The first research question examined and disclosed findings on how CEOs in the LAs deal with their external environment; the second research question unearthed how these organisations interact with their various stakeholders. The review of the literature in Chapter 2 recalls that another important part of organisations' strategic positioning is the internal positioning, which refers to how an organisation understands and configures its internal resources and organisational capabilities to ensure correct fit with the strategic vision and mission it seeks to accomplish.

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[1] Under the closed-service recruitment system, all managers, professionals and technical/supporting personnel (other than the Mayors, Presidents and their Deputies, and in some cases the Secretaries) who have been appointed by a particular local authority will have to stay with the same authority through out their service. They cannot be transferred either to another local authority or other government agencies.

9.2   ANALYTICAL FRAMEWORK

9.2.1   Interviews

Information concerning organisational internal strengths and weaknesses was solicited mostly from interviews. This is because the nature of the question was to obtain views and judgment from key internal actors within the administration of LAs. The main respondents were firstly, Mayors and Presidents, being the Chief Executive Officers (CEOs) of the organisations, and secondly, the State Secretaries, being the heads of administration in the state governments. In addition, views from other management team members were also sought to gain wider coverage of information. While views from organisational members represent an inside perspective, views from state secretaries carry the stance of the respective state governments.

Respondents were asked to respond to two open-ended questions, namely:

a)   *Could you describe what have been the strengths or advantages of your internal organisation thus far?*

b)   *How do you assess your existing human resources in terms of their strengths and weaknesses, including their competencies and capabilities?*

The purpose of the first question was to get the perceptions and views of the CEOs on what internal elements they perceived as important to the orgnanisation, and as such were given due emphasis when they designed certain organisational strategies. It was also meant to gauge their views on what constituted strengths and weaknesses in the internal organisation. The second one, planned as a follow-up question, sought to solicit views on the strengths in human resource that already existed and the weak areas that needed to be improved. It was also aimed to see how the organisations went about building internal organisational capabilities.

9.3   FINDINGS FROM ASSESSMENT OF INTERNAL STRENGTHS

Table 9.1 lists the elements that were considered as strengths by the respondents. As depicted by the table, and in line with most literature on management and organisational

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development, organisational internal strengths evolved around five major elements, namely human resource; leadership, financial resources; organisational culture; leadership; and organisational structure.

Table 9.1   **Organisations' Internal Strengths**

Internal Strengths	City Councils		Municipal Councils				District Councils		
	M B S A	M B M B	M P P J	M P S J	M P S P	M P K	M D K S	M D K	M D D
Human Resource									
Experience	√		√		√		√		
Qualified and Competent	√	√		√	√				
Age Profile	√	√		√			√		
Hardworking/good cooperation		√		√		√		√	√
Leadership									
Visionary	√	√	√	√	√			√	
Dynamic	√	√	√	√		√	nd		nd
Knowledgeable			√	√					
Experience/Exposure	√	√			√				
Culture									
Openness, teamwork and loyalty	√	√			√	√		√	
Long history, legacy and tradition									
Wide recognition		√	√	√	√				
Resources									
Strong financial resources	√	√	√	√	√	√	√		√
Organisational Structure									
Established Committee System					√				
Closed-system					√		√		

Note: nd – not discussed explicitly

9.3.1 Human Resources

Human resources has been considered as one of the crucial strengths of LAs in their striving towards realising their mission and objectives. Various aspects of human resources were highlighted by the respondents in describing the characteristics of their personnel. Experienced and qualified human resources are something most LAs could have. With the autonomous power granted to them, LAs could recruit their own personnel. They could look for the best candidate they wanted or hire those who were currently employed by other agencies – public or private – who possessed relevant knowledge, experience and skills. Experience could also be built from within the organisation. Given the lifetime tenure of most LAs' staff, supported by a sound

recruitment process, LAs could always build a group of competent and experienced human resources.

A number of LAs relied on young and fresh personnel, who, according to most of the CEOs, formed an important strength to the organisation. In the case of MBSA, 65 percent of its staff were in the region of 40 years old. The reason for having such a young and fresh group of people was quite clear – they are easy to develop, highly motivated, serious at work and have strong brains to grasp new things. As illustrated by its Deputy Mayor,

> *If they [the staff] have reached 50 [years old] or more, they will always think that they will retire soon, they cannot work anymore, so they become less motivated. For these younger group, they think they've got more time and as such, they will think, 'I have to do something for my future'. Then they will think about promotion – 'I have to do something, to show something good'.*

In the same vein, the Secretary of MPSJ contended:

> *When we say young officers, we mean those who are just graduated. They may lack experience, but they were well nurtured and are easily trained. They can be easily moulded. When you stay here too long and you think you have a lot of experience, you'll become complacent. And then it's not easy for you to change.*

Both respondents raised the discourse of human performance and productivity against age or physical ability. These Presidents were making a link between human physiology and psychology against the motivation towards work. These respondents seemed to consider that as a human being grows older, his/her motivation towards work and ability to grasp new things becomes less strong and he/she becomes less energetic to work hard. These respondents also raised the notion of work complacency and resistance to moving out from one's comfort zone. Sometimes, this perceived relationship between time served or age and energy levels or motivation led to respondents expressing relatively harsh judgements. Based on their beliefs and preferences, they would rather look for younger personnel and engage in in-house competency building programmes.

9.3.2   Organisational Leadership

A number of writers tend to emphasise the element of 'process' when discussing organisational leadership. These include Kotter (1996) and Johnson *et al.* (2005) who see leadership as a process involving two intertwined activities – creating a sense of organisational purpose and direction, and influencing people in the organisation to achieve that purpose and objectives. Hartley & Allison (2000), however, widened the concept of leadership into three perspectives – person, position and process. Person refers to those who hold the overall responsibility for an organisation. This includes the characteristics of the people, what they think, what they do and how they do it. For a person to undertake such responsibilities effectively, he or she must hold a certain position that grants him or her certain powers and authorities. Drawing from these perspectives, leadership in this research discusses the role of CEOs in the LAs in leading, inspiring and mobilising their followers to achieve organisational objectives.

A number of traits or characteristics of leadership that emerged from the interviews are listed in Table 9.1. Most of the terms were used by those HODs and managers in describing their bosses. One of them is visionary leadership. The literature describes, in a nutshell, a visionary leader as a person who is, having determined the organisation vision and direction, capable of turning such vision into a manageable process through effective communication with and control of the followers.

Visionary leadership, as depicted by most managers, was a strength of most of the larger LAs. Some of the respondents cited certain cases to support their views:

> *To me, Datuk Ramli has tried to change the old practice. He's the one who believes in paradigm shift. He tried to shift us to another paradigm. Working with him, there should be no bureaucracy. So we need people like him, who want us to work hard and smart, who don't want to see any bureaucracy, red tape, delays...*

Sharing the same enthusiasm, a Town Planner shared these views:

> *We obtained municipality status in 1997 and our first President was Datuk Fuad. Datuk Fuad to me was among the farsighted leaders. He had a vision. He said if we want to achieve success, we cannot just follow the*

books strictly. We have to really study the problems and we have to look forward. Then we have to cut the red tape. I regard Datuk Fuad as the 'father of modern MPSJ'. He built the culture of working hard, regardless of time…

Both respondents raised a classic image of bureaucracy – red-tapesim, proceduralism, rule bound, backlogs, lip service and lack of enthusiasm towards change – as a result of excessive adherence to rules and regulations. Their narratives bring to life criticisms of government bureaucracies by the literature in public sector management. Chapter 3 of this thesis unpacks this discourse. These respondents believed that it was the task of the new breed of strategic leaders to bring in reforms in the administration of LAs to deal with the new generation of citizens who tended to rule out the stereotypical and 'maintaining-the-status-quo' approach of public sector management. Both respondents also brought to the surface the discourse of 'paradigm-shift', which suggests different ways of solving management problems as opposed to merely 'following the books', which will narrow the scope for creativity. One of the respondent's phrase, *'father of modern MPSJ',* reflects the notion of 'family' and intimate relationship between organisation leader and the entire staff.

A leader of one of the participating city councils was described as having 'matured at a young age' by one of his managers. He was asked by the state government to relinquish his post in the state development corporation to lead the city council. His officer shared with the researcher his ideas on how a leader with a good working background and exposure could be an asset to an organisation:

> *When he first joined [the corporation], he was just graduated. He has travelled to most parts of the world, brought investors to Malacca. For us, we might work in the management environment, but we lack outside planning, what are other people's views to become more developed, how to invest, what they want and so on. So he has that experience. If he wants to attract other people here, he knows what they want.*

This respondent raised a discourse of globalisation and made a link between global-local exposures and shared his beliefs on how such valuable experience could be applied in management at the local level. He was signalling how wider exposure would cultivate new knowledge and wisdom that would enable a leader to look above the horizon, instead of just addressing the bottom line.

The following illustration came from a very senior officer in one of the participating municipalities, describing the fundamental characteristics of a strategic leader she had worked with:

> *To me, it's all about leadership. Like Datuk Mohd. Nor, he really thinks strategically. He had strategy in whatever he wanted to do. His background. I think he learned social development. Secondly, he always starts with the people. He always goes back to the basic issue – the community. Their wants, their needs, their aspiration. He goes back to the roots. He always asks the basic questions: 'Why do we exist here? Why are we here? What are LAs for?*

Another manager from one LA raised the idea of influential leadership through excellent communication. It was learnt that this former CEO had laid down the first ten-year strategic plan for this municipality, which was being carried out by the current leadership:

> *When the President gives his speech during Corporate Assembly, he puts across things clearly. He is very... If you listen him speaking, I think he can beat most of the politicians in this state. That was his strength. You will listen to him with enthusiasm. He articulates his points one after another. People can easily buy his ideas.*

The narratives of this manager exhibited the discourse of charismatic leadership. His choice of expression, referring to *eloquent and persuasive speech,* raises a discourse of an alluring leader in the process of winning people's minds and the importance of good organisational communication to put one's ideas across in the organisation.

9.3.3 Organisational Culture

The findings concerning organisational culture suggest that openness and good cooperation among staff and officers were among the existing culture in the participating LAs and such a phenomenon was seen as giving strength to their organisations. In addition, the culture of teamwork and the spirit of *esprit-de-corps* among the same group of workers formed an important strength for a number of LAs. As narrated by one Municipal Secretary, his organisation had instilled and inculcated the spirit of teamwork in the workers ever since they were at district council status.

> *We were then just like a family. We were like brothers and sisters. Our strength was equal. We were satisfied with our machinery, our capability.*

> *We were strong in every department. Everybody gave full commitment, very knowledgeable, very high spirit. This has become an asset to the organisation. They are hardworking. They are willing to work until night, for the sake of MPK.*

This respondent raises an image of organisation as a family. His notion of 'family' resonates with the discourse of intimacy and closeness. He makes a rather enormous claim, likening his staff to brothers and sisters and praises such a sense of brotherhood as the rope that binds them together. The organisational members felt as if there existed a sense of kinship among them, fuelled by their shared enthusiasms and loyalty to the same organisation.

A Town Planner from MBSA shared with the researcher how glad he was to see the principles of 'openness', 'understanding' and 'tolerance' among the staff had been upheld strongly in the organisation. A similar culture of 'togetherness' also blossomed in MBMB. Discussions with its CEO suggested that such a sub-culture took shape as a result of their rigorous efforts; one of which included the undertaking of a compulsory internal orientation course called *'Love the Organisation',* introduced in 1990.

> *...the Mayor and all heads of departments would sit with the labourers and we explain to them our objectives. This means that the labourers who plant trees etc. will recognise the Head, know what the Head wants and can talk to them. We sit and eat with them. From there they'll feel they are being appreciated. When they came back, they would tell their friends. There are those who got angry if their friends didn't want to go. Before this they had never met, they had never talked to the top management. We asked them about their problems. We gave them the opportunity to share, which they never had before. After that, we seemed to become closer, there's team work.*

The *'Love the Organisation'* motto used by this organisation radiates a rich image of intimacy and brotherhood among organisational members. The word 'love' is such a powerful expression that goes beyond just simple attachment or responsibility. Love embraces philosophical and metaphysical precepts which involve sacrifices and sharing. Love sometimes connotes a discourse of patriotism, as in the case of protecting a country's sovereignty. Love is simply a huge nuance to describe things, for 'where love is, no room is too small'. When the term 'love' is used in the above accounts, it manifests

mountainous hopes of the kind of intimate relationship a worker should have with his/her organisation.

Elsewhere, a culture of *'you scratch my back and I scratch yours'* characterised the more transactional relationship among staff from another municipality. It was this kind of culture, the researcher was told, that pushed the organisation to move on with its strategic planning. Portraying a somewhat contrasting type of relationship from the one which espoused the sharing of joys and sorrows, this kind of organisational sub-culture was more of a reciprocal process. This sort of contrast shows the existence of diversity and plurality of values in organisations or what Bevir and Rhodes (2003) term 'the webs of beliefs' among organisational members and how they came to hold them.

Findings also suggest that a few elements of a qualitative nature had been regarded as an important source of strength by some of the participating LAs. These included long history and legacies; wide recognition; and long tradition. This was true, as far as the interviewees were concerned, in the case MBMB, MPPJ, MPSJ and MPSP. Both MPSP and MPPJ were among the earliest LAs established in the country, apart from MBMB as discussed before. Documentary review revealed that the establishment of MPSP could be traced to the enactment of a Municipal Ordinance in 1896, which had paved the way for the establishment of the Town Board of Bukit Mertajam and Rural Boards of Province Wellesley in 1913. These boards were upgraded to a municipality status in 1976, known as Seberang Perai Municipal Council (MPSP). Covering an area of 738.41 sq. km, MPSP is currently the largest LA in the country in terms of land.

As perceived by the State Secretary of Penang, having been blessed with a long history and legacy, this municipality inherited a strong system of committees that had been preserved and safeguarded for generations to ensure its stabilisation, relevancy and effectiveness. The expression below relates how maturity contributed to the internal strength of the LA:

> *…in terms of strength, both councils have their own long history. Certain traditions have been inherited from one generation to another to stabilise the organisation and there are also certain, though not all, cultures that strengthen both councils. We have a quite established Committee System in both councils. So, the coordination of work will be done by certain committees which will help the President in making decisions. So it was a*

> *strong supporting system to help both councils to move and fulfil the demands of the tax payers.*

This respondent's expressions reflect his belief in the merit of 'committee systems' which serve as an effective approach to coordination of works and a strong feature of the decision making process within the LAs' administration. His preference manifests his commitment to the prevalent tradition of decision making in the literature of LAs, in particular in the United Kingdom. He views the committee system in a very positive way, despite mounting criticisms on the weaknesses of what is described as an inherited formal and bureaucratic system of decision making.

A good name and reputation was the inner strength of MPPJ, morally and spiritually. MPPJ was established in 1950. It started as a rubber plantation area in the late nineteenth century until it was cleared in the early twentieth century to give way to the development of Petaling Jaya as a satellite town to the expanding federal capital of Kuala Lumpur. This municipality at one time became a source of reference and was often dubbed as a trendsetter among the LAs in the country. This reputation had created a sense of pride among the staff that had subsequently driven them towards achieving excellence in their work. As recollected by one of its senior managers:

> *I won't deny that because we were among the oldest LAs, that was the advantage we had. And at that time we had officers that were knowledgeable in every subject. Not just in management, even in sports. We used to have Inter Local Authority Sports for all of Malaysia. Then there we had a name [for ourselves], not just in Selangor. At that time, there were only a few giant football teams - we and DBKL [Kuala Lumpur City Hall]. So at that time we were grand, really grand. We had a good name, and of course, when we did anything we always did an excellent job. We absorbed that culture of excellence.*

In the case of MPSJ, albeit being established in 1997 (from a district council previously) this municipality had created a strong name among LAs in the country. In 2001, just six years after its formation, MPSJ had been chosen by the state government as a model of administration and public service for other LAs. Between 2003 and 2005 MPSJ received 25 local and 17 international visiting delegations. It also collected more than 15 awards between 1999 and 2004, including Innovation Award, Local Authority Quality Award, Best Website, Winner in Landscape Competition, Certification from Malaysia Books of Records for 'First Library to Implement RFID Technology' and Certification from

Malaysia Books of records for 'First E-Court System'. This LA had also obtained ISO Certification for all its work processes. As memorably articulated by the current President, *"Who doesn't know MPSJ? You just mention the name, people would recall it"*.

9.3.4 Financial Resources

As also depicted by the table, most of the participating LAs took cognisance that financial resources was one of the most important internal strengths to their organisations. And it was based on such strength that most of the strategies were developed and implemented. As clearly explained by the former Mayor of MBSA:

> *Like in the case of MBSA our strength is we are quite stable in terms of our income. MBSA is one of the well off LAs I would say. We are quite strong in our income just like PJ [MPSJ], and Subang [MPSJ]. In fact we are equivalent to PJ. With our income roughly about RM200 million a year... with this strength, there are quite a number of things that we can plan, that we can undertake. We can provide good public facilities, we can do something different. But for a few other LAs, they can't afford to do this...*

MBMB for example, came up with its 70/30 policy because this LA had no problem with its financial resources. As revealed by its Mayor:

> *One of our strengths is money. Here people will pay [tax] to us. We just need to think how to get the money from their pocket. That's all. We don't worry about money. Here we spend 70% of our annual income to provide various services, and 30% for operations. We don't save money because this is public money. It is of no point if you save RM40 or RM50 million if you fail to give the best services to the people.*

In praising his budget and monetary policy, this CEO highlighted a classic dilemma between quality and costs. Efficiency and effectiveness in service delivery will require a greater amount of money, for quality services entail, among others, timeliness; responsiveness to customers' needs; readiness for use; and reliability. To be able to meet these requirements, a local authority will need to allocate sufficient budget both for operational and development. On the other hand, cutting and saving cost for the future and contingency plans also reflect prudent and sensible financial management. A local authority with zero reserve will be easily caught off-guard in confronting unanticipated

events. Given the rapid changes in state government policy, LAs are expected to be ever ready to support some states' *ad-hoc* programmes, financially and physically.

It has been discussed in Chapter 4 that LAs earn their revenues from a number of sources. These include imposing certain kinds of taxes, collection of rents and licence fees; and profit from trade and services. They can also increase their revenue through property reassessment. It is thus clear that LAs with a large number of valuable holdings; commercial properties and industrial activities can earn more money than those that do not have such a strong economic base. This explains why most of the district councils, which are small and rural, hardly enjoy such financial stability.

9.3.5   Organisational Structure

There were two LAs that viewed the closed-service system practised by LAs as giving an advantage to the organisation. Such a structure, according to one of the LAs, would create a group of experienced workers and managers. As they had been working there for many years and had been doing the same work, they knew every aspect of their work, and hence had become competent in their areas. Such a system had created a group of specialists. As asserted by the President of MPSP:

> *..they [the staff and managers] are very experienced. Because they have been long here and they have become specialist in their area. So, each department became, to a certain extent that, expert in the area. The Building Department became expert in building; the Planning Department became expert in planning. Even down to the lower level. They know history, 20 years, 30 years back. They know. We can trace back the history, the files and so on. They become my reference.*

This respondent raises the specialist view of organisational structure and praises the merit of work specialisation. The idea of work specialisation is not new, for its footprint could be traced since the writings of Adam Smith's *The Wealth of Nation* (1776). The President was reinforcing the discourse of specialisation by sharing his experience of how his officers became highly efficient and knowledgeable when they undertook the same job within the same environment and dealt with a similar type of work.

Experienced and long-serving workers had given an advantage to another LA in a slightly different way. They paved the way for a kind of close relationship between the

municipality staff and the people, so much so that they had become like friends. With that kind of 'friendship', complaints could be channelled without much 'formality' and actions could be taken in a less formal way. Its CEO shared his views:

> *Those people who are working here are 'old-timers', those who know more. They know all the twists and turns of working here. Their relationship with external parties, with the clients, with the people of Kuala Selangor at large, is just like friends. They understand them well and they can act without delay. We meet them at the mosques, we'll meet them when we go to the shops, the market, we meet them on the football field. Because our area is small. The people can channel their problems through friends, through word of mouth and they'll get the services.*

The CEO commended the burgeoning spirit of cooperation and harmony between his staff and the people in his locality as a strength that allowed the practice of a 'know-who management'. He made an assumption that within such a less complex society, close relationships would emerge between his officers and the public and this would allow the people to *channel their problems through friends, through word of mouth.* Unintentionally, his account also raised the discourse of social exclusion. His strategy seemed to sideline those who were socially excluded or marginalised within that small community. His complacency regarding his somewhat *ad-hoc* policy and his strong belief in his (unreliable) assumption would result in widening the gap between those who had connections (with the staff in the LA) and those who had no contact with those powerful few inside the office.

9.4 FINDINGS FROM ASSESSMENT OF INTERNAL WEAKNESSES

One fascinating feature when undertaking internal environmental analysis in this research was that there was a very thin relationship between strengths and weaknesses. A particular organisation trait or characteristic could be a strength in one scenario; but it could also pose as a weakness in another instance. Another important finding was that those weaknesses were interrelated and intertwined in a web of interconnected factors. Thirdly, it was found that internal weaknesses, as will be discussed, seemed to go across all LAs, irrespective of whether they were large and metropolitan, or they were small and

Table 9.2 Organisations' Internal Weaknesses

Human Resource	Less motivation/low morale Feel of complacency/resistance to change, Discipline and moral
Culture	Departmental-centric Lack Communication
Organisation Structure	Closed-system; Two-hat System
Financial	Insufficient financial revenues

rural-based councils. Table 9.2 summarises all the elements under discussion. For the purpose of this discussion, despite such interconnectedness, these factors could be categorised into four internal elements namely, human resources, culture organisational structure and financial.

It was found that the closed-service system, which is listed under organisation structure, had given strong impacts to the internal strength in most LAs. As briefly noted before, all LAs are given the power to recruit most of their staff, including managers and heads of departments, except for the top three posts of Chief Executive Officers (known as Mayors for City Councils and Presidents for Municipal or District Councils), Deputy Mayors/Presidents and Council Secretaries. The discussion on the recruitment system in the LAs in Malaysia, as presented in Chapter 4, demonstrates that LAs in Malaysia, practised a closed-system recruitment process. It was from such lifetime tenure, it seemed, that most of the internal weaknesses in the LAs emerged.

9.4.1   Human Resources

Low morale and less motivation among the staff were among the internal weaknesses discovered by the research. The staff of LAs did not feel proud to be working in LAs. At least two reasons contributed to this. Internally it was the lack of effort on the part of leadership to really go out to win the minds and hearts of the staff and externally, the perception from the public that looked at LAs as problematic agencies among government agencies.

Communication between leadership and managers and supporting staff seemed to be very crucial to boost the morale and motivation among the personnel. A human resources manager shared her views on the importance of top-down communication and how a good relationship between 'number one' and the rest of the organisation could enhance the morale of the staff:

We used to have a monthly assembly. The leader was very good. All staff worked very hard. He made a point that every month, he would have meetings with the workers. Even though he was busy, he would make a point of meeting these people. Sometimes he had nothing to say, but he would invite everybody just to have a drink and chat.

For far too long, the public have seen LAs as problematic, slow and ineffective government agencies. LAs have been portrayed with not a very good image and commonly have a poor reputation. Hence, working in LAs was seen as not having any future. One of the LAs' Secretaries shared his experience when he first joined the municipality:

When I first worked at the LA, I found that nobody was interested in becoming the Secretary of the Council. When I joined the LA from the post of ADO [Assistant District Officer], my friends ridiculed me. People laughed at me and asked me why I joined the LA. They said there was no future in LAs and that it was not relevant.

This Secretary gave an interesting account of public sceptisicm and doubfulness towards the adminstration of LAs. The terms 'irrelevant' and 'futureless' reflect a disposition of 'loss of confidence' in the capability of LAs to serve the people satisfactorily. His colleages cynically signalled a message of the declining trust in LAs and put it quite pejoratively. Such a patronising view was perhaps propelled by their deep feeling of disillusionment as to the capability of LAs to stand up as strong and respected institutions.

He further lamented the continuous criticism and comments passed to LAs by the public, media and politicians:

We are the 'the first to be walloped, the last to be recognised'. No one wants to help us. It seems as if we are made the scapegoat.

The term 'wallop' connotes a notion of violence, agressiveness and hostility. This could reflect the secretary's perception on the kind of environment he had been living with. He seemed comfortable to choose this 'hard' word to describe the scenario. This quotation highlights a discourse of violence with regard to the relationship between the LAs and its external environment. The expression may reflect the respondent's experience in the interaction with his external environment. At the same time, it conveys an impression of frustration and despair among the senior managers.

While LAs' closed-service system did give some advantages in terms of its ability to create specialists in the organisation, as cited by a number of respondents, the same system also led to the problem of feelings of complacency and resistance to change in their thinking and work among the workers. The main contribution to the feeling of complacency and resistance to change, as put forward by most CEOs, was due to their 'too long stay' in the same department. As suggested by the State Secretary of Penang:

> *The first disadvantage is that LAs are closed departments and the transfers of officers are very limited. In fact there has been no transfer done for both councils. So, from here we can see that they have been working in the councils for years, which has affected their attitude. They feel more complacent and relaxed. They have limited needs of urgency, and this is bad in terms of services.*

Sharing a similar experience was the current President of MPSJ. Advocating the principle of continuous improvement in delivering the service, he wanted his officers and staff to 'go the extra mile', to plan their work properly and to be proactive rather than reactive. Despite the LA's good name and reputation, he thought the feeling of complacency and superfluous satisfaction with past achievement, if left unchecked, would make the workers stagnate. He put it clearly that:

> *We want world class, [so] our attitude, mindset, culture and work must change. Some officers said they act based on complaints. I asked them, "How could you consider what people ask as complaint? If it is based on complaints, it means that you don't plan your work; you only take action when there are complaints. By right if you have a work schedule, there'll be no complaints".*

The CEO seemed to use the language of the new public management, as he highlighted a discourse of customer-focused and client-oriented management – terms essentially created in the private sector management. By suggesting that LAs should not act based on complaints, this CEO was highlighting the notion of proactive rather that reactive management. He was suggesting that LAs should 'act as soon as they see the light; not wait until they feel the heat', and this could be achieved through proper planning and engaging in continuous improvement.

It has been a public perception that the door to corruption and wrongdoings is more open in public agencies involved with approval of various licences and permits, and those involving the enforcement of law and order. But when official sources seemed to support

this perception[2], it became a bitter pill for governments agencies to swallow. LAs are one of those categories of government agencies. At least two municipalities raised the issue of malpractice and lack of discipline among their staff, which they had managed to get rid of and were currently keeping at bay. MPSJ, in its Report for the Prime Minister's Quality Award 2005, stated that lack of discipline among staff and officers was one of its internal weaknesses. Recalling his experience, the MPSJ Municipal Secretary shared this with the researcher:

> *I have not seen at any other PBT, as I recall, since I came here, 5 engineers have been sacked. That's only since I came here. Before that, I don't know. Yes, 5 engineers, one architect, two valuation officers. That's many ... They are 'A' Division officers, you know. That's the level of the Director and Assistant Director. This shows that we maintain self-discipline. As for Division B, there are lots more. Indeed, we don't tolerate indiscipline. We don't tolerate any form of swindling or violating of rules.*

What this shows is that most of the LAs recognised that the problems of discipline, morale, wrongdoing and abuse of power existed in their organisation and that those phenomena were undermining them. It was to address those internal weaknesses that most LAs took their own departmental disciplinary action against those warranting it.

9.4.2 Organisational Culture

Culturally, the closed system in LAs has created a highly departmentalised mentality among different departments. While having a strong sense of loyalty to one's own department is healthy, things will start to go bad when such loyalty is too narrow and confined just to a particular department. It will be even worse when employees put the interest of the department above the entire organisation to which they belong. They think and act based on their own department. They judge and view things just within their own limited departmental boundary. The way they talk and present their ideas is confined to their own sub-entity and most of the time aimed at protecting their own division. They prefer the public to recognise them as representing a certain department, as opposed to the LA itself.

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[2] Report by Public Complaint Bureau 2004.

