

KING'S FUND INTERNATIONAL SEMINAR

Managers as Strategists

'SOME NOTES ON STRATEGIC MANAGING, ORGANISATIONAL LEARNING  
AND DEVELOPMENT STRATEGY'

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## INTRODUCTION AND OVERVIEW

### What is a strategic manager?

As Tom Evans' background paper and some of the other contributions to this seminar make clear, the concept of managerial strategy has, in recent years, undergone a major re-appraisal and re-interpretation. This paper will therefore not attempt to cover this ground again. Yet any contribution to a meeting on the theme of 'Managers as Strategists' must implicitly or otherwise concern itself with the question of what it means for a manager to behave strategically. In this introduction I will therefore touch briefly upon this issue and then provide an overview of my own contribution to the theme of the seminar.

Over the past 15 years or so, the idea of managerial strategy has attracted considerable attention and been subject to increasing critical scrutiny. As a result, prevailing ideas about the nature of strategy have evolved rapidly in response to a host of insights and 'findings' rooted in both theory and managerial practice. Andrew Pettigrew in a recent book (1), provides an authoritative and insightful overview of this evolutionary process. And while it would be an overstatement to say that there now exists a broad consensus as to the nature of managerial strategy, the following three inter-related insights would seem to be the principal products of the process Pettigrew describes:

i) The 'a priori', linear nature of strategy

Until as recently as a decade ago, the concept of managerial strategy was almost always assumed to incorporate two key subsidiary notions. The first was that a strategy consisted of little more than a preconceived, goal-directed sequence of actions intended to provide a guide for managerial decision-making. The second was the notion that strategy unfolded in a series of overlapping, but essentially sequential phases often described as formulation, implementation, review and appraisal.

In the last decade, however, this 'a priori and linear' view of strategy has given way to a much richer and more complex notion which takes greater account of the actual behaviour of senior managers. In essence, this more recent view emphasises the dynamic, evolutionary and yet purposeful nature of strategy as this emerges in the hands of perceptive and proactive senior managers (2). This perspective portrays senior managers as engaged in a continuous process of responding to (i) the upward flow of information and ideas from within their own organisation; and (ii) the challenges and imperatives emerging from the 'external' environment. Strategy then, both grows out of and provides a structure for, these two processes. Looked at in this way, it is clear that managerial strategy has no beginning and no end nor does it unfold in a linear fashion: in Quinn's words, "... strategies are typically fragmented and evolutionary with a high degree of intuitive content ... overall strategies tend to emerge as a series of conscious internal decisions blend and interact with changing external events to slowly mutate key managers' broad consensus about what patterns of action make sense for the future". (3)

ii) The unitary nature of strategy

A second key idea about strategy which has been undermined over the past decade is the notion that there is some one thing that can be identified as managerial strategy. This notion has been undermined in two ways. The first grows out of the work of writers such as Quinn (4) and Mintzberg (5) who emphasise the contingent and situational nature of strategy. Such an orientation recognises explicitly that strategic managerial behaviour is influenced by an on-going diagnostic process reflecting management's reading of the strengths and weaknesses of the organisation at any point in time. In these circumstances, there can be no one 'correct' idea of strategy but rather, the recognition that different forms of strategy will be more or less appropriate to differing organisational and environmental circumstances at different points in time.

The second force at work in undermining the unitary view of strategy, has been the growing recognition that it is not just 'top management' which has a monopoly on strategic thinking and managing. As Andrew Pettigrew has observed: "... empirical process research on strategy (has) made a number of descriptive contributions to the understanding of strategic decision-making

and change. Strategic processes (are) now accepted as multi-level activities and not just the province of a few, or even a single general manager. Outcomes of decisions (are) not just a product of rational ... debates, but (are) also shaped by the interests and commitments of individuals and groups, the force of bureaucratic momentum, gross changes in the environment and the manipulation of the structural context ..." (6).

### iii) The instrumental nature of strategy

A third idea central to the early writings on strategy was an emphasis on the instrumental nature of strategy, i.e. the notion that strategy was essentially a means for achieving certain ends. From this perspective, two criteria were central to the measure of a good strategy: the first was whether the strategy actually enabled management to achieve pre-set ends; the second was whether the strategy enabled management to estimate the consequences of proposed actions before they were taken.

