Strategy Content and Public Service Organizations

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ABSTRACT

Existing classifications of organizational strategy have limited relevance to public agencies. They confuse strategy processes and strategy content, consist of simplistic taxonomies, and do not take sufficient account of the constraints faced by public organizations. In this article we attempt to remedy these problems by developing a strategy content matrix that comprises two dimensions: strategic stance (the extent to which an organization is a prospector, defender, or reactor) and strategic actions (the relative emphasis on changes in markets, services, revenues, external relationships, and internal characteristics). This matrix is used to generate hypotheses on the strategies that are likely to be pursued by public organizations.

The need for a clearer understanding of the strategies of public service organizations is urgent. Programs of management reform frequently require public managers to develop new strategies that will lead to better performance. These expectations are clearly seen in the National Performance Review in the United States (Thompson 2000) and in the "Modernisation Agenda" in the United Kingdom (Boyne, Kitchener, and Kirkpatrick 2001).

The aim of this article is to develop a framework to classify the strategies pursued by public organizations. Strategy content can be defined as the patterns of service provision that are selected and implemented by organizations. In contrast to the case in the private sector, strategy need not be viewed as a "weapon" that is used to defeat rivals in a competitive struggle (Greer and Hoggett 1999). Rather, strategy can be interpreted more broadly as a means to improve public services, whether these are provided by one agency or whole networks of organizations (Boyne 2003). Various strategic management frameworks seek to classify the strategies of public and private organizations (Ketchen, Thomas, and McDaniel 1996; Miles and Snow 1978; Miller 1986; Nutt and Backoff 1995; Porter 1980; Rubin 1988; Wechsler and Backoff 1987). However, there is no clear agreement on the concepts or classifications that are most appropriate (Montgomery, Wernerfelt, and Balakrishnan 1989). A framework that has applicability to public

organizations will make it possible to identify and measure their strategy content. This classification scheme could then be used in two ways in strategy research: as a dependent variable (in order to understand why particular strategies are adopted) and as an explanatory variable (in models of organizational performance).

The remainder of this article is structured as follows. First, we discuss the meaning of the term *strategy content* and critically review existing frameworks for analyzing organizational strategies in the private and public sectors. Next we present a new matrix for conceptualizing and measuring strategy in public service organizations. Finally, we use this matrix to develop propositions on the strategies that public service organizations are likely to adopt.

EXISTING MODELS OF STRATEGY CONTENT

Strategy researchers focus on the relationships among organizational environments, strategy processes, strategy content, and organizational performance. The term *strategy process* (or *strategy making*) refers to how objectives and actions are selected or formulated (Hart 1992). The outcome of this process is strategy content itself, which is "a pattern of action through which [organizations] propose to achieve desired goals, modify current circumstances and/or realize latent opportunities" (Rubin 1988, 88). Strategy content can be conceptualized at two levels. First, it can be seen as a general approach that describes the organization's position and how it interacts with its environment. We refer to this as "strategic stance," or the broad way in which an organization seeks to maintain or improve its performance. It has been argued that this level of strategy is relatively enduring and unlikely to change substantially in the short term (Zajac and Shortell 1989). The second level of strategy involves the specific steps that an organization takes to operationalize its stance. We refer to these as "strategic actions," which are more likely to change in the short term (Fox-Wolfgramm, Boal, and Hunt 1998). Stance and actions together constitute an organization's strategy content.

A large literature on the strategy content of private-sector organizations has developed (e.g., Fahey and Christensen 1988; Harrigan 1980; Miller 1986). However, this literature displays three main problems that restrict its relevance to the strategies of public organizations: false conflicts between strategy typologies that are supposedly competing but are actually complementary, simplistic and unidimensional classification systems that seek to locate different organizations in mutually exclusive boxes, and a failure to recognize the distinctive characteristics of management in the public sector. We now consider each of these issues in turn.