The above scenario happened, according to one of the CEOs, because the HODs and their men had been there too long. The President of MPSP for instance, pointed out that, while on the one hand the closed-service system had turned his employees into specialists and sources of reference in their field, there was a need to change the culture of the people as it led to the problem of departmentalisation in their work:

> *..because they have been too long there. So, they become like I would say 'warlords' They will protect their own lord, their own rights. It becomes like tribal. That one is a very difficult role. Sometimes I become the mediator. I have to emphasise [that] when we come to a meeting we are one organisation.*

The President's account highlighted a classic dilemma between specialisation of work and organisational integration. The President raised the notion of conflict in that while departmentalisation and work specification will help institute an integrated and holistic organisation where a group of specialist staff would be created, excessive work specialisation without proper checks and balances, will have an adverse impact upon work ethics and integrity. His expressions reflected the dictates of 'accountability' in the contemporary public sector management, which is the very cornerstone of the notion of governance and democracy.

In another case, a CEO of one LA raised an interesting discourse when he cited the case of how his professional staff had treated a client when the latter was applying for a Certificate of Fitness (CF) for his house. The President recounted that the client complained to him that he had faced difficulty in obtaining the CF because when the officer visited his house the first time, the officer said everything was fine, but two weeks later, the officer said there was something he did not comply with and the CF could not be granted. The client wanted to discuss the matter with the officer but the officer did not turn up a number of times, despite prior appointments being made. The CEO raised the matter with the officer concerned:

> *What would you say if you were the house owner? You would say the MPSJ must be crazy. For sure, he would say that you want money. Because he had complied with everything and you said he didn't. What is your reason? If you had promised the owner, you should have fulfilled your promise even if you were busy. I talked about this matter [and] after three months the person came to me. When I say you have to help comply with the requirement, the client says ok, he will do it.*

> *It's simple to solve the problem. If you go and talk to people nicely, they will not be angry with you. But if you say you will come, and you don't, what kind of person are you? For me, the main problem is an attitude problem.*

The CEO's account raises two conflicting discourses. First, his views on the need for attitudinal change among his (professional) staff reflect his concern with the importance of treating clients as valuable customers. The CEO raises a cultural framing by identifying an aspiration to become a more customer-focused organisation. His idea echoes the language of the New Public Management, urging LAs to embrace a 'market-like' approach in service provision and dealing with service users. Secondly, his endeavour was, however, thwarted by the pervading existence of a 'producer-dominated' attitude among his professionals. His account produces a true example of the New Right criticism of how local governments were once dominated by producers' interest, where 'producers' in this context means civil servants, local government professionals and employees, who are responsible for providing services to the people (Stoker, 2004 p. 33). Sadly, however, these so-called service producers tend put their interests above the public interest. In the producer-dominated perspective, public matters are carried out at the convenience of the professionals and bureaucrats, but not at the convenience of the residents or the customers. The behaviour of the professional in the above case study represents a persistent producer-dominated culture, which stood as a stumbling block to reformation efforts pursued by the organisational leadership.

Another senior manager from one participating LAs gave his very interesting and clear comments on the importance of LAs getting rid of this 'departmentalisation' problem:

> *You don't say, 'I work in Valuation Department or the Planning Department'. You don't address yourself in that way. Like what we had before, everybody wants to become a champion. As a result, there exist a number of castles in our departments. This castle is higher than other castles. This kingdom is higher than other kingdoms and what not. These are all old stories. We want to leave them as history.*

Similarly, a State Secretary observed that sometimes the issues of departmental jealousy and supremacy had gone to a worse stage:

> *…in fact I did mention to both Presidents to be very careful so that there are no empires existing in the local councils. There should not be any*

> *warlords in certain departments that just want to draw their swords [to defend their own territory]..*

Expressions such as 'warlords', 'tribal', 'empires', 'castles' and 'kingdoms' are not used literally to describe phenomena of organisational behaviour, neither are they common in the field of business and management. 'Warlord' was a term used during ancient times to describe a person who had *de facto* military control of a sub-national area during war between different tribes under a feudal system. The respondents' reflections, thus, signify a discourse of 'power struggle' between HODs. A warlord who looks after his kingdom or his tribe symbolises the superiority of a personality who has full control in his department. When a State Secretary refers to HODs as …*warlords who just want to draw their swords to defend their territory,* it gives a connotaion that HODs could go overboard in exercising their powers.

The expressions from those CEOs also manifest their perceptions that HODs were trying to create their own boundaries and wanting to be champions within among them. They attempted to create distance from other departments and did not want others to interfere in their work. They might bypass the CEOs in certain decision making, driven by personal agenda. The overall reflections radiate elements of discontentment and resentment on the part of those respondents, with the undesirable attitude of some HODs.

The terms kingdoms, castle and empires used by the respondents (to refer to each department), symbolise an element of 'sovereignty' that should be protected at all cost. Given that the term warlordism was coined to depict war episodes in ancient history, such a metaphor represents the CEOs' perception that the internal environment of LAs was characterised by chaos and crisis. The whole expression reflects a 'tug-of-war' situation and does not portray a well-coordinated and progressive organisation.

Asked further what he thought had been the factors contributing to such a scenario, the State Secretary cited weaknesses in coordination and personality as the two main reasons; the latter being more crucial, hence stressing that attitudinal change among the HODs and managers was key in addressing those issues:

> *This falls back to the issue of coordination. Even though there are committees that help in the coordination, but it is more about the personality. The director of a certain department in the council for*

instance, will keep full control of his duty within his power and within his boundary. Nobody is allowed to interfere. "If I say no, then nobody can say yes. All [matters] must come through me". If for example the Planning Division or Building Division says no, or until or unless they say yes, then nobody is allowed to do anything. Such an attitude [of putting their own department first] sometimes will jeopardise the organisation as a whole in performing their work. This type of attitude will give rise to complaints, red-tape, double standards and so many decision centres that the clients have to deal with.

This State Secretary summed up the whole issue as resulting from three main sources – weaknesses in coordination; personality; and the role of leadership. At the same time the narrative reflects the state government's concern that such a serious phenomenon should be surmounted if LAs want to portray themselves as excellent public agencies.

9.4.3   Organisational Structure

Another internal weakness which merits discussion is the so-called LAs' 'two-hat system'. 'Two-hat' system refers to a situation where the President of a particular LA is also a District Officer. It is about an officer holding two posts at one time.

A District Officer, or popularly known as 'DO', is the head of administration at district level, dealing mainly with land and development matters. Land administration is solely the core business of a district office. As for the development role, parts of the development projects, especially small rural projects, are undertaken by the district office itself, while the bigger ones will be managed and controlled by the respective government agencies at district level. In the case of the latter, the coordinating role of various activities among government agencies will be carried out by the DO.

In the case of DOs that also wear the hat of president of a district council, their duty is not only to look after the administration of the district, but also to head the LA. Such a practice, however, is confined only to some district councils in some states. It never happens in city councils or municipal councils that have their own full-time Mayors or Presidents. The fact is that the DO is actually the permanent post, while the post of President of the District Council is actually part-time. Apart from the salary as a DO, the incumbent does not receive any salary for the post of president of the District Council. He

only receives a monthly allowance, like other councillors. Legally, he is just one of the councillors, but is appointed to be the chairman of the full council meeting. In this research, MDD was the only case in point.

The main weakness with a part-time president is his inability to give full concentration to the running of a district council. Dealing with land and development matters in the district office is already a tough and hectic job; asking the DO to look after the district council will make the task unbearable. Thus, most of the time, the running of the LAs is managed by the council Secretary. According to the President of MDD, he spent less than 20 percent of his time in the district council; he went to the district council on average once a week; he had to chair the Full Council Meeting once a month, and most of the time left the day-to-day administration to the Secretary.

> *.. I have to concentrate on my job here – Land Office and District Office. So my time in MDD is very limited. If you talk in terms of percentage, maybe between 10 to 20 percent. This means that I can't give much. We have around 200 people. How can you to monitor them, communicate with them and motivate them if you don't stay with them?*

His expression indicates that a part timer faces certain limitations. Even in looking after his staff he is circumscribed, let alone designing a grand long-term strategic planning blueprint. The CEO of MDD metaphorically expressed his situation as follows:

> *Most of the time we follow the tide. Sometimes we try to go against the tide. But how can you do that? In terms of staff, we have only one Group 'A' Officer – our Secretary. How far can the Secretary think? Either he wants to think about long term planning or he needs to concentrate on daily house keeping and staff matters..*

9.5   CONCLUSION

The above discussion unveils how LAs assess their internal environment to ensure internal capabilities are tailored towards meeting organisation's objectives. CEOs' views and reflections were analysed to distinguish how they perceive internal elements that render advantages as well as pose limitations to the organisation to cruise towards its pre-determined objectives. A number of points could be cited in summarising the above discussion.

A number of CEOs relied on experienced and competent personnel to ensure their internal strength. This was done by adopting a 'hiring and firing' approach to recruiting personnel from the labour market. Several other CEOs raised a discourse of ageism and a cult of youth when they preferred the young personnel over the "deadwoods". Elsewhere, a strong culture of closeness and intimacy among members was also apparent, described by the image of 'family' and brotherhood. These reflections seem to offer a complex diversity and a mélange of narratives and accounts from different respondents on how they saw the internal strength of their organisation.

A number of managers raised the importance of visionary leadership, namely those who had a strong passion for change. In sharing their thoughts, a number of respondents raised a classic image of bureaucracy in public organisations and the discourse of a paradigm-shift in the way of managing LAs in today's world. Most of the participating LAs took cognisance that financial resources were one of the most important internal strength to their organisations, and it was based on such strength that most of the strategies were developed and implemented.

The LAs' closed-service system was thought to have given advantages in terms of creating specialists. The findings also suggest that a strong name, long history and legacy were perceived by some respondents as an important source of strength, as it helps LAs create a sense of pride and loyalty to the organisation. The findings also show that the long-standing issue of the closed-service structure in the LAs was seen by the majority of respondents as a major obstacle in their striving to create an image of excellence in public organisation.

Relatedly, the two-hat system practised in district councils inhibits the CEO from giving full concentration to the running of the council. From the cultural and structural point of view, the closed system in LAs has created a highly departmentalised mentality among different departments as a result of excessive loyalty to a particular department. Metaphors such as warlords; tribal; kingdoms and castles were used by the respondents to illustrate the situation, hence reflecting the magnitude of the issue. Respondents' reflections also raised the prevalence of a 'producer-dominated' attitude among officers in LAs, apart from other attitudinal problems that need improvements.

CHAPTER 10 – Answering Research Question No. 4

EXAMINING APPROACHES TO STRATEGY DEVELOPMENT IN THE LOCAL AUTHORITIES

Route-map

This chapter examines the process by which strategies come about in the local authorities (LAs). It provides a deliberation on how LAs approach strategy formulation, unpacking various ways of, or perspectives on developing organisational strategies by the top management. Within an interpretive analysis framework, this research unveils that different assumptions of strategy development approaches emerge both from different preferences and beliefs on the part of the CEO, and from the influence of situational and contextual factors. This research discovered six approaches to strategy formation adopted by the LAs, which fall under the rational and emergent schools of strategy formulation. This research adds to the existing literature on strategic management in public organisations by revealing a number of new insights on strategies and strategy making that takes place in different contexts and circumstances.

10.1 INTRODUCTION

The concept of strategy and various definitions of this term have been elaborated earlier in the literature review chapter (Chapter 3). At its most straightforward, strategy involves the selection of objectives and the search for the most appropriate means to achieve those objectives within a particular context and time (Hay 1995 p.190). Approaches or perspectives to strategy formulation refer to various ways or schools of thought on crafting strategies. As has been discussed in Chapter 3, a number of schools of strategy formulation have been put forward by different authors (Idenburg 1993; Mintzberg *et al.*1998; Kearns 2000; Whittington 2001, 2004; Johnson *et al.* 2005), to distinguish different approaches of strategy formulation, which differ according to their premises, emphasis and the nature of the strategy process.

The literature often uses the term 'strategy process' to refer to how an organisation's strategies are selected and formulated (Boyne and Walker 2004). Strategy process is

about how to get to the desired organisation goals, through vehicles called 'strategies', identifying the different ways of creating the path in the journey to the destination. Relatedly, Mintzberg *et al.* (1998) underscores the difference between intended and deliberate strategy conceived by an organisation as a product of deliberate process, and how organisational strategies form or develop in an emergent manner. Hence, he differentiates between strategy *formulation* to refer to an intended and deliberate strategy making process, and strategy *formation* to describe how strategies often emerge along the way and are realised, not as really intended by the organisation. Johnson *et al.* (2005) rather use intended strategy development and emergent strategy development to differentiate between the two natures of strategy formation.

10.2   ANALYTICAL FRAMEWORK

An interpretive approach has been employed in understanding approaches to strategy formulation among the participating LAs. It endeavours to capture top management's ways of strategising and how the strategy making process in the LAs is undertaken based on the knowledge, experience and worldview of the top management. As deliberated in the Methodology Chapter, an interpretive approach contends that the actions and practices of an organisation's key actors are shaped by their beliefs and preferences, which are radiated and manifested through their discourse and narratives. This framework implies that management choices about strategy formulation are the products of their beliefs and preferences, and this will be uncovered by analysing and interpreting relevant discourses with attention to language, stories and narratives.

An interpretive approach via discourse analysis is considered necessary for understanding various approaches to strategy formulation as it unpacks the contextual reality of the organisations, in particular the strategists, and the reality working behind them (Choo 2005). Moving from the notion of strategy as a form of 'social constructivism' (Remenyi 1998; Wittington 2004; Chia and Holt 2006; Selsky *et al.* 2006), the use of an interpretive approach in this research aims at grasping the subjective meanings that steer managers' actions and practices, as a vehicle to understand how their strategies are crafted, basically

as a response to their dealing with different actors and circumstances; their orientation towards change; and their feelings of empowerment with regard to structure and agency. Moving from the work of Bevir and Rhodes (2003), actors' different interpretations are likely to affect the nature of the way strategising is carried out.

It is important to note that an interpretive approach is not just about taking individuals' beliefs and preferences at face value and relating them to their actions. An interpretive approach never discounts the objective facts encircling organisations' actor(s) that influenced their worldview, stance and convictions. As contended by Choo (2005), managers not only interact with their environment, but also seek to make sense of the contextual environment (that has influenced them) through their interpretation of events and the meaning they draw from them (p. 103). Within this context, this study also considers how the strategy-making approach stands out as a result of situational and contextual factors.

There were however, no standard or uniform questions asked during interviews as the sequence of the questions was often tailored to the flow of the discussion. Examples of probing questions are presented below:

i) *In the case of LAs, given the nature of their work, their environment and the nature of their stakeholders, what are the conditions or pre-requisites for strategic management to work effectively here?*

ii) *How are the processes of initiating strategic change such as setting the future direction; determining the appropriate strategies; preparing the people etc. approached? Who else is involved?*

iii) *What have been the workable approaches in dealing with your councillors or other political masters when you want to design your organisation strategies, given the possibilities of disagreement or conflict that might occur?*

10.3   FINDINGS FROM APPROACHES TO STRATEGY DEVELOPMENT

10.3.1 Rational and Analytical Approach

The findings from interviews and documentary review reveal that a number of LAs employed some form of 'analytical' approach in formulating their strategies. This involved fact gathering and analysis of the current and future situation before a particular strategy was formulated. This resembles one of the basic premises of the 'rational' or 'design approach' in strategy formulation. A remark from MPSJ's Quality Manager reflected on how her organisation dealt with issues of squatters and illegal factories. As could be seen from her explanation, the strategies adopted by the organisation to address those issues were based on what were presented as 'reliable data' and had gone through certain analytical techniques.

> ..there are times where we form a special task force to deal with certain issues. One good example is when we decided to eradicate squatters and create a zero-squatters city. Before we agreed to take that as one of our strategies, our Town Planning Department had already carried out a study on urban poverty. They had undertaken the study. They came up with all the facts and figures [regarding the squatters], who are they, where are their locations and other related issues.
>
> (IC:4:SJ:CM)

This respondent was reflecting that the top management of the organisation was somewhat cautious in deciding some major strategies, especially when such decisions involved a certain group in the community. This reflection suggests that a strategy could stand as delicate apparatus in promoting social cohesion, in the sense that an inappropriate strategy might undermine the existing social system. The respondent admitted that some strategies needed to be backed up with extensive data about the current situation to enable a decision to be made rationally. Review of official documents also revealed that a similar approach had been taken when the organisation wanted to address the issue of illegal factories. A special 'flying squad' was formed under the relevant department to gather information regarding illegal factories. A complete report

was prepared before the issue was extensively deliberated in various committees and a range of relevant strategies, programmes and activities were adopted.

Findings also highlight another interesting aspect of the process. A rational and analytical approach to strategy development was usually undertaken in the form of specific workshops or retreats to deliberate current and anticipated challenges facing the organisation. There were times when the management felt that there had been some changes taking place in the environment that necessitated the organisation to revisit their vision and mission and eventually strengthen their current strategies. It was during such formal sessions that relevant statistical data about the current and forecasted scenario were deliberated and analysed[1].

MPPJ, for example, in 1999, convened a four-day strategic review session to revisit its roles and realign its long-term direction to face possible challenges in the new millennium. In his message to his managers and staff, MPPJ's then CEO outlined a number of issues, problems and challenges he thought likely to be confronted by his organisation in the decade to come. Reflecting on how he derived his strategies, he described:

> *The population of MPPJ by the year 2010 would stand at 730,000, with the density increased from 4,115 currently to 7,510 by that year. Fifteen percent of its population would be those above 55 years old. This would call for sound and proper planning, with regards to housing and social programmes. As a result of rapid urban migration, the number of squatters has now reached 16,262 and is on the increasing trend. Affordability of home ownership among residents and the ability of MPPJ to provide adequate houses for the people would certainly become an issue. There are also a total of 306 illegal factories operating in this locality. As such, our emphasis in the next few years should be on high-tech industries and services.*[2]

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[1] It was also noticeable that some prosperous LAs such as MBMB and MPSP hired independent management consultants to assist them in running the strategic planning session.

[2] Mohd Nor Bador, President MPPJ (1996-2002). Paper presented in Strategic Planning Session for MPPJ 2000-2005 entitled *'Challenges of the New Millennium to MPPJ – A Reality'*

The CEO's remarks convey a sense that he is outward-looking – a leadership trait often characterising a visionary leader. He was concerned about the future – about how his organisation was going to cope with various strategic issues presented by the new millennium – and what would be the effective strategies to deal with those challenges. Next, this CEO seemed comfortable in adopting a rational and positivist approach in constructing his organisational long-term strategies. The use of some basic facts and figures reflects how his strategies would have been the product of some basic analysis and evaluation of current and forecasted scenarios. Finally, the above quotation reflects an existence of *the* strategist in the organisation, who acts as the architect that designs the organisational purpose. This concurs with the rational school to strategy formulation, which argues that the responsibility to initiate and undertake the overall strategy formation process rests largely with the CEO (Mintzberg 1998; Johnson *et. al* 2005).

Along similar lines, the founder CEO of MPSJ exhibited his belief in the importance of determining organisational strength and weaknesses through a controlled and conscious process of thought. He shared his opinion:

> *If you have the ability, if you have a conceptual framework in your brain to do something, you will be able to do anything in many ways – in whatever ways possible. You do like this. You go this way, you go that way. You must train yourself for that. It is systemic thinking based on a systemic approach. If the problem is like this, how do you go about it and so on. Because you know the concept.*
>
> <div align="right">(IC:1:KPKT:KSU)</div>

The above reflection connotes the CEO's belief that organisational strategies could be captured through a controlled and conscious process of thought. He advocates the notion of developing strategies as thought-out-in-advance (Mintzberg 2003b; De Wit 2004; Steensen and Sanchez 2007) and this is done via consideration, assessment and judgment on the current situation, based on, and supported by, some form of analysis of current and past experiences. This fits with another tenet of the rational or design school to approach strategy.

Another CEO stressed the importance of assessing the organisation's current ability and the importance of linking strategic management to other organisational components, in this case, the budget.

> *We have to change. We have to think how to plan for the council for the next 10 years. What is our weakness, what is our advantage, our challenges – we have to study. We sit together to do [the strategic planning]. When all departments know how to prepare the strategic planning for MBMB, when they know those inputs [required] for strategic planning, then beginning from next year, I hope all departments will have thought of what they wanted to do and how they're going to do it before we present our budget, what they want to do next year and the next 5 years. From that, we can prepare a better budget, as we now have a clear direction.*
>
> <div align="right">(IC:1:MB:DB)</div>

His line of argument radiates his belief in another important element of the rational approach of strategy formulation, namely, the assessment of organisational strengths and weaknesses, which to him, served as the prerequisite in determining specific measures to deal with the prevailing situation. SWOT analysis, as highlighted in Chapter 3, stands as a popular strategic management tool under the rational or design school. Another element thrown up by this CEO is the linkage between strategic formulation and resource allocation. He believed that long-term planning should be tied to resource management and performance measurement. This is to ensure the organisation does not just determine what it wants to do, but also determines who will do it and how it will be done. His concern about budget and financial matters might have stemmed from his background and working experience. He shared with the researcher how his previous exposure had influenced him to be more 'business-like' in his management, hence suggesting that a CEO's personality and exposure have some bearing on how he approaches strategy formulation.

> *If you see my background, before this I was with the State Economic Development Corporation [SEDC]. You talk about SCDC, you actually talk about business; about [economic] development...*
>
> <div align="right">(IC:1:MB:DB)</div>

To conclude, a number of observations arise from the above discussion. First, the study demonstrates that the rational and analytical approach was adopted as a response to different contextual demands and the nature of strategy itself. The findings imply, for instance, that the analytical approach is appropriate when a new strategy is perceived as potentially having great impact, economically and psychologically, on a certain group of people. The management feels that due to the politically sensitive and socially delicate nature of some strategies, a comprehensive study which is supported by extensive data and thorough analysis must be undertaken to convince various stakeholders before those strategies could be pursued. In this context, Reports, Commissions and Surveys offer important strategic resources and well as analytical ones. The rational approach to strategising was also viewed as appropriate when the CEO thought his or her organisation was at a crossroads, as a result of outstanding changes taking place in the environment, which could bring new threats or opportunities to the organisation.

In the words of the former Mayor of MBSA, who is currently a State Secretary of Selangor:

> *I think all LAs should have what we call, short term as well as long term planning. What you are going to be in, let's say, 10 years time. So you can focus all your efforts toward that direction. If it is just for 1 year, you cannot do much. Short term planning is to me, just to tackle issues, current issues. But for development, we need long term planning. We have to look ahead.*
>
> <div align="right">(IC:1:SGOR:SUK)</div>

The above view, together with the previous quotations, concur with the literature that the rational and design approach gives the organisation a sense of direction and purpose, preventing the organisation from drifting, tackling merely current issues and concentrating on mundane activities (Bovaird 2003; De Wit 2004). The phrase …s*o you can focus all your efforts toward that direction...* highlights another strength of the rational approach suggested by the literature, namely, to get the commitment from all types of people in the organisation to move in a concerted and coordinated way towards

achieving the shared goal (Hamel and Prahalad 1994, Bryson 2004a, Johnson *et al.* 2005).

10.3.2 Centralised and Top-down Approach

Discussion with various managers and HODs also suggests that strategies in their organisation took place through a centralised and top down process. In many cases, strategies were created by the head of the organisation with a small group of senior managers and cascaded down to various departments without much involvement from middle managers and lower staff. According to one of the HODs in one of the participating LAs:

> *… we were not exposed to what strategic management is all about. It was not until the new President and Deputy President joined the organisation that we started with strategic management… We, as I said, have to be thankful to Datuk Fuad and Datin Arpah, who have led us all the way on what strategic management is all about...*
>
> (IC:4:SJ:CM)

In another instance a Human Resources Manager from one of the participating LAs described:

> *Only when Datuk Ismail Mamat came, we realised that before this, we all didn't know where we were going. After he had been here a few months, he decided that all of us must know where our direction is. So that's why he started with this strategic plan. At least we know what we have to do. Like myself here. Before this, we didn't have any planning, such as training for the staff. We just sent [our staff for training] based on ad hoc. But we do have a plan now.*
>
> (IC:4:SP:HRM)

The narratives of both participants reflect a discourse of strategy as 'handed-down wisdom' from the leader to the entire organisation. Both respondents identified their new CEOs and a few others as those individuals responsible for lighting up the organisation from darkness and showing the correct path to move forward. The respondents implied that it was the leaders' sound judgment that had empowered the organisation to move on

the right track towards the agreed destination. The reflection that …o*ur strategic management was like something thought by the top management, tabled to our [internal] discussion and it served as a framework for each departments...* illustrates how the approach to strategy in these organisations was centralised and top-down in nature.

The top-down approach, as suggested by the entrepreneurial school, is attributed to the leader's strong orientation towards change and such passion is also propelled by a host of entrepreneurial traits imbued in him/her. As contended by Mintzberg *et al.* (1998), characteristics attributed to the entrepreneurial personality include strong needs for control; for independence; and for achievement; a resentment of authority; and a tendency to accept moderate risks (p 132). Reflections such as …*we should be thankful to … who had led us all the way...* contribute a discourse of indebtedness on the part of the managers to their energetic CEOs for their willingness to apply their knowledge and experience of strategy and strategic management.

To sum up, apart from advocating the rational school, the centralized and top-down approach also adopts some elements of the entrepreneurial and visionary school. Mintzberg *et al.* (1998) argue that organisations sometimes become sub-servient to the dictates of the top and most powerful person in the organisation, who acts as the architect of strategy (p.124). Also, although intended at the start, strategies tend to become adaptive along the way as they become contingent upon organisational leaders to adjust and manoevre based on their own discretion, intuition, knowledge, experience and willingness to absorb risks. This research would argue that a centralized and top-down approach sits somewhere along in the continuum between rational and adaptive strategies.

This above discussion reveals that a number of CEOs in the participating LAs belonged to the visionary and entrepreneurial category in terms of their personality and management approach. Most of their strategies were tilted towards the top-down approach, as power in these organisations tended to be controlled by and centralized with these powerful individuals. Reflections from respondents suggest connections between a

centralized approach to strategy making and firm leadership with a strong passion for organisational change. CEOs that opted for a centralized and top-down approach seemed to be in full control of the organisation, capable of galvanising support from the people in the organisation. In such a situation, the new initiatives by those CEOs were sometimes seen by the people in the organisation as a gift handed down to them.

Narratives from respondents also suggest that the top-down and centralized approach has a number of weaknesses. At least two interrelated disadvantages surfaced from what could be interpreted from respondents' narratives. First, when everything is dictated and handheld by the CEO, it creates an element of over-dependency. Thus, when the CEO leaves the organisation, people tend to lose focus and feel directionless. The Secretary of MPSJ shared his views on what he thought and experienced when there was a change of leadership:

> *When Datuk Fuad moved out, he was replaced by Datuk Hakim. With due respect, Datuk Hakim is a rather quiet person. So, that kind of system could not work out anymore. They [heads of department] are respectively creating their own empire. Weaknesses are beginning to show. It seems like the Planning Unit are on their own, the Engineering Unit are on their own. This is a weakness and also a challenge. No doubt leadership plays a very important role. But if there is a change [in leadership], with a different personality type, it can be problematic. Things begin to disintegrate. Everything will start falling apart, whatever we have built. It seems that we lose our focus when there is a change in leadership.*

The respondent raises a discourse of organisational 'loss' and 'breaking up' as a result of a change of leadership. His metaphor of *..creating their own empire..* connotes a discourse of chaos and disorder among various departments in the organisation when the leader, who had been acting as a glue that bound them together, had left. From another perspective, the Secretary's reflections reveal a discourse of 'disowning' by the heads of department of other people's legacy. He was suggesting that when the whole idea is created and imposed by someone else, it sometimes fails to gain genuine ownership from all levels of the organisation.

