

# Does formal strategic planning matter? An analysis of strategic management and perceived usefulness in Norwegian municipalities

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## Abstract

This article assesses whether municipal managers perceive strategic planning as most useful when integrated in mandatory area or financial planning processes or conducted in processes with separate strategic planning documents. Despite being widely adopted in practice and being extensively debated in scholarly discourse for decades, current research has little empirical grounding for providing advice for policy makers and public managers on such common design choices. Multiple regression analysis of 128 Norwegian municipalities shows that voluntary using a separate strategic planning document was related to the top-management's perceived usefulness of the strategic planning. Integrating the strategic planning in other management processes was also related to the perceived usefulness of the strategic planning. Using mandatory planning documents such as four-year financial plans and long-term area plans as the main strategic planning document, formality or stakeholder involvement in the planning processes, were unexpectedly not related to the perceived usefulness of the strategic planning.

### **Points for practitioners**

Planning, and in particular formal strategic planning, is often criticized both by scholars and practitioners as being useless when the environments are uncertain and turbulent, and for draining the organizations' resources from other important management tasks. This article shows that many municipalities voluntarily produced separate strategic planning documents and that municipal top-management found these plans more useful than using mandatory financial plans or area plans as their main strategic planning documents.

### **Keywords**

impact, implementation, involvement, new public management, planning, regional and local government, strategy-as-practice, top-management

## Introduction

Public sector organizations have a long tradition with formal planning. In the 1960s, 1970s and 1980s, however, planning met headwinds in the academic discourse (Lindblom, 1959; van Gunsteren, 1976; Mintzberg, 1994). Planning in the guise of strategic planning or strategic management nevertheless regained popularity, for example as being one of the core administrative doctrines in the New Public Management (NPM) reforms from 1979 and onwards (Hood, 1991). Strategic planning has since the 1980s been widely adopted, either by regulation or voluntarily, in public sector organizations in many countries both at the central and local government level (Ervin, 1992; Moore, 1995; Proeller, 2007; Mulgan, 2009; Bryson, 2011; Ferlie and Ongaro, 2015; Joyce, 2017; Johanson, 2009). The practices and the impact of strategic planning and management in the public as well as in the private sector have nevertheless been contested (Goldsmith, 1997; Mintzberg, 1994; Nylehn, 1996).

Despite being extensively debated in scholarly discourse for decades and widely adopted in practice, for example in North-American (Elbanna, Andrews and Pollanen, 2016; Poister and Streib, 2005) and European local governments (Andrews et al., 2012; George et al., 2018; Hansen, 2011; Johnsen, 2016), there are still many common assumptions about strategic planning in public policy and administration that needs to be addressed more in empirical research. Some such assumptions are that strategic planning is more useful in certain and stable environments than in uncertain and unstable environments, using mandatory planning documents is more useful than utilizing separate, voluntarily produced strategic planning documents, and that more formal strategic planning is more useful than less formal strategic planning. Therefore, more studies on the design and effects of strategic planning in public administration is important for both research and practice. Subsequently, research on the effectiveness of strategic planning in the public sector, and in particular outside the Anglo-American context, is still warranted.

Taking on this challenge, this article's aim is to contribute both to public administration theory and practice by providing relevant evidence for policy-makers and practitioners on the impact of strategic planning for public sector organizations. The purpose of this article is therefore to analyze how the design and implementation of formal strategic planning impact the perceived usefulness of the strategic planning in local government. This article studies the research questions on how using ordinary planning documents, such as mandatory four-year financial plans and long-term area plans, as strategic plans or voluntarily using separate strategy plans, moderated by degree of formal strategic planning and stakeholder involvement, affects the (perceived) usefulness of strategic planning.

The empirical setting providing data for this analysis is strategic planning in the Norwegian local government. Norway is a unitary state and the municipalities and counties are multi-purpose organizations, but they have much autonomy in matters of organizational design and how to prioritize different services as long as central regulations are adhered to. In Norway the Local Government Act was revised in 1992, and much of the thinking behind this reform was inspired by NPM-doctrines at that time, including the need for giving local governments more freedom to organize and manage themselves autonomously without unduly central planning and regulation (Baldersheim and Ståhlberg, 1993). In order for the local governments to be able to govern themselves prudently, the new Local Government

Act introduced mandatory four-year financial plans, and later also mandatory performance reporting. The Planning and Building Act from 1985 and revised in 2008, which regulated mandatory municipal area planning and co-operation with other planning authorities, also adopted thinking from NPM-doctrines on strategic planning as well as theories on stakeholder involvement and governance (Hofstad, 2013). The Local Government Act of 1992 and the Planning and Building Act of 2008 required all municipalities (and counties) to produce four-year economic plans and long-range area planning, and many have used these processes and documents in their strategic planning. In addition, many municipalities voluntarily produce separate formal strategic planning documents (Johnsen, 2016). The Norwegian municipalities therefore provide a good research opportunity for studying how public sector organizations design the strategy formulation and implementation processes and how they impact the usefulness of the strategic planning, within a homogenous institutional setting.