False Conflicts

The two dominant models of strategy content in the private sector were developed by Miles and Snow (1978) and Porter (1980). These models are usually presented as competing classifications of organizational strategy (Segev 1989; Slater and Olson 2000; Walker and Ruekert 1987). Miles and Snow propose that managers develop enduring patterns of strategic behavior that seek to align an organization to its environment. Their typology corresponds closely with our concept of strategic stance. They identify four main types of strategy on the basis of fieldwork in four industries:

i. *Prospectors* are organizations that "almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends" (Miles and Snow 1978, 29). Prospectors are often pioneers in the development of new products.

ii. *Defenders* are organizations that take a conservative view of new product development and attempt to maintain a secure position in a narrow segment of the market. They typically compete on price and quality rather than on new products or markets and "devote primary attention to improving the efficiency of their existing operations" (Miles and Snow 1978, 29).

iii. *Analyzers* represent an intermediate category, sharing elements of both prospector and defender. They maintain a secure market position within a core market, much like a defender, but also seek new markets and products, as a prospector does. Analyzers are rarely "first movers" but, instead, "watch their competitors closely for new ideas, and . . . rapidly adopt those which appear to be most promising" (Miles and Snow 1978, 29).

iv. *Reactors* are organizations in which top managers frequently perceive change and uncertainty in their organizational environments but typically lack any consistent strategy. A reactor "seldom makes adjustment of any sort until forced to do so by environmental pressures" (Miles and Snow 1978, 29).

The central contention of the Miles and Snow model is that prospectors, defenders, and analyzers perform better than reactors, which is supported in a number of studies of private industries (e.g., Conant, Mokwa, and Varadarajan 1990; Shortell and Zajac 1990). These four strategic orientations have similarities with conceptualizations of the behavior of public-sector managers. For example, Downs (1967) identifies some bureaucrats as "climbers" (who search for new opportunities for career advancement), "conservers" (who seek to hold what they have), "mixed-motive officials" (a combination of climbers and conservers), and "statesmen" (who are driven by societal pressures).

Porter's (1980) typology identifies three generic strategies that might lead to success for a business and one strategy that would result in failure. Companies that are "cost leaders" sell their products at prices below those of their competitors. "Differentiation" is a strategy of creating products that are perceived by customers as unique. "Focus" involves competing in a narrow segment of the market, through either cost leadership or differentiation. If a firm does not choose one of these three approaches, then it is "stuck in the middle," which Porter argues will lead to poorer performance. Porter's typology corresponds closely with our concept of strategic actions: an emphasis on quality or price and a decision to aim for a narrow or wide market could be used to operationalize a variety of strategic stances. For example, a prospector may choose to develop better products in a wider market, whereas a defender may seek a price advantage in a narrow market.

If Miles and Snow provide a typology of strategic stance, and Porter provides a model of strategic actions, then it is clear that there is no necessary contradiction between them. Rather, they are dealing with two levels of strategy content that can be combined as shown in figure 1. The headings for the columns in the table draw on Mintzberg's (1988) clarification of Porter's model. Mintzberg argues that Porter provides a menu of strategies that are potential complements rather than stark alternatives. For example, an organization may simultaneously seek to change price and quality while broadening or narrowing its market niche. This implies that different strategies can be mixed and combined, which is an argument that we now develop in more detail.
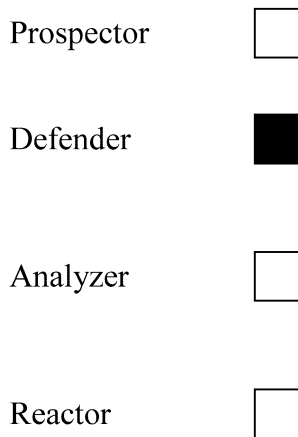
Figure 1
Strategy Content Matrix Combining Miles and Snow's Typology with Porter's Typology

	Markets	Products	Prices
Prospector			
Defender			
Analyzer			
Reactor			

Simplistic Classification Schemes

Existing classifications of strategy in the private sector have been extensively criticized because they do not meet the criteria of a good typology. Important typological criteria for judging the conceptual boxes include completeness, mutual exclusiveness, and internal homogeneity. Chrisman, Hofer, and Boulton (1988) argue that the elements of Porter's (1980) typology are not mutually exclusive because businesses pursue cost leadership and differentiation simultaneously (see also Hill 1988). Empirical tests of Porter's typology have also highlighted problems. Research by Miller and Dess (1993) has shown that the classification system is not complete because it does not cover all strategies adopted by private firms. Moreover, other work has suggested that Porter's "stuck in middle" category is not necessarily the "lemon" of competitive strategy (Campbell-Hunt 2000) and can result in higher performance (Yamin, Gunasekaran, and Mavondo 1999). Similarly, Miles and Snow's (1978) categories are not mutually exclusive—the analyzer category is an intermediate form of strategy that shares key characteristics of the prospector and defender types (Zahra and Pearce 1990).

Figure 2
The Unidimensional Taxonomic Approach. Organizations can be assigned exclusively to one box (e.g. B).