10.3.3 Collective and Bottom-up Approach

Reflections and discussion with respondents also reveal that strategies in their organisation sometimes originated from among managers and were subsequently adopted by the top management. Collective and bottom-up approaches to strategy formation were adopted to some extent, by MBMB and MPSP. Asked to elaborate how the organisation reached what it agreed as strategic issues and strategies to be taken in dealing with those issues during strategic planning seminars, one of the managers in MBMB, who was also one of the moderators of the brainstorming sessions, had these accounts to share:

> *Of course there were heated arguments. They [heads of department and middle managers] differ in the scope of business that MBMB should undertake. One party said, "We want to build an ICT centre. We prefer IT." One side said, "No, no, no, we should focus more on our service. Don't spend time, money, energy on ICT, because our vision is a heritage city, developed and beautiful. Beauty is service, all kinds of good services". Then others want development. Development in infrastructure from the physical aspect. From the aspect of heritage, we preserve whatever we have, more for the tourists. Our product is tourism. Some disagree that we focus on this development. We should focus only on service. We should go back to basics. This is where disagreement occurs. Finally we agreed that our core business is still service and we are concerned about this. But at the same time, we have to look into development because we need certain aspects too to differentiate between the city and other places....*
>
> <div align="right">(IC:3:MB:QM)</div>

The above account suggests that strategies in this organisation were shaped by a process of debate and exchange of views among the managers. The respondent was suggesting that strategies were agreed upon by all parties collectively after carefully considering the merits and demerits of each view. The reflections depict that each of the organisation's members was allowed to voice and discuss their views with all relevant facts and figures, while at the same time be open to others' views. His disclosure …*finally, we agreed that…*connotes the discourse of compromise and collectivity among the organisation members. The researcher was told that the CEO opted to play a passive role in the

brainstorming session, so as to allow open and freer discussion among the staff and managers.

In summary, the collective and bottom-up approach reflects a somewhat opposite principle to that of the centralized approach, in the sense that strategies were first discussed and formulated by the managers in a shared and interactive process of deliberation. Having said that, strategies sometimes underwent some fine-tuning by the top management before they were finally adopted by the top management. The collective and bottom-up approaches uphold a notion of 'recognition' of managers and other groups of staff in the organisation in terms of their views and opinions. This in turn will give them ownership of the strategies adopted and develop a sense of pride among the people in the organisation. The study found that the collective approach to strategy formation was attributable, to some extent, to the willingness of the top management to listen to and consider views from every level of the organisation. Discussion with the CEO of MBMB unveiled that one of his strategies to enhance the internal strength of his organisation was by boosting the morale of his people and by cultivating a culture of pride and a sense of loyalty among them. Adopting a collective approach to a number of organisational strategies had, to some extent, helped him to achieve that aim.

10.3.4 Political and Power Bargaining Approach

Experience-sharing sessions with CEOs and senior managers showed that a political and power bargaining approach to strategy development formed another cornerstone to strategising in the LAs. A number of important strategies in these organisations seemed to have taken shape from a process of negotiation, bargaining for power and compromise among multi-layers and multi-groups of stakeholders. MPPJ's Town Planner shared with the researcher her experience in preparing a local plan. She vividly described how the whole process had been a complex one, due largely to the interests and involvement of numerous affected parties:

> *The first and foremost challenge in our planning is of course in terms of physical environment. By physical environment, I refer to the economic*

development with regard to the existing area. Everybody wants to come to PJ. Everybody wants to develop their land in PJ. Even if a person possesses a small piece of land, he or she will try to maximise it. Even a bungalow-size land is to be turned into an office tower. So to me, as a physical planner, it is a big challenge - in terms of how you are going to plan your physical environment. It is a great challenge for us to reach a level where your planning is acceptable by all the affected groups – especially the land owner and the residents who are really living there. For them to get an environment which is conducive, for them to live peacefully, against another party who wants to make profit out of it. This is because land in PJ is so economically strategic. That's why when I prepare a local plan, I have a very tough time to marry between these two. The first group do not want anything; the other party wants to develop it.

(IC:3:PJ:TP)

Her comments reflect how this senior manager saw the approach of strategy formation as a political and bargaining process. She was talking about stakeholders having different interests in terms of agreeing to a local plan that would have certain impact upon them. Her reflection that *..it is a great challenge to reach a level where your planning is acceptable by all the affected groups,* reveals her recognition that strategy is not necessarily a scientific and rational process. Rather, it is a political and contested process. It is political because it has to deal with differing views from different groups of stakeholders. It is contested because in trying to satisfy as many stakeholders as possible, there will be no agreement and there will hardly be a solution that satisfies everyone. The reflection raises a point that a bargaining approach could take place when a particular strategy is seen as having potential to affect the very basics of peoples' lives and their economic activities.

In another example, MPSJ's founding CEO described how he dealt with relatively powerful local politicians and councillors in a certain decision-making process. It is important to note here that most of the councillors in this LA were professionals in various areas. They were knowledgeable and always wanted to challenge the existing rules and procedures governing LAs.

….you must understand, when you work with others, especially [when] you have to share the power, when you have the councillors around you, you have to keep all of them united. Why? Because this is to ensure that they don't interfere. If they start interfering then things will become difficult. So don't you think that all defence instruments are actually my power? If they disturb all the 48 activities and [if] it results in non-compliance which will lead to the withdrawal of your ISO certification, then they have to take the responsibility. Actually, I don't want to put my interest. If the procedures say like this, then it is like this and we follow. Transparent.

(IC:1:KPKT:KSU)

The above reflection invokes the discourse of 'sharing of power' and the importance of building 'defence instruments' on the part of the management in managing a local authority. There is a discourse of 'tug of war' between management and politics as implied by the CEO's lines of argument calling for both parties to respect their boundary of power and to keep unnecessary interference in certain official matters to a minimum.

The CEO was also suggesting that working with councillors and other local politicians often boils down to how the CEO steers the power sharing process to achieve a win-win situation. In the above case, the CEO opted to share power and to keep the councillors united, while at the same time, drawing a clear boundary of power between him and the councillors. The effective weapon used by the CEO if any power-bargaining process were to take place, was his 'expertise game', trading on his excellent achievement and the towering name he had built in his organisation. His next defence instrument in any negotiation process between various interested parties was the high level of transparency in the work system and procedures that left no loopholes for anybody to take advantage of. Both reflections suggest one common thread, that is, a political and bargaining approach to strategy development tends to take place in a turbulent environment where forces from the external actors are strong and where various interested parties have competing agendas to pursue.

Strategies that emerge from political process, as unveiled by some of the respondents, do have a number of disadvantages. One of them is the tendency to undermine the morale

and spirit of public managers who have been involved with the strategy making process from the beginning. One respondent shared her disappointment when the organisation was forced to slow down its programme of demolishing illegal stores, as a result of political interference, when in the first place the decision had been agreed unanimously by all parties concerned. She lamented:

> *On the one hand they want to so-called uphold the law; on the other hand they want to gain votes from these people.*

To conclude, as contended by Bovaird and Löffler (2002), and supported by the experiences of the participating LAs, the public sector can rarely hope to enjoy the luxury of public consensus. It is in such a reality that a political negotiation and power-bargaining approach to strategy formation continues to sit comfortably. The need to maintain political coalitions also helps to explain how the design and rational approach, often adopted at the beginning, needs to undergo such a 'transformation process' before strategies can 'go down well on the street'.

10.3.5 Stakeholder Approach

Resembling some elements of the political and social approach is the stakeholder approach to strategy formation. It has been made clear previously that the basic premise of the stakeholder approach is that the strategies should reflect the demands and needs of various stakeholders within the environment. It has been discussed in this research that it is important for public organisations to get 'buy-in' from various parties when they design their strategies, in order to create maximum public value and support. A Corporate Manager from one LA made this point:

> *Our view is that although we have our own targets and have put down what we want to do, for certain big projects/programmes we still have to present papers. For example our plan to build the Three Communities Service Building [3K Complex]. We tabled it to the Resident Committee to see whether they wanted it or not. There were cases where we received objections. Then we shelved [the plan]. Even though we are the LA and some of us might think, "Why must we talk to them?," we are a little bit open. Our top management was trying to create the awareness that the*

people must know, under the concept of good governance. So we presented our development plan to them.

<div align="right">(IC:4:SJ:CM)</div>

The respondent's account alludes to a discourse of building a partnership between the LA and its various stakeholders. At the same time, it mirrors a belief on the part of the management in the importance of 'disentangling the dichotomy knot' between service provider (public agencies) and service recipients (stakeholders). This respondent's view fits with Bovaird's contention that what matters today is not what we do, but how people feel about what we do (Bovaird and Löffler 2003a, p.8) Having said that, her lines …*but for certain big projects/programmes we still have to present papers,* lay down a caveat to this approach. The respondent was qualifying that the stakeholder approach in the organisation was undertaken on a rather selective basis. It was employed when the new policy would have direct impact on groups or individuals. The account suggests that different approaches to strategy formulation take shape in different contexts and circumstances and the decision on which process to adopt depends on the extent of impact on certain groups in the community.

The stakeholder approach also reflects the idea of an organisation's adaptation to and dependence on the needs of external actors. The Deputy CEO of MBSA described how his organisation approached some of their strategies by undertaking a two-way communication via seminars with the residents who were represented by residents associations:

> *The seminar gives the people the opportunity to talk. We let them talk to give their views so that it will provide an early picture [indication] to us on what should we do. Let them talk, are they happy with our expenditure; are they happy with our approach. They are free to give comments. So this is what we can call a total involvement with the stakeholders, the implementer and the people. We are not just doing it. We let them participate [give suggestions] and we try to implement it. At the end of the day we inform them [on the achievement]. So after the seminar they come up with their resolution and on the last occasion they will table their resolutions.*

<div align="right">(IC:2:SA:TDB)</div>

This respondent highlights a sense of inter-dependency between both sides and the desire to create a win-win scenario. He believes that close interaction between public organisations and the people is critical for the management to get a clearer view of people's expectations and how the management should adapt organisational strategies to meet their demands. The people will benefit from better strategies which are based on adequate and first hand information, ideas and possible solutions from the people themselves. At the same time the organisation will earn legitimacy of its existence in the long run. Finally, the respondent talks about the importance of displaying accountability and transparency to the eyes of various interested parties, and the significance of gaining ownership from the people, in the form of agreed resolutions and policies.

In summary, the stakeholder approach to strategy development is driven by a spirit of working collaboratively with the people and a group of stakeholders. It recognises the existence of multiple players with multiple roles in the strategy making game and that an effective strategy should incorporate stakeholders' views and satisfy their needs at the outset. The stakeholder approach is considered as a part of the shift of public service organisations from being accountable merely for service delivery, to being accountable for addressing public needs in a more collaborative way (Joyce 2004; Martin 2003; Bryson 2004(a)). The stakeholder approach is more about working *with* the people rather than merely *for* the people. Reflections from various respondents suggest that stakeholders' involvement in the strategic planning process had helped ensure that their strategies would be better aligned to stakeholders' concerns.

10.3.6 Adaptive and Learning Approach

Alongside the rational, political and stakeholder approaches to strategy formation was an adaptive approach based on individual intuition, driven by logical thinking and learning from previous experience.

> *You should learn, you should adopt. It doesn't matter from where. Because this will help you to understand better. And you must always think. To me, all is based on logic. In life actually, if you base on logic you'll survive. Logic means you have to calculate if you do like this, it will*

result in this; if you don't do like that, things will turn into this. If it results in this, then what do you have to do? After taking all these, then you reach to a decision. Sometimes it's all in your head.

<div align="right">(IC:1:KPKT:KSU)</div>

The CEO's lines of expression connote a discourse of cognitive thinking and intuition in decision making. Relatedly, it exhibits a discourse of reliance on one's judgment and experience. The CEO preferred to adopt a particular strategy intuitively, based on his thinking and deep knowledge of the problems. His intuition seemed to be built from his previous experience related to specific tasks in a specific context within the organisation. The respondent stressed the importance of learning, reflected by his very first line *..you should learn, you should adopt.* His emphasis on learning and the importance of relying on adequate information in decision making tends to moderate the highly formalised and linear approach to strategy formulation advocated by the design school. He was quite comfortable in adopting an adaptive way of shaping his strategies, whereby strategies were constantly refined and reshaped as changes in the environment occurred or as new information appeared. His contention on logic (of acts) and prediction (of outcomes) in dealing with the strategy formulation process underscores the importance of looking beyond merely physical things, processes and snapshots, to consider equally the interrelationships between them and the results they will bring.

Another CEO highlighted a 'trial and error' approach to his strategies; especially in dealing with issues beyond his control, such as changes in government policies that impacted upon his development strategy:

I think initially there have been a number of 'trial and error' approaches. We went through the plan; we deliberated in the technical committee, in the development committee, in the planning committee. We thought it was ok and we approved it. To me you can't blame (us).. It is a learning process. Sometimes there are changes in policies. Today they may say that the current standard does not allow you to do this. Suddenly, the next year they change. And there is no running away from toeing the line…

<div align="right">(IC:1:PJ:YDP)</div>

In the same vein, the CEO of MBMB had this account to share with the researcher:

Not long after I came here, we studied how a vehicle parking project could be a main source of income for MBMB. Our aim was to control all parking management for the entire state of Melaka. So we planned for that. We approached our neighbouring districts for their support. We managed to get support from [the District of] Jasin. Because we know it is a good business. Then we had a discussion with the state government. But finally the state authority decided that all parking systems are to be implemented under the concept of privatisation..

<div align="right">(IC:1:MB:DB)</div>

Both CEOs were talking about the emergent nature of strategy formation. The CEO had a clear intended plan prepared through sound deliberation at various planning levels. Discussions with various agencies were held and their agreement and support were sought. However, due to changes in the external environment, the intended strategy was superseded by an emergent one, due to the need to adapt to unforeseen and uncontrolled changes in the setting. The metaphor 'toeing the line' by the first CEO bears much resemblance to Quinn's (1978) seminal idea of 'logical incrementalism'. Quinn (1978 p. 8), while not discounting the relevance of the rational-analytical approach, suggests that in dealing with precipitating events, organisational strategy should be kept broadly formative, tentative and subject to later review. He, however, dismissed mere 'muddling through' processes of strategizing, contending that incrementalism is a purposeful and proactive management technique that integrates both analytical and behavioural aspects of strategy formulation.

To conclude the discussion, two main premises of the adaptive and learning approach, as far as this research is concerned are, first, strategy sometimes emerges as a result of adjustments and modification by the CEO based on his previous knowledge, experience, personal judgment, intuition and 'gut-feeling'. Secondly, this approach takes place when an organisation is dealing with precipitating events and unknown risks. 'Trial and error' and the 'toeing the line' metaphor used by one of the CEOs quoted earlier, fit in with a notion of experimentation - 'learn as you plan' and 'adapt as you implement'. The study has shed light on how the Mayor of one of the city councils had to modify his grand-design plan to control the car parking system for the whole state, as a finance-boosting

strategy, simply because the state government had introduced a new privatisation policy. As contended by Quinn (1978):

> *No organisation – no matter how brilliant, rational or imaginative – could possibly foresee the timing, severity, or even the nature of all such precipitating events. Further, when these events did occur, there might be neither time, resources, nor information enough to undertake a full formal strategic analysis of all possible options and their consequences (p.9)*

In both situations described above, and as emerged in reflections from the CEOs, although some strategic issues had been addressed in a rational and systematic approach, it sometimes ended with an emergent one, demanding that the organisation succumb to the wish of the powerful few. At the same time, those reflections also bring to our attention that certain issues are simply not possible or perhaps too risky to lend themselves to a rational and analytical approach. In practice, strategies do not always come through a conscious process of thought and are not always implemented precisely as per the lists of actions documented explicitly beforehand. The elements of logical thinking, experimentation and prioritisation also come into the picture.

10.4   CONCLUSION

The study demonstrates that rational and analytical approaches are appropriate when a new strategy is perceived as potentially having great impact, economically and psychologically, on a certain group of people. As a consequence, such a decision must be supported by strong justifications and backed by sound facts and figures. The rational approach was also necessary when the CEO thought his or her organisation needed to respond to significant changes taking place in the environment, demanding that management make adjustments to their current strategies. The study revealed that most of the participating LAs undertook formal strategic review that adopted a rational and analytical approach. The popularity of the rational approach among LAs was that it offers useful guidelines for step-by-step thinking about the future and stimulates long-term analysis based on the current strengths and weaknesses.

The centralized and top-down approach, which adopts some elements of the entrepreneurial and visionary school approach, takes place when there is a powerful person in the organisation that acts as the architect of strategy. A centralized and top-down approach was adopted by CEOs who were in full control in their organisation, whose power was derived from their leadership qualities, which stemmed from their possession of conceptual knowledge, communication skills and personal traits. The case studies revealed that there is a relationship between centralized approach in strategy making and CEOs with a strong passion for organisational change.

The collective and bottom-up approach is where a strategy was first discussed and formulated by the managers. The study revealed that the collective and bottom-up approach took place when the CEOs gave recognitions to the managers and other groups of staff in terms of their views and opinions. This in turn would grant ownership of the strategies adopted and develop a sense of pride among the people in the organisation.

A number of important strategies in the LAs took shape through a process of negotiation, power-bargaining and compromise among different stakeholders. The study shows that such an approach recognised the fact that CEOs in LAs had to work hand-in-hand with other powerful actors within their fraternity and often required a compromise and give-and-take approach. The study shows that the political and power-bargaining approach tended to take place where forces from the external actors were strong and where various interested parties had competing agenda to pursue.

The stakeholder approach was another important strategy-making approach undertaken by LAs. This approach upholds the premise that strategies should reflect the demands and needs of various stakeholders. The study has shown that the stakeholder approach was undertaken through the creation of unique mechanisms to get closer to the people in order to form a collaborative strategy-making process. The establishment of 'people representative committees' by the majority of the LAs is testimony to the importance of such an approach. The study also argues that the stakeholder approach resembles the idea of good governance, which gained momentum from the Local Agenda 21 framework

adopted by most countries in the world. This highlights the idea of 'impermeability', which reveals that LAs are not impermeable to changes taking place on the international stage.

Finally, the study has also shown that some of the strategies in the LAs often emerged from an adaptive and learning process. Strategies were sometimes adopted intuitively, based on the CEO's intuition and knowledge, which were built from his experience of a specific task in a specific context within the organisation. It was revealed that while in some cases CEOs had to opt for a 'trial and error' approach in strategizing process, in many other cases scores of strategies came into force after adapting to unforeseen changes in the environment.

CHAPTER 11 – Answering Research Question No. 5

EXAMINING NATURE OF STRATEGIES IN THE LOCAL AUTHORITIES

Route-map

This chapter identifies a number of distinctive features and characteristics of strategies in the local authorities (LAs) that have been influenced by different factors within the internal and external circle of the organisations. It reveals that the nature and characteristic patterns of strategy in the LAs emerge as the product of environmental diversity and contextual readiness. The findings support suggestions in the literature that strategic choices and actions in public organisations take shape with reference to complex and multilateral stakeholders. Through an interpretive approach, the findings suggest the way in which a CEO's belief and preferences, which emerge from his/her knowledge, experience, background and networking, impact upon shaping organisational strategies. This research discovered seven different characteristics of organisational strategies from the nine LAs that participated in the case studies. Findings also suggest that the nature of organisational strategy is also conditioned by the extent to which CEOs feel themselves to be empowered and in control in their organisations, given the structure of their organisations. The findings of the research contribute to a significant body of knowledge on strategic management of public organisations by bringing fresh insights into the nature of strategy in the LAs, hence, pushing the existing boundary of knowledge on the subjects a few steps forward.

11.1   INTRODUCTION

As highlighted in Chapter 3, the literature on both public and private sector management agrees that organisations should continuously examine their strategy and its fit with the pressures posed by the external and internal environment to ensure their relevance and effectiveness. At the same time, the literature also agrees that organisational strategies are, by and large, determined by the role played by the CEOs. Sitting at the apex of the organisation, it takes CEOs to apply their strategic thinking to define systematically the means by which the mission of the organisation is to be achieved. Within such a framework, this research explores how the distinctive nature and characteristics of

strategies in the LAs are conditioned by different situational and contextual factors within the internal and external circle of the organisations.

11.2 ANALYTICAL FRAMEWORK

11.2.1 Dimensions Investigated

Among the major determinants of different types of strategies are the extent of influence from external actor(s); CEOs' orientation towards organisational changes; CEOs' level of agency; CEOs' view towards organisation's internal characteristics; and influences from changes in government policies (Miles and Snow 2003; Wecshler and Backoff 1986; Nutt and Backoff 1995; Boyne and Walker 2004).

Influence from external actor(s) describes the extent to which external actors attempt to influence strategy or strategy makers of a particular organisation. CEOs' orientation towards organisational changes concerns the perception and passion of CEOs towards change, reflected in their efforts to improve and escalate their organisation 'to the next level' (Ballantyne 2004; Robinson 2002). Level of agency, as construed by Hay (2002), refers to the amount of autonomy an individual is privileged to exercise, in terms of introducing various policies and changes in his/her setting against outside forces and influences. Organisational agency refers to the ability of organisational leaders to act independently in making strategic decisions in the organisation. Organisation's internal characteristics are more to do with the quality of human resources in terms of their competencies, culture and morale towards their organisation and how those characteristics are considered by the CEO in shaping organisational strategies.

Semi-structured interviews were the main research instrument in data collection. Narratives gathered from interviews were then triangulated with information from official documents to see their agreement and consistencies. Employing an interpretivist and constructivist approach, the interview questions were designed to grasp respondents' beliefs, experience and convictions in determining the strategic stance and strategic

actions in their organisation. Such an approach has proven to be appropriate to probe participants' understanding and experience in terms of their constructs, premises, presumptions and presuppositions that led to various ways of practising strategy within their environment (Choo 2005).

11.2.2 Interviews

Interview questions were framed in a broad way that could finally arrive at the discussion on how organisations' nature of strategy emerged as a product of various environmental factors. Interviews started with opening, 'ice-breaking' questions as follows:

i) *I learnt that you made a lot of changes in the organisations you led previously, especially in MPSJ. You seem to be so passionate about changes. Could you share this with me?*

ii) *Your organisation organised a seminar/workshop on strategic management sometime in February last year. Perhaps you could share with me what drove you to initiate such a workshop on longer term planning?*

These were followed by a number of 'probing' questions, aimed to move deeper into the topic under discussion. The sequence and content of the questions, however, varied between respondents and organisations, depending on the flow of the discussion. Some examples of follow-up, probing questions are as follows:

i) *In your last seminar, you came up with six focuses – beautification, cleanliness, human capital and a few others. Can I treat these six focuses as your organisational strategies? Could you share how the process of identifying such focuses took place? Who were the stakeholders involved in arriving at agreement on those focuses?*

ii) *With regard to your five-year organisational plan that replaces your annual plan, could you tell me were there any changes internally, or perhaps changes in the thinking of the leadership, that led to the introduction of this kind of planning?*

iii)   You may have gone a through quite a tough time in winning the minds of your councillors. What have been your most successful approaches in dealing or working with your councillors?

11.3   FINDINGS ON NATURE OF STRATEGIES

This research discovered seven different characteristics of strategies from the nine participating LAs, suggesting how different kinds of strategy emerge in response to different determinants and contextual circumstances elaborated in para 11.2.1.

11.3.1 MBMB – 'Developmental' and 'Self-Rejuvenation' Strategy: Strengthening Internal Superiority and Building the Image of Excellence

The main thrust of strategies in MBMB had been to enhance the organisation's performance through strengthening its internal capabilities. In particular, efforts were devoted to developing human capital in terms of boosting their morale and working culture. Much time had been invested in cultivating a feeling of pride among staff. Concurrently, measures were undertaken to strengthen financial capacity, which the management believed to form an effective vehicle to deliver first class services (to the people). The ultimate aim of all these efforts was to build an image of MBMB as an excellent organisation. At the same time, the conventional and long-inherited strategy of promoting tourism products continued to be given due priority. The 'developmental' and 'self-rejuvenation' nature of strategy characterising MBMB, seems to stem from various circumstances and situational factors. The discussion will now consider each of the probable underpinning factors.

11.3.1.1   Managing External Actors and CEO's Level of Agency

The CEO shared with the researcher one incident when he had refused to pay the cost of the construction of a drainage system in a project developed by the state corporation, despite the insistence of the state government. The whole episode shed light on the CEO's relationship with his superiors, which had paved the way for his strategic stance.

His account also depicted how successful he had been in building his own power and autonomy base.

> *I told the Chief Minister (CM) this is wrong. They [the state corporation] are the developer, [so] they should provide the discharge system, not MBMB. The procedure is wrong, [and] the auditor would query us. If you want MBMB to manage this project we have to go for an open tender to get somebody [a contractor] to do it. It will become a project by itself. The CM then brought the case to the EXCO and the EXCO approved. But I [still] refused to go ahead. The State Secretary rang me. I told him we can't do it. It's against the procedure. Finally they went for open tender.*
>
> <div align="right">(IC:1:MB:DB)</div>

The CEO's lines unpack a bigger account than merely the bureaucratic and procedural-laden management style it apparently depicts. The CEO's reflections suggest a subtle dynamic trait characterising him. The CEO shared with the researcher that he had been sent to MBMB by the Chief Minister (CM) for a specific mission *..to put MBMB on the right track,* and as revealed by his middle managers, such a decision was based on his excellent track record. This shows that this CEO had an important task to accomplish in MBMB. However, he needed a certain space within his own setting to manoevre his game without much interference. Thus, he opted to build his own agency by invoking, in a political way, organisational rules and procedures as buffers to keep external actors at bay. He adroitly turned organisational rules and procedures into important resources that would help him pursue his agenda to create an image of excellence in MBMB.

In another instance, the CEO reflected on how he dealt with a local politician:

> *One day I met a politician from an opposition party. He wanted to gain some political mileage. He issued a statement in a newspaper. He said my tender [price] was too high. He said I didn't go for open tender and what not. He asked me to respond. I responded back in the newspaper. I said if it [the allegation] is true, that I have committed wrongdoing, that I have misused my power, and if these people can prove it, [then] I will resign. The politician came to see me. I told him, "Sir, today I am a government servant. [In the] next 5 years I'll still be a government servant. YB today is a State Assemblyman. But in the next five years there's no guarantee that YB will still be a State Assemblyman. He replied, "Sir, I didn't mean to con you. This is just politics. You know we are politicians.." I told him, " if you want to play politics, you go and ask the political people. Don't*

ask me. Oppositions always talk that they want clean and trustworthy government servants that work with full integrity. I'm trying my best to do that. So you don't disturb me. If you think I have done something wrong, and you're certain of my misconduct, [then] you go and report to the Anti Corruption Agency. I will responsible for it".

<div align="right">(IC:1:MB:DB)</div>

The above narratives shed light on the classic idea of politics versus administration and related to that, a discourse of permanent versus temporary as well as a discourse of short-term versus longevity. The CEO's remarks reinforce the dichotomy between politics and administration and how he saw each domain as belonging to a different hierarchy, hence, subscribing to a different set of values. The CEO saw politics pejoratively and believed that political behaviour was about using power to interfere and influence decision making, and more often than not, self-serving in nature. He linked the world of politics with one which is full of 'twist and turns', and implied that political actors always aim to drag civil servants to 'dance according to their political tempo'. Leveraging on his beliefs and convictions, the CEO set a boundary between his organisation and local politicians. This implies that he was in control of his organisation. His lines exhibit an element of firmness and ability to avoid being drawn into cheap political games. The CEO was telling the politician that he was determined to carry out his responsibilities and he played no politics. The CEO, as an organisational agent, was showing that he controlled the environment and acted without interference from the structure.

11.3.1.2   Changes in Government Policies

With regard to changes in government policy, one head of department shared his thoughts with the researcher:

On the political side, Melaka is fairly stable. So where monitoring is concerned, there is no problem because normally, we don't have a new Chief Minister after 5 years. At least 10 years. Therefore, the policy doesn't change much. But in Melaka, the policy began with Tan Sri Rahim [Tambi Chik] until now. His policy has been maintained. The focus is on the most important asset, which is tourism.