Over the past decade, however, the twin themes of changing organisational context and increasing environmental turbulence, have emerged as central in both the literature and empirical work on managerial strategy. As this has happened, it has become increasingly clear that the instrumental view of strategy offers an over-simple and inadequate framework for understanding the process of strategic managing. As a consequence, the instrumental - or means/end - view of strategy has been displaced by a more developmental - or process oriented - view. Central to this perspective is the recognition that the environmental and organisational contexts within which managing happens, present challenges and dilemmas which are simply not amenable to definitive analysis. Accordingly, the notions of managerial and organisational learning have emerged as key elements within this developmental perspective. Evans and Best (7) have characterised this perspective as follows: "... the 'learning' approach is about process, influence and development. How things are considered and determined is important. (Strategy) must influence understanding and action. It is not only how we do things now, but how we invest in their future improvement and development that matters. Because of these factors, the learning model ... relate(s) the substance of strategy to the developing capacity of the organisation to manage change". (Emphasis added).

The picture which emerges from this evolutionary process then, is an altogether more sagacious, complex and above all relativistic, view of managerial strategy. And this is perhaps not surprising for while much of the early work on strategy was based on a priori theorizing and normative models of strategy, later work was influenced more by

descriptive and empirical studies of how managers actually manage.

If there is, however, one critical difference which distinguishes the 'old' view from the 'new', it is to be found in the assumed relationship between the nature of strategy and the rationale for strategy. Within the 'old' framework, this relationship is clear enough: i.e. strategy is preconceived and linear; unitary in nature; instrumental and goal-directed; and therefore purposeful. A strategic manager behaves purposefully therefore, because they behave strategically. Within the 'new' framework however, this relationship is more problematic: i.e. strategy is non-linear and contingent; situational and pluralistic; opportunistic and developmental; and yet purposeful. A strategic manager behaves purposefully therefore, in spite of the fact that they behave strategically. It is this apparent paradox which provides the focus for this paper.

The remainder of this paper is divided into three parts. In the next section, we pose the question, 'How do strategic managers manage?'. In other words, how is it possible for senior managers to develop contingent, opportunistic, developmental forms of strategic managing which also provide direction, coherence and purpose for a large organisation operating in a turbulent environment? In the third section we examine the processes of managerial and organisational learning which would seem to be central to successful strategic managing and its principal product, development strategy. Finally, in the last section we pose the question, 'Can public sector managers manage strategically?'. Using the British National Health Service as an illustration, we suggest that the scope which many senior managers

have for managing strategically within a public sector environment, may be surprisingly limited.

Appended to the paper is a list of questions and issues which may be useful as discussion starters for the session on development strategy.

Coming to grips with development strategy:  
How do strategic managers manage?

This section of the paper explores the process of strategic managing in further depth. For this purpose, we shall make use of the simple diagrammatic model shown in Figure 1. The model is intended to be a schematic representation of some of the principal elements which enter into and influence the process of strategic managing.

Figure 1 suggests that three elements are central to the process of strategic managing. These are: the tasks - or whats - of managing; the processes - or hows - of managing; and the environment - or context - within which managing takes place. Building on this model, we shall suggest that the effective strategic manager is one who can manage successfully the continuous interplay between task, process and environment so as to deliver changes which are to the advantage of the organisation.

Although Figure 1 is intended to be no more than schematic and suggestive, it is significant that the task and process elements are cast as cycles, while the environment is portrayed as contextural and ubiquitous. It is worth elaborating further on each of these three elements:

- i) The tasks of strategic managing: This refers to what Pettigrew (8) calls the content or substance of strategic change, or what Kotter (9) calls managers' work 'agendas'. Task refers to what it is that managers have to achieve order to further the aims of their organisations. Kotter provides a clear description of senior managers' task agendas: "the agendas ... managers developed tended to be made up of a set of loosely connected goals and plans which addressed their long, medium and short-