Prospector   ☐

Defender   ■

Analyzer   ☐

Reactor   ☐

Figure 3
The Two-Dimensional Taxonomic Approach. Organizations can be located precisely and exclusively on the two dimensions (e.g. position A1).

		Action		
		Market	Products	Prices
Stance	Prospector	■		
	Defender			
	Analyzer			
	Reactor			

These criticisms highlight significant taxonomic flaws in attempts to classify organizational strategies (Chrisman, Hofer, and Boulton 1988). However, they miss a more fundamental point: a taxonomy is a simplistic and unidimensional device for conceptualizing and measuring strategy (Ginsberg 1984; Venkatraman and Grant 1986). A taxonomic approach assumes that all organizations can be placed in one of a small set of strategy types (see figure 2). This is reflected clearly in empirical work that takes the form of asking private managers to identify whether their company is, for example, a "cat," "dog," or "fish." However, strategies are not like species of animals because they can be mixed and combined. Furthermore, strategies need not be mutually exclusive, so the attempt to satisfy this taxonomic criterion is inappropriate. As we have argued above, strategy consists of two dimensions (stance and actions), so organizations cannot be placed on a single list of conceptual categories. Moreover, they are unlikely to fit a single location on two dimensions (see figure 3). Rather, the relevant question is the balance of an organization's strategies among a variety of combinations of stance and actions. We

Figure 4
The Two-Dimensional Mapping Approach. Elements of strategy present in most boxes to some extent (indicated by percentage figures).

		Action		
		Markets	Products	Prices
Stance	Prospector	20%	15%	10%
	Defender	0	5%	10%
	Analyzer	10%	5%	5%
	Reactor	10%	0	10%

suspect that the idea of a single dominant strategy that pervades a whole organization exists more in the realm of abstract academic models than in the reality of management practice. An organization may have a variety of strategies in different spheres of its activities. For example, it may be part prospector, analyzer, and reactor and use a combination of changes in markets, products, and prices (see figure 4). It follows that strategy variables are continuous, not categorical, and that a conceptual framework for identifying strategy content should be consistent with this.

Private Strategies and Public Organizations

Almost all of the literature on strategy content has been developed for private firms. Even if the available taxonomies were valid, they might still have limited relevance to the external circumstances and internal characteristics of public organizations. Bozeman (1987) has usefully identified three variables that encapsulate the extent to which an organization is public or private: the level of collective ownership, the level of state funding, and the degree to which the behavior of managers is constrained by political forces rather than market forces. A purely public organization would be owned by a political community rather than private shareholders, receive all its money from a "political sponsor" rather than fee-paying customers, and be responsive to instructions from its political masters rather than the economic demands of consumers. These elements of publicness have profound implications for strategy content in public-service organizations.

First, the literature on private organizations tends to assume that senior managers are free to *select* their strategies from a wide range of available options, albeit within constraints such as market forces and technological feasibility. For example, private firms can abandon unprofitable markets or products and seek better returns elsewhere and can vary the quality or price of their services in a search for a higher market share. By contrast, public agencies are much more likely to have strategy content *imposed* on them (Boschken 1988; Bozeman and Straussman 1990; Nutt and Backoff 1993; Ring and Perry 1985). In other words, public organizations are more likely than private firms to be subject to pressures of coercive isomorphism (DiMaggio and Powell 1983) that influence their strategic orientation. For example, in recent years local governments in Australia and the United Kingdom have been *required* to contract out specified proportions of their services as part of a quest for efficiency savings (Aulich 1999; Boyne 1998). Indeed, there is evidence that the external constraints on local governments are so great that the turnover of political and managerial elites makes little difference to strategic decisions on organizational growth (Boyne, Ashworth, and Powell 2001).

Second, even if strategy content is not directly imposed, public organizations are likely to be highly *regulated* by the political sponsors that provide their funding (Hood et al. 1999). The regulatory instruments that can be wielded by governments include performance indicators, planning systems, inspection, audit, budgetary controls, and annual reports (Ashworth, Boyne, and Walker 2002). Such regulatory frameworks are likely to constrain public-sector strategy content in two ways: by placing actual limits on strategic decisions and by inhibiting "entrepreneurial" behavior by public managers who may constantly have to consider whether new strategies will be acceptable to their regulators (Boschken 1988). Although the issue of regulation is considered in the literature on private companies, it is usually included as an "auxiliary hypothesis" to account for cases that do not fit easily into strategy taxonomies (e.g., Snow and Hrebiniak 1980). By

contrast, in the public sector the relationship between regulation and strategy content is likely to be central rather than peripheral.