The remainder of this article is organized as follows. Section 2 reviews literature. Section 3 develops hypotheses. Section 4 documents the research methods and data. Section 5 presents the results. Section 6 discusses the findings. The final section concludes.

## **Literature review**

Much research on strategic planning and management in the public sector has been process studies – see for example the special issue of this journal in 2016 (Mazouz, Rousseau and Hudon, 2016) and Favoreu, Carassus and Maurel's (2016) case study of strategy formulation in a public sector organization in France in that issue – but during the latest two decades studies have emerged also on the impact of strategic planning and management, see for example Andrews et al. (2012). A critical review of the empirical evidence on strategic planning some 10 years ago concluded that: 'The best guess on the basis of the existing evidence is that planning is likely to have a positive rather than a negative impact on public service effectiveness' and that '(m)ajor research opportunities exist for further research on planning and public sector improvement' (Boyne 2010: 74).

George and Desmidt (2014) conducted a systematic review of the empirical literature, documenting that strategic planning in the public sector is working. Many issues in strategic planning were nevertheless unresolved. There were for example strong empirical support for integrative stakeholder theory's claim of a positive relationship between stakeholder participation (involvement) and impact of strategic planning on short and long-term outcomes, but empirical evidence for the impact of formality in the strategic planning on outcomes was limited. With special relevance for this study, George and Desmidt (2014: 164) argued that: '(...) the least explored category of the s-as-p [strategy-as-practice paradigm] within strategic-plan formulation is the praxis of strategy making (i.e., analytical tools or boundary objects such as strategic plans), despite its relevance for generating consensus, shared understanding and commitment'. *Boundary objects* are defined as '(...) physical objects that help people understand each other across various kinds of boundaries (departmental, organizational, disciplinary, cultural, etc.)' (Bryson, Crosby and Bryson, 2009: 202). Planning, including the design of the planning process and the use of different planning documents as boundary objects, are central to strategy practice and is therefore interesting to study.

Based on a meta-review Walker and Andrews (2015: 112) stated that: 'The body of evidence on the performance effects of planning in local government implies that rational planning and a spectrum of related techniques (such as benchmarking, targets, and performance management) is a likely route to higher levels of performance', but most of the studies on planning and performance were from the UK. Desmidt and Meyfrootd (2018: 255), on their part, argued that '(...) numerous studies paint a gloomy picture of strategy implementation success and indicate that strategic plans are more likely to fail than to succeed'.

The scholarly debate on strategic planning has often utilized relatively abstract concepts and addressed issues such as whether strategic planning is useful in complex and turbulent environments. There has been a common negative view, at least among some leading scholars, about the applicability of strategic planning, especially in uncertain and turbulent environments (Mintzberg, 1994). Despite the ebb and flow in the academic tides of popular and unpopular management theories and tools over the years, and while tight regulation may restrict strategic leeway and hence the applicability of strategy in some public organizations, many public-sector organizations have persistently kept going with some sort of planning. Some organizations plan because regulations require them to do so, as is the case for many organizations in the public sector. Other organizations plan because planning is regarded as rational to do. Some other organizations plan because they adopt what currently is regarded as a modern and versatile planning tool and use this tool along with other planning tools. The big picture is, however, that many organizations do some sort of strategic planning, and in a variety of environments.

Strategy, understood as an entity's adaptation to its environment, is a comprehensive phenomenon. Mintzberg (1994) developed several definitions of strategy in order to cover its many aspects, and strategy as a plan was one of them. There are also many definitions of strategic planning, and a much-used definition of *strategic planning* in the public sector is that it is 'a deliberative, disciplined effort to produce decisions and actions that shape and guide what an organization or other entity [such as a collaboration, function, or community or region] is, what it does, and why it does it' (Bryson and Edwards, 2017: 2, citing Bryson, 2011: 7–8).

The overall usefulness of strategic planning in this context is to reduce uncertainty about how to adapt to the environment, engage with stakeholders to utilise their competences and resources, economize on resources in this adaptation, motivate stakeholders for supporting necessary changes and commitment, and provide information for the implementation and evaluation of the strategy. In short, strategic plans as boundary objects can connect and facilitate the many stakeholders and processes engaged in strategizing. In addition, and importantly in public administration, the strategic planning can legitimate that the process has been rational, legal, transparent, and inclusive. Therefore, the usefulness of the strategic planning can be assessed on many dimensions (Poister and Streib, 2005), which all should converge to produce a coherent response to important problems (Rumelt, 2011).

## Conceptual framework and hypotheses

The conceptual framework in Figure 1 depicts that using mandatory economic and area plans as well as separate strategic plans, the formality of the strategic planning, stakeholder involvement, and the integration of the strategic planning with other management processes and tools impact the perceived usefulness of the strategic planning.

### Figure 1 Conceptual framework

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Figure 1 here

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As already noted, strategic planning has been central among other management tools in administrative doctrines for making the public sector more decentralized and outcome-oriented in many public management reforms. Therefore, one can assume that policy-makers in Norway had theories-in-use presuming that using the mandatory four-year financial plan (Hypothesis 1) and the long-term area plan (Hypothesis 2), either separately or in combination, would be useful for the strategic planning and its outcomes. In order to analyze the use of these plans, hypotheses are formulated for each type of plan separately.