<div align="right">(IC:3:MB:QM)</div>

This manager is reflecting upon how maintaining traditions – a set of inherited and sustained beliefs, practices and policies – has given strength to his organisation in terms of political stability. His reflection casts some light on how uninterrupted policies and practices by previous leaders continue to impact upon that organisation in moving forward to achieve its mission. His lines of explanation manifest that the 'less-turbulenct' political situation had enabled his top management to concentrate on two important organisational strategies – increasing its service delivery capability towards better services to the people; and enhancing financial capacity to provide relevant facilities to the public and tourists.

11.3.1.3   CEO's Orientation Towards Organisational Change

Narratives from the CEO on how he viewed the internal characteristics of the organisation seemed to shape his view of the strategies he subsequently adopted. Here are some of his reflections:

> *.. most of the staff have been here for a long period of time. It's a very close department. They couldn't be transferred here and there. As they have been here for too long, the way they work is analogous to how they take their breakfast. If they are too used to having 'nasi lemak'[1] for their breakfast, they will know only nasi lemak; if you ask them to eat cereal, they simply don't know how to take it…So we have to change. If all my staff keep on thinking the conventional way, then things won't improve.*
> (IC:1:MB:DB)

The above reflections of the CEO indicate how the structure had impacted upon his strategies. He knew that it would not be easy to change the current structure (of the closed-system) in the LAs, so he went for changing the people. His analogy between *nasi lemak* and cereals connotes a discourse of 'paradigm-shift' and 'reopening of the black box'. The CEO was drawing upon the importance of changing people's worldview in order to move forward. His 'positive scepticism' of the ability of his workers, seems to

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[1] Nasi lemak or 'coconut milk rice' is a popular meal among Malaysians, taken especially during breakfast and morning tea break. It is usually served with fried anchovy mixed with chili sauce, cucumber and boiled egg.

have led him to opt for rigorous competency-enhancement and image-building programmes. The researcher's review of MBMB's official discourse revealed that this organisation had invested a relatively large amount in money in training and education of staff, which were carried out based on a comprehensive competency-building programme.

On another occasion the CEO raised the idea of 'earning public recognition' as a platform to create a sense of pride among staff and workers, which in turn would inculcate in them a sense of loyalty to the organisation:

> *You have to instil in them values on how you love your department, how you feel proud about your department. How to make the public respect your department. I told them we have to win as many awards [as we can]. If we take part in any parade, we must get number one. We must have some sort of recognition from the public to create that sense of pride in the organisation.*
>
> (IC:1:MB:DB)

The CEO's beliefs raise a discourse of 'leadership as morale boosting' aimed at enhancing organisational loyalty and commitment. He seemed to believe that when the people's minds and hearts were won over, it would be easier to rally their support in pursuing his agenda. His narrative emits a discourse of managing the external environment through image. It echoes his conception of awards, plaques and certificates as symbols of an excellent image which could be used as 'morale boosters' to enhance the morale of the people. This would ultimately augment his existing resources, which would give him greater autonomy and liberty to steer the organisation to his desired destination.

11.3.1.4   Organisational Sensitivity and Permeability

The following reflections suggest that much of the CEO's strategies were developed based on his perception that the organisation should be sensitive to criticisms from the

outside world. He capitalized on the negative image presented of his organisation to build up the entire morale and crafted the way his organisation should be heading:

> *When I was the GM of SCDC, I used to attend meetings with MBMB. I could see that MBMB was very weak. It had no money, a lot of debt. It had to borrow from the state [government] to pay salary to its workers. So what image was MBMB carrying? They couldn't even pay the salary. They took six months to make payment to contractors. So how do you feel working in such an organisation? They [the staff] feel that they have no future. They feel ashamed to disclose that they work with MBMB. When they attend outside meetings with other departments, everybody looks down on them. So that is the challenge I have to take. We had to build this new image. To build the image we had to work together.*

<div align="right">(IC:1:MB:DB)</div>

The CEO was making a relationship between the outside world and interior world. The narrative suggests the idea that people are physical human embodiments of the organisation and thus, they have feelings and sensitivities. When the organisation is openly criticized, people will feel it very personally. The CEO invokes a discourse of organisational permeability and its impacts upon the morale of the organisation. He acknowledges that his organisation is not impermeable; it could not avoid the feeling of damage in dealing with criticisms from the outside world. And it was through such outside criticisms that the organisational strategies were designed, as he puts it,…*to scrape off all those negative images about MBMB...* and to inject a new spirit in his people on the importance of working together as a team in order to create a sense of belonging and develop a feeling of ownership of the organisation.

11.3.2 MBSA – Political and 'Handed-down' Strategy: Creating a Unique Intelligent Malay City

Generally, the nature of MBSA bears a resemblance to other complex and urbanised cities in the country. It has a big population; it houses a huge number of multinational companies; it has strong financial resources; and it has its own 'information society', as a result of the middle and upper class citizens living in its locality. As such, strategies in MBSA reflected a complex and urbanised nature that included placing great emphasis on

the provision of high-class urban services; facilitating economic activities; enhancing people-government collaboration and maintaining sustainable development, both physically and environmentally. What differentiated MBSA's long term strategy from those of other LAs was the effort to develop Shah Alam into a city with a different identity and to create a unique and excellent class LA.[2]

11.3.2.1 Handed-down Strategy – Strategy follows Structure

MBSA was operating in a calm and benign situation with a moderate pressure from the communities, but slightly stronger from the state government. Among its external forces, MBSA was accountable to another highly respected institution – the Palace. Its Deputy CEO shared with the researcher:

> *...here in Shah Alam they want a peaceful and calm environment, no racket. So we cannot organise programmes that will create noise and hullabaloo. In fact if you look at the directives fom His Majesty the King of Selangor, he says, "I want the City of Shah Alam to be different from other cities" If the people want pleasure and enjoyment, they can drive five minutes to go to Klang or drive five minutes to go to Subang Jaya.*
> (IC:2:SA:TDB)

The above explanation indicates that the basic policy of MBSA was to maintain a unique city, characterised by a calm and peaceful environment. This policy had been externally handed-down by the 'palace' and (unquestioningly) agreed by the state government. The same policy was also accepted by other external actors, including the media, NGOs and more importantly, the residents of Shah Alam. Such a policy had been the key factor for Shah Alam to prosper in its own way. According to the CEO:

> *We have a policy not to allow excessive entertainments here. We don't allow cinema-theatres, we don't allow discos, we don't allow karaokes,*

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[2] Shah Alam was proclaimed as the new capital of Selangor in 1974 when the Federal Government made Kuala Lumpur, the then capital city of Selangor, the federal capital of Malaysia. Shah Alam earns special status as a royal city, as the name itself was conferred by His Royal Highness the King of Selangor VIII in 1978. Shah Alam was, from the beginning, planned and developed in a meticulous manner to ensure compliance with the aspiration for a new entity without the overcrowding and less desirable features of most cities. As a capital, Shah Alam is the centre of the state administration and it is here the official palace is located.

and other forms of entertainment. So the service that the people expect, is that we can maintain the situation like what we have in this city now – a well-planned city, [with a] different identity from other cities.

<div align="right">(IC:2:SA:TDB)</div>

The explanation above connotes a policy framework handed-down by external authorities, which required the management of MBSA to come up with relevant strategies to ensure the development of Shah Alam complied with the pre-determined identity. The structure had been set for the agent to execute. As such, regardless of who led the organisation, policy framework in MBSA had been identified beforehand and agreed upon by external authorities. The CEO seemed to have little room to manoevre but had to accommodate and conform to external demands.

11.3.2.2   Political Strategy – Creating a Unique Malay City

Political strategy in MBSA emerged from the influence of political actors and was designed to create a balanced geo-political situation among different groups of people in the state and in the country as a whole. Implicitly, MBSA's planning and development objective was to create a unique Malay upper class society, to be achieved by providing adequate opportunities in line with the objectives of the New Economic Policy (NEP), National Development Policy (NDP) and Vision 2020. As has been highlighted in the previous discussion, NEP (1971-1990) and NDP (1991-2000) were basically aimed to elevate the economic standing of the Malays and other Bumiputras by expanding the nation's economic cake, so that wealth could be distributed more equally among the people.[3] Vision 2020, on the other hand, aims to elevate Malaysia into a fully developed country in its own right.[4]

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[3] The majority of Malaysia's indigenous people, including the Malays, were commonly portrayed as being less well-to-do economically, insecure and inferior, especially in relation to the ethnic Chinese community who held the vast majority of the nations' wealth. The term "Bumiputra" was coined to differentiate these indigenous people who include the Malays, the aborigines, and the people of East Malaysia from the "immigrant" groups. Such differentiation allowed the government to introduce measures to raise the livelihood of this group.

[4] Vision 2020, introduced in 1991, is the brainchild of the fourth Prime Minister of Malaysia, Dr Mahathir Mohamad (1981-2002). In a nutshell Vision 2020 aims to see Malaysia as a fully developed country in terms of national unity and social cohesion, in terms of economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence.

The continuous focus given to Bumiputra advancement, especially in Shah Alam, was also part of the state's objective to maintain its Progressive Selangor status, achieved in 2005. Such a politically externally-imposed strategy to be incorporated by MBSA, was not without justification. With its ethnic composition of 69 percent Malay, 18 percent Chinese, 12 percent Indian and 1 percent other, MBSA is the only city in Malaysia with a Malay majority.[5] The role of MBSA in this regard includes allocating adequate ownership of properties among the Malays and Bumiputras. Along the same lines, efforts are taken to create business opportunities, as well as various learning and training programmes for the target citizenry.

11.3.2.3   Realising the Imposed Objective: Challenges to the CEOs

With regard to fulfilling the stated objectives, MBSA's Town Planner, who also assumed the post of the council's Secretary explained:

> *It is His Highness the King of Selangor himself that wishes to see Shah Alam to be a city where the majority of the people are Malays. We then made Shah Alam as a mould or role model to other cities where the Malays can administer or become the dominant residents in the city. This is also a challenge to us. The whole nation is looking at us. How Shah Alam can be a different city compared to other areas; in terms of property ownership; in terms of our capability to run the city, in terms of the creation of the so-called middle and upper class Malays.*

The above reflections highlight a discourse of 'loyalty' and 'challenge' to the top management in fulfilling the handed-down strategy. On the one hand, it reflects the limited choice on the part of the top management to change the status quo, having to adhere to directives from the 'supreme' party without question. On the other hand, it poses challenges to the top management, having to think of and undertake appropriate programmes and activities to achieve the desired objectives. It reflects the concern of

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[5] The essence of most of the Government policies has been to achieve so-called "social justice" for the Malays to improve their economic status to the level of the ethnic Chinese (Esman, 1972). The policy of favouring the Malays was not without justification, given that in 1970, 52.4% of the population was classified as poor and Malays made up a staggering 60% of this figure (Zainul Ariff Hussain, 2000).

this senior manager that in order to be different (from others) one needs to work harder and come up with different ways of managing the city.

11.3.2.4   CEO's orientation towards Change

Handed-down strategy outlines what should be done (by the agents) to meet the stated goal. It does not prescribe how things should be undertaken. It still takes the organisational leadership to think up and design various approaches to ensure the desired objectives are met. In line with the handed-down policy framework, the management of MBSA had determined its organisation mission, namely to transform Shah Alam into a smart and pleasant city in harmony with its environment, and to emphasise sustainable development towards the creation of a progressive community. One important aspect of achieving the stated mission was to have proper planning, especially in dealing with residents' needs and expectations. On this, its CEO had this to share:

> *We didn't really see from the medium or long term point of view. If you look at federal government, [they] have Vision 2020. That means they're talking about long-term programmes. In the medium term, they have five-year plans. And then of course they prepare the annual budget. Previously we concentrated on short-term annual programmes. So we had the Annual Work Target, we had the annual budget, but we never focused [to see] how we could plan five years ahead, or ten years ahead. So now we see the need for us to plan. We have to start thinking now, what would be our programme this year, next year, next two years, next three years, next four years etc. We cannot afford to do ad-hoc programmes.*

The above reflections exhibit the 'far-sighted' and 'outward-looking' characteristic of the CEO. It shows that the CEO was a firm believer in planning and emphasised proper guidance for future undertaking. He dismissed ad-hoc management or a fire-fighting mode of implementing things and solving problems. It was important, to the CEO, not to be caught off-guard when it came to undertaking various programmes and projects, especially in terms of resources distribution. It was based on such an orientation of the

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CEO that MBSA had come out with two important planning documents, namely, MBSA's Five Year Plan and MBSA's Staff Training Analysis Needs.

11.3.2.5   Dealing with the Community and Enhancing Public Participation

In the drive to create a progressive and harmonious society, the management of MBSA was more comfortable working together with the community and other stakeholders to ensure its service delivery satisfied all parties. Its CEO explained:

> *As top management, we have to really understand the wishes and expectations set by the state, federal and the ministry and oriented to the expectations from the public who pay tax. In implementing this, we have to plan and set the direction because MBSA cannot help but follow the winds of change in which we can no longer implement a policy based on our own wish. We have to solicit views from our clients (and stakeholders); what actually they want.*

A number of (rather) conflicting interpretations emerge from the above reflections. On the one hand, they reflect an element of consensus and gaining the buy-in from various stakeholders on the part of the CEO. Stakeholders' involvement is an important prerequisite for successful strategic management in the public sector and this is the important element, according to Osborne and Gaebler (1992), that most private sector models of strategic planning miss. It has been discussed previously that engaging the community in policy making has been the 'theme' of today's public sector management under the concept of good governance. The CEO seemed to subscribe to this idea. On the other hand, his lines, *MBSA cannot help but follow the winds of change in which we can no longer implement a policy based on our own wish..* exhibits a sense of frustration and loss on the part of the CEO. His expression reflects a discourse of 'power erosion' in exercising his professional judgment, having to, perhaps, 'rubber-stamp' all suggestions made by the stakeholders. It also reflects the discourse of passiveness and a low sense of agency on the part of the CEO.

11.3.3 MPSJ – 'Starting Over' and 'Radical' Strategy: Towering Name and Going Against the Tide

Strategies in MPSJ evolved around four key areas, namely, to reengineer business processes; to enhance public participation; to generate enthusiasm for quality initiatives, and to build a 'towering' name for the organisation. All these strategies were blended together and carried out to achieve MPSJ's vision 'to be a smart and world class organisation'. Strategies in MPSJ were principally conditioned by commitments to fundamental changes, both internally and externally. MPSJ was operating in a rather 'turbulent' environment, politically and socially. At the same time, this organisation was led by an enthusiastic organisational leadership that had a strong orientation towards organisational change. External actors and forces from the communities seemed to wield considerable influence over the nature of the organisation's strategy.

Creating a 'towering' name for MPSJ was one of the main strategies of this organisation, which, according to its founder CEO, formed a 'shield' that protected the organisation from relentless 'attacks' from various external parties. Raising the organisation's status was done through pioneering new ideas and innovations; taking full advantage of the wave of ICT; strong determination to be the leader in quality initiatives; and strong passion to be a model of an outstanding LA in the country. Powerful pressures from political and external actors, especially councillors and tax payers, were cushioned by empowering them in policy-making through the establishment of a new public-collaboration mechanism known as Residents Association.

The 'starting over' or 'transformational' strategy typifying MPSJ seemed to be rooted in the dynamism of the external environmental landscape, in particular, changes in state government policies and demands from various stakeholders. As a result, many of the policies and strategies were crafted in line with political bearing and orientation, supported by the CEO's strong passion towards change and the desire to be ahead of others.

11.3.3.1 Influence from External Stakeholders

As highlighted above, influence from external actors was rather strong in MPSJ. For this reason, strategic direction seemed to emerge from responses to demands by prominent actors within the fraternity of the LA. MPSJ's Secretary had this account to share with the researcher:

> *In Selangor the Chief Minister (CM) incidentally heads the Standing Committee for Local Governments. This does not exist elsewhere but only in Selangor. Because the CM wants the LAs to follow him and does not want the LAs to take their own paths. This is what I see. Secondly, of late the influence of the state government on us has been great. The CM takes the initiative to form an excellent PBT, based on his own criteria. That means we have to strive harder to meet the state's expectations. We will keep on striving to achieve zero complaints, zero squatters, and even zero illegal stores by this June. All these are the vision of the state government. The vision of the state government becomes the vision of the PBT.*

This Secretary was reflecting that strategic direction in MPSJ was largely conditioned by the desires of external actors, in particular the state government and the CM himself. His reflection highlights the discourse of a 'personal agenda' from the CM to see only effective LAs operate in the state. Changes of policies took place every now and then, calling for LAs to continuously realign their existing resources and strategies to suit the new policies. The researcher's discussion with MPSJ's Deputy President revealed that in ensuring effective implementation of various improvement initiatives, MPSJ was answerable not only to the CM, but also to a number of EXCO Members that had been assigned to monitor the implementation of new programmes initiated by the state government. The underlying objective of those policies was to fulfil the public's and customers' needs, which would ultimately generate a strong support for the government.

11.3.3.2 CEO's Level of Agency

Discussions with the CEO suggested that most of the time, MPSJ had been moving side by side and working hand in hand with the state government. Notwithstanding that,

there were instances of 'clash of opinion' between the state government and the CEO. He cited one case when the state government wanted to carry out a study on squatters. He did not follow the state's directive because he strongly felt that the study was not being done thoroughly and the methodology was flawed. He even went against the federal government, as reflected in the very first line of this quotation:

> *The Deputy Sec. Gen. cannot say anything to me. Because if he complains, I'll highlight all the weaknesses in the studies. If he does not make any noise, I'll just do in my area according to my way. If you have enough courage, you go your way. You go against those people in power. If you fail you will face the consequences. In my life, I've been facing this 'not very good' situation many times.*

The CEO was bringing up the idea of the 'central-local relationship' – a theme that sits close to the heart of public administration discourse. Managers in local administration often hold sceptical views towards their superiors at central (or federal) levels who are supposed to be one of the policy makers. This CEO expressed his cynicism on the ability of his counterparts in the headquarters who he believed represented an image of executives sitting around a table and coming up with a strategy without knowing the real situation on the ground. Relatedly he raised a discourse of 'courage' and how it relates to the discourse of 'risk' that an organisation's leader might have to confront for trying to go against the tide. The CEO in this situation was quite certain of the flawed nature of the study and was prepared to face the consequences of not joining the bandwagon. He took this stance because his conscience was clear, he had the proof of what he said. As a result, he was given the chance to carry out his job in his own way. The whole story implies that the CEO enjoyed a certain degree of autonomy and liberty in his undertaking.

In another instance, he shared this with the researcher:

> *There are things you do that make you unpopular. Like me, I used to do things that created anger [from certain parties]. Because I went to seal [close up and deny access to] a building near The Mine. The first public listed company [building] to be sealed by a municipality was [by] me!. It appeared in the newspapers. I went to seal their hotel at The Mine.*

[Because] they didn't pay the tax. I came across one incident [where] the chairman of the company didn't obtain the CF [Certificate of Fitness]. [Yet] he wanted to organise an exhibition. [I told him], "If you proceed [with the exhibition], when in the first place you're not allowed, you must pay the compound of RM800,000.00. [£114,000.00]". He paid that RM800,000.00. You have to take the risk.. because why... he will ring the Prime Minister. To me I'm doing my job. If the KSN [Chief Secretary to the Government] doesn't like me... I don't get promotion, that's all...

The CEO's thoughts capture a discourse of 'empowerment' and 'fragility' in the life of a public manager. Implicitly, the CEO was saying that public organisations have to deal with various influential stakeholders or interested parties that usually have strong links with those who walk in the 'corridors of power'. Public managers will then have choose from among the different options to deal with such a problem – whether to do it the soft way and face less consequences – or do it the hard way and pay a higher price. In the above case, far from being the victim of a few 'untouchable' businessmen, the CEO chose to use the legal power bestowed upon him by the law, to put things right. Here, he seemed to enjoy a high degree of agency, and due to such a high degree of agency, the CEO kept on introducing new things and created innovations.

11.3.3.3 CEO's Coping with Internal Pressure

It has been highlighted earlier that MPSJ was operating in a somewhat 'volatile' political environment. MPSJ was liable to changes in policies by the state government rather rapidly and unpredictably. Apart from the state leadership's enthusiasm towards change, this scenario was also fuelled partly by continuous pressures by local politicians and vocal residents. Against that backdrop, the CEO had to ensure that he received strong support from local politicians and the state government as this would help him to navigate his organisation to the pre-determined destination.

You must understand this. Now I tell you. All councillors are politicians. Seven of them are from UMNO; seven from Puchong and another seven from another area. If 14 councillors give a vote of non-confidence to you, you're finished. So how do you go about? These are political. Nothing to do with your work. These are political. How do you go about? Here you

need to think. Ok. First you have to do your work as best as you can until you get recognition. When you get recognition, you can tell them [the councillors and other key stakeholders], 'Hey friends, what are you complaining about? Don't you see we've won so many awards and recognition by various authorities? What are the things that you want to say I'm not capable of, as an administrator?" So they cannot just say anything to you, as you've proven that you're capable.

The first few lines of the narrative reflect that MPSJ was operating in a political environment characterised by a bargaining of power among local politicians and councillors. This in turn, required the CEO, as a civil servant, to come up with strategies that could prevent him from becoming a victim in such a political fray. As such, strategies in MPSJ were politically oriented and, as could be seen from the discourse, were designed as a protective device. The CEO used the strategy of getting recognitions and awards as 'fences' or 'barricades' to protect the organisation and his position from his critics. This would ultimately grant him a 'bow' from those parties, hence enabling him to pursue his work without much interference.

11.3.3.4   CEO's Orientation Towards Change

The 'Starting over' and radical strategy, characterising MPSJ, was found to have been propelled by its CEO's strong orientation towards changes, excitement of introducing new things; pleasure in working hard; strong determination to solve outstanding problems; and eagerness to create a good name for the organisation. He shared his principles:

> *To me, why must you do things the same way like others have been doing? Why can't you do it differently and make it better? What we want is changes. Changes from the existing to the new one. Whether it is your original idea [or otherwise], people couldn't be bothered. Because people want improvements toward the betterment, especially in terms of service delivery. You should learn, you should adopt. It doesn't matter from where.*

The above reflections of the CEO highlight a discourse of challenging the status quo and thinking strategically. He stressed the importance of public managers being brave enough to ask if conventional methods are still practicable, or if newer methods can give

better results. He placed the importance of enhancing service delivery as his top priority. This could be achieved by always being willing to 'rock the boat' in ways of managing things. The CEO's line of argument has a resonance of the language of New Public Management, which places emphasis not only on input or process, but equally important, on output and impacts of services by public organisations. It was in line with such thinking that MPSJ had undertaken various efforts to enhance quality services in the organisation.

To be ahead of others, an organisation has to create a good name and this will require the organisation to reach a level of outstanding achievement. This will also require a visionary leadership who are able to think and act strategically. According to the CEO:

> *You see.. in life you've got to be different from others. What is so special about you? So you want to be different from others. So there will be something that people will remember about you. If you are just an ordinary person, people will not remember you...*

This CEO was discussing a discourse of pleasure in introducing changes and being different from others. He espoused to the belief that one cannot touch the sky by just doing things the same way as others do. He also talks about the importance of leaving one's own personal legacy that people will remember. His lines reflects an attitude of being a 'climber' among civil servants who search for new opportunities for career advancement through working hard and being smart and prepared to take risks.

11.3.3.5 Transformational and Radical Change

Strategies in MPSJ were characterised by transformational and radical change. The following narratives describe how the organisations' leader subscribed to radical and deep rooted change, which he believed could lead to dramatic improvement in organisational performance:

> *You ask me, what are among the most drastic things MPSJ has ever done if you compared to [during] my time? In terms of tax collection, you can see that the income has increased from just around RM35 million [in*

1996] to RM150 million [in 2001]. How can you increase that much within the span of 5 years? [pause..]. You must plan for it, you know.. From disclaimer – a situation where you can't do anything to your account – until you get a clean account. [6]

He further added:

We told the State Secretariat [office] that we wanted to do 48 activities under ISO9000. People laughed at us. Because the whole state has 80 activities; and you [just one LA] want to do 48! They [cynically] said 'too ambitious. .. I wonder whether they can do it..' All right. By June 2000, as per the dateline fixed by the KSN, we invited him to launch our ISO certification – 48 activities. We did it ourself. We fired the consultants [we hired before]. Because they were useless. We did it ourselves, internally. If you don't take such a 'kamikaze' approach, can you achieve that? That's a record isn't it?

The first expressions by the CEO indicate how weakness in tax collection had driven him to go all out to achieve a clean account for his organisation. He stressed the importance of 'planning for execution' to ensure planned strategies are fully realised. In this case, careful and rigorous planning and implementation had been undertaken to achieve the target. He used the term 'drastic' to describe his 'radical' and 'regimental' way getting things done. And such a management approach had proven to be successful, especially when it had to respond to a dynamic external environment.

The use of the metaphor 'kamikaze' to describe his management approach is interesting as it connotes the element of 'bravery' and willingness to sacrifice oneself in order to accomplish a mission. Such a metaphor describes how determined the CEO was to take up the challenge of his colleagues in other state departments and to prove that he could do it. And he seemed to be have been successful in fulfilling his dream of creating a towering name for MPSJ. An official document revealed that in 2001, just six years after its formation, MPSJ had been chosen by the state government as a model of administration and public service for other LAs.[7] As memorably articulated by the

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[6] MPSJ's Report on Prime Minister's Quality Award 2005, p. 105
[7] Between 2003 and 2005, MPSJ received 25 local and 17 international visiting delegations. It had also collected more than 15 awards between 1999 and 2004, ranging from Innovation Award, Local Authority Quality Award, Winner in Best Website in Landscape Competition and Certification from Malaysia Books of Records for 'First E-Court System

current President, *"Who doesn't know MPSJ? You just mention the name, people would recall it"*.

11.3.4 MPPJ – Accommodative and Conservative Strategy: Absorbing External Pressure and Riding on Past Achievement

Operating in a somewhat aggressive environment with strong external pressures, combined with less energetic passion for internal change, MPPJ adopted an accommodative and conservative strategy. MPPJ's current strategy sought to absorb and accommodate strong external influence, especially from the public, while at the same time, maintaining the current internal capacity in service delivery. However, as pressures from outside seemed to surpass the organisation's pace of movement and capability, most of the strategies had been reactive. Strategic decisions and actions were often formed in reaction to external actors and more often than not, dictated by external forces. Much effort had been geared towards addressing people's grievances and enhancing community participation; maintaining the current 'almost saturated' physical development; and establishing a cordial relationship with NGOs and the media. At the same time, the state government's policies had been fairly carried out.

As one of the seasoned LAs in the country, MPPJ had undergone a long and colourful history, and at times, had achieved great success in various aspects. These include superb physical planning and development; excellent sports and community developments; and strong administration and urban services management. The past leadership seemed to have created a strong foundation for the institution before it was handed over to the current management. The current leadership was continuing to manage the success, by making MPPJ 'A Smart City Owned by All'. In pursuing that vision, the current leader seemed to act as a 'conserver', who sought to hold and manage what had been laid down by his predecessors. Any attempt to add on new achievements was done rather incrementally and with careful consideration that took account of multiple views of different stakeholders. MPPJ's strategy bears the hallmarks of what Miles and Snow (2003) refer to as 'analysers' – they are 'rarely first movers', but instead

watch closely what others do for new ideas and only adopt what appears to be most promising.

11.3.4.1 Influence from External Stakeholders.

As in the case of MPSJ, influences from external actors were strong in MPPJ. Both LAs came from the same state and thus, served under the same state government. As a result, strategies in MPPJ had been geared towards fulfilling state directives and programmes. Asked to describe the relationship between his organisation and the state government in terms of adhering to state directives, the CEO stated his view:

> ..the most influential stakeholder is definitely state government. We've got to follow whatever state government's directives. There's no way we can divert or whatever. Every move that we take which is outside us, we are answerable to the state.

The whole expression indicates the high level of influence from the state government on the LA. His words ..there's no way we can divert or whatever...connote two important things. First, they reflect the discourse of loyalty to the state government on the one side, and the control of the state government in the management of the organisation, on the other. Secondly, they echo a discourse of despair and hopelessness. They imply that there was little room for the LAs to divert or create their own strategic path in achieving organisational objectives. Relatedly, the reflections imply the actor's feeling of being less empowered within his own setting and environment. His organisation was, in a sense, a victim of external forces. Hence, the image was one of a low degree of agency for the CEO, who had to keep the organisation under a strong control of various external actors.