PREVIOUS CLASSIFICATIONS OF STRATEGY CONTENT IN PUBLIC-SERVICE ORGANIZATIONS

A small literature on organizational strategies in public-service organizations has evolved since the early 1980s. Wortman's comment that this "truly is virginal territory for the strategic management researcher" (1979, 353) may no longer be accurate, but the map remains small and sketchy. Moreover, most of the literature is concerned with strategy *processes* in public organizations (e.g., Hickson et al. 1986; Ring 1988; Ring and Perry 1985). This emphasis may reflect an assumption that processes of strategy formulation and implementation count rather than the actual content of strategies. We reject this view and believe that strategic stance and actions are at least as important as strategy processes and, indeed, may be more so. Organizations may have "perfect" processes of strategy formulation and implementation but still have a perfectly useless strategy that fails to deliver desired outcomes. These arguments assume that strategic management makes a difference to performance and that organizational success and failure are not simply the product of "random selection" (Kaufman 1985). Support for the view that "management matters" in the public sector is provided by recent research on Texas school districts (Meier and O'Toole 2001, 2002).

In this section we summarize and critically review the four existing models of strategy content in public organizations. We argue that each one is narrow or flawed in its conceptualization of organizational strategy.

Stevens and McGowan (1983) develop a typology of strategic responses to fiscal stress in ninety U.S. local governments. Their approach is largely inductive—managers and mayors were asked to identify whether they were using any of twenty-five strategies that were then grouped into six generic approaches through factor analysis. These were "seek external revenue," "compromise existing authority and financial position" (e.g., by defaulting on debt), "increase internal revenue," "seek additional state aid and authority," "state pays high-cost items," and "cut safety and human services." This is an interesting first attempt to classify strategy content in the public sector, but it is deficient in two main ways.

First, the six types of strategy are limited to a specific organizational problem—how to deal with a decline in funding. This may have been typical of public agencies in the 1980s, especially local governments (Mouritzen 1992), but is far from a universal phenomenon. Thus, the typology is potentially relevant only to a specific set of environmental circumstances. Second, even within these circumstances the six types of strategy refer to specific actions rather than a general stance. For example, any of the strategic responses could be used by a prospector, defender, analyzer, or reactor. The typology is, therefore, incomplete because it covers only one of the two dimensions of strategy content that we have identified.

Wechsler and Backoff (1986) derive four types of strategy content from case studies of four public agencies in Ohio. The four categories are "developmental" (similar to a prospector), "transformational" (a mix of prospector and reactor), "protective" (similar to a defender), and "political" (which refers to strategy processes rather than content). These four "grand strategies" are based on different combinations of the following eight variables:

    i. the extent to which external actors attempt to influence the strategy of an agency

    ii. whether control over strategic direction is external or internal

    iii. whether strategy anticipates events or reacts to them

    iv. the objectives of strategy

    v. the orientation toward change and the status quo

    vi. whether the scope of strategy covers a broad or narrow set of issues

    vii. the level of management attention to strategic issues

    viii. the balance between external and internal targets

These underlying components of the typology make up a mélange of strategic *goals* (items iv and viii), strategy *processes* (items i, ii, and vii), strategic *stance* (items iii and v, which echo elements of Miles and Snow's 1978 typology), and strategic *actions* (item vi, which is similar to Porter's 1980 concept of differentiation). This is not, by any means, a typology of strategy content alone. Furthermore, the elements of content that are included are few in number (items iii, v, and vi) and incomplete. For example, the strategic actions element makes no reference to new services or sources of revenue.

    Rubin attempts to develop an "archetypal typology of strategic action" that is "elemental enough to apply to any [public-sector] context" (1988, 85). The methodology for constructing the typology is unclear, but it seems to have been informed by evidence from case studies of twenty-seven public-sector organizations. Like Wechsler and Backoff (1986), Rubin falls into the "strategy in fours" school of typologists. His four generic strategies are as follows:

    i. the "saga," which is "a strategy configured to regain or protect a position or set of values perceived to be threatened by major internal or external change";

    ii. the "quest," which "derives from a desire to make fundamental change in the current operations, priorities, or values of the organization";

    iii. the "venture," which is "a pattern of action that focuses on either perceived opportunities or emergent problems"; and

    iv. the "parlay," which "evolves in situations of extreme turbulence . . . where no clear trends or historic patterns can be discerned with any degree of confidence" (1988, 90–93).