H1: Using the mandatory four-year municipal economic plan as the main strategic plan is positively related to the perceived usefulness of the strategic planning.

H2: Using the mandatory municipal area plan as the main strategic plan is positively related to the perceived usefulness of the strategic planning.

Adapting mandatory planning processes and documents for the municipal strategic management may or may not be useful. Municipalities that voluntarily undertake separate strategic planning, for example rich or large municipalities that have slack financial resources or specialized human resources and capacity, or municipalities with pressing problems, which require special attention, may have better strategic plans and processes than those municipalities that only adapt the mandatory planning regime for their strategic planning (Hypothesis 3).

H3: Using a separate strategic plan is positively related to the perceived usefulness of the strategic planning.

Strategic planning is often conceptualized as a formal, linear process (Bryson, 2011; Joyce, 2017). The formal and stepwise procedure, often utilizing management tools such as SWOT-analysis, scenarios, and stakeholder analysis, is devised for enhancing rational decision-making and therefore is assumed to increase the usefulness of the process. Degree of formal strategic planning has been found to be important in several studies of local government organizations (Andrews et al., 2012; Elbanna, Andrews and Pollanen, 2016; Poister et al., 2013). Hypothesis 4 addresses this underlying mechanism.

H4: Formal strategic planning is positively related to the perceived usefulness of the strategic planning.

Rational, central planning has been criticized for decades. Modern planning theory incorporates notions for uncertainty, ambiguity and democracy by addressing the need to incorporate vertical bottom-up processes involving employees and middle-management as well as horizontal process with involvement from other stakeholders such as citizens and other organizations, in order to profit from their knowledge and build commitment. Stakeholder involvement seems to be an important factor for the usefulness of strategic planning in many countries (Poister and Streib, 2005; Mulgan, 2009; Bryson, 2011; George and Desmidt, 2014; Elbanna, Andrews and Pollanen, 2016; George, Desmidt and De Moyer, 2016; Johnsen 2016). Hypothesis 5 subsequently formulates a positive relationship between stakeholder involvement and the perceived usefulness of the strategic planning.

H5: Stakeholder involvement is positively related to the perceived usefulness of the strategic planning.

Rational decision-making and strategic planning have also been criticized for being ritualistic and decoupled from factual behavior (Brunsson 1985; Mintzberg, 1994). Therefore, in order for the strategic plan to influence performance and outcomes, the implementation of the strategic plan by aligning budgets, performance management and evaluation with its goals and actions would presumably increase its usefulness (Vinzant and Vinzant, 1996; Poister and Streib, 2005; Elbanna, Andrews and Pollanen, 2016) (Hypothesis 6).

H6: Integrating the strategic planning in other management processes is positively related to the perceived usefulness of the strategic planning.

## **Research methods and data**

The research design is a cross-sectional analysis (variance study) that replicates certain research instruments and utilizes both primary (survey) and secondary (administrative) data from municipal government in Norway.

### *Population and sample*

The population for this study was all the 428 municipalities in Norway as of May 2016. The data were collected by a survey which was designed as a single-informant study and was sent by email to the chief administrative officer in May 2016. After four reminders, a total of 173 responses were received by September 2016. Therefore, 173 of the 428 municipalities responded, resulting in a response rate of 40.4 per cent. The capital, Oslo, is both a municipality and a county, and is more than double in size compared to the second biggest municipality. Oslo was therefore omitted from the analysis. Longyearbyen, the local commune on Svalbard, was included in the analysis.

The respondents constituted 69 per cent chief or deputy chief administrative officers, 10 per cent advisors or senior advisors, 8 per cent municipal managers, and the remaining 13 per cent being financial managers, planners and politicians. The respondents therefore largely represented the municipal top management.

### *Variables and measurement*

This article replicates, with some adaptations to fit the Norwegian context, earlier validated survey instruments on planning, stakeholder involvement and strategic planning implementation from Poister and Streib (2005), degree of formal strategic planning and logical incrementalism from Poister et al. (2013), and perceived usefulness of formal strategic planning from George et al. (2018). Most variables were measured with Likert scales with seven categories ranging from 'strongly disagree' (1) to 'strongly agree' (7).

The dependent variable, perceived usefulness of formal strategic planning, was measured as a scale consisting of the average sum of scores on four variables (George et al., 2018). These variables measure at the individual level how the respondents rated four dimensions of using strategic planning in the municipal management. These four dimensions were concerning using the plan for improving the performance, productivity, effectiveness, and plan development in the municipality.

The first independent variables concerning the design of the planning, were measured by adapting questions from Poister and Streib's (2005) survey on the use of municipal planning documents to a Norwegian municipal context. Specifically, two questions were posed regarding the extent the municipalities used the mandatory area plan and financial plan as their main strategic plan, using a Likert scale, and a third question asked whether the municipality had started or completed a process of producing a separate, optional strategic plan in addition to the two mandatory area and financial plans. The responses to the third question were recoded into a dummy variable for no separate, additional strategic plan (0) or started or completed a separate, additional strategic plan (1).