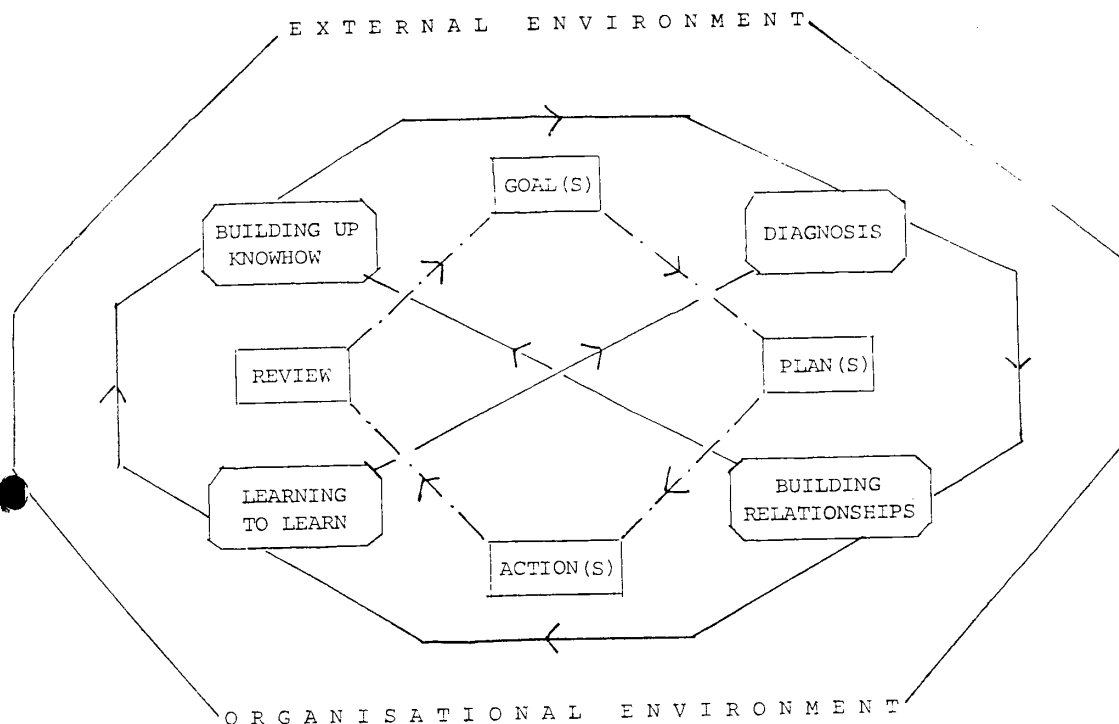


FIGURE 1: \*TASK, PROCESS AND ENVIRONMENT -  
A Simple Diagramatic Model of  
Strategic Managing

KEY:--- Task Cycle  
 — Process Cycle

\* I am indebted to Robin Coates for introducing me to the task-process cycles.



run responsibilities. As such, agendas typically addressed a broad range of financial, product/market and organisational issues". (10).

The four stages in the task cycle shown in Figure 1 are illustrative. Other cycles with more or different stages could be used. The cycle format is intended to highlight the fact that the achievement of task always requires managers - however informally - to formulate intentions, plan ahead, decide how to measure achievement, and so on.

- ii) The processes of strategic managing: This refers to the ways in which managers go about achieving task and delivering change. Isenberg (11) distinguishes between organisational and interpersonal processes by which he means "... the ways in which managers bring people and groups together to handle problems and take action." Kotter describes how top managers build up 'networks' (of people) and then use these to get action on the items on their agendas. In Kotter's words: "... Having developed networks that are capable of implementing their agendas, it is not surprising that ... general managers would make sure that they did so." (12).

The process cycle shown in Figure 1 is again, illustrative. It is intended to highlight the fact that the processes involved in strategic managing oblige managers to engage - however informally - in a number of different activities. In casting the process cycle in quite different terms, Quinn (13) points out that: "... (managers) carefully orchestrate ad hoc efforts designed to: ... sense developing strategic needs early; build executive awareness about options; broaden support and comfort levels for action; ... build attitudes, communication channels and resource centres ...", (etc). The arrows passing through the centre of Figure 1 connecting non-sequential phrases of the process cycle are reminders that these processes do not follow neatly one from another but rather, have to be managed in the light of a variety of factors - most notably the states of the organisational and external environments.