MPPJ is characterised by complex and urban LAs. The residents are highly educated and most of them are professionals. They are very vocal and critical towards government services. MPPJ's Town Planner vividly described the characteristics of the residents of MPPJ as follows:

We are dealing with a mature community. They know their rights. They are professionals. They are very vocal. They are very advanced and demanding. They ask for elected mayor, they ask for elected councillors. They even go to the extent of wanting to check our financial account.

The above explanation describes the forceful and assertive nature of the people MPPJ had to deal with. The fact that these people were prepared to challenge the current laws and constitution (with regards to appointment of Mayor and Councilors), and to interfere in the financial management of the LA under the name of taxpayers' rights, posed a 'hostile' and potentially threatening environment to this LA. It is in relation to this characteristic that MPPJ's strategies were designed as 'absorbers' – to cushion pressure and to address the issues as they were raised on a short and medium-term basis.

11.3.4.2 CEO's Orientation Towards Organisational Change

The accommodative and conservative strategy of MPPJ was also found to have been influenced by its current CEO's orientation towards organisational change and his views on the importance of planning to the organisation. With regard to physical planning and development, he had this to share with the researcher:

I should say that it [our strategy] is reactive because if you look at PJ itself, it has already developed. There is no question of planning, plan and well planning. No more. To me we can't plan too much nowadays for PJ. ….and our planning is such. How you do it, to me, is sometimes quite ad-hoc. We just follow the Petaling Jaya local development plan. We use that as our guideline. That's our guideline.

The above reflections raise a conservative view towards new developments and willingness to challenge the status quo. The CEO, based on his reflection, believed that the development of MPPJ had reached such a level that it did not need much planning. What it needed was just to maintain the existing development, to ensure approvals of various development plans were smooth and satisfactorily administered; to ensure emerging problems were dealt with immediately and make the community happy with the services rendered by the organisation. Asked about his approach to initiating

organisational changes, which included review of the current situation and setting the future direction, he responded:

> *To me, it is case by case. It depends on issues, it depends on programmes,*
> *it depends on projects, it depends on current issues or what ever issues*
> *that are confronting us now. So, at the moment I just cannot give a*
> *specific answer for that because it is a case by a case basis.*

What emerges from the above explanation is that the strategies in MPPJ were more emergent than planned or deliberate ones. The CEO believed that the environment within which his organisation was operating was too complex to be dealt with in a deliberate, systematized and controlled planning process, given the nature of multiple actors with different needs and expectations. Thus, he opted to deal with issues and problems as they arose, in a rather ad-hoc manner. In his own words, the CEO admitted that:

> *We are sort of fire fighters. Where there is a pot hole and so on we will*
> *go and fill up here and there.*

 The use of the metaphor 'fire-fighter' in management studies yields a number of interpretations. First, there is a discourse of bravery and urgency. Fighting a fire is dangerous but is an urgent job. It is dangerous because one has to risk oneself to do the job; it is urgent because if it is not addressed, the whole area will be destroyed. It is important, as it connotes solving immediate problems at once with the aim of preventing them from spreading. Secondly, fire-fighting is about reactive action. One can only quench a fire after something catches fire. Fire-fighting is about reacting to problems that need immediate action. It talks about routine work and raises the discourse of a functionalist, who looks after house-keeping with little attention to long-term planning.

11.3.4.3   Riding on Past Achievements

Review of relevant documents and discussions with a few managers revealed that MPSJ had succeeded in building a strong LA in many respects. This institution was financially

strong with a sound economic base as a result of a large number of valuable properties located there. More than 50 percent of the economic activities in the country's most densely populated municipality are concentrated in production, manufacturing and services. MPPJ is also known as the 'hotel municipality' as it houses a number of five-star hotels in Klang Valley. In terms of its achievements, MPPJ was the first LA to adopt the 'Zero Squatters Blueprint' approved by the state government in the drive to create a squatter-free LA. This institution was the first LA to gazette its Local Plan as the guidelines for micro development planning.

The current leadership inherited a strong and sound organisation in terms of its machinery and structure. This was admitted by the current CEO:

> *I used to work in the Fisheries Department and other department before. Even at the State Land and Mineral Office itself, you don't have good machinery. But we I came here, we had a strong, good machinery and the organisation was very good. We have the landscape, we have the engineering [department] and in engineering, we have all the machines there. We have all the personnel we need.*

The CEO believed, as reflected in his opinion above, that he had been bestowed with a solid 'vehicle' with which to carry the organisation to its destination. What he needed to do was to make full use of the given strength without having to invest too much time to create new things and embark on unnecessary changes. It was also revealed that MPSJ under its previous leadership had prepared a long-term strategic plan in 1996 for a period of 5 years. It was from that strategic plan session that MPPJ produced its vision, mission, strategies and activities. However, discussion with a number of senior managers revealed that the pursuit of the second phase of the plan, which entailed the preparation of a detailed action plans, had been rather slow and had not been carried out concertedly. This was attributable, as recalled by the Town Planner, to problems of coordination among departments, the leadership's view towards planning, and unpredictable changes in the external environment.

11.3.4.4　　　Dealing with the Smart Community

As has been highlighted before, the MPSJ was dealing with an upper class and smart community. Most of them were professionals and well-educated people. They enjoyed high social mobility and were critical towards government agencies. They were computer-savvy and hands-on with the state-of-the-art technology in their daily communication. It was against this backdrop that 'handling the people strategy' had been given top priority by the current CEO. Asked to elaborate what had been his focus areas when he first took over the post in MPPJ, he had this to say:

> *Ok. First staffing. I spend a lot. I try to improve on the staff. Number two is public. Rapport with the public. Number three is the press. And number four is just to maintain good relationship with other LAs and departments.*

The above reflections uphold the notion of 'winning the minds and hearts of external actors' as the main emphasis of the CEO in his strategy. Apart from enhancing the human capital, special focus was given to building good rapport with the public, the press and other departments within the domain of local administration. This implies that to the CEO, those external actors had considerable impacts and influence on the way he managed his organisation. The CEO was, in a sense, projecting himself as a 'statesman' whose strategies were mostly driven by societal pressures and demands. Relatedly, 'community-participation' had been placed centre stage in MPPJ's long-term strategies. In particular, efforts to enhance public participation had been carried out under the LA21 Framework. MPPJ had been selected as one of the important participants in the country's LA21 Pilot Project to represent complex and urban LAs. It was also learnt that MPPJ was the first LA to table its annual budget to the NGOs in its area. Its multilateral relationship with various external stakeholders acted as a controlling mechanism in maintaining the secure position of the organisation.

11.3.5 MPSP – Visionary and Coordinated Strategy:
         Riding the Wave of Change

Strategies in MPSP emerged amid the aspiration of its leader to institute changes in a systematic and deliberate manner through a proper and formal strategic planning exercise. The nature of MPSP's strategy was rather carefully planned and meticulous – one step behind the drastic and radical approach, representing a transformational strategy. Subscribing to a deliberate process of strategy formulation, strategies in MPSP were planned to be implemented in a coordinated approach. Its CEO pledged to embark on the journey of reform and to introduce changes in his organisation in a holistic approach, and this was to be achieved in a proper and practical timeframe. In line with such a thinking, MPSP had formulated a comprehensive Ten-Year Strategic Master Plan (2001-2010), treated as the blueprint to guide the accomplishment of its set goals.

MPSP operated in a less antagonistic situation, where pressures from external actors were often dealt with in a cordial and collaborative manner. Influence from the state government was also moderate and in many cases, the CEO was given the liberty to design his own strategy alongside the state's vision. Pressures and demands from the community were somewhat mild and more often than not, were met satisfactorily by the management. Strategies in MPSP evolved around four main areas, namely, creating organisational excellence; enhancing the quality of life for the people; ensuring significant participation and satisfaction of clients; and focusing on efforts to promote investments in the locality. The visionary and coordinated strategy characterising MPSP, seemed to have been influenced by a number of factors; leadership being the most influential.

11.3.5.1   CEO's Orientation Towards Change

In an audience with a number of stakeholders including local politicians, community leaders, senior government officials and the staff of MPSP, the (former) CEO of MPSP made this remark:

The 21st century demands drastic changes to the administrative system of LAs, specifically MPSP. The various stakeholders insist on a clear future direction and planned implementation. Speed and adaptability is now one of the criteria of becoming competitive.[8]

A number of elements radiate from the above remarks. His first lines talk about riding the wave of changes. The CEO raised a discourse of 'outward-looking' and 'globalisation' – on the need for an organisation to take advantage from changes presented by the outside world in order to prosper. This exhibits the discourse of a visionary leader. His second lines on *insisting on a clear future direction,* reflect a very fundamental discourse of strategic planning. It implies the CEO's concern for ascertaining clearly, 'where the organisation wants to go' or 'what it seeks to achieve' from 'where it is now'. And his subsequent phrase *..planned implementation,* raises the question of 'how to get there'. His concern for *speed* connotes a discourse of timeliness and efficiency, both often regarded as key criteria of quality services. He interestingly qualified the notion of *speed* with *adaptability,* perhaps to give certain room for flexibility and modification – recognising the element of 'learning' and 'experimentation', despite his belief in intended strategy formulation. The overall statement echoes the very essence of strategic management principles – understanding the strategic position of the organisation; identifying relevant strategic choices to be undertaken; and looking for effective ways of translating strategy into action.

11.3.5.2   A Holistic Approach to Organisational Change.

Strategies in MPSP were holistic and planned ones, while not discounting the elements of emergence. According to the CEO:

Efforts to institute changes that fulfil the aspiration calls for transformation in work culture, application of new technologies, coherent strategic thinking on the part of the management, and establishment of mutually agreed upon priorities. Every department is required to prepare an action plan, which will include the objectives, programmes, annual work targets and key performance indicators on an annual basis. An

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[8] Message from the President during the launching the MPSP Strategic Plan (2001-2010) on 29 March 2002.

annual budget will be prepared with clear strategies and with inputs from pre-budget dialogues.

This CEO's reflections depict his view that bringing about organisational changes should be done with proper preparation and involves detail activities. They reflect that the CEO subscribed to a notion of 'doing it right the first time' through systematic and step-by-step work processes. By stressing *transformation in work culture,* the CEO believed that efforts to improve the organisational status quo should adopt a holistic and deliberate approach, while his calls for every department to come up with comprehensive planning devices reflect his belief that proper planning could minimize the likelihood of an unexpected failure.

Discussion with a number of key managers also revealed that implementation of MPSP's strategic plan had been undertaken in different phases, reflecting the incremental nature of strategy implementation. According to official documents, MPSP identified different 'corporate focuses' to be given special attention every two years. For the period of 2005-2006, for instance, emphasis was given to generating economic development through improving local competitiveness and developing human resources. At the same time, enhancing the efficiency of delivery system and improving community involvement and participation, which had been identified as the focus for previous years, were to be given continued emphasis.

11.3.5.3 Dealing with External Actors

Narratives from the current CEO reflected a cordial but firm relationship between him and local politicians and councillors, thus, reflecting that the CEO was in control in his structure. Most of the time, approaches by the CEO had been collaborative, underpinned by a sense of mutual understanding:

> *I think, we must be willing to listen first to them, understand them. Put yourself in their position.. Think like them, and then work with them and then they will understand your role also. So, it is actually a complementary role. You need the councillors and they also need us as*

the officials. You shouldn't be at loggerheads. I don't think we should go at loggerheads that they are politicians, we are the administrators, we go our way, they go their way. No. We should find the middle point. We understand our role, they understand their role. Can we work together to make, to provide the development, the economic development, to expedite the implementation of development projects that benefit all parties? It's a win-win situation. After all, they represent the people in the locality. We are the authority in the locality. So we should work together in solving problems, especially, finding solutions to problems.

The reflections above emit a discourse of 'mutual respects' and 'diplomacy' in the conduct of the relationship between the CEO and the local politicians/councillors. The CEO interestingly used the term 'complementary' to recognise the important roles played by politicians, being one of the key stakeholders to the organisation and the ones that serve as the spokesmen of the people. He used the term 'win-win situation' to describe the element of 'power sharing' and 'working as a team' in executing various agreed upon strategies. The CEO stressed the importance of understanding each other's roles and abilities; and strengths and weaknesses, in order to form a powerful force to deal with the public at large. The CEO believed that the collaborative approach he was taking would yield respect from the stakeholders, which would then facilitate the running of his organisation. As such, the CEO ruled out taking a hard approach in dealing with these stakeholders, as to him, this would only result in a waste of resources and would complicate the overall development process in the locality.

In another situation, the CEO had this to share:

So, far, I manage to control them. In fact if they go overboard, I give certain words to them. Not privately [but] openly. In a seminar or meeting.. I did that in Langkawi. Now they are under controlled already. Especially the new ones. What I expect from them, and what they expect from me. We have a different way of looking at things. I come in from outside, and then came in. [I had a] different way from how they were looking...

The CEO was saying that a cordial and friendly relationship should be built upon the elements of trust and respect. The agreed principles should be appreciated, not taken for

granted. Thus, in the case of certain individual crossing the line, the CEO would take a somewhat firm approach to bring them back on track.

11.3.5.4   CEO's Level of Agency and Preferences

The above interview quotation reflects a moderate sense of agency on the part of the CEO, as he seemed to be controlling his external actors in certain decision making processes. The CEO was capable of telling the councillors what they should and should not do when it came to certain things he was not happy with. However, this was done in a professional way without making it a personal matter. It looks as if the CEO managed to draw a clear boundary of power between him and the councillors.

Recalling how his organisation started with its strategic plan, MPSP's Quality Manager explained:

> *We realised, from EXCO Meetings, post EXCO Meetings, HOD meetings and other meetings, that we still lacked many things. We lacked in what it takes to be a good organisation. In particular, we didn't have our clear organisational direction; we didn't have our strategies. We didn't have our vision. We used to have our vision but we did it merely for the sake of having a vision – not something that was really intended to guide us towards meeting our objectives. Actually we have reached to a level or a situation that you have to do it. Whether you like or not, you have to do it. I think it was from there that we started this sort of planning.*

The above narrative indicates a certain degree of agency on the part of the top management. Such a high level of urgency, had led the CEO to undertake efforts that could help the organisation anticipate and respond to changes in the environment. It shows that the idea of having a Ten-Year Strategic Plan for MPSP was the brainchild of the CEO, driven by his own awareness and beliefs, with little influence from other parties. Discussion with MPSP's CEO also disclosed that his current strategy (of generating economic development and improving local competitiveness) was influenced by his working background, training and his formal education. As reflected by his narratives on page 144, the CEO admitted that his training background, formal

education and working experience had shaped his beliefs and preferences and how those beliefs were translated into his policies and strategies. The CEO's reflections exhibits how his perception on the importance of economy had motivated him to act differently from previous leaders, driven by the belief that economy could offer a cutting edge for his organisation and would elevate MPSP to be more competitive in its environment.

11.3.6 MPK and MDKS – Protective and Incremental Strategy: Leveraging on the Existing Strengths

Operating in a somewhat modest environment with moderate external pressures, and blessed with certain unique advantages, combined by a moderate passion for internal change, paved the way for protective and incremental strategy taking place in MPK and MDKS. Protective and incremental strategies are generally conditioned by a desire to preserve the existing strengths by conserving distinctive economic and physical elements bestowed by the environment, while efforts to institute changes are carried out incrementally, often imposed by external forces.

It has been highlighted previously that that the strengths of MPK were firstly the spill over effects from the development of petrochemical industry in its area and secondly its location as a gateway to Terengganu. On that consideration, strategies in MPK were, to some extent, designed to conserve these unique strengths. Being the centre of the petrochemical industry, MPK has had the opportunity to strengthen its financial situation, apart from elevating its status from slightly a rural-based to a more urbanised one. It was learnt that 60 percent of MPK's tax was collected from Petronas (National Petroleum Limited) which runs the petroleum industry in its area. Meanwhile, the unique point of MDKS is its serene nature and its historical and cultural heritage. It was for these reasons that the important strategies undertaken by MDKS were to preserve the existing gift of nature, as well as to promote local tourism. Leadership and external factors were found to impact upon the nature of these strategies, as will be unpacked in the following discussion.

11.3.6.1   Influence from External Actors

MPK and MPKS faced moderate influence from their external actors; the important one being the state government. As such, some of their major strategies were shaped in response to directives from the state authority. In the case of MPK, its Secretary elaborated:

> *… in my opinion, LAs are now being burdened with too many tasks. Most of the [new] responsibilities have been shifted to us. They [the state government] turn to us to undertake such new roles. For instance, in terms of handling hardcore poverty development programmes [PPRT], it used to be the District Office that coordinate, to handle the infrastructure and other economic programmes [for the poor]. Now all poverty cases in the urban area have been given to LAs. So our responsibilities become more.*

The respondent was expressing his feeling of discomfort with the current trend of dictating that LAs undertake additional tasks previously not their core-business. While on the one hand his words radiate his principle that one should not interfere in other departments' matters, they also reflect, on the other hand, a kind of 'maintenance mentality' on the part of this senior manager, being a little unhappy to expand the current work boundary and to undertake new challenges. However, the fact that LAs are bound to bow to a number of state government's directives, shows how external actors do predetermine some of the important strategies in the organisation.

In the case of MDKS, its current focus on heritage conservation, agro-based tourism, and agro-based industries generally came from state government directives. According to its CEO, the state government had directed all districts to form a Steering Committee for Promoting Investment, concentrating on four economic sub-areas namely, agriculture, tourism, real-estate management, and industry. As narrated by its CEO:

> *As a result of the state government's far-sightedness, the focus now has been changed from merely depending on rates and land premium to various new sources. When the land itself is diminishing, the income will also diminishes. This had led the state government to issue directives*

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regarding the establishments of various committees to look for new ways of incomes and sources.

The use of the expression, *..as a result of the state government's far-sightedness,* connotes the CEO's appreciation and recognition of the state government's wisdom and how the state's government's sense of long term direction could change the economic landscape among small LAs. From another perspective, the CEO was also reflecting that as the LA was one of the state agencies, some major decisions on his organisation were still being imposed by the authority and, as a state creature, he had to carry out all the directives effectively without question.

11.3.6.2   CEO's Level of Agency

Both quotations above could also indicate the CEO's moderate level of agency. Most of the major strategies in both LAs were imposed by external forces, namely, the state government. In the area of human resources development, for instance, the government of Terengganu had also directed all heads of department, including MPK to send their staff for training for not less than eight days a year. Discussion with the CEOs gave the impression that the management of the LAs did not face much problem in complying with the state's wishes. In the case of MDKS, its Secretary shared his view on how the current structure prohibited him from going further in promoting heritage-based tourism in his locality:

> *One of our weaknesses I would say is how we manage our heritage. I take Bukit Melawati for example. Bukit Melawati has been gazetted under Heritage Department, Ministry of Arts and Heritage. We are now maintaining that place. The money [to maintain the area] comes from us. But the property is not ours. That is our weakness. To me, if the government says, ok now let the local council manage all heritage areas, then I think we can do better.*

This number two man in MDKS was reflecting how his freedom to act more effectively was restricted by the bigger government structure that had limited his scope to design proper strategies which he thought better for his organisation. His last lines indicate his

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disappointment that the LA was not given the chance to fully manage their own (heritage) assets. This reflects that the management was not in full control in its structure, and experienced a pronounced sense of external constraint.

11.3.6.3 CEO's Orientation Toward Change

Strategies in MPK and MDKS are typified incremental changes. Such an approach to strategy takes place when pressures from the environment are not that strong and the CEO's preference is to introduce change in an unhurried and less drastic manner. The Secretary of MPK shared with the researcher how he thought the development of Kemaman should be undertaken:

> *In terms of development, I think our city needs to grow. It has to have all the basic facilities that a city should have. Like three to five-star hotels, and good restaurants with certain levels. Apart from our income, we also need to improve our services, we need to upgrade our cleanliness, and the provision of proper infrastructure, children playground and recreational areas. We need to upgrade slowly and do it bit by bit.*

This respondent used the metaphor 'grow' to describe how the city should develop. The word 'grow', often used to describe the development of a plant or human being, connotes an element of developing incrementally, involving various stages and usually taking shape within a certain timeframe. This reflects the incremental nature of strategies in MPK. The CEO confirmed this when he summed up, *we need to upgrade slowly and do it bit by bit.* His lines exhibit strategies as an evolutionary and experimental process.

11.3.7 MDK and MDD – Bureaucratic Strategy: Reactive and Routinised

The last strategy pattern identified by this study is what could be termed as bureaucratic strategy, characterised by reactive and routinised ways of managing the organisation. Organisations that fell into this category undertook a number of quality-driven measures including implementation of the ISO 9000 quality standard, although it involved only one

or two business processes. They also had their own clients' charter displayed in one of the corners in their office. They also undertook, to a limited extent, efforts to improve work processes, while training of staff was often undertaken on an ad-hoc basis. They seemed to have their own mission and objectives stated in their various official documents. However, there was no clear trend or pattern of strategies that could be discerned with confidence. They had a fairly clear organisational structure but this seemed not to be supported by sufficient human resources in terms of grades and experience.

The bureaucratic strategy in MDK and MDD moved between emergence and routine and most of the time, was rather short-term in nature. Some of their strategies were externally imposed, especially by the state and federal government. It has been deliberated earlier that being in the lowest category among LAs in the country, district councils are, by and large, small and rural in nature as opposed to municipalities and city councils which are more urbanised and complex. As the number of valuable properties is small, they gain less income than their counterparts. At the same time, the council itself is smaller in terms of organisational structure, human resources and financial expenditure. With such a less complicated environment, strategy in both LAs was conditioned by moderate responsiveness to internal change and aimed to achieve a few modest organisational goals, often by riding on routinised programmes and standard procedures.

11.3.7.1   Dealing with External Actors

MDK and MDD operated in a relatively calm and placid environment where pressures from external actors were low. These LAs dealt with a relatively small number of residents with fairly low education level. Complaints from the public were not rampant and hot issues rarely arose. Consequently, such an 'under control' situation in both councils seldom attracted undue interference from the state government in their day-to-day administration. It was also discovered that local politicians and councillors in district councils did not pose many problems to the management of the councils as they themselves failed to portray an image of 'bright' and 'promising' politicians. As such,

there was hardly any influence from these groups and most of the time they tended to follow the management when it came to the policy-making process.

11.3.7.2   CEO's Level of Agency

This research has discussed the issue of the 'two-hat' organisational structure existing in a number of district councils and how such a structure presents a limitation on the CEO to invest much time in planning. The two hat system makes the councils' CEOs part-timers, as most of their time is spent in the district office looking after the development of the district and administering land matters. Discussions with the CEO of MDK revealed that he spent only between 10 and 20 percent of his time in the district council office. When asked to elaborate on how the CEOs undertake strategic planning in district councils, he responded:

> *How could you do that ? In terms of staff, we have only one Group 'A' Officer – our Secretary. How far can the Secretary think? Either he wants to think about long term planning or he needs to concentrate on daily house keeping and staff matters.. ...If we really want to move forward, the first thing is that, we have to restructure our organisation. In particular, the post of president must be made full-time.*

These reflections of the CEO raise a discourse of 'structural inadequacies'. The CEO's lamentation mirrors an 'inability of an agent to have an impact upon his structure'. He was expressing that a part timer just cannot do a lot of things. He felt ill-equipped even to look after his staff, let alone to design a grand long-term strategic planning blueprint. The whole narrative signifies the CEO's feeling that he was not in control of his structure, reflecting how he considered himself to be the less empowered to go the extra mile in terms of planning within the existing system.

11.3.7.3   CEO's Orientation Towards Change

Bureaucratic strategy embraces programmed routines and procedures as its distinctive features, dictating the way these organisations undertake various activities. In the case of

MDD, in responding to a question on how he wished to see his organisation in the eyes of his clients, its Secretary elaborated his views that he wished to see his organisation as a professional one, that operated based on procedures, where the exercise of discretion should not go against the standing rules and laws. This respondent's reflections indicate the respondent's preferences for a procedural and functionalist type of strategy. He stressed the importance of his organisation acting as a custodian to the public by ensuring that people receive satisfactory services and by portraying a clean image of the organisation. In a way, this respondent tended to feel that maintaining the status quo would be fair approach to run the organisation.

11.4   CONCLUSION

This chapter has explored and illustrated the distinctive nature and characteristics of strategies in the LAs against different situational and contextual factors within the internal and external circle of these organisations. This chapter has also shown how different emphases and preferences given by LAs' top management, which subsequently saw the emergence of different kinds of organisational strategies, were explained by the CEOs' ways of responding to and accommodating a web of interrelated external and contextual factors. These include influence from external actors; CEOs' orientation towards change; changes in government policies; and CEOs' level of agency. Accordingly, the chapter revealed that CEOs' belief and preferences, which emerge from their knowledge, experience, background and networking, do impact upon shaping organisational strategies. The following chapter, which will further discuss the study's findings, will delve deeper into relating strategy patterns to contextual factors and explain their inter-relationship.

PART IV – CONCLUSION

CHAPTER 12 –

DISCUSSION OF FINDINGS AND RESEARCH IMPLICATIONS

Route-map

This final chapter discusses the study's findings in a more focused manner and inductively interprets the empirical findings in an attempt to probe the dynamics beneath the surface. One key argument that transcends all the research questions outlined in Chapter 1 is that strategy making in the LAs in Malaysia is fundamentally a political and contested process. This research provided empirical insights into the practices of public sector strategy, which move away from the 'mechanistic' and 'rationalist' models of strategy making, dominating much of the literature on strategic management. In relation to that, this study has shown that dilemmas and conflicts – two important constructs illuminating cultures and traditions in the LAs – have a strong link to the contested and political nature of the strategy making process. Looking from an interpretive lens, this research contends that LAs in Malaysia possess different characters; exist in different contexts; deal with different internal and external environments; are made up of different structures, skills and resources; and are run by different styles of leadership. As such, each of the LAs is imbued with different traditions; has inherited different legacies; is bestowed with different capacities and embraces different sets of values and cultures. This research argued that it was from such a complex, intricate and dynamic context that strategic management emerged in these institutions. Acknowledging the 'power of context' and 'peculiarities' within a particular setting as suggested at the outset, nineteen findings – drawn from the analysis chapters (Chapters 7 – 11) and listed under the heading of each of the study's five research questions – are discussed. Each of them supports, in one way or another, the main theme of the thesis stated above. This chapter concludes by throwing light on the implications of the overall study, highlighting three fundamental areas – implications for theory; methodological contributions; and implications for policies and practices. This chapter finally proposes suggestions for future research.

12.1 INTRODUCTION

This thesis was designed to provide rich and deep insights into understanding strategic management practices in the LAs through an interpretive sense-making process, and to examine various attributes underpinning strategic actions. This research explained how LAs' top management judged the relationship with their external and internal environment; examined how strategy development took place in these organisations; and explained how different factors within the organisation's internal and external circles paved ways to different nature of strategies. In the following discussion, arguments are put forward that the difference of interests and beliefs among LAs' key actors, coupled with the complexity of the environment and the need to adjust to contextual and situational demands yielded different preferences and judgments, ultimately paving the way to dynamic, political and contested strategy making. This chapter also argues that given the intricacy and pluralism nature of LAs, these organisations inherited different traditions, cultures, values and dilemmas, which eventually explains the nature of their strategy making.

12.2 INTERPRETING 'PESTEL' ANALYSIS

Finding No 1:

12.2.1 LAs and the State Government: Images of Influence

The study underlined that political drivers were among the most influential forces to LAs in their strategy formulation. A closer look at PESTEL analysis also revealed that changes in other external forces (economic, social, technology and environment) and how these changes were responded to by the LAs were, in certain respects, triggered by changes in political forces. Changes in economic policies (such as promoting investments for local competitiveness); changes in social policies (such as promoting people's participation, and addressing social issues); changes in technology (such as the widespread usage of IT and electronic services); and changes in the physical environment (such as emphasis on sustainable development), often stemmed from changes in government policies. The findings from the stakeholder mapping analysis confirmed that

all CEOs from participating LAs rated the state government as their most important stakeholder.