The degree of formal strategic planning was measured by four questions, replicating previously used survey questions (see Poister et al., 2013, table 1). A fifth question was added to the four measures for formal strategic planning in order to capture how municipalities use goals to formulate strategy and follow up actions in the implementation of the strategies.

Stakeholder involvement was measured by probing the participation of eight groups of stakeholders in the strategic planning process. This categorisation was based on the seven survey questions used by Poister and Streib (2005), but their group of citizens and other stakeholders was split in the present survey.

The index for the implementation of strategic planning and management was based on a similar index used by Poister and Streib (2005), who had developed their index in order to measure the four levels of implementing strategic planning as conceptualised by Vinzant and Vinzant (1996). The implementation of strategic planning index is comprised of four variables on budgeting, three variables on performance appraisal, and seven variables on performance management from the survey, totalling 14 variables.

Logical incrementalism was measured using four items based on Poister et al. (2013).

Table 1 reports the reliability of the scales and indexes by using the Cronbach's alpha statistic. The scales and indexes were developed as unweighted additive measures divided by the number of variables in the specific measure. The reliability ranges from .77 to .92,



which demonstrates high reliability. (Detailed reporting of the measurements of the scales and indexes is available from the author upon request.)

**Table 1** Measurement of scales.

	Number of items	N	Alpha
Perceived strategic planning usefulness	4	164	.91
Formal strategic planning	5	165	.80
Logical incrementalism	4	163	.77
Stakeholder involvement	8	167	.77
Strategic planning implementation	14	153	.92

Earlier research has identified logical incrementalism in addition to strategic planning formality (Poister et al., 2013), resource abundance, and environmental stability and complexity (Andrews et al. 2012), to influence some dimensions of public sector organizations' performance. Because these factors may also influence perceptions of how planning influences performance, variables for measuring these factors were included as controls.

Secondary data from official statistics (Statistics Norway) were used for measuring six control variables. Financial resources were measured as average 'free income' per capita in 1,000 NOK 2013–2015. Free income means there are no restrictions on how the municipal council decide to use the money as long as legal compliances are met for service provision and financial management.

Financial surplus was measured with a variable for average net operating results after interests and mortgages as a percentage of total operating incomes (net operating results margin) 2013–2015. The county governors, on behalf of the government, recommend an annual net operating results margin of 3–5 per cent as sound municipal financial management.

Political uncertainty was measured using the Herfindahl index for party concentration in the municipal council in the 2011–2015 election term. The number takes the value 1 when a single party takes all the seats and a lower number indicates increasing party competition and hence increasing political uncertainty.

Environmental heterogeneity was measured similarly as the measure of ethnic diversity used by Andrews, Boyne, and Walker (2006). I utilized data for the 2016 municipal population with inhabitants born in Norway, or immigrants or inhabitants born to immigrants from either Europe except Turkey, Asia including Turkey, Africa, North America, Central and South America, or Oceania. I developed a Herfindahl index to measure ethnic diversity. I squared the proportion of each group in the municipal population and then subtracted the sum of these squares from 1. This measure gives an approximation to population fractionalization and hence environmental heterogeneity in the municipality. A high score on the index represents a great deal of heterogeneity.

Environmental instability was measured as the average annual percentage change in the municipal population during the latest three years prior to the data collection in 2006 (1 January 2012–1 January 2015).

Municipal size was measured as the municipal population as of 1 January 2016.

*Analysis of non-response and common source bias*

Table 2 documents an analysis of non-response, that is analysis of those 128 municipalities that had responded to all the questions for the variables used in the multiple regression and the population of all 428 municipalities. Most municipalities in Norway are small and we have an interest in generalisation of the results beyond the Norwegian context. The data collection therefore put much emphasis in following up responses from the bigger municipalities. The municipalities in the resulting usable sample therefore were larger, had smaller net operating margins, and had more ethnic heterogeneous populations than the average for all the municipalities in the population. This somewhat biased sample is therefore not directly representative for the Norwegian population of municipalities but is more valid for making inferences for relationships between different concepts in a wider context.

**Table 2** Analysis of non-response.

	Population					Usable sample				
	N	Mean	St.dv	Min	Max	N	Mean	St.dv	Min	Max
Party concentration 2011–2015 Herfindahl index	427	.73	.100	.00	1.00	128	.74	.0995	.00	1.00
Ethnic diversity 2011 Herfindahl index	427	.17	.057	.03	.37	128	.19	.057	.08	.36
Average annual net operating margin 2013–2015	428	2.1	2.61	-4.3	20.7	128	1.9	2.77	-4.1	20.7
Average annual change in population 2012–2015	428	.004	.010	-.038	.070	128	.006	.010	-.037	.026
Municipal population 1.1.2016	428	10649	21452	200	277391	128	19071	34228	200	277391

*Source:* Statistics Norway.