- iii) The environment within which strategic managing occurs: The orthodox view of the managerial environment is that it consists of all those variables which influence the fortunes of the organisation, but which are outside management's control or influence. A more helpful portrayal begins with Pettigrew's useful distinction between the organisational (or inner) environment, and the external (or outer) environment. The importance of this distinction lies in the fact that these two parts of the managerial environment often present quite different problems (and opportunities) for top management.

The environment external to the organisation, for example, consists of such elements as competitors, consumers and the legal system. Changes in the behaviour of any of these groups can - often at quite short notice - pose a major problem or offer an important opportunity, for the organisation. In this

sense, they can be seen as organisational 'imperatives'; i.e. they represent challenges which management must respond to but which, at the same time, management can rarely influence. By contrast, while the inner (organisational) environment can also pose problems and present challenges for management, these can sometimes be influenced directly through managerial action. For example, while the forces of organisational inertia and momentum can often pose quite serious problems for management, they can also sometimes be modified and re-directed in order to promote and secure change.

When we combine the three elements described in Figure 1, what emerges is a picture of strategic managing which is broadly consistent with the descriptive findings of writers such as Kotter, Mintzberg, Quinn and Isenberg (14). Thus, it is the selection of tasks or agenda items that top managers attend to over time which - in retrospect at least - sometimes leads to their behaviour being described as purposeful and their perspective, strategic. Equally, as the environment poses new dilemmas for management, the content of the task agenda and the order in which items are accorded priority, change. It is the ability to see the implications of environmental change for the content and handling of the managerial agenda that is sometimes referred to as managerial 'vision' or 'foresight'. Finally, as the environmental context and task agenda change, the processes of strategic managing must change also: sometimes, for example, it will be important to attend to those processes which foster the acceptance of change while, at other times, stabilising and protecting change will take precedence. It is the ability to identify and promote the appropriate processes in changing environmental and task circumstances which sometimes leads us to describe certain managers as insightful or dynamic.

It is also worth stressing that this complex managing process is not solely driven by 'changing environmental circumstances' or 'internal organisational momentum'. In a dynamic organisation, it will in important part be driven by what we might call managerial leadership: i.e. the drive to manage the interplay between task, process and environment so as to identify, introduce and then stabilise, changes which are to the advantage of the organisation.

It is clear that as organisational complexity and environmental turbulence increase, the difficulties associated with achieving an effective balance between task, process and environment escalate. In particular, 'surprises' in the environment can often bring about abrupt shifts in organisational priorities which, in turn, necessitate changes in the managerial task agenda. Moreover, it should be clear that such surprises, the presence of organisational conflict and other factors which give rise to a changing task agenda, are not infrequent intrusions into managerial practice: they are central to management in large organisations. It follows that a continuously changing task agenda is intrinsic to strategic managing.

This observation is the source of the dilemma alluded to in the introduction to this paper: namely, how can the strategic manager manage a changing agenda while, at the same time, maintaining a reasonable level of organisational stability and sense of purpose? Arguably, it is recognition of this dilemma that has led writers such as Argyris and Schon (15), Schon (16), and Michael (17) to adopt a view of strategic managing which emphasises process and, in

particular, managerial and organisational learning. Indeed, for these writers, the twin concepts of managerial and organisational learning are seen as central features of modern management. As Argyris and Schon have argued:

"Since World War II, some of the most prominent ideas in good currency in American organisations have been those like research and development, organisational innovation, planning and evaluation and the management of change, all of which have to do with (organisational) learning. Awareness of these ideas has passed beyond rhetoric. Most organisations, public and private, now have individual roles and even whole departments whose functions are intended to promote what we would call (organisational) learning. Managers recognise that they must not only respond to particular changes in the corporate environment, but must also build organisational competence for responding continually to such changes, foreseeable and unforeseeable." (p. 86 - emphasis added).

A central tenet in the writing of these authors is that as organisational complexity and environmental turbulence increase, so too does the need for an emphasis on those processes which facilitate learning. This is because as the task agenda changes, organisational change must follow: but viable organisations - if they are to develop rather than simply change - require stability and continuity as well as change. Hence the need for learning as a means of sustaining and informing the process of selective adaption over time.