A number of reasons contribute to the importance of the state government to the LAs. The position of LAs in the country is systemically and constitutionally attached to their respective state governments. The Malaysian Constitution itself made clear that LAs are under the exclusive jurisdiction of the state governments. LAs are part and parcel of the state government's machinery. Such an intimate relationship has created a sense of social and political interest on the part of the state governments to see LAs stand up as organisations of excellence. It is of paramount importance that the public at large are satisfied with the services rendered by the LAs, as these people are the voters for the government.

Finding No. 2

**12.2.2 Relationship between LAs and the State Government:
Two Sides of the Same Coin**

This study revealed that the LAs had a very strong relationship with the state government. One of the municipal secretaries expressed the state government-LAs relationship from his own perspective as follows:

> *Because LAs are state creatures. LAs are established under the State Government. This means that weaknesses among LAs will be perceived as weaknesses of the state government. When the media [TV3] capitalizes on the weaknesses of LAs, this will reflect the weakness of the state government.*

At its heart, the above expression depicts the inter-connectedness between state governments and LAs, indicating how both entities were, to some extent, inseparable. The impression that *'the weaknesses of LAs will reflect the weakness of the state government'* illustrates how both entities were as if 'two sides of the same coin'. The metaphor 'creatures' implies the respondent's way of seeing his organisation within the bigger picture of the state government machinery. The word 'creature' metaphorically

resembles a 'created being'. Likening LAs to 'created beings' sheds light on LAs as living organisms – they were made of certain structures and system; they possessed certain behaviours and feelings; they were subjected to certain weaknesses and flaws. The respondent's second sentence radiates his perception that LAs were not more than part and parcel of the state government machinery, hence, on a par with other state agencies.

While one can argue that LAs are different from other state government agencies, given that they have some autonomous powers bestowed on them by the constitution[1], it is important to look beneath the surface of the dynamics. Counter arguments are that LAs cannot act independently, as all the councillors are appointed by the state government; they are not elected by the people. Moreover, most of the councillors are representatives of the ruling political parties. Mayors and Presidents are also appointed by the state government. It is on this score that state governments tend to use LAs as their vehicle to achieve their mission. The study has highlighted how state governments reaffirmed that the roles of LAs were no longer confined to conventional functions; instead, they were expected to play greater roles in wider developmental aspects. With such a strong influence from the state government, most of the strategies in the LAs were externally-driven. And, as these strategies were designed to respond to state (and federal) government directives, they were, more often than not, reactive as opposed to proactive.

Finding No. 3:

12.2.3 Identification of 'Strategic Gap' and Capitalising the 'Uniqueness' of LAs

One of the important concepts of strategic positioning is the ability of an organisation to capitalise on opportunities in the environment that can give advantage in terms of fulfilling its mission and objectives (Johnson *et al.* 2005; Bryson 2004a; Porter 1996; Mintzberg 1994). This is, in fact, a fundamental premise in the classical school of strategic management (Andrew 1994; Selznick 1957; Chandler 1962; Ansoff 1965).

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[1] These include passing their own by-laws; appointing their own councillors as their policy-making body; and collecting and imposing various taxes.

Closely related to this 'strategic fit' concept, is the ability of an organisation to identify and explore the niche areas which are unique to the organisation, that will make it different from others. Johnson *et al.* (2005) use the term 'strategic gap' to explain an opportunity in the competitive environment that is not fully exploited by competitors (p. 99) and explain how 'bridging' this gap can give a strong competitive advantage.

LAs in the context of this study were not competing with each other in the market economics sense. However they were trying their best to be champions among their own key stakeholders. Applying the concept of 'strategic gap' to their environment, it was found that a number of LAs were able to assess their own uniqueness and endeavored to capitalise on their niche areas in order to realise their own mission. The researcher's field work suggested that each of the participating LAs realised that they were operating in slightly different surroundings – economically, socially and environmentally. This necessitated that they design strategies that would best suit their economic, social and environmental needs.

MBSA, MPPJ, MPSJ and MPSP were characterised by a complex and urbanised nature. As a result, these LAs needed to deal with various economic and social problems. These authorities also dealt with vocal, knowledgeable and computer-savvy communities. As they were located in areas where access to the media was easier, they became a focus of scrutiny by the media. Taking cognisance of such characteristics, these LAs came up with relevant strategies to ensure their continued relevance in the eyes of their stakeholders. Due focus was been given to facilitating various business activities through full utilisation of IT in work processes and communication with the people; engaging in a sustainable development approach; and fostering community engagement under the concept of good governance. Elsewhere, there were a number of LAs that enjoyed a certain uniqueness in terms of their historical legacies and natural beauty. MBMB capitalised on its niche areas by embarking on diversification of tourism activities while maintaining its long-standing historical-based tourism. Similarly, MDKS traded on its gifts of nature, historical and cultural heritage as unique selling points. From the research

interviews, capitalisation on one's potential uniqueness (which serves as an important elements in strategic management) was in practice among LAs under study.

Finding No 4

12.2.4 Different Levels of Analysing PESTEL

Level of analysis refers to how external changes are determined; how relevant information is gathered and how the analysis is carried out. It also examines how key executives perceive external forces in terms of threats and opportunities to the organisation. The research found that there were two levels of analysis carried out in analysing external changes. The first level was basic analysis using secondary sources, in which figures and detailed information were gathered and monitored to see the trends and movements. Those changes and trends were then taken up as new strategies or focus areas by the LAs. Sources of information included Economic Reports; Malaysia Five-Year Development Plan, Malaysian Outline Perspective Plan; World Competitive Index, World Bank Report, and Federation of Malaysian Manufacturers Reports.

The second level of analysis involved carrying out surveys and analysis of primary data. This kind of analysis has been applied in examining social forces, namely, in trying to understand customers' needs and their level of satisfaction. Undertaking surveys has been a popular means of analysis among bigger LAs such as MBSA, MBMB, MPPJ and MPSJ. Efforts were also made to analyse the characteristics of the public with whom these LAs are dealing. Research and surveys were also undertaken by state government to support efforts by LAs. It was found from the document review that the 'Back to basics' policy – a policy imposed by the state government of Selangor on all LAs in the state – was sparked by findings from a survey conducted by the state government which disclosed that only one out of the eight municipal councils in the state had served its residents well.

Having highlighted all these, it must also be admitted that not all LAs under investigation appeared to undertake environmental analysis. While such analysis was found to be

undertaken by the more complex LAs, a number of LAs, especially the smaller and less complicated ones, did not appear to carry out any analysis, in that there was no indication, either from documentary review or from interviews, of the existence of such practices. Reflections from a number of respondents implied that the need for such a deep analysis in those LAs was less critical. The explanation is that these LAs were operating in a benign situation where hot issues rarely arose. In a situation where pressure from external actors and stakeholders hardly arose, maintaining the status quo would be the best approach. This suggests that this strategic management process, although well established in the larger LAs, is less established in the smaller ones. This may present a key challenge for the public sector in moving forward.

12.3   INTERPRETING STAKEHOLDER ANALYSIS

Finding No. 5

12.3.1 Ranking of External Stakeholders: Immersing Into the Thinking of the Management of the LAs

The study revealed that at an organisational level, LAs judged external stakeholders from two perspectives, namely, those authorities who had powers and gave directives to them, and secondly, those people who paid tax and those groups of people who received services from the LAs. Both understandings concurred with what the literature says on stakeholders analysis. Associating 'power' with stakeholders coincides with Eden and Ackermann's (1998) definition that stakeholders are those people with the power to respond to, negotiate with and change the strategic future of the organisation (p.117). Although Bryson (2004b) criticized Eden and Ackermann's definition of stakeholders as being too narrow, he did not deny that such an understanding was accepted in most business management literature and made sense for their purposes and audiences (p.22).

The study revealed that different levels of managers showed different inclinations towards which group of stakeholders they perceived as more important. While most of the CEOs chose state and federal government as their most important stakeholders, most

of the corporate managers and secretaries preferred to place ratepayers, clients and the overall public as the most important group they had to concentrate on.

The CEOs, being the heads of organisations, were the ones who dealt the most with the state and federal government. They were the ones who were most often summoned by the state government to be given new directives and orders. They were also the ones who would be held responsible for failures in their LAs. These CEOs were the people who were most aware of the power of state government and how this power could directly help or harm their position. Secretaries and Corporate Managers, on the other hand, dealt directly with the public, ratepayers and clients. Their main job was to attend to complaints from the public, NGOs and media. They were responsible for undertaking surveys and getting customers' feedback and preparing various reports concerning public relations. Given the nature of their work, Secretaries and Corporate managers viewed the public as an important stakeholder and one which had certain powers to influence the decisions and policies adopted by LAs. This finding reflected an important notion of the interpretive approach suggested by the literature, that people's stance, beliefs and orientations were very much influenced by their sense-making from their world and the tradition encircling them.

Finding No. 6

12.3.2 People Engagement: Reflecting the 'Tradition of Governance' Within the Local Administration.

Para 4.3.7, Chapter 4, discussed the role of traditions (and dilemmas) in the context of public sector reform and argued that reform often took place within inherited traditions among public institutions. And as reform challenges the current set of ideas, beliefs and practices, it often creates organisational dilemmas. This research has highlighted the long inherited committee system in the LAs in Malaysia as an example of a preserved tradition, although this approach (of decision making and strategy formulation) was at the same time posing a dilemma to the LAs. The tradition of governance within the local

administration is relatively new, as this notion gained its momentum from Local Agenda 21 – a global blueprint for sustainable development agreed by the United Nations Conference on Environment and Development (UNCED), in Rio de Janeiro in 1992. The governance tradition took its main inspiration from the ideology of localism – the fundamental task of meeting the needs of the community thorough a complex process of interaction between the public and the LAs (Stoker 2004, p.14). The governance tradition is reflective of reforms in the local government administration worldwide, exploring how the informal authority of networks constitutes, supplements and supplants the formal authority of government and develops a more diverse view of state authority and its relationship to civil society (Bevir and Rhodes 2003, p.45).

The introduction of 'representative' and 'decentralised' systems, through the setting up of 'people's forums' in a number of LAs, was considered a breakthrough in pursuing the concept of good governance. The OECD (2000) argues that engaging with the citizen is 'a core element of good governance' (Martin 2003, p.190). As good governance refers to 'the exercise of power by various levels of governments that is transparent, accountable, democratic, participatory and responsive to peoples' needs (World Conference on Governance 1999)[2], 'people's forums' in the context of LAs in this study paved the way for effective policy making. They allowed LAs to tap wider sources of information and perspectives in coming up with potential solutions.

This finding supports Bovaird and Loffler (2003), who suggest that collective problems can no longer be solved only by public authorities, but require the cooperation of other players in the environment (p.16). It also supports Porter's observation (1996 p.62) that strategy is not only about how an organisation uses all its resources to deliver services effectively, but also the ability to perform the same activities in different ways altogether. This study has provided empirical evidence on the importance of fulfilling local communities' needs and aspirations by engaging them in local policy-making and

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[2] 1999 Manila Declaration on Governance, quoted in Lőffler, E. (2003), 'Governance and government: Networking with External Stakeholders', in Bovaird, T. and Lőffler, E. (eds.), *Public Management and Governance,* London: Routledge (p.165)

implementation. Such evidence supports the literature of the stakeholder school in strategic management (Freeman 1984; Bryson and Roering 1988; Campbell and Alexander 1997; Bryson 2004; Johnson *et al.* 2005).

Finding No. 7

12.3.3 People Engagement: Determining the Levels of Public Participation

This study has shown that the level of public engagement in their strategy-formulation and implementation process varies between LAs. The literature seems unhelpful in proposing a kind of ranking of different types of government-public interaction. Frequently, the literature conflates different levels of public participation into generic terms such as 'consultation', 'public forum', 'strengthening transparency' and others. Drawing from Steve Martin's (2003) 'Public Participation Spectrum', the research suggests a typology of the levels of public engagement adopted by all the nine participating LAs. Figure 12.1 illustrates those levels.

Level 1 in the typology reflects minimal interaction with the public. There was relatively little evidence of working collaboratively between LAs and the public. There was no forum or residents' association set up to represent the people and decide what they wanted. Few clear responsibilities were given to the people via any kinds of formal representatives or forum.[3]

The majority of the participating LAs fell into Level 2 of the three-tier public engagement ranking. These LAs established their own residents' associations or peoples' forums to represent the entire communities. The management of the LAs met these associations on a regular basis. The LAs informed the associations on the financial situation and programmes/activities to be implemented. Views and ideas from those associations were sought, but the transfer of responsibility in decision making was rarely done. The

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[3] MBM, in this case, perhaps sits closer to Level 2. This is because the committees established at state constituency level to look after people's problems are chaired by Member of the House of State Assembly. But still, the members of the committees are composed of representatives from various government departments. As such, the public will still see government departments as the ones who decide for them.

associations could come up with their list of projects, programmes and activities, but the final decision lay with the management of the LAs.

Level 3

MPSJ

- ❏ RAs are formed comprising councillors as chairmen and 30 members elected from the public.
- ❏ They meet regularly with the presence of a representative of LA.
- ❏ RAs will come up with their budget and project requirements.
- ❏ RAs are given allocation to undertake certain projects (including appointing contractors).
- ❏ RAs are responsible to solve immediate problems in their areas.

Active involvement of the public in strategy formulation and implementation

Level 2

MDKS   MDK
MPSP
MBSA   MPPJ

- ❏ People's forums are formed
- ❏ LAs will set the annual budget and seek feedback from the members.
- ❏ The forum will come up with their project requirements.
- ❏ LAs will try to accommodate their requirements and projects.
- ❏ LAs will meet and discuss with people on various issues on a regular basis.

Dialogue and seminars between LAs and the public organised in a formal forum

Level 1

MDD
MPK
MBMB

- ❏ LAs will organize gathering with the public on an ad-hoc basis. No specific people's forums are established.
- ❏ Committees are established at constituency level comprising government agencies. They meet regularly to discuss problems at local level.
- ❏ Representatives of LAs will monitor their own areas and will solve immediate problems in the areas.

Dialogue and seminars between LAs' and the public organised in a less and indirect forms

Figure: 12.1   Level of Public Participation in LAs

Note:
Based on Steve Martin's 'Public Participation Spectrum' (2003)

This research found that the RAs approach undertaken by MPSJ met the criteria of Level 3 of the public-participation ranking. It reflected the strongest engagement of the representatives of the public in deliberating issues of local strategy, planning and resource mobilisation. The gesture of collaboration was at the highest level and the

strength of commitment was marked by the financial allocation channelled to the RAs to maintain and improve their areas. Powers were given to the people to plan, implement and monitor projects, programmes and activities to suit their needs. With this commitment, the people were also held responsible and accountable for what they had committed. Meetings and gatherings between LAs and the RAs were held regularly to discuss budgets and programmes, as well as to find the best solution to any community problems.

The whole findings suggest variations in the level of people's engagement within different LAs. Analysis of respondents' narratives and official discourse suggested that these different levels of popular engagement are contingent upon a number of factors. These include the nature of the public in the locality (such as their level of education and exposure); the orientation of the leadership (with regard to the importance of communication and consultation with the people); and the deliberate and purposive intervention from external forces (including local and international institutions), as a result of changes in the political, social and economic landscape.

Finding No 8:

12.3.4 The Consumerism Tradition in the LAs: Harvesting the Yield of TQM while Constrasting the Idea of Democratic Citizenship

Findings from the study suggested that the idea of consumerism was reflected in the narratives of the CEOs. A number of respondents used the language of consumerism as they comfortably referred to service recipients as 'customers'. This research argues that the inheritance of consumerist philosophy by the LAs in Malaysia has been the outcome of a continuous and systematic effort to institutionalise the culture of quality among public agencies that treated the public more like customers than citizens. The literature review presented in Chapter 4 showed that such efforts have been undertaken since the early 1990s under the banner of Total Quality Management (TQM). The literature review also revealed that one important measure to instil a quality culture among LAs was the introduction of the Local Authority Quality Award, and one of the important criteria in

giving out the award was how LAs established mechanisms to identify customers' needs and to measure customers' satisfaction. In both circumstances the terms 'customers' were used, instead of 'public' or 'citizen'. Public agencies in Malaysia were also directed to adopt ISO 9000 quality management standards in as many of their work process as possible. The ISO 9000, being a concept that was imported from the business and manufacturing sector, places 'customer satisfaction' paramount. The adoption of a consumerist culture among public sector managers in Malaysia was in many ways, the yield produced from the seed of TQM.

This research found that while the notion of consumerism has been discursively established across different LAs, the level of engagement and follow through with regard to relevant business-like 'reforms' among these organisations seemed to be varied. The researcher's fieldwork suggested that the consumerist tradition seemed to be strongly embedded in the working culture and formed a strong basis for decision making in a number of LAs, while in some other LAs, a consumerist culture was still struggling to move beyond rhetoric and lip service. This research has also argued (in para 4.3.6. Chapter 4) how the consumerist tradition in the public sector existed in contrast to citizenship and democratic traditions that place emphasis on the wider construct of collectivism in democracy, as opposed to the individualistic and more reductionist focus of a consumerist view. The pursuit of the consumer culture, therefore, took place within the context of competing cultures and traditions that co-existed uneasily in the LAs, reflecting organisations as dynamic mixtures of different beliefs and interests.

Finding No 9:

12.3.5 Understanding the Position of the Media and NGOs in the Eyes of the LAs

The roles of the media and NGOs are gaining increasing importance in today's management, especially when many governments in the world are emphasising a transparent, open and participative approach to public sector policy-making. The degree of importance is more critical in the context of LAs, being the closest government to the people. The media and NGOs are categorised as 'outsider groups' (Grant 2000) or

'peripheral insiders' (p.1999) among external stakeholders, who seek influence through an indirect approach of exerting pressure on organisations' decision-making process. Studies have shown that the outsider approach in the decision-making process has been on the rise, not only in use, but also in terms of its effectiveness (Binderkrantz 2005; Grant 2004; Richardson 2000). The media and NGOs provide alternative avenues for the public at large to voice their concerns with regard to how the government is run.

Generally, this study showed that the influence of the media and NGOs varied among participating LAs, while just a handful of LAs mentioned their importance in their stakeholders ranking. Apart from a number of highly urbanised LAs, media and NGOs did not attract much interest in smaller and less complex LAs. There may be several explanations for this. Firstly, the media and NGOs were more active in large and complex LAs, where scores of complicated issues existed. It was only in those LAs that the media could cover a lot of stories and highlight various issues. Not all LAs belong to this category. Secondly, media and NGOs were not seen by the management of LAs as a direct target group to LAs. The media were used by the public to voice their concerns on certain issues relating to the roles and responsibility of the LAs.

This study has highlighted in Chapter 8 (see quotation IC:1:PJ:YDP on page 165), that some respondents felt that the media had an important role to play, especially in bringing to their attention events in the surroundings that required their actions. At the same time, LAs also wished that in undertaking their social obligations, the media would acknowledge the working environment and constraints faced by LAs. A Corporate Manager from one of the LAs summed up her thinking about the media by repeatedly saying that '*most of the times, the media manipulates..*' . This statement came from her experience of dealing quite often with the media.

The conclusion from the research is that the press and NGOs do have roles to play in the government decision making process. Their responsibility to carry people's voice to the authority is indeed a noble one. Maintaining a good relationship with these 'peripheral insiders' is important for 'check-and-balance' purposes and working closely with them will form a good partnership under the name of 'good governance'. Most of the LAs

recognised the role of the media and NGOs as the 'conveyor of the people's voice'. The media and NGOs are here to stay and their service will always be at the disposal of many. The LAs were always hoping for fair and balanced reports from the media and NGOs – reports that would reveal the whole nature of the problems, while at the same taking into account of the constraints and limitations faced by the LAs.

12.4 INTERPRETING INTERNAL STRENGTHS AND WEAKNESSES

Finding No. 10

12.4.1 Interpreting Organisational Strengths in the LAs: Using 'Dilemma' as an Organising Tool

The notion of dilemmas stands categorically as a central theme in understanding internal strategic positioning from an interpretive lens. It focuses on how CEOs' beliefs and preferences, often arising as a response to certain dilemmas within their context, were ultimately translated into their organisational strategies. This study unpacked a number of dilemmas faced by the CEOs which finally shaped their thinking on how best to deal with those issues via appropriate strategies. One CEO raised a classic dilemma between efficiency and cost and how such dilemmas were used as an organising tool to craft his budget and monetary strategy. As highlighted previously, creating efficiency and effectiveness in the management of LAs requires large sums of money, for high quality services entail extra financial resources. At the same time, cutting and saving cost for the future and contingency plans also reflect prudent financial management as it would place LAs in a better position to deal with precipitating events. While in the view of one CEO, a local authority should 'give back' all the public money it received in the form of efficient services to the mass, other CEOs were of the view that LAs with zero-reserve would be at risk in dealing with uncertainties in the future.

Another classical case was the dilemma between specialisation and integration as a result of the life-time tenure recruitment system inherited by the LAs. On a number of occasions, CEOs raised the notion of conflict between how, on the one hand, such a closed service system has created a reservoir of specialists and helped built a strong sense

of loyalty in the organisation, while on the other, in many instances the very same system was held responsible for sowing the seeds of a counter productive departmentalisation mentality among different departments. The dilemma faced by the Town Planner of MPPJ in designing the local plan for the locality is another case worth mentioning. The study has highlighted how this senior manager (and perhaps several others) were trapped between fulfilling the needs of the public from different social strata on the one hand, and serving a number of powerful stakeholders with multiple interests on the other hand. In the face of these dilemmas, different LAs had designed different approaches in dealing with these predicaments. This study has shown how dilemmas and conflicts have a strong link to the contested and political process of strategy making. In a similar vein, the long inherited committee system, highlighted in Chapter 4, poses a dilemma for top management in the LAs between the need to shift to a non-traditional approach to decision making that recognises the power of informalities in fostering new ideas and innovativeness, and the deep-rooted and established tradition of a committee system that was created to uphold the principles of accountability and transparency.

This study revealed that such dilemmas were important ingredients that had shaped the thinking, judgment and preferences of the organisational actors, which finally influenced their actions and practices. In many cases it was in response to certain dilemmas and conflicts that a number of organisational strategies were built.

Finding No. 11

12.4.2 Coping with LAs' Closed Service System: Strategy Follows Structure?

Chandler (1962) proposed one fundamental rule of organisations' strategy-making process by asserting that 'unless structure follows strategy, inefficiency results' (p.314). Chandler suggested that organisations design their strategies by firstly analysing their external environment before assessing their resources and capabilities. Only after strategies have been determined and constructed in an explicit manner, will the organisation design an appropriate organisational structure to support the implementation of the strategies. Advocating the design school of strategy making, this writer believed

that structure is very much subordinate to strategy and should be able to fit into the grand strategy once it has been determined.

This study proposes that Chandler's fundamental rule that 'structure follows strategy' does not fit well within the context of the closed service and two-hat structure in the LAs in Malaysia. The reason for this is that LAs' closed-service and 'two-hat structure' are something 'handed-down' to the LAs within a bigger political and governmental structure. Those kinds of structure are tied to the status of LAs as a third-tier government who are given the power under the specific law to recruit their own employees. These staff will belong to that particular LA until the end of their career. It appears that the LAs have to live with that kind of structure, without having much power to change it. As such, strategies in the LAs should be tailored and fixed to such constraints, not *vice-versa*.

It has been deliberated previously how the closed-service and 'two-hat' structure inherited in the LAs in Malaysia had been viewed by many as bestowing more disadvantages than benefits. Reflections from a number of CEOs, including State Secretaries, illustrated how the closed service system led to the pervasion of a culture of departmental jealousy and supremacy to a worrying degree, while the CEO of MDK criticized the 'two-hat' structure as making him a 'part timer'. To live with this 'handed-down' structure, LAs had to cope with all its consequences, which centred on the issues of morale, attitudes, discipline and motivation toward work. The research revealed how a number of LAs undertook different strategies and approaches in dealing with this situation. This research found that where a structure is externally designed and handed down to an organisation without sufficient power being granted to the organisation to change it, strategy then has to follow structure.

Finding No. 12

12.4.3 Organisational Intimacy: Building Precious Organisation Resources

Berg and Wilderom (2004) illustrate the importance of organisation culture as 'the glue that holds the organisation together and stimulates employees to commit to the

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organisation and to perform' (p.571). Relatedly, this study unearthed that organisational culture was very close to the heart of the majority of respondents. Most of the CEOs shared the same sentiment on the importance of building organisational intimacy and closeness as precious resources that will give strength to the organisation. The study has shown that strengthening organisational culture was treated as one of the main agendas in the LAs. Instilling the right and positive attitude, boosting their morale and motivation, and inculcating a sense of pride and loyalty were among the important strategies adopted by most LAs. This study cited the *'Love the Organisation'* motto used by MBMB to develop a culture of intimacy and brotherhood among organisation members. In the same vein, MPSJ came up with slogan, *'We exist because of you'*, to nurture the feeling of responsibility and accountability among staff.

12.5 INTERPRETING APPROACHES TO STRATEGY FORMULATION IN THE LAs

Finding No. 13

12.5.1 Prescriptive and Descriptive School: Retaining the Influence of the Classical Approach While Relating Strategy to the Imperfect Reality

The findings of the research suggested that a rational and analytical approach, which belongs to the prescriptive school of strategy formulation, was still prevalent in public organisations. Reflections and narratives from respondents gave an understanding that a number of strategies in the LAs emerged as a product of deliberate and systematic analysis of both internal and external environments. The study found that five out of nine participating LAs undertook formal strategic review in the form of strategic planning workshops to formulate their strategies. This suggests that the rational and design approach is still a popular mode of formulating strategy among LAs. Discussion with a number of CEOs implied that they were comfortable with the rational and design approach as it offered useful guidelines for step-by-step thinking and stimulated long-term analysis based on the current strengths and weaknesses. Apparently, the simple notion of 'think before you act' and the logical cycle of 'diagnose-prescribe-action' advocated by this school, had won the minds and hearts of many CEOs.

Having said that, this research also discovered that in many cases, the rational and design school served as a building block for strategies to be deliberated and charted (through a controlled process of thought supported by systematic analysis), before they eventually transformed into adaptive forms of strategy, tailoring themselves to different circumstances amid a complicated stream of events in the environment. The study demonstrated that some strategies in the LAs emerged from a political bargaining process, having to deal with the differing views and interests of different stakeholders. In many other circumstances strategies took shape from the learning approach, based on CEOs' own intuition, logic and past experience.

Thus, this study presents evidence to suggest that strategy development in LAs' administration adopted a multi-approach and diversified methods, involving different managerial decision making processes. Reflections from respondents sent a clear message that in view of the complexity of the environment and given the need to adjust to contextual and situational demands, strategy making also called for top management's intuitive visioning, self-judgment and risk taking. Also, changes in the external environment and pressures from external actors required LAs to engage in reflective learning, experimentation, compromises and coalitions.

The findings of the study concur with Quinn (1978 p.7) who contends that while the rational planning approach, contingent upon measurable and quantitative factors is excellent, for some purposes, the overall understanding of the dynamics of strategy development in contemporary public organisations should not under-emphasise the vital qualitative, organisational and power-behaviourial forces, which often serve as determining factors. From the research methodological point of view, this study argues that because the strategy development process takes place in a complex situation and is rather iterative in nature, it cannot be comprehended entirely from a single positivist perspective. The findings suggest that deeper understanding of the phenomenological aspect of strategy development in public organisation calls for an integrated approach that cuts across several academic disciplines such as psychology, political science, sociology and culture.

12.5.2 Rational and Analytical: Turning Strategic Tools into Strategic Resources

One of the main doctrines of the rational and analytical approach is the deployment of scientific diagnostic tools as an important means to arrive at a particular strategy. Such a formal, systematic and distinct step-by-step evaluation technique is believed to be capable of yielding information required for strategy formulation, aimed at solving the problems at hand. This study has highlighted, based on CEOs' views and beliefs, that some sensitive and delicate social and economic strategies needed to be backed up with extensive data and information to enable decisions to be made rationally. The study has also shown that methods and techniques used to support certain strategies in the LAs came in the form of surveys, fieldwork, investigations and reports.