Using self-reported data from the same survey instrument to measure the independent and dependent variables may introduce common source bias, in addition to the potential problem with using subjective impact data (Meier and O’Toole, 2013). In order to investigate the potential for common method variance to be influencing the results, I employed Harman’s one-factor test. The results showed that, for the 128 municipalities in the usable sample that answered all the questions in the survey, one factor explained less than 35 per cent of total variance. This is below the common threshold of 50 per cent used for indicating common source bias. Although Harman’s one-factor test is not conclusive (Jakobsen and Jensen, 2015), it does indicate that the results are reliable with regards to common source bias. Moreover, some perception data in social sciences are amenable for surveys (George and Panday, 2017). The analysis therefore proceeds with the survey-based self-reported data on perceived usefulness and the interpretation of the data and results is discussed on this background.

**Table 3** Descriptive statistics and correlation analysis (N=128).

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Perceived SP usefulness														
2 Using mandatory four-year economic plan	0.29**													
3 Using mandatory area plan	0.36**	0.27**												
4 Using separate strategic plan	0.27**	0.23**	0.16*											
5 Formal strategic planning	.45**	.40**	.56**	.28**										
6 Logical incrementalism	.38**	.33**	.46**	.34**	.70**									
7 Stakeholder involvement	0.39**	0.23**	0.49**	0.21**	.57	.61**								
8 Strategic planning implementation	0.44**	0.28**	0.49**	0.25**	.62	.68**	0.48**							
9 Average free income per capita 1,000 NOK 2013–2015	-0.09	-0.10	-0.12+	-0.22**	-0.12+	-.28**	-0.12+	-0.13+						
10 Average percentage annual net operating margin 2013–2015	-0.17*	-0.00	0.01	0.02	-.00	-.12+	-0.11	-0.19*	0.07					
11 Party concentration 2011–2015 Herfindahl index	-0.10	0.05	0.03	-0.04	.01	-.08	0.00	-0.04	0.00	-0.04				
12 Ethnic diversity 2015 Herfindahl index	-0.15	-0.04	-0.02	0.12+	-.03	.06	0.01	0.13+	-0.12+	0.09	0.10			
13 Average percentage annual change in municipal population 2013–2016	0.02	0.10	0.11	0.16*	.09	.20*	0.06	0.08	-0.51**	0.12+	-0.03	0.33**		
14 Municipal population 1.1.2016 log-transformed	0.17*	0.26**	0.11	0.30**	.21**	.30**	0.10	0.24**	-0.76**	-0.11	0.02	0.29**	0.54**	
Mean	5.34	5.84	5.59	0.664	5.45	5.43	5.28	4.94	53.354	1.86	0.739	0.186	0.006	3.9
SD	0.904	1.303	1.498	0.474	0.1021	0.939	0.774	0.961	11.72	2.769	0.0995	0.0573	0.01	0.5776
Skewness	-2.272	-1.296	-1.162	-.703	-.763	-.248	-.580	-.529	3.641	3.008	-3.371	.814	-.552	.090
Kurtosis	-.458	1.321	.660	-1.530	.563	-.580	.415	-.163	21.300	17.403	23.844	.502	1.849	-.294

Notes: \*\* = Correlation is significant at the .01 level (2-tailed). \* = Correlation is significant at the .05 level (2-tailed), + = Correlation is significant at the .10 level (2-tailed)

## Analysis

Table 3 documents the descriptive statistics and the bivariate correlations for the variables for 128 municipalities in the usable sample for the multivariate analysis. The dependent variable had a mean score of 5.3, well above the mid-point on the seven-point Likert scale, indicating that the respondents overall perceived the strategic planning as useful. The respondents, seemingly inconsistently, replied that the municipalities to a large extent used both the mandatory four-year economic plan and the mandatory long-term area plan as their main strategic plan, and 66.4 percent of the municipalities replied that they had produced a formal strategic planning document in addition to the two mandatory municipal plans mentioned above, in the last 4 years.

The high correlation of .76 between average free income per capita and municipal population (transformed) above the common threshold of .70 indicates a potential problem of multicollinearity in the regression analysis. The average free income per capita variable was therefore omitted from the multivariate regression models. Four of the independent variables (average free income per capita, average percentage annual net operating margin, party concentration and municipal population) were skewed substantially more than  $\pm 1$ . The most skewed, municipal population variable was therefore log-transformed in the regression analysis (skewness fell from 4.84 to .09 after transformation).