Writing in a different context, Schon (18) describes this process as follows:

"In general, the more an organisation depends for its survival on innovation and adaption to a changing environment, the more essential its interest in organisational learning. On the other

hand, formal organisations also have a powerful interest in the stability and predictability of organisational life. ...Surprise, which is essential to learning, is inimical to smooth organisational functioning. Thus organisations evolve systems of error detection and correction whose function is to maintain the constancy of variables critical to organisational life." (p323).

Although the process of error detection and correction is only one type of organisational learning, it should be clear in principle that even this elementary form of learning can, on occasion, resolve the apparent conflict between the need for stability and sense of purpose, and the need for continuous change.

Successful strategic managing in a complex and dynamic environment then, requires that the strategic manager attends to process and especially to those aspects of process concerned with learning. At the same time, it is important to stress that what we are referring to here as successful strategic managing is not solely about change: some learning will reveal the need for stability. Looked at from this perspective, successful strategic managing is development strategy.

## Managerial and Organisational Learning: The Key to Development Strategy?

This section of the paper examines in further detail the ideas of managerial and organisational learning as these relate to the process of strategic managing. For this purpose, it is important to try and be as clear as possible about the notion of organisational learning. Argyris and Schon's seminal book, Organisational Learning: A Theory of Action Perspective, provides a useful starting point.

Argyris and Schon argue that all organisations develop certain norms, strategies and practices which taken together, can be treated as an organisational 'theory of action'. Using this as their starting point, they then turn to the question of what constitutes organisational learning:

"Organizational learning is a metaphor whose spelling out requires us to re-examine the very idea of organization. A collection of individuals organizes when its members develop rules for collective decision delegation and membership. In their rule-governed behaviour, they act for the collectivity in ways that reflect a task system. Just as individual theories of action may be inferred from individual behaviour, so organizational theories of action may be inferred from patterns of organizational action ...

Organizational learning occurs when members of the organization act as learning agents for the organization, responding to changes in the internal and external environments of the organization by detecting and correcting errors in organizational theory-in-use, and embedding the results of their enquiry in private images and shared maps of organisation." (pp 25, 29).

In developing this view of organisational learning, Argyris and Schon distinguish between three types of learning which they refer to as single loop, double loop and deuterio learning. Single loop learning

is single loop learning (detection and correction). It assumes that certain organisational norms exist (for example, for sales or product quality) and that performance may deviate significantly from those norms. When this happens, the reasons for the deviation are sought out, performance modified and the resulting 'know-how' built into the organisation's 'theory of action'. In terms of Figure 1, single loop learning is a process concerned with improving how well task is achieved: in Argyris and Schon's words " ... (single loop learning) is concerned primarily with effectiveness - that is, with how best to achieve existing goals and objectives and how best to keep organisational performance within the range specified by existing norms." (p 21).

As noted earlier, however, environmental turbulence and a variety of other factors can often necessitate a major re-think of the task agenda. In this case, double loop learning may be required. Double loop learning consists of questioning and then revising organisational norms themselves:

"... (managers) must reflect upon ... error to the point where they become aware that they cannot correct it by doing better what they already know how to do. They must become aware, for example that they cannot correct the error by ... perform(ing) more effectively under existing norms; ...

We call this sort of double learning double-loop. There is in this sort of episode a double feedback loop which connects the detection of error not only to strategies and assumptions for effective performance but to the very norms which define effective performance." (p 22).

Finally, and perhaps most importantly, deutero-learning is defined simply as learning how to learn - i.e. an organisation learning how to engage in effective single and double-loop learning:

"When an organization engages in deutero-learning, its members learn ... about previous contexts for learning. They reflect on and inquire into previous episodes of organizational learning, or failure to learn. They discover what they did that facilitated or inhibited learning, they invent new strategies for learning, they produce these strategies, and they evaluate and generalize what they have produced. The results become encoded in individual images and maps and are reflected in organizational learning practice ". (p. 27).