While the use of reports, surveys and relevant studies will support the notion of approaching strategy in a rational and analytical way and will portray how an optimal solution to complicated issues could be reached in a scientific manner, the use of the same diagnostic tools and techniques could also serve as important resources to the organisation. By resources, it is meant that the rational approach (undertaken through appropriate tools and techniques) could give certain strengths and power to the organisation to make things happen and to justify the rationale for doing them.

Alongside with the idea of resource-based view of the firm, which was first thrown into the literature in the 1980s, as discussed in para 2.4.4 of Chapter 2, this research asserts that the use of certain managerial techniques and manipulation of certain information that will render advantage to a particular organisation, could as well be regarded as strategic resources. It is not uncommon for public sector organisations to be trapped in a strategy-making dilemma, having to make difficult decisions that will directly affect certain segments of the community. In dealing with such controversial decisions, one of the 'politically accepted' techniques is to set up an investigation team or 'flying squad' to undertake study and prepare reports. Another common 'way-through' is by commissioning a study to an 'independent' body or a group of people with certain

authority. This approach is often undertaken with the aim of augmenting the resources of the organisation, which in turn, serves as the rationale and justification for that decision. Scientific tools and techniques in this context are capitalised into strategic resources that public organisations can invoke when justifying to their key stakeholders, some contested and debatable strategy they have to adopt.

Finding No. 15

12.5.3 Rational and Political School: Two Sides of the Same Coin?

Related to the above discussion, this study also suggests that turning reports and surveys into organisational strategic resources to justify strategy-making process is very much to do with political process. Often, organisational resources are used as a beam to buttress certain political decisions in one situation and are turned into shields or barricades to protect the organisation from public criticisms, in another instance. Remarks from some respondents in this study on the importance of gathering 'sound hard data' to support their strategies concerning squatters and illegal factories illustrate this notion.

Political dynamics, characterised by active negotiation and bargaining of power among different political actors and influential stakeholders, is said to be the key feature of strategic management in the public sectors (Rainey and Bozeman 2000; Joyce 2000; Chakravarthy and White 2002; Bovaird and Loffler 2003, Osborne and Gaebbler 1992). This notion seems to hold true in the environment of LAs, where the strategy making process is a shared responsibility between CEOs and a group of councillors who represent the public on the one hand, and state authorities on the other hand. It has been illustrated in para 10.3.4 Chapter 10 that a number of important strategies in the LAs take shape from the process of negotiation, bargaining of power and compromise among multi-groups of stakeholders. The negotiation and bargaining process is about narrowing the gap between two parties with different demands and interests in a move to achieve a win-win result. The process involves reconciliation of conflicting positions, which is usually achieved through empathetic yet persuasive communication.

Negotiation and bargaining of power in the context of the public sector is more complicated as it is highly political and contested in nature. In trying to satisfy as many stakeholders as possible, there is hardly a solution that satisfies everyone. It is in this situation that certain 'weapons' or 'resources' may give one party an edge over the other. In this context, this research found that the interplay between analytical tools in the rational approach (in strategy formulation) and how these tools could be turned into strategic resources in the political and bargaining school indicate both approaches are, to some extent, linked and overlapping.

The study has shown that both rational and political bargaining approaches took place in quite a similar scenario: when forces from external actors were strong; when strategies were seen as likely to have far-reaching impacts on certain sections of the community; and when various interested parties had competing agendas to pursue. Hence, this research suggests that there is a strong relationship between the rational model and the political and bargaining of power approach to strategy making. This study further argues that the rational approach is not always to do with deriving strategic solutions rationally via the employment of scientific diagnostic tools. Rather, it is more to do with politics, namely about asserting power and creating powerful resources for the organisation to politically support and justify certain courses of action.

Finding No. 16

12.5.4 Political Barrier in the Rational Approach:
          Looking at Politics from a Cultural and Behaviourial Lens

This research argued in Chapter 2 that public sector organisations were created by a government for collectivist or political purposes during which collective needs and public goods were defined, formulated and carried out (Stewart and Ranson 1994; Euske 2003; Pollitt 2003). In this context, the literature on the public sector management views politics in a broad and noble perspective, covering the notion of democracy, institutions, citizen rights, people's participation and reciprocal responsibilities between the government and the governed. The literature generally acknowledges the role of politics

in shaping the sphere of the public sector and agrees that the public sector domain and character were very much built on the political platform.

While the above notion of politics seems to occupy a strong foundation in the public sector literature, another emerging school of thought looks at politics more from a cultural and behavioural context. Hay (2004) criticizes the understanding of politics as merely 'what the government does', as presenting a narrow view of the broader idea of politics. He contends that the understanding of politics should never neglect the relevance of extra-political factors such as the economic, social and cultural (p.69). The study found that the literature in the field of strategic management tends to see politics from a behavioural lens when discussing approaches to strategy formulation. Often, politics is viewed as a cultural construct, being confined to the sheer act of exercising power to influence decision-making, which in many cases is self-serving in nature (Chakravarthy and White 2002; Bovaird and Lőffler 2002; Gandz and Murray 1980).

This research interestingly discovered that public managers in the LAs often saw politics as a cultural construct and looked at politics from a behavioural lens, implying that political acts more as an impediment or a barrier to rationality. The interview quotation from a CEO that …*they [the politicians] have certain personal interest in whatever decision they make..* and a remark by a Corporate Manager quoted on page 112 that…*on the one hand they want to so-called uphold the law; on the other hand they want to gain votes from these people..* illustrate how politics has been interpreted by these respondents in analytical terms, hence presenting a negative view of political behaviour. Instead of looking at politics as a grand philosophical idea that should be valued and respected, they saw politics as problematic, a nuisance or an obstruction. Reflections from a number of CEOs sometimes contained discursive elaboration that discredited politicians, aimed at increasing their own administrative power. These pejorative and uncomplimentary views among senior executives have potential implications for practice and cultural change. Political processes within public sector organisations form an intrinsic part of the system and so, normatively, maybe it is important for these senior managers to understand and

recognise the legitimacy of politicians as part of the democratic system, which calls for both parties to work together to serve the people.

12.6 INTERPRETING THE NATURE OF STRATEGY IN THE LAs

Finding No. 17

12.6.1 Nature of Strategy as a Product of External and Internal Dynamics

Analysis of the nature of strategy in the nine LAs in this study revealed seven distinctive public sector strategies, characterised by different emphases and focuses by their top management.[4] This research suggests that the nature of strategy development in the different LAs was associated with a set of factors which are somewhat interrelated to each other. This is summarised in Figure 12.2.

Strategy in MBMB sought to develop and revitalise the organisation by giving emphasis to strengthening the organisation's internal capabilities, enhancing financial capacities and building an image of a dynamic and excellent organisation. Strategies were geared towards creating an organisational culture that bred a sense of pride, team spirit and hard work among the staff. Because emphasis was placed on attitudinal changes and efforts to boost the morale of the staff, changes were undertaken rather incrementally, with careful planning. Effective communication from the CEO and his ability 'to bring himself down to the lowest group of workers' was instrumental in securing broad support from every level of the organisation. This nature of strategy emerged in a politically stable state government, where CEOs had a high level of agency and positive orientation towards organisational change.

The political and handed-down strategy dictated the long-term objectives for the management to accomplish. This kind of strategy unfolded in a situation where one of the

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[4] The seven nature of strategy are: Developmental and Self-Rejuvenation Strategy; Political and Handed-down Strategy; Starting Over and Radical Strategy; Accommodative and Conservative Strategy; Visionary and Coordinated Strategy; Protective and Incremental Strategy; and Bureaucratic Strategy.

external forces was strong, and in the case of MBSA, it came from a 'divine' institution. The realisation of a handed-down strategy then depended on the CEO's ways of managing relevant programmes and activities. In the case of MBSA, supported by a strong financial situation, most of the programmes were centred on providing quality services and balanced development, with due emphasis devoted to fostering a spirit of neighbourliness and community participation.

	Influence from external actor(s);	CEO orientation towards change	Changes in Govnmt Policies	Influence from internal factors	CEO's Level of Agency	LAs' Nature of Strategy
MBMB	High	High	Mod / Stable	Low	High	**Developmental & Self-Rejuvenation:** Strengthening Internal Superiority and Building the Image of Excellence
MBSA	High	Mod	Mod / Stable	Mod	Mod	**Political and Handed-Down:** Creating a Unique Intelligent Malay City
MPSJ	High	High	High/Volatile	High	High	**Starting Over & Radical:** Towering Name & Going against the Tide
MPPJ	High	Mod / Soft	High	Mod	Low	**Accommodative and Conservative** Absorbing External Pressure and Riding on Past Achievement
MPSP	Mod	High (visionary & strategic thinking)	Mod / Stable	Low	High	**Visionary and Formal** Riding the Wave of Change
MPK & MDKS	Mod	Mod	Mod / Stable	Mod	Mod	**Protective and Incremental** Leveraging on the existing strengths
MDK & MDD	Low	Low / Soft	Low	Low	Low	**Bureaucratic:** Reactive and Routine

**Figure 12.2   Variations in Nature of Strategies Against Different
External and Internal Dynamics in the LAs**

Radical and transformational strategy was characterised by a strong combination of reactive and proactive strategies. Such a situation existed when both external actors and

internal leadership had the same passion for change. The organisational leader believed that strong pressures from key stakeholders necessitated his building strong internal capabilities for an effective service delivery system. At the same time, there was a need to create a towering reputation for MPSJ by making this organisation a 'shining model to be benchmarked' by other authorities, through a series of breakthroughs and innovations. This strategy was aimed at earning confidence from highly vocal residents, as well as cushioning continuous pressures from external actors.

For a number of interrelated factors, the nature of strategy in MPPJ has been accommodative and conservative. First, the volatile environment that existed within the context of the institution forced its top management to absorb and respond to such forces in a rather accommodative manner. This approach was taken to avoid the currently 'hostile' situation turning into unmanageable chaos. Most of the time, the CEO acted as an agent of the system, having to adjust to various demands from external actors. Also underpinning this approach was its CEO's soft orientation towards change. Acting more as a 'defender' who took a conservative view about new paradigm of managing the organisation, he opted to follow the existing path rather than taking a new one and blazing a trail. As such, most of the strategies had been to maintain the strong organisation's name and legacy that had been built by the predecessors.

A leader with a strong belief in deliberate and coordinated strategy process produced a visionary and formal strategy. This kind of strategy was driven by a leader who went through an explicit process of analysing the environment. As such strategies were planned to be achieved in different stages, they were more focused. This nature of strategy, characterising MPSP, emerged from a concern from its leadership to institute changes in a holistic manner. The level of agency of the leader was quite high, allowing him to undertake a proper, formal strategic planning exercise, assisted by a professional consultant. The leader depended on one key competent manager to act as a main coordinator to undertake proper monitoring on strategy implementation.

The protective and incremental strategy characterising MPK and MDKS emerged as a result of the preference by the management to maintain the status quo and the tendency to undertake changes in an incremental manner. This kind of strategy emerged in a modest environment with moderate external pressures and supported by the CEO's moderate level of agency. Finally, the bureaucratic strategy in MDK and MDD represented the nature of strategy in small and less sophisticated LAs. Constrained by structural inadequacies, with certain influence from the higher authority, this kind of strategy was further shaped by the CEO's moderate and low sense of agency and less energetic passion for internal change. Professional and staff capacities, as well as the limitations of in-house technology, made the situation less favourable. As a result, most of the strategies were conditioned by short-termism, and were undertaken in a seemingly ad-hoc fashion.

The above classifications of public organisation strategies expand the current literature on strategic management in the public sector, in particular in the LAs, by offering a number of new strategy patterns. Not only does this study provide new findings that apply in a different setting, it also presents a number of unique types of strategy that emerge as the product of a different environment, which are absent in the extant literature. The 'handed-down' strategy is one of the unique nature of strategy discovered by this study that takes place in a unique situation. Another distinctive characteristic is the 'protective' strategy, conditioned by a desire to preserve existing orgnisational strengths, either physically or economically. Similarly, the findings related to the Developmental and Self-Rejuvenation; Starting Over and Radical; and Accommodative and Conservative strategies offer fresh insights to strategy pattern in the LAs, while at the same time providing an extension to what has been studied previously (Wechsler and Backoff 1986, Miles and Snow 2003; Boyne and Walker 2004).

Finding No. 18

12.6.2 Relating Strategy Pattern to Contextual Factors: Examining the Inter-Relationship

A closer look at Figure 12.2 and the subsequent elaborations spawn a certain pattern of causal relationships between a number of strategic pattern and factors associated with them. In the case of the 'developmental' strategy characterising MBMB and the 'starting over' strategy of MPSJ, three factors, namely, (a) the high influence from external actor(s), (b) the CEO's strong passion towards change and (c) the CEO's high level of agency, served as the forces that drove these LAs to construct their strategies. However, as the political and governmental factors were more stable in MBMB, as opposed to the highly volatile situation in MPSJ, strategies in MBMB seemed to be rather developmental and less radical than in MPSJ. Relatedly, where pressures from external actor(s) seemed to be high, coupled with a high volatility in political activities, but without enough support from the CEO's level of agency, strategies tended to be accommodative and conservative, as in the case of MPPJ. By contrast, in the situation where the CEO's level of agency was high, but the influence from external actor(s) and changes in government policies was moderate, a visionary and formal pattern of strategy took place, as in the case of MPSP.

MBSA's handed-down strategy, on the other hand, is a unique case, in that only one outstanding factor paved the way to this nature of strategy, namely, the strong influence of the royal institution. This factor seems to override other factors, for the study has shown that the handed-down strategy sat comfortably within the moderate CEOs' orientation towards change and level of agency, stable government policies and moderate influence from internal factors. A protective and incremental strategy emerged within a moderate environment, while bureaucratic and routine strategy seemed to take place in the absence of any particular (strong) forces from the environment

Finding No. 19

12.6.3 Awards, Plaques and Recognition: Organisational Resources
as a Morale Booster or a Personal Shield?

This study found that CEOs in both 'Developmental and Self-Rejuvenation' and 'Starting Over and Radical' strategies had a strong passion toward organisational change, as well as enjoying a high level of agency in their structure. Interestingly, both CEOs adroitly capitalised on awards, plaques, badges and other forms recognition and turned them into important strategic resources to strengthen their organisations. However, the study disclosed that in the 'developmental and self-rejuvenation' strategy, awards, plaques, badges and recognition were used as morale boosters to inculcate a sense of pride and loyalty among staff and to strengthen the organisation internally. By a slight contrast, in the 'starting over and radical' strategy, awards, plaques, recognition and the towering name of the organisation were used as shields or barricades to protect the organisation and the CEO himself. Para 11.3.3 of Chapter 10 discussed how the founding CEO of MPSJ stressed the importance of equipping himself with sufficient defence instruments to deal with pressures and criticisms from his powerful external stakeholders. His narrative presented on page 211 illustrates this point. This study, thus, suggests how a similar management strategy could be used for different purposes depending on different agenda embedded in the CEOs' personal beliefs, preferences and orientations.

12.7   RESEARCH IMPLICATIONS

12.7.1 Implications for Theory

The discussion on theoretical implications of this research will be based on the basic understanding of an empirical theory as a set of interrelated constructs or propositions that presents an explanation or interpretation of an event or a natural phenomena (Kerlinger 1979, p.64; Judge *et al.* 1998, p.1; Stoker 1995, p.16). As mentioned at the outset, this research adopted a phenomenological and inductive approach in which empirical reality was observed and explained by making inferences from particular instances (Collis and Hussey 2003; Snape and Spencer 2003). As also argued in Chapter

5, an inductive approach is a process of knowledge inquiry that leads to theory development, reinforcement and enrichment. It is also important to note, as observed by Judge *et al.* (1998, p.2), that theories can also be models and conceptual frameworks or new perspectives derived from empirical observation. Models are representations or simplified pictures of reality, while conceptual frameworks are ways of looking at or conceiving of an object of study. The following discussion on the research implications for theory will take place along that path of understanding.

12.7.1.1 Contributions to Research on Organisational-Environmental Relationship w
ithin Public Organisations

In assessing the relationship between LAs and their environment, a number of new theoretical observations came to the fore. The first two findings of the 'inseparable' nature of relationship between LAs and the state government, and the notion of LAs as state 'creatures', give new perspective to the idea of autonomy and self-governing, which stands at the heart of the theories of local democracy. These findings challenged the normative theory of local self-government, which views local government as ought to be a separate, autonomous and independent entity, and one which exercises power independently from other levels of federal government. These findings present a unique approach of central-local power delegation, hence opening up the debate on the theory of moving back and forth between 'decentralisation' and 'constraint' a particular government is willing to grant to or impose on its local government administration. This research advanced the debates of autonomy and self-governing by exploring that in today's reality, local governments operate somewhere along the decentralisation-constraint continuum within a given environment; and that the less constrained and more decentralised the system, the more autonomy local government might have in practice and vice-versa (Goldsmith 1998).

Secondly, in understanding how LAs strategically realign themselves in relation to the powers and interests of their stakeholders, this research has provided a distinctive

perspective on stakeholder identification and prioritisation in Malaysian local government. Findings from Chapter 8 revealed that managers in the LAs identified stakeholders from two perspectives, namely those authorities who had powers and gave directives to them and those people who paid tax and received services from them – the latter being the group they often referred to as ratepayers, clients or customers. Apart from 'confirming' the basic notion of the stakeholder theory, this research offers a set of different interpretations among public managers in evaluating and prioritising their stakeholders. This finding illustrates the strategic skills among key actors for their ability to take a strategic reading of their external environment. This finding is able to add to the debate of the stakeholder theory as discussed in para 2.4.3, Chapter 2. At the same time it enriches the stakeholder theory within the realm of public sector organisations.

This study established evidence to suggest that the so-called fundamental rule of strategic management of 'structure follows strategy' does not go well within the context of these particular public organisations. In a situation where structure is externally designed and handed-down to a particular organisation within a bigger political structure, and in a situation where public CEOs do not enjoy the luxury to manoevre within their setting, strategy then has to follow structure.

12.7.1.2 Contributions to Research on Approaches to Strategy-making

This research presents empirical evidence that strategising in the LAs in Malaysia embraces a rich and diversified approach, as this task is influenced by a complex and demanding environment. Agreeing with most of the premises proposed by the 'bounded rationality theory', the study shows that the underpinning factors of strategy making cannot be fully comprehended from a single theoretical perspective. As different approaches to strategy are contingent upon actors' interpretation and beliefs, attributable, in part, to the influence of situational and contextual factors, the foundation for claiming the supremacy and relevance of one approach over another is weak. Accordingly, this research reinforces the importance of key actors' intuitive visioning or 'gut-feeling' in the strategy making process, informed by the interpretive approach.

The research's finding on the interplay between strategic analytical tools as a dominant doctrine in the rational approach, and strategic resources as a political shield in justifying political decisions, suggests a strong relationship between the rational model of strategy development and the political school of strategy formation. Such a discovery renders a significant theoretical contribution to the field of strategic management and political science, as it provides a new model of strategy making approach that links both schools of thought, which fundamentally belong to different paradigmatic stances. Instead, this finding suggests a notion of duality between the two schools of thought, as a result of the reciprocal and mutual nature of their relationship.

The interpretive approach in stakeholder identification taken by this research challenged the commonly held view of an objective configuration of stakeholders, as it demonstrates that organisational key actors were the ones who enacted their own stakeholders according to their relationship and priorities, based on their own interpretation and experience in dealing with those parties. The same approach also offered an understanding on why public managers often failed to espouse the normative theory which prescribes how stakeholders *should* be identified and treated. This pluralism fits with the anti-foundational epistemology proposed by Bevir and Rhodes (2003), in which organisations are described as complex, ambiguous, dynamic mixes of different webs of beliefs and interests.

12.7.1.3 Contributions to Research on the Nature of Organisational Strategies

The empirical studies undertaken in the LAs produced a significant body of knowledge on the strategy patterns in public sector orgnisations. Firstly, this research extended the previous work on strategy typologies and characteristics in contemporary organisations by offering a number of new strategy patterns, hence enriching another important area in the public administration theory. In particular the research added new dimensions to the exemplary works of Miles and Snow (2003); and Wechsler and Backoff (1986), who laid the foundation for the study that relates the nature of organisational strategies to environmental and contextual factors.

In an interpretive and constructionist approach, seven different kinds of strategy have been outlined by the study, which suggested how these strategies were conditioned by different circumstances encircling the complicated fabric of the LAs. The 'handed-down' strategy, for example, is a unique kind of strategy in its own right that takes shape in a unique situation. Similarly, the argument on the thin differences between the 'self-rejuvenation' and 'starting over' strategies over the utilisation of awards, plaques and recognitions – one as a morale booster to the organisation; the other as shield for self protection – offered fresh insights that enrich the existing organisation theory with regard to managerial practices.

Not only has the fact that the study engages in an in-depth investigation on strategies in public sector organisations, in particular within the LAs in Malaysia, bridged the gulf between private and public domains, but also, the identification of a set of specific dimensions that different strategies were contingent upon provided a new framework for both theorists and practitioners in understanding the nature of public sector strategy. Indeed, this study addressed concerns raised by the literature on the irrelevance of private sector taxonomies of strategic patterns to public organisations, given the external and internal characteristics of the latter (Boyne and Walker 2004).

This study presented an empirical observation on managerial control and choices of strategy within the debate of structure and agency. This research has shown explicitly how strategies in the organisations emerge in parallel with constraints and autonomy and how such a 'structure' intertwined with the CEOs' sensemaking within their environment. This study draws upon the idea of duality between structure and agency, in Gidden's (1984) reciprocal-structuration theory. This research portrays environmental structure as both enabling and limiting organisational agents in approaching strategies, hence resulting in the emergence of different kinds of strategy. Relatedly, the study's finding on interconnectedness between 'context' and 'conduct' within an organisational setting supports the invalidity of a rigid dichotomy between 'structural' perspectives informed by theories of bureaucracy, and the 'interactional' perspective informed by

structuration theory. Enjoying with frontline managers and their sensemaking emphasises the dynamic and interactive relationship between context (structure) and conduct (action).

12.7.2 Methodological Contribution

The abundance of researches dealing with macro levels of analysis involving large sample data afforded little help in providing the details needed in understanding the dynamic process of internal strategy. The 'micro turn' in the study of strategy calls for the unpacking of the dynamic 'suitcase' of inter-relationships between various forces; the complexity of needs and influences of various associated stakeholders; and the webs of individual beliefs and notions. The current research has made a contribution to knowledge by bringing inward the 'swing of the pendulum in strategic management research' through the employment of the phenomenological and inductive paradigm via multiple case studies. Such a paradigm has given the opportunity to the researcher to interact with that being researched, to explore contextual richness and to explain contextual complexity within the setting.

One of the key frameworks that informed the research fieldwork and its analysis of data has been the contribution of the interpretive approach, which contends that actions and practices by an organisation's key actor(s) are shaped by their beliefs and preferences. And to grasp their meanings, one needs to interpret their discourse by immersing oneself beneath the surface of the actors' expressions and accounts. From a methodological perspective, the contribution of this research has been the successful attempt to conduct a study at the intersection of political science and organisation studies and efforts to advance the interpretive framework in the field of strategic management. This is done by suggesting that strategy is a 'social construction' that relies on people's webs of beliefs signified through their narratives, expressions and discourses, without discounting the impacts of the circumstantial factors that framed the thinking and conducts of organisational agents within the debate of structure and agency.

This study enhanced the interpretive framework by demonstrating the centrality of its two important pillars – tradition and dilemma – and by suggesting how these two constructs influence strategy-making process in public organisations. The study illustrated how a number of CEOs perceived their organisational strength as having been built upon long-standing traditions, history and legacies. Similarly, in understanding internal strategic positioning, the study revealed how CEOs' beliefs and preferences, often arising in response to certain dilemmas within their context, were translated into their organisational strategies.

Finally, the interpretive approach in this study yielded a number of interesting discourses – from the broader concept of 'globalisation' to the micro construct of 'social exclusion'; from the noble idea of 'citizenship' to the narrow understanding of 'consumerism'; from the mundane language of 'functionalism' to a bigger construct of 'trust' and from the grand notion of 'democracy' to the criticized 'producer dominated' attitude among public managers. Thus, another methodological contribution by the study has been in the way the adoption of an interpretive approach has established connections between the field of strategic management and other academic fields – sociology and political science being the two most obvious.

12.7.3 Implications for Policy and Practices

The findings of the research have added new perspectives to the existing knowledge and understanding in the field of strategic management and its application to public sector organisations. Much of the influential literature on strategy left the manager bereft of insights and guidelines on how to think and act strategically. This research addressed this deficit by connecting academic research with managerial practices. In particular, the research findings offer practical managerial tools for public managers in dealing with their externalities and various external forces.

The unique relationship between LAs and state governments has practical implications for how managers in the LAs should understand their position against the bigger picture

of governmental structure. This research has added new knowledge in terms of managerial guidance in understanding and prioritising public sectors' stakeholders. The stakeholder identification framework identified by the study can serve as a valuable guideline for public managers in dealing with various levels of stakeholders and other powerful parties capable of influencing the purposes and strategies of the LAs. The study's suggestion of the 'LAs-public engagement' typology on page 269 provides practical guidelines not only for public managers, but also to policy makers in designing various policies and mechanisms to enhance local community participation agendas. As this typology illustrated and explained different levels of government-public engagement adopted by different LAs, it can provide ideas to public sector managers on the extent of engagement they can embark upon, taking take into account their current resources and capabilities. This typology also raises issues for critical reflections by practitioners and policy makers.

The study also provides useful knowledge which is drawn from real experiences on various approaches to strategy making and how different nature of strategies in the LAs take shape in responding to various attributes. Deliberation on CEOs' ways of approaching strategies – from a highly enthusiastic orientation towards change that produces radical strategy – to the maintaining-the-status-quo mentality that leads to protective strategy – provides practical tools that public managers can use in choosing appropriate approaches *vis-à-vis* different contexts and evaluating how different methods will result in different strategies and impacts. Similarly, the leadership style and ways of applying strategic thinking and the use of various means in achieving organisational missions (as in the debate on awards, plaques and recognition), provides pragmatic wisdom for human resources managers in dealing with developing their human capital.

Finally, the shortcomings of LAs' closed service system and the ineffectiveness of their 'two-hat' CEOs send clear signals for policy makers to look seriously into this long-standing issue. Findings of the study also implied that the initiative for change within the current structure of the LAs in Malaysia has been mostly external. The time is high for both the state and federal governments to break the legislative barriers, to allow more

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power to the LAs to stand up and operate as a meaningful 'government' at the local level. This will pave the way for LAs to be more open, responsive and competitive in meeting the needs and expectations of the community in an increasingly competitive environment.

12.8   AREAS FOR FUTURE RESEARCH

This research has established some new perspectives and frameworks in understanding some principles of strategic management in one important segment of public sector organisations, the LAs. For the purpose of confirming or advancing the findings towards developing new theories in the field of strategy, a similar study could be conducted in other public organisations that have a similar nature and operate within a similar environment. These include the District Offices and other government agencies that operate at the district or state level. Alternatively, a mailed questionnaire using a similar scope and objectives could also be carried out on a bigger scale to get a general understanding on how various sub-areas of strategic management are understood and adopted in other organisations.

From the content and coverage point of view, this research dealt with three major areas in strategic management, namely, organisations' strategic positioning, approaches to strategy development and different kinds of organisational strategy. To answer the question, 'where do we go from here?' a follow up study that goes beyond planning could be undertaken. This study suggests that a research concerned with examining strategy implementation and appraising strategy effectiveness by relating it to organisational performance could be carried out, not only to understand those different organisational phenomena, but also to complete the strategy change cycle (Bryson 2004a).