**Table 4** Multiple regression (OLS) of perceived usefulness of strategic planning.

	Model I (N=128)			Model II (N=120)		
	B	Beta	Sign	B	Beta	Sign
Constant	3.17		.001	2.91		.004
<b>2</b> Using mandatory four-year economic plan	.06	.09	.298	.03	.05	.556
<b>3</b> Using mandatory area plan	.05	.08	.416	.04	.08	.429
<b>4</b> Using separate strategic plan	.28	.15	.082	.33	.19	.023
<b>5</b> Formal strategic planning	.16	.19	.134	.19	.23	.081
<b>6</b> Logical incrementalism	-.15	-.15	.238	-.02	-.03	.852
<b>7</b> Stakeholder involvement	.19	.16	.114	.00	.00	.991
<b>8</b> Strategic planning implementation	.22	.23	.044	.22	.25	.030
<b>10</b> Average percentage annual net operating margin 2013–2015	-.04	-.11	.189	.00	.01	.954
<b>11</b> Party concentration 2011–2015 Herfindahl index	-.82	-.09	.244	-.13	-.01	.895
<b>12</b> Ethnic diversity 2015 Herfindahl index	-2.79	-.18	.039	-2.52	-.18	.042
<b>13</b> Average percentage annual change in municipal population 2013–2016	-.43	-.01	.961	-4.33	-.05	.623
<b>14</b> Municipal population 1.1.2016 log-transformed	.10	.06	.536	.10	.07	.494
Adjusted R <sup>2</sup>	.278			.304		
F-value	5.084			5.328		
F-value Sign.	.000			.000		
Highest variance inflation index (VIF)	2.986			3.259		

Note: Model II excludes 8 influential observations with Cook's distance  $\geq 4/N=4/128=.031$ .

Table 4 documents the analysis of the data with ordinary least square (OLS) multiple regression for the usable sample of 128 municipalities (Model I). This model explained 28 percent of the total variance with its F-value significant at the  $p=.00$ -level. The highest variance inflation indexes (2.99) was well below the common threshold of 5 indicating little problem with multicollinearity in the models. Visual inspection of the normal probability plot of standardized residuals and partial regression plots indicated normal distributed error terms. The analysis shows that only hypothesis 3 on using separate strategic plans and hypothesis 6 on strategic planning implementation were corroborated at the  $p=.10$  and  $p=.05$  levels of significance, respectively. Analysis of regression models where different

stakeholders were measured separately (not reported here) showed consistently non-significant results for stakeholder involvement.

A robustness-check showed that there were eight influential observations with Cook's distance  $\geq 4/N=4/128=.031$ . Modell II omitting the 8 influential observations resulted in an increased adjusted  $R^2$  from 27.8 to of 30.4, increased the coefficient and changed the significance level of using a separate strategic plan from  $p=.08$  to  $p=.02$ , and made formal strategic planning significant at  $p=.08$ . The magnitude of the other variables did not change much.

## Discussion

The data showed that strategic planning was widespread and perceived as useful. In comparison, George et al. (2018, table 1) reported a mean perceived usefulness of 4.6 (N=439) from surveys of Flemish planning team members in 2015 shortly after the Flemish municipalities were mandated by law to adopt an integrated policy and management system in 2014. This compares to a (much higher) mean of 5.3 from the surveys of the top-management representatives in the Norwegian municipalities in 2016, which have conducted mandatory formal long-range planning since 1993. The high mean in the Norwegian municipalities may be a result of self-reported data (as in Belgium), but may also be a result of long experience with such strategic planning in the Norwegian local government. The analysis corroborates earlier claims by various researchers that strategic planning, after being used for several decades in public management, now is a normal practice in local government (Bryson and Edwards, 2017) and regarded as useful by central practitioners, at least by the municipal top-management, even though hard evidence for this often is lacking. There is, however, some evidence from using different sources of administrative data for assessing impacts on production and efficiency indicating that strategic planning has positive outcomes (Johnsen, 2018).

Of the six hypotheses, only two (hypothesis 3 and 6) received empirical support. Voluntarily producing a separate strategic planning document was related to the perceived usefulness, corroborating hypothesis 3. Using other mandatory plans such as the long-term financial plans and area plans as the main strategic plans, even though these documents may contain SWOT-analyses and goals, was not perceived as related to usefulness. The practice, either voluntary as in Norway (Johnsen, 2016) or mandatory as in Flanders (George, Desmidt and De Moyer, 2016), of producing separate strategic plans, may be rational. Note also that an absence of a clear strategy process may be detrimental for organizational performance, as found in the UK (Andrews et al., 2012).

Previous studies have assessed how formal strategic planning contributes to positive outcomes (George and Desmidt, 2014). Interestingly, neither George, Desmidt and De Moyer (2016) for Flemish municipalities nor this study for Norwegian municipalities found evidence indicating that formality in itself increases perceived usefulness of the strategic plans. It should be noted that both countries are small and, if Flanders resemble The Netherlands, have relative egalitarian cultures (Hofstede, 1984). Therefore, many may perceive formal processes as bureaucratic (hierarchical) and therefore less useful than informal processes in these countries. Moreover, if the degree of formality is high the

strategic planning process may resemble a classical, rational decision process. Such formal and possibly lengthy processes may produce rational decisions but be detrimental for producing action and organizational changes (Brunsson, 1985). Last, many organizations lack a strategy or have bad strategies (Rumelt, 2011). Therefore, practitioners may be indifferent to formalities in the planning process as long as there is a strategy and especially if there is a good strategy.

Surprisingly, stakeholder involvement was not related to perceived usefulness of strategic planning, as earlier found in Norwegian municipalities with data from 2012 (Johnsen, 2016), in Flemish municipalities (George, Desmidt and De Moyer, 2016) and in Canadian public sector organizations (Elbanna, Andrews and Pollanen, 2016). Possible explanation for this result may be that municipal top-managers underrate the positive influence from other stakeholders, or that stakeholder involvement already is widespread in other planning processes such as budgeting and area planning, and therefore has no discernible impact on the perceived usefulness of the strategic planning that predominantly is a concern for top-management.