Argyris and Schon and especially Schon in a later book (19), stress that senior managers are key agents of organisational learning. The basic assumption is that successful top managers engage in a continuous process of trying to learn how to do their jobs better. Schon describes this process as 'reflection-in-action':

"Managers reflect-in-action. Sometimes, when reflection is triggered by uncertainty, the manager says, in effect, "This is puzzling: how can I understand it?" Sometimes, when a sense of opportunity provokes reflection, the manager asks, "What can I make of this?" And sometimes, when a manager is surprised by the success of his own intuitive knowing, he asks himself, "What have I really been doing?" ... When a manager reflects-in-action, he draws on this stock of organizational knowledge, adapting it to some present instance. And he also functions as an agent of organizational learning, extending or restructuring, in his present inquiry, the stock of knowledge which will be available for future inquiry." (pp 241/2).

These observations, which are consistent with the descriptive findings of writers such as Isenberg (20), suggest that managerial learning is a necessary prerequisite and key input to, organisational learning. In terms of our earlier discussion, these observations suggest that a



strategic manager engaged in what we have been calling the learning aspects of process, is contributing to their organisation's capacity to achieve task - even though the task agenda may be changing.

In order to explore how these insights relate to the process of strategic managing and the idea of development strategy, we can once again make use of Figure 1. Figure 1 can be used to examine and obtain insights into, some of the more common managerial 'pathologies' characteristic of large organisations. Consider for example:

- i) The raison d'être for management resides in the achievement of task, while the effectiveness of management often depends on process. In short, managers are not paid to cajole, persuade, build commitment or foster acceptance except as a means to achieving certain (task-orientated) ends. On the other hand, managers who cannot do these things well will, on the whole, be ineffective. One important up-shot of this is that while systems of managerial accountability are often task-based, a manager's performance frequently depends on attention to process. As a consequence, there is often a counter-productive tension between mechanisms of managerial accountability and the strategic time horizon adopted by managers, i.e. managers sometimes focus on producing 'visible' short-term results at the expense of developing their organisation's capacity to deliver results over the longer term.
- ii) A related issue is that too great an emphasis on task, can lead to a gap between statements or aspirations of strategic intent (i.e. statements of what change is intended), and the organisation's capacity to actually implement and deliver change. Put another way, if the how of managing change receives too little strategic emphasis, the organisation's capacity to deliver change will suffer. This is again, a matter of attending to developmental issues; i.e. attending to matters of organisational 'culture'; capability development; shifting attitudes and beliefs; and so on.
- iii) The converse pathology of placing too great an emphasis on organisational process is also common. In this case, process is dominated by a concern with issues of organisation inertia resulting in a change strategy that often amounts to little more than organisational incrementalism. Instead of management consisting of the dynamic interplay between task, process and environment guided by a sense of strategic perspective,

organisational process is dominant. The consequence is a loss of sensitivity to factors external to the organisation; a task agenda dominated by internal concerns; and a resulting loss of purpose and organisational direction.

All three of these pathologies can, in important respects, be seen to be questions of organisational learning. The first case is perhaps the clearest. Here, the relatively short term pressures on managers to 'produce results' will result in an emphasis on single-loop learning i.e. on error detection and correction and other forms of learning which are concerned with how best to achieve existing goals. Yet many of the descriptive studies cited by Argyris and Schon and other authors suggest that organisations which are good at this type of learning tend to be rather weak when it comes to double-loop learning, i.e. forms of learning concerned with re-defining organisational task or mission. There is thus a clear sense in which strategic managers must attend to the development of both forms of learning if they are to successfully manage the tension between the short-term concerns of management accountability, and the longer term requirements of development strategy.

The second two pathologies are clearly opposite sides of the same coin, and in important respects, raise issues which could be said to be questions of learning how to learn - or deuterio-learning. Thus, we have already seen how the management of the task-process interplay is a central feature of managing strategically. In essence, this is about striking an effective balance between task and process given the changing states of the organisational and external environments. In this context, single-loop learning can be seen to be essentially

concerned with effectiveness - that is, about how to better achieve task. Double-loop learning, by contrast, can be used to alert management both to the need to engage in different tasks and/or to adopt different processes in order to better achieve task. Clearly, both types of learning are essential if the right balance between task and process - and between short term pressures and longer term developmental needs - is to be struck.

From this perspective then, what Argyris and Schon call deuterolearning can be seen to be a key ingredient of development strategy. That is to say, it is concerned centrally with developing the capacity of the organisation to engage in effective forms of learning. Deuterolearning has little if anything to do with task, it is undiluted process: it is concerned with what Tom Evans refers to as "building organisational capability and adaptiveness" (p. 23). As such, it is at the very heart of strategic managing and development strategy.