This research subscribes to the legitimacy of obtaining insights from organisational actors to see how their beliefs shape their actions within a particular environment and context. Yet this research was undertaken in a particular point in time, involving a group of CEOs and senior managers who were in place at that time, revealing accounts, dilemmas and perceptions which mattered to these people at that particular moment. Hence, it gives one

picture of how LAs deal with the issue of strategy in a particular point in time. As organisations change and develop rapidly in a dynamic and fast changing environment, it would be interesting to renew, by employing the same interpretive approach, the fund of narratives and collect new insights and thoughts over time by revisiting these organisations to see their current agendas, issues, and the thinking of the CEOs in dealing with emerging challenges in a strategic manner.

The current changes in the Malaysian political landscape place new demands for the replenishment of the stock of narrative and discourses to reflect the current views of key executives in the LAs on the future direction of LAs. In its recent 12th general election, held on March 8, 2008, Malaysia's ruling party – the National Front (BN) – lost its two thirds majority in the Parliament and lost another five state governments to the opposition. Many saw this event as 'the time for change' in the politics of Malaysia, describing it as a 'defining moment in the nation's history'.[5] Prime Minister Abdullah Badawi in his immediate response voiced out that the people had sent him several messages through the ballot box. He admitted that what had happened in the general election was a lesson for the government and a "signal that we must pay attention to."[6]

The fact that the opposition coalition has gained power in five state governments may have significant impacts on the running of the state-controlled local governments. It will be interesting to see how the current set-up will create new central-local relationships and the sharing of power between the central government and the newly established state government, when the BN is still holding on to the federal government. Changes in terms of LAs' structures and the appointment system of CEOs and Councillors that reflect a transparent and democratic process are among major things anticipated. Equally important is the role of LAs to shoulder the greater challenges and expectations from the people for a better service. Revisiting post-election strategic management practices in the LAs is thus appropriate and timely to complement the current research.

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[5] Mr Anwar Ibrahim, former Malaysian Deputy Prime Minister and currently the opposition figure who galvanised three main opposition parties to deny BN's two-third dominance, in his press conference after the election
[6] The Star, 11 Mac 2008

12.9   FINAL CONCLUSIONS

In conclusion, the writer would argue that if this thesis is to state one overriding theme that forms the essence of the entire research, then that central idea would be the important role of conflicts, dilemmas, traditions and cultures characterising the LAs in Malaysia, and how these constructs are closely linked to the contested and political nature of the strategy making process in these institutions. Right from the start, when discussing LAs' strategic positioning (Chapter 2 and 7), political influence stood central stage and served as the most influential force on LAs in designing their strategies. The mapping of stakeholder, (Chapter 8), also revealed how most of the CEOs related the discourse of stakeholders to the notion of power among the powerful few within the external context, hence seeing the state government and powerful political actors as the most important stakeholders. Relatedly, in the analysis of LAs internal strengths and weaknesses (Chapter 9), organisation resources of various kinds were capitalised to fulfil stakeholders' needs.

In the deliberation on how LAs approach strategy formulation (Chapter 10), this research unveiled that different assumptions about strategy making emerged from the different influence of situational and contextual factors, in which fulfilling political purposes was the most dominant. As argued in para 12.5.1, the rational and analytical approach adjusts to the different political demands that emerge from political and bargaining processes. Finally, in discussing the different nature of strategies (Chapter 11), this research used a structure-agency perspective to highlight that the different nature of strategies in the LAs are formed as the product of managers' interactions with and sense making of the environmental and contextual diversity and that strategic choices took shape in response to an interplay of traditions and dilemmas. This study argues that LAs in Malaysia are made up of different values, cultures and traditions, which interact to produce different dilemmas and conflicts. It was in the midst of such intricacy and dynamism that strategic management – a toolkit from the business world – was introduced. The study's interpretive approach has highlighted that given the inherited pluralism of different characters, traditions and dilemmas, efforts to improve the effectiveness of these organisations through strategy making processes are, by and large, contested and political.

STRATEGIC MANAGEMENT IN THE PUBLIC SECTOR:
AN INTERPRETIVE STUDY OF THE APPLICATION OF STRATEGIC MANAGEMENT PRACTICES
IN THE LOCAL AUTHORITIES (LAS) IN MALAYSIA

INTERVIEW PROTOCOL

RESEARCH QUESTION 1	Dimensions to be investigated	Primary Sources
How do LAs position themselves in relation to their external environment in ensuring fit with their external environment?	Examining how LAs undertake strategy positioning against their external environment, using the PESTEL framework analysis as the guideline.	Ansoff (1987); Andrew (1994) Bryson (2004); Bovaird (2003) Johnson *et.al.* 2005; Whittington (2005); Burt *et al.* 2006; Chia 2006; Ezzamel and Wilmott 2004
Proposed Interview Questions	**Questions' Focus**	**Tips/suggestions to the interviewer based on relevant literature review**
1. Opening question **Could you please describe your views on key challenges facing the local administration in Malaysia in general and your organisation in particular?** 2. Follow-up questions a) **As in the case of any organisation, your organisation operates within its own (external) environment. Could you please explain various external factors that are considered by your organisation when it analyses the environment?**	Aims to solicit the CEO's overall views on the expectations of various parties/stakeholders, and the challenges posed by various forces, both internal and external to local administration. To explore how LAs understand and make sense of various demands from their external forces, and assess how their understanding influence the design of LAs' organizational strategies.	External environmental analysis aims to determine changes that are taking place externally and to assess how these changes are viewed as giving opportunities or challenges (threats) by the LAs against their their objectives. David F.R. (2001) notes that the essence of strategic management is to be able to design strategies that take full advantage of the external opportunities and minimise the affects of external threats. The literature also argues the need to further enrich the understanding the organisational external environment from an interpretive point of view that is informed by sociological and philosophical traditions.

Proposed Interview Questions	Questions' Focus	Tips/suggestions to the interviewer based on relevant literature review
b) In what way do those forces give opportunities to your organisation (that help in meeting its objectives) and in what way do other variables pose threat or challenges to your organisation which, if not addressed properly, may hinder the accomplishment of your organisational objectives? _Optional questions_ _(depending on the flow of the discussion)_ a) _Among those you've mentioned, can you identify and rank a few of them in terms of their importance to be considered in formulating your long-term strategy and why?_ b) _Changes in which particular factors would receive your immediate attention?_	To solicit the perceptions and views from the top management on how various external factors could influence their organisation in terms of providing opportunities or posing threats to the organisation. To understand how strategic thinking with regard to analysis of the external environment by the LAs could be unpacked by exploring their understanding about their environment. To see how those variables are analysed according to their importance and the degree of influence they have on the organisation.	**PESTEL Analysis** **Political:** includes Government and national political climate; changes in policy; good-governance; people's participation, etc. **Economy:** privatisation policy; strengthening national competitiveness; attracting investors and business communities; ensuring sound and orderly development, etc. **Social:** dealing with knowledgeable and highly demanding citizen/taxpayers; managing social issues and pressures from various stakeholders. The motto for LAs now is "What matters is not what we do, but how people feel about what we do" (Bovaird 2003). **Technology:** Changes in ICT and their impacts on accesses to the organisation and how the organisation should best work and operate. **Environment:** urbanisation process and its impacts vis-à-vis the role of LAs as a provider of urban services and local planning authority. In Malaysia currently, more than 62% of its population are urban, from only 34.2% in 1981, and the figure is estimated to reach 80% in 2020.

RESEARCH QUESTION 2	Dimensions to be investigated	Primary Sources
How do LAs realign themselves in relation to their internal and external stakeholders ?	Examining how LAs assess and map out their key stakeholders and how these groups are seen as influencing the development of their strategies by employing the stakeholder-mapping analysis via an interpretive framework.	Freeman 1984; Bryson 2004; Buchholz and Rosenthal 2004; Elijido-Ten 2004; Donalson and Preston 1995; Phillips 2004; Rainey 2003; Stoker 2006

Proposed Interview Questions	Questions' Focus	Tips/suggestions to the interviewer based on relevant literature review
a) **Who or which group among your external stakeholders do you consider to have most power to influence your organisation? Can you rank a few of them?** b) **What do you think are the criteria used by your stakeholder to assess your organisation's performance and service delivery?**	To know who are the stakeholders of LAs in general and in what way they become the stakeholders. To ascertain whether the organisation has its own way of identifying its stakeholders and the powers they have over the organisation To see how the organisation assesses the expectation of their stakeholders and the suitable way to meet their expectations. Stakeholder theory asks what responsibility the management has to stakeholders, in terms of the relationship they need to establish to ensure organizational purposes and mandates are served. From the interpretive point of view, the importance of stakeholders to a particular organisation is dependent upon managers' lens, i.e how they perceive or value their stakeholders.	The literature defines stakeholder as: a) any group or individuals who can affect or is affected by achievement of the organisation's objectives (Bryson 2004); b) individuals or groups who depend on the organisation to fulfil their own goals and on whom in turn, the organisation depends (Johnson *et al*. 2005) Stakeholder analysis seeks to ascertain: how organisations identify who their stakeholders are; what are their expectations; what power they have; how the organisations fulfil their expectations. Despite various definitions by the literature, the question of who constitute an organisation's stakeholders and the basis of their legitimacy still remains as a point of contention (Phillips 2004).

RESEARCH QUESTION 3	Dimensions to be investigated	Primary Sources
How do LAs assess their internal strengths and weaknesses in ensuring strategic fit with their internal environment?	Examining how LAs appraise their internal strengths and weaknesses and how such assessments are reflected in their strategies	Barney 2003; Grant 2002; Bryson 2004, Hamel and Prahalad 1994; Wernerfelt 1984
Proposed Interview Questions	**Questions' Focus**	**Tips/suggestions to the interviewer based on relevant literature review**
a) **Could you describe what have been the strengths or advantages of your (internal) organisation thus far?** b) **How do you assess your existing human resources in terms of their strengths and weaknesses (including their competencies and capabilities)?**	To get the perceptions of the CEO on: ❑ what are the internal elements that are perceived to be important to the orgnanisation; ❑ what constitutes strengths and weaknesses in the internal organisation. To unearth how CEOs and members of the organisation give meaning to what they understand as constituting internal strengths and weaknesses. To offer a complementary approach to scientific and objective investigation by emphasising the importance of beliefs, perceptions, power and judgment among organisation members in describing the diverse characteristics and unique nature of their organisational life.	**Human resources/core competencies** The purpose of internal environmental analysis is to assess the current situation in order to identify an organisation's strengths and weaknesses that will help or hinder the acomplishment of the organisation's mission and objectives. The literature suggests that successful strategies are dependent largely on firms' strategic capabilities, which comprise tangible and intangible resources. These include human, financial and other physical assets on the one hand, and culture, skills, knowledge, attitudes, and information and intellectual capital on the other hand. According to RBV, an organisation is a bundle of resources and capabilities and the competitive advantage of an organisation is explained by how these distinctive capabilities are deployed.

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Proposed Interview Questions	Questions' Focus	Tips/suggestions to the interviewer based on relevant literature review
Follow-up questions a) **What is the 'trademark' or perception that you want your stakeholders or public to have when they evaluate your staff in terms of their work culture, behaviour, and character?** b) **If the existing organisational culture of this organisation is to be further enhanced, what measures need to be undertaken and how should they be undertaken?**	**Examining Organisational Culture** To see the vision of CEO on the culture of his organisation and to solicit views on the desired culture that already exist and undesirable ones that need to be changed. To see the role of the organisation leader in creating or developing his own culture in the organisation. Try to observe all the three levels of culture: • The Artifacts – structure; process; behaviour (physical, hard to decipher); • Espoused Values (Mission, vision, objectives, strategies, client charter, slogans, circulars); • Basic and taken-for-granted assumptions among the members of the organisation. According to Schein (1992), culture begins with leaders who impose their own values and assumptions on a group. Leaders create changes; managers live with them (p.5)	**Culture Analysis** Definition of culture: a shared perception of organizational <u>work practices</u> within organisational units that may differ from other organisational units (Berg and Celeste Wilderom 2004) It demonstrates particular ways of conducting organisational functions that have evolved over time and these practices reflect the shared knowledge and competence of the organisation (Kostova 1999) What constitutes organisations' culture include • Group norms; • Observed behavioural regularities • Espoused values (declared, publicly announced values and principles it tries to achieve; • Formal philosophy; • Rules of the game (shared way of doing things) • Embedded skills; • Habits of thinking; • Shared meaning • Integrating/shared symbols/image **A Culture analysis** is a process of determining appropriate organisation culture by assessing various cultural components in the organisation.

Proposed Interview Questions	Questions' Focus	Tips/suggestions to the interviewer based on relevant literature review

Follow-up questions
 	
a) What is your preferred approach to inspire and motivate your staff to buy the idea of strategic management?
 	
b) How do you ensure that the organisation members fully understand your organisational mission? Do you have any difficulties explaining and communicating with them?
 	
Optional questions to be asked to Head of Divisions and middle managers
 	
c) How do you evaluate the importance of leadership in your organisation in initiating and leading change efforts? Perhaps you can share with me your experience of what have been the strengths of your leadership and what you think could be improved?
	Examining Organisational Leadership
	
	To elicit and observe top management's roles in terms of:
	
	• diagnosing organisation problems, areas of improvements;
	• getting and keeping political support;
	• inspiring the people, winning their minds and hearts; building coalition;
	• identify relevant competencies, skills and knowledge among organisational members.
	
	To enter into the minds of the managers as to how they judge their organisational leadership.
		Definitions of <u>organisational leadership:</u>
		
		• Hartley J. & Allison M. (2000) see leadership from three perspectives : person, position and process (of influencing and inspiring…);
		
		• Johnson *et al.* (2005) view leadership as a process of 'influencing people in an organisation in its efforts towards achieving organisation objectives
		
		• Kotter, J (1996) defines leadership as a process of creating a sense of purpose and direction; generating support for that vision and inspiring people to achieve it.
		
		Roles of organisational leadership in leading strategic changes in public organisations as suggested by the literature:
		
		a) Preparing for strategic change/:
		   • Creating a situation in which organisation can be receptive for change:
		   • Establishing a sense of urgency
		b) Leading change:
		   • Setting organisational direction/creating strategic vision
		   • Creating the guiding coalition

RESEARCH QUESTION 4	Dimensions to be investigated	Primary Sources
How can approaches to strategy formulation in the LAs be best explained against different factors and circumstances?	To unveil the dynamics of strategy development in the LAs, by unpacking various ways of, and perspective on developing organisational strategies by the top management. To capture top management's way of strategising and how the process is undertaken based on their knowledge, experience and constraints.	Selznick 1957; Chandler 1962; Ansoff 1965; Mintzberg *et al.* 1998; Johnson *et al.* 2005; Whittington 2001; Quinn 1978; Kearns 2000; Bryson 2004; Idenburg 1993; Dettmer 2003
Proposed Interview Questions	**Questions' Focus**	**Tips/suggestions to the interviewer based on relevant literature review**
Opening question **In the case of LAs, given the nature of their work, their environment and the nature of their stakeholders, what are the conditions or pre-requisites for strategic management to work effectively here?** Follow-up questions a) **In the context of your organisation, to what extent does external dynamism give impacts to your pre-determined strategies? How quickly will such changes require you to review your pre-determined and agreed strategies?** b) **Can we share your success story of successful deliberate strategies and factors contributing to such a situation?**	**Strategy formation – Deliberates vs Emergent** To solicit CEOs' personal views and perceptions on strategic management and the degree of practicality in LAs. To see the nature of strategy development in the LAs. To solicit the perceptions of the CEOs on how strategies develop and being developed in the local authorities. Is it more deliberate or emergent? Note: dynamism is understood as unexpected change or change that is hard to predict.	The literature often uses the term 'strategy-process' to refer to how an organisation's strategies are selected and formulated. Strategy process is about how an organisation achieves its desired goals through vehicles called 'strategies'. **Deliberate:** deliberately planned, conceived and finally realised as intended. Intended strategy is defined as expression of desired strategic direction deliberately formulated or planned by managers. To Mintzberg and Water (1985) conditions for a pure deliberate strategies to occur include: ❑ Precise intention with relatively explicit and concrete level of detail; ❑ Intentions and rationale behind all strategies are common and fully understood by all; and ❑ Very minimal interference /manageable disturbances from external forces

Proposed Interview Questions	Questions' Focus	Tips/suggestions to the interviewer based on relevant literature review
c) Can we share some of your experiences on strategies that are not fully realized (emergent) and reasons behind such a drift?	To obtain first hand experience of deliberate and emergent strategies and to gauge the strengths and weaknesses of both approaches.	**Emergent:** comes about through everyday routines, activities and processes in organisations. For purely emergent strategies to occur:
d) How is the process of initiating strategic change such as setting the future direction, determining the appropriate strategies, preparing the people etc. approached? Who else is involved?	To see how the process of initiating change in the organisation is carried out and the rationale for adopting a particular approach.	❑ Consistency in action without intention; ❑ A pattern of actions is imposed on the organisation by the environment. The emergent approach views strategy making as a learning and maneuvering process that allows openness and flexibility to absorb internal changes and external dynamism.
e) What has been the workable approach in dealing with your councillors or other political masters when you want to design your organisation strategies, given the possibilities of disagreement or conflict that might occur?	To investigate if there has been any conflict or disagreement between CEOs (government officials) and councillors (local politicians) during strategy formulation. To see the nature of conflicts, what causes them and how the disputes are reconciled.	The determination between deliberate and emergent strategy making process is essentially the change or series of changes that occur between what was intended and what is realised – both externally and internally.

RESEARCH QUESTION 5	Dimensions to be investigated	Primary Sources
How do internal and external environmental factors influence the nature and characteristics of strategies in the LAs?	To assess various environmental and contextual factors including executives' construal that condition the different nature of organisational strategies in the LAs. The ascertain how the distinctive nature and characteristics of organisational strategies are influenced by different determinants within the internal and external circles of the organisation.	Miles and Snow 2003; Boyne and Walker 2004; Wechsler and Backoff 1986; Schwandt 2003; Bevir and Rhodes 2003;
Proposed Interview Questions	**Questions' Focus/Subject**	**Tips/suggestions to the interviewer based on relevant literature review**
Opening question **I learnt that you made a number of changes in your organisation. You seem to be so passionate about changes and the importance of introducing new things in the way your organisation should work. Could you share this with me?** Follow-up questions a) **Your organisation has organised strategic management seminars and workshops a number of times previously. Perhaps you could share with me the reason for having such seminars and what drove you to initiate such workshops on a longer term basis?**	To gauge CEOs' orientation towards change, reflected in their efforts to improve the current status and to escalate their organisation 'to the next level'. To enter into the thinking of the CEO on how he perceives internal and external factors influence and impact upon his organisational strategies.	Strategic choice theory suggests that organisational leaders are in the position to adjust the organisation structure and process as well as capable to manipulate the environment to bring conformity with the organisation (Child 1972, Miles and Snow 2003). An interpretive approach argues that managers not only interact with their environment, but they also seek to make sense of their contextual environment through their interpretation of events and the meanings that they ascribe to them (Vidich and Lyman 2003; Alvesson and Karreman 2000; Bevir and Rhodes 2003; Chan and Holt 2006; Ezzamel and Willmot 2004).

Proposed Interview Questions	Questions' Focus/Subject	Tips/suggestions to the interviewer based on relevant literature review
Probable 'probing' questions: b) **You have come up with a number of focuses and thrusts for your organisation for the next ten years. Can I treat these focuses as your organisational strategies? Could you explain how the process of identifying such focuses took place? Who were the stakeholders involved in arriving at agreement on those focuses?**	To understand the dynamics of the strategic management process and how the process is undertaken. To understand what constitute CEOs' preferences and judgment that led them to a certain approach to strategising	
c) **With regard to your five-year organisational plan that replaces your annual plan, could you tell me were there any changes internally, or perhaps changes in the thinking of the leadership, that led to the introduction of this kind of planning?**	To gauge the extent to which CEOs' beliefs; experience, background, socialisation and networking are important factors that drive them to initiate long-term planning in the organisation	
d) **You may have gone through quite a tough time winning the minds of your councillors and other influential personalities. How do you describe the influence of your councillors and other political masters with regard to strategy implementation?**	To evaluate CEOs' level of agency, namely, the amount of autonomy they are privileged to exercise in terms of introducing various policies and strategic changes. To measure the ability of organisational leaders to act independently and to control their external forces/actors.	The structure and agency perspective examines the interconnectedness between 'context' and 'conduct' within a social, political or organisational setting (Hay 1995, 2002). The debate about structure and agency is about explaining the actions of individual agents in relation to the structural features of their society or organisational setting.

<div style="border:1px solid;display:inline-block;padding:4px">**TRANSLATION**</div>

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Our Ref: JPA(L) 7050398
Date : 8 December 2005

TO THE RESPECTIVE STATE /LOCAL AUTHORITIES

Dear Sir,

RESEARCH FOR THE DEGREE OF DOCTOR OF PHILOSOPHY (PhD) BY AN OFFICER UNDER THE FEDERAL GOVERNMENT SCHOLARSHIP

With reference to the above, I am pleased to inform that Mr Mazlan Yusoff, a Diplomatic and Administrative Officer (Grade M48), has been granted Full Paid Study Leave with Scholarship, from 13.09.04 until 12.09.07, to pursue a PhD (Management) at the University of Hull, United Kingdom.

2.   Mr Mazlan is required to undertake a research and a fieldwork to complete his thesis entitled *Strategic Management in the Public Sector: A Study of the Application of Strategic Management Practices in the Local Authorities in Malaysia,* as a requirement for the award of the Degree of Doctor of Philosophy by the University of Hull, United Kingdom.

3.   This department would appreciate if you could render assistance required by this officer in the course of undertaking his research.
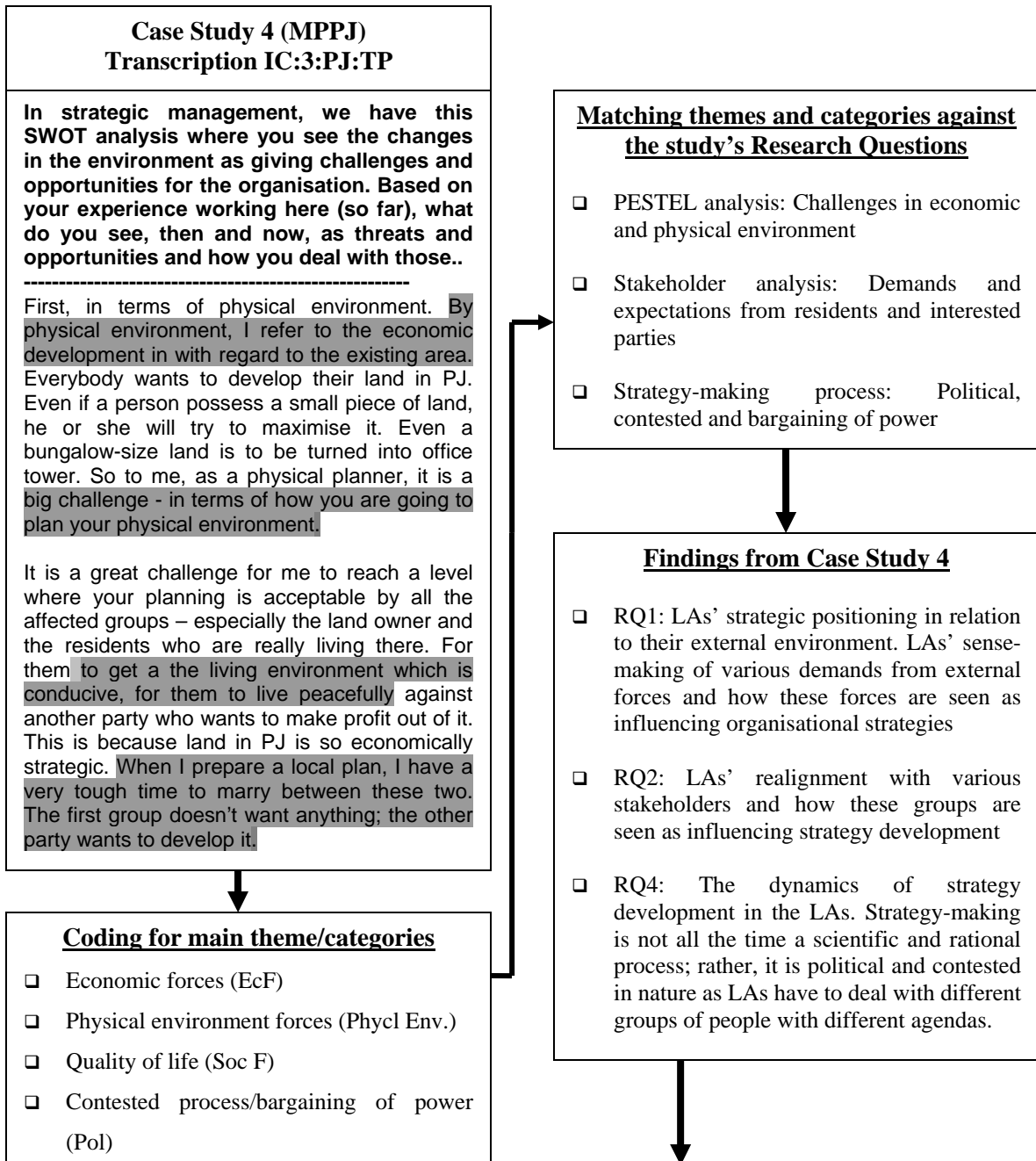
Thank you.

"SERVICE FOR THE NATION"

Yours sincerely,

(**MAZIAH BINTI ADNAN**)
Training Division
In-Service Training Unit
for Director General
Public Service Department
MALAYSIA

(Please quote our Reference number in future correspondence)
"CUSTOMER SATISFACTION IS OUR PRIORITY"

Sample of Data Analysis /Coding Process

Case Study 4 (MPPJ)
Transcription IC:3:PJ:TP

In strategic management, we have this SWOT analysis where you see the changes in the environment as giving challenges and opportunities for the organisation. Based on your experience working here (so far), what do you see, then and now, as threats and opportunities and how you deal with those..

First, in terms of physical environment. By physical environment, I refer to the economic development in with regard to the existing area. Everybody wants to develop their land in PJ. Even if a person possess a small piece of land, he or she will try to maximise it. Even a bungalow-size land is to be turned into office tower. So to me, as a physical planner, it is a big challenge - in terms of how you are going to plan your physical environment.

It is a great challenge for me to reach a level where your planning is acceptable by all the affected groups – especially the land owner and the residents who are really living there. For them to get a the living environment which is conducive, for them to live peacefully against another party who wants to make profit out of it. This is because land in PJ is so economically strategic. When I prepare a local plan, I have a very tough time to marry between these two. The first group doesn't want anything; the other party wants to develop it.

Matching themes and categories against the study's Research Questions

❑ PESTEL analysis: Challenges in economic and physical environment

❑ Stakeholder analysis: Demands and expectations from residents and interested parties

❑ Strategy-making process: Political, contested and bargaining of power

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Findings from Case Study 4

❑ RQ1: LAs' strategic positioning in relation to their external environment. LAs' sense-making of various demands from external forces and how these forces are seen as influencing organisational strategies

❑ RQ2: LAs' realignment with various stakeholders and how these groups are seen as influencing strategy development

❑ RQ4: The dynamics of strategy development in the LAs. Strategy-making is not all the time a scientific and rational process; rather, it is political and contested in nature as LAs have to deal with different groups of people with different agendas.

Coding for main theme/categories

❑ Economic forces (EcF)

❑ Physical environment forces (Phycl Env.)

❑ Quality of life (Soc F)

❑ Contested process/bargaining of power (Pol)

Research Questions	Inter Case studies Matrix and Analysis							
	MBMB	**MBSA**	**MPSJ**	**MPPJ**	**MPSP**	**MPK**	**MDKS**	**MDK**
LAs' external positioning	………..	………..	………..	Economic Social Physical	………..	………..	………..	………..
	………..	………..	………..		………..	………..	………..	………..
	………..	………..	………..		………..	………..	………..	………..
………………	………..	………..	………..	………….	………..	………..	………..	………..
Approaches to strategy dev.	………..	………..	………..	Political/ Contested	………..	………..	………..	………..
	………..	………..	………..		………..	………..	………..	………..
………………	………..	………..	………..	………….	………..	………..	………..	………..

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