Integrating the strategic planning in other management processes for budgeting, performance management and evaluation was related to the municipal top-management's perceived usefulness of the strategic planning, corroborating hypothesis 6. This finding supports several earlier studies (George and Desmidt, 2014), and in particular Poister and Streib's (2005) study of strategic planning in US municipalities and Elbanna, Andrews and Pollanen's (2016) study of public service organizations in Canada.

The essential insight of the strategy-as-practice perspective (Whittington (2006) is that what practitioners do, for example voluntarily producing separate strategic planning documents with corresponding processes rather than only conforming to minimum planning regulations, could have important implications for the planning entity in question such as a municipal organization or an area, and for the wider society. Of course, the intention behind mandatory as well as voluntary strategic planning is to contribute to positive indirect as well as direct short-term and long-term outcomes for society. With public administration and strategy being complex and uncertain practices, it is often difficult to assess whether a certain praxis adds value or not. This analysis documents that important practitioners themselves perceive the praxis of producing separate strategic plans, and integrating these plans in other management processes, as useful. Combined with evolving evidence indicating that strategic planning is useful beyond mere perceptions, this knowledge could be useful for sustaining contested practices or developing even better practices.

## **Conclusions**

The merit of planning in society has been a longstanding scholarly discourse. The academic debate in public administration has been relatively silent on mundane design issues for policy-makers and practitioners such as how to design the strategic plans. In particular, the issues of whether going along with adapting strategic planning to other and maybe mandatory management processes such as area planning or financial planning, conducting strategy processes with separate planning documents and, to some extent, choosing between formal or informal planning processes, have received little academic attention. This

study has documented that municipal strategy-practitioners generally perceive strategic planning as useful, and that using a separate strategic plan rather than mandatory planning documents was related to the perceived usefulness. Formality in the strategic planning was not important. In short, formulating a distinct strategy seemed to be more important than having a formal strategy.

This study has several limitations. First, the data on perceived usefulness came mainly from the municipal top-management. Second, usefulness was only measured with perception measures. Third, the analysis has not considered the costs involved in the strategic planning.

Future studies could remedy these limitations by probing the perceived usefulness among a broader set of stakeholders, such as service users, taxpayers, general public, and regulators; conducting comparative studies across several jurisdictions; adding administrative data for usefulness; as well as adding collecting data for the resources spent on the different forms of designing the strategic planning.

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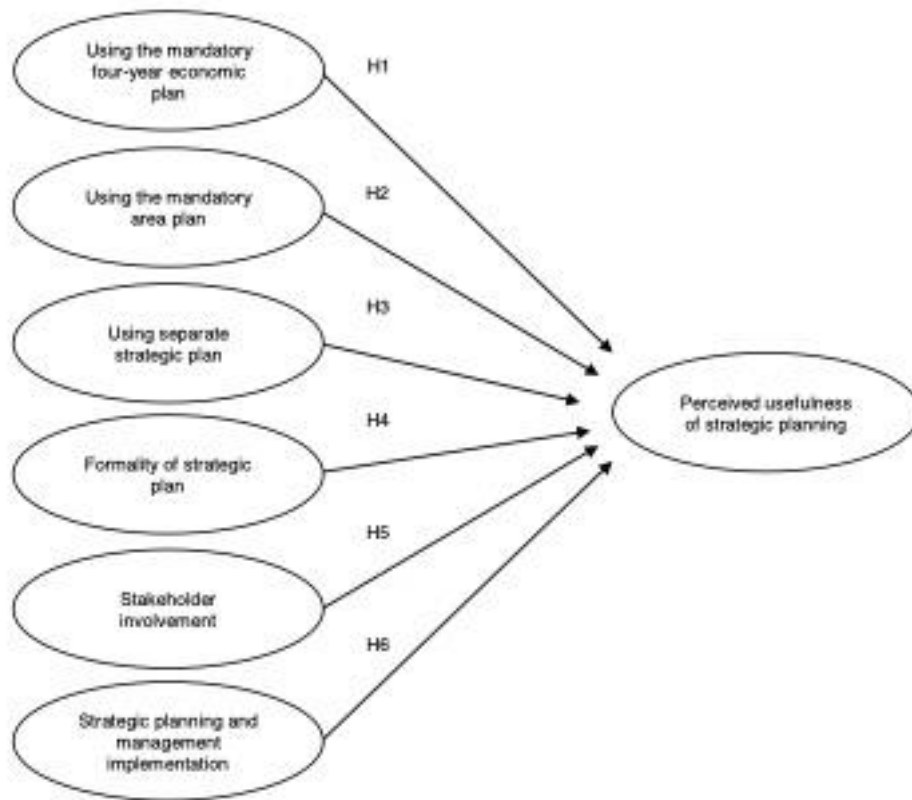
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+ Figure 1

To be published online only: Appendix.