### Conclusion: Can Public Sector Managers manage strategically?

In this concluding section we shall consider some of the implications of the preceding arguments for the management of the British National Health Services (NHS). Before doing so, however, it may be useful to summarise the principal observations put forward in earlier parts of the paper: they are,

- \* The concept of managerial strategy has evolved in recent years to the point where it is now a highly relative notion: strategy is seen as non-linear, contingent, situational, pluralistic, developmental and yet purposeful.
- \* When looked at within the task-process-environment framework, the process of strategic managing can be seen to exhibit all of these characteristics. The apparent paradox between the nature of strategy and its purposefulness can be re-stated in terms of the distinction between task and process: i.e. while it is task which provides the 'raison d'etre' for strategy, it is process (which is non-linear, contingent, etc.) which frequently determines how effective strategy is.
- \* As environmental turbulence and organisational complexity and conflict increase, the difficulties associated with managing the interplay between task, process and environment escalate. In particular, as the managerial task agenda changes, management is increasingly obliged to rely on more sophisticated forms of process.
- \* In a complex and dynamic environment, managerial and organisational learning are central to maintaining a workable balance between task, process and environment, as well as that between organisational stability, change and sense of purpose.
- \* When management fails to achieve an effective balance between task, process and environment, a variety of familiar 'pathologies' arise: for example, too great an emphasis on task can result in a gap between strategic intent and operational delivery, while the opposite emphasis can lead to a loss of organisational 'sense of purpose'.
- \* The absence of effective forms of managerial and organisational learning provides one explanation for the existence of such pathologies. The promotion and evolution of

effective forms of organisational learning is therefore one of the major challenges facing strategic managers in large organisations; it is also at the heart of development strategy.

In order to explore what some of the implications of these arguments may be for the management of the National Health Service, we can think in terms of the management of a typical NHS district. Such a district will in many ways be similar to the 'large' organisation sometimes referred to in the strategy literature. It will, for example, have an annual 'turnover' of something like £50,000,000; it will employ around 4,000 staff; and it will cater for something like 250,000 'customers'. It will also display considerable organisational complexity and conflict with, for example, very strong professional groupings pursuing internal strategies which may bear only a passing resemblance to those espoused and/or pursued, by management. And while for the most part, management within an NHS district will not face the external challenges of the market place, competitors, and consumers who can buy elsewhere, it will in recent years, have experienced its own special form of environmental turbulence. For example, in the last two years, all NHS District Health Authorities (DHA's) have had their cash limits altered at least twice and at short notice; they have been instructed to 'privatise' many of their ancillary, domestic and catering services - again, at short notice; they have been instructed to re-direct spending from institutional to community services and from acute to non-acute services; they have been instructed to raise 'income' through the sale of NHS properties, to involve clinicians in management, to introduce clinical budgeting, to identify 'efficiency savings' of 1/2% per annum, and so on. Not perhaps as dramatic a form of turbulence as

some market sector organisations, but nevertheless, clear challenges - and not the only external challenges - to NHS management.

In these circumstances, it seems reasonable to ask whether the observations presented in earlier parts of this paper, might not offer some insights into how the NHS could be managed. In other words, if our descriptions of the process of strategic managing and the nature of development strategy even broadly reflect the realities of managing within large organisations, is their scope for NHS managers to manage strategically?

One reason for posing this question is that a number of the administrative and policy mechanisms which are used or indirectly promoted by central government to 'manage' the service, clearly inhibit what senior managers are able to achieve at District (and Regional) level. In particular, many of the mechanisms in use for the purposes of fiscal and managerial accountability are largely task-focussed, providing little incentive for District management to attend to process. Consider, for example, three such mechanisms:

- \* A hierarchical form of performance review has recently been introduced whereby central government level representatives review the 'performance' of Regional Health Authorities; Regional Authorities review Districts; Districts review individual hospitals; and so on. The format and content of the reviews are such that their overwhelming if not sole concern is with task. At the level of district review for example, DHA's are asked what it is that they have achieved in the past year, and what it is they intend to achieve for the coming year. Process development is largely ignored. It may well be that there is not a single district-level manager within the whole of the NHS that has ever been held to account for the quality of their District's managerial process!