This may be a vivid set of metaphors, but it sheds little light on strategy content. The "saga" clearly refers to strategic goals; the "venture" could simply be a general definition of any organizational strategy; and the "parlay" is a description of a set of circumstances in the environment of an organization. This leaves the "quest," which contains elements of both the prospector and the defender in Miles and Snow's (1978) typology. Thus, the supposed "archetypal typology" offers little coverage of strategic stance and none of strategic actions. Rubin's claim to have produced a classification of strategy that is "basic to any context and is in effect protocontextual" (1988, 102) is extravagant and unfounded.

    The final and most recent classification of strategy content in public-service organizations is provided by Nutt and Backoff (1995). Their aim is to identify the strategies

that are appropriate in different organizational contexts. The environment of public agencies is dichotomized into high or low on two variables: the "need for action" and "the level of responsiveness to such needs." These terms are vague (indeed, the latter variable seems to refer to the characteristics of an organization rather than its environment). Nevertheless, Nutt and Backoff use this two-by-two matrix of environmental context to identify the following eight types of strategy:

i. dominators "produce a strategy that takes action with little responsiveness to legitimate authority or to stakeholders";

ii. directors "accept some modest formal accountability";

iii. posturers "adopt a strategy of minimal action";

iv. accommodators have "some commitment to action in the agenda of issues";

v. drifters follow "makework programmes and routines ... to create the aura of action";

vi. bureaucrats "demonstrate moderate responsiveness by using programmed routines and standardised responses";

vii. compromisers attempt to prioritize "needs and the actions each implies by playing one constituency against another"; and

viii. mutualists respond "to a diverse and ever-changing set of needs through strategy developments to meet those needs" (1995, 197–203).

This classification is problematic in several important respects. First, some of the categories do not refer to strategy content. Items i–ii refer not to the steps that an organization is taking in pursuit of its objectives but, rather, to the degree of accountability for such steps. Similarly, items vii–viii refer to the strategic objective of meeting needs rather than the actions that should be taken. Second, the differences between some adjacent pairs of strategies are, at best, very thin and nuanced (e.g., posturers and accommodators, and compromisers and mutualists). Third, the classification system deals only with strategic stance and ignores strategic actions (e.g., there is little indication of the specific ways in which a mutualist could operationalize a commitment to meeting needs). And finally, it is not clear that Nutt and Backoff's list adds anything to existing typologies of strategy. For example, items iii–iv and item vi appear to be variants on Miles and Snow's (1978) strategy types of reactor and defender, respectively.

A NEW CLASSIFICATION OF STRATEGY CONTENT

There are a number of weaknesses in the existing systems for classifying strategy content in public and private organizations. The typologies pose false contradictions, are categorical and unidimensional, and pay insufficient attention to the specific characteristics of public organizations. In particular, they neglect the importance of the imposition and regulation of strategies. Existing classifications of strategy in public organizations consider only strategic actions or strategic stance, and they confuse goals, processes, and strategy content. In the next section we present a new classification of strategy content that attempts to deal with these problems. This is, in effect, the first analysis of the strategy of public

organizations that not only is exclusively concerned with content but also distinguishes between strategic stance and strategic actions.

Strategic Stance

The strategic stance dimension of our classification is based on Miles and Snow's (1978) typology. As Walker and Ruekert argue, analyzers "are essentially an intermediate type between the prospector strategy at one extreme and the defender strategies at the other" (1987, 17). Therefore, our typology of strategic stance includes only *prospectors, defenders,* and *reactors.* It is important to emphasize that we are not seeking to place public organizations exclusively in one of these boxes. Rather, we expect organizations to pursue a mix of these strategies and for the mix to change over time as public agencies confront new constraints and opportunities. Thus, it is inappropriate to apply the taxonomic criterion of "mutual exclusiveness" to our classification of strategic stances. However, it is appropriate to apply the criterion of exhaustiveness. At a conceptual level, the three types of stance appear to cover all possible organizational responses to new circumstances: innovate (prospector), consolidate (defender), or wait for instructions (reactor). It remains to be seen whether these categories are empirically exhaustive.

Prospectors are likely to be pioneers, searching for new markets and experimenting with responses to emerging environmental trends (Miles and Snow 1978). It is anticipated that the characteristics of a public-sector prospector would therefore include innovation and rapid organizational responses to new circumstances, which in turn suggests that they would be leaders in their field, "first movers," and perhaps winners of innovation awards. A prospector may be seeking to expand its budget, may invade the "policy space" of other agencies (Downs 1967), or may be innovative within its preexisting budget where organizational slack permits this (Bourgeois 1981). Overall we would anticipate that a prospector would be more proactive than other agencies (Boschken 1988).