## Appendix: Measurements of scale and indexes

**Table A1** The perceived usefulness of formal strategic planning.

	<i>N</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>
a) Using the strategic planning process for plan development will improve the performance of my municipality	171	5.34	1	7
b) Using the strategic planning process for plan development will improve the productivity of my municipality	173	5.25	2	7
c) Using the strategic planning process for plan development will enhance the effectiveness of my municipality	169	5.26	3	7
d) The strategic planning process is useful for plan development in my municipality	169	5.62	3	7

*Note:* Variables are measured with seven-points Likert scales ranging from 'disagree strongly' to 'agree strongly' (coded from respectively 1 to 7).

**Table A2** Formal strategic planning logical incrementalism.

	<i>N</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>
<b>Formal strategic planning</b>				
a) We developed our municipal strategic plan through a systematic planning process	170	5.66	1	7
c) Our municipal strategic plan was a formal strategic plan or an update of a formal strategic plan	167	5.10	1	7
e) During plan development, we conducted situational analyses of our municipality's strengths and weaknesses	170	5.43	2	7
g) During plan development, we conducted situational analyses of our environment's opportunities and threats	170	5.21	1	7
i) During plan development, we established strategic goals and used them to drive decisions and actions throughout our municipality	168	5.59	1	7

*Note:* Variables are measured with seven-points Likert scales ranging from 'disagree strongly' to 'agree strongly' (coded from respectively 1 to 7).

**Table A3** Logical incrementalism.

	<i>N</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>
<b>Logical incrementalism</b>				
b) Strategy has been made on an ongoing basis in our municipality	169	5.38	1	7
d) Periodically, we have reassessed our own performance in light of changing circumstances and adjusted strategy accordingly	167	5.18	1	7
f) We have tried to maintain flexibility for future options and made changes in strategy when suggested by newly emerging information	167	5.40	2	7
h) We have used forecasts of future conditions as the basis of our strategy but also have developed contingency plans to deal with uncertainties in those forecasts	170	5.69	2	7

*Note:* Variables are measured with seven-points Likert scales ranging from 'disagree strongly' to 'agree strongly' (coded from respectively 1 to 7).

**Table A4** Involvement of stakeholders in strategic planning.

	<i>N</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>
a) The mayor and aldermen have been centrally involved in the development of our municipal strategic plan.	171	5.03	1	7
b) The municipal/city/district council has been centrally involved in the development of our municipal strategic plan.	169	5.44	1	7
c) The municipal/city/district manager (Chief Administrative Officer) has been centrally involved in the development of our municipal strategic plan.	171	6.26	1	7
d) The financial manager has been centrally involved in the development of our municipal strategic plan.	171	5.33	1	7
e) Department heads and other senior managers have been centrally involved in the development of our municipal strategic plan.	171	5.89	1	7
f) Lower-level employees have been centrally involved in the development of our municipal strategic plan.	170	4.99	2	7
g) Citizens have been centrally involved in the development of our municipal strategic plan.	170	4.55	1	7
h) Other external stakeholders have been centrally involved in the development of our municipal strategic plan.	170	4.60	1	7

*Note:* Variables are measured with seven-points Likert scales ranging from 'disagree strongly' to 'agree strongly' (coded from respectively 1 to 7).

**Table A5** Implementation of the strategic planning.

	<i>N</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>
<b>Linking budgeting to strategic planning</b>				
a) The annual budget strongly reflects the objectives and priorities established in the strategic plan	167	5.68	2	7
b) 'New money' in the budget is targeted to achieving the municipal strategic objectives	167	5.23	2	7
c) The strategic plan has a strong influence on the budget requests submitted by department heads and other managers	167	5.06	2	7
d) Information from performance measurements affects the resource allocation	167	4.35	1	7
<b>Linking performance assessments to strategic planning</b>				
a) Objectives established for department heads and other managers are derived from the overall strategic plan.	172	5.18	2	7
b) Annual evaluations of department heads and managers are based largely on their accomplishment of strategic goals and objectives	169	4.78	1	7
c) The municipal council holds the chief administrative officer responsible for the implementation of the municipality's strategic plan	171	5.56	1	7
<b>9) Linking performance management to strategic planning</b>				
a) We use performance measures to track the content of the strategic plan.	173	4.78	1	7
b) The municipality reports performance associated with goals in the strategic plan to the municipal council on a regular basis.	172	5.26	2	7
c) The municipality targets some programmes/projects from the strategic plan for more extensive evaluation.	171	4.57	1	7
d) The municipality reports performance associated with goals in the strategic plan to the inhabitants on a regular basis	172	3.99	1	7
e) We use performance measures for tracking the outcomes targeted by the strategic plan	169	4.45	1	7
f) The municipality benchmarks performance measures against other municipalities to gauge the effectiveness of strategic actions (for example by participating in benchmarking networks)	172	5.08	2	7
g) The municipality tracks performances measures over time to determine whether the municipal performances improve	173	5.32	1	7

*Note:* Variables are measured with seven-points Likert scales ranging from 'disagree strongly' to 'agree strongly' (coded from respectively 1 to 7).