- \* Another recent development has been the introduction of NHS 'performance indicators'. These are statistical indices which take various forms and which are intended to allow different health authorities to compare their own 'performance' with that of others. Performance is calibrated in terms of such measures as patient 'throughput'; expenditure per unit of service provided; and so on. DHA's are sometimes ranked nationally on these sorts of indices and the ranks taken into account in performance reviews. And while such comparisons can sometimes be the source of useful insights, there are over 200 such indicators in common use and not one relates to what we have been calling managerial process. Managers are not encouraged to think of performance as consisting - even in part - of process.
- \* Finally, mention should be made of the NHS planning system. As Tom Evans noted in his background paper, the NHS planning system - although modified and tailored to the perceived requirements of each Region - is, in all its forms, still based on a primitive 'forecast and allocate' approach to strategy. That is to say, it is predominately concerned with establishing future targets almost to the exclusion of any consideration of how these targets are to be achieved. Put more starkly, although every DHA has a 10 year strategic plan that attempts to set out the principal challenges (i.e. tasks) facing the district, no DHA has a plan which describes how the District will develop the managerial and organisational capabilities to meet those challenges. Again, process takes a back seat to the preoccupation with task.

Although it would be possible to offer a variety of further examples of such planning and control mechanisms, the point is perhaps clear. Namely, that like many other large public sector organisations, the NHS is rife with bureaucratic and administrative mechanisms which actually limit the scope managers have to manage strategically and to pursue development strategy.

As the three examples should make clear, these mechanisms are introduced for accountability purposes and, in particular, to monitor and control the use of resources. And while the need to hold senior public sector managers to account for the use of public resources is real enough, the systems used to do so, often stress task achievement

almost to the exclusion of managerial process (21). Clearly, such a policy is bound in the long-term to be counter-productive for it discourages senior management from attending to process, learning and therefore, development strategy.

Moreover, the prevalent attitude to environmental turbulence (e.g. a mid-year reduction in the District's cash limit) and organisational conflict (e.g. un-cooperative clinicians) is that both simply constitute additional tasks. Again, senior management is not encouraged to attend to process (e.g. fostering an acceptance of the need for contingency planning); there are no incentives to do so; managers are in no way held to account for not doing so; and if they do so, they are certainly not rewarded. Yet as we have seen, in situations where environmental surprise and organisational complexity exist, it is process that requires strategic emphasis.

It has become fashionable to assert that NHS management needs to be improved and that the evidence for this is that there is a widespread and persistent gap between statements of strategic intent and operational delivery. Management in the NHS - like management in all large and complex organisations - certainly does need to be improved. Perhaps this will happen and the delivery record of management will improve, when NHS managers are encouraged and given the freedom, to manage strategically.



### Development Strategy: Some Issues for Discussion

It would appear that large organisations within the market sector of the economy are more willing and/or better able to face the challenges associated with the development of effective organisational and managerial learning than are those operating within the public sector. One reason for this would appear to be that survival in a turbulent world is directly dependent upon the competitive organisation's ability to cope successfully with an ever-changing environment. The same would not appear to be true for many organisations operating in the public sector of the economy. In particular, it would appear not to be true of the British National Health Service. If this observation is broadly correct, it gives rise to a number of dilemmas as follows:

- i) If large organisations operating in the public sector of the economy are exposed to few incentives to develop managerial and organisational learning capacities, is there any real sense in which managers in such organisations can behave strategically?
- ii) In such circumstances, what might constitute development strategy for a public sector organisation? For example, is the Government or the next level up in the bureaucracy to be seen as a competitor?
- iii) If, as Michael argues, the development of effective forms of managerial and organisational learning depends on the ability to live with uncertainty, to embrace error, to recognise conflict in goal-setting, and so on, can senior managers in the public sector develop meta-strategies in order to develop such capabilities within their organisations?
- iv) If the existence of markets, competitors and subsequent survival incentives are absent in the public sector, what is the relevance of models of strategic management (which have been developed with reference to market sector organisations) to public sector management?

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