A defender would not be striving to be a leader in the field but would instead be a late adopter of innovations when they had been tried and tested. It would take a conservative view of new product development and focus on a narrow segment of the market to retain its existing portfolio of activities and to protect its share of the public budget from attacks by predatory prospectors (Miles and Snow 1978).

A reactor would have no consistent substantive stance because it would only adjust its strategy when forced to do so by environmental pressures. It is, therefore, likely to have its formal stance imposed through the actions of external agencies such as regulators. However, even if it is instructed to be a defender or prospector, it may lack the culture and expertise to adopt these strategies successfully.

This is not to argue that reactors are destined to perform less well than prospectors and defenders. In the private-sector literature, a reactor stance has been equated with an *absence* of strategy, which is assumed to lead to organizational failure (Inkpen and Chaudhury 1995). By contrast, a reactor strategy may be a deliberate and positive choice in a public-sector environment that values responsiveness to the shifting demands of external stakeholders (Rainey 1997). Prospectors may be perceived as excessively eager to take risks, and defenders may be seen as reluctant to respond to pressures for change. Reactors, unconstrained by a fixed strategic posture, may be more pliable and more ready to please their political superiors. Thus, in principle, a reactor stance can be seen as the best fit with the political circumstances that shape perceptions of organizational performance in the

public sector (Rainey and Steinbauer 1999). Whether such a strategic stance is successful in practice depends on whether public managers are sufficiently flexible to respond effectively to new policy agendas and political priorities. If so, a reactor strategy may be a source of strength rather than weaknesses. The relative success of different strategies is also likely to vary with environmental context. For example, Boschken's (1988) analysis of port authorities in the United States finds that prospectors performed best in a turbulent environment but that a reactor strategy was successful in a "protected" environment.

Strategic Actions

Our second dimension of strategy is based on five types of specific actions that organizations may use to operationalize their stance. This list of actions is provisional and may need to be consolidated or extended as empirical work on the strategies of public organizations is undertaken. The strategic actions concern changes in markets, services, revenues, the external organization, and the internal organization. The first three of these strategic actions reflect Porter's (1980) typology of strategy content. We have replaced "products" with services and prices with revenues in order to match the strategic actions with the primary characteristics of public organizations. We have also extended Porter's typology to cover the external and internal attributes of agencies that provide public services, for reasons that we explain below.

As already argued, the taxonomic criterion of mutual exclusiveness is not relevant to our classification scheme because we are not attempting to place organizations in discrete boxes. The criterion of exhaustiveness is satisfied at a conceptual level by our classification because the strategic actions cover the three logical categories of behavior that are available to an organization: change the environment (move to a different market), change the relationship with an existing environment (by altering services, revenues, or external structure), or change itself (through modifications to internal structure).

The use of the term *strategic action* is intended to emphasize that strategy content refers to how organizations actually behave, in contrast to strategies that are merely rhetorical or intended but unrealized. This in turn implies that strategy content cannot be measured simply by reading organizational mission statements or paper plans. Although such sources can be a useful starting point for building a picture of strategy content, they need to be supplemented by the views of managers (preferably at various organizational levels) about strategy in practice. And most importantly, valid measurement of strategy content requires hard evidence on actual changes in markets, services, revenues, and external and internal structure.

Markets

Though the scope of public business units may be constrained, because they cannot independently choose their own markets, they may sometimes be able to seek market entry or exit. A market may be defined geographically or through the characteristics of the clientele (e.g., a particular age group or set of service needs—see Shepherd 1990). Changes in markets may occur through opportunities to provide existing services to new groups of citizens. In Europe, housing associations (nonprofit social landlords) have been diversifying outside their core areas of activity into markets as disparate as leisure and employment, and training and education (Walker 1998; Walker and Jeanes 2001). Public services may be faced by new problems that require them to move into new markets. For

example, health services across the world are required to respond to new diseases such as HIV/AIDS (Pettigrew, Ferlie, and McKee 1992). Public agencies can extend their markets through the creation of new organizational structures. For example, mergers or takeovers allow public agencies to provide their current services to new users in different geographical areas (Walker and Jeanes 2001). Conversely, a public agency can change its market by withdrawing from a particular geographical area or no longer serving a specific group of users.

Services
Research on innovation in public organizations shows that new services can be provided to existing users (Borins 2000; Osborne 1998; Walker and Jeanes 2001). Walker, Jeanes, and Rowlands (2002) illustrate how a range of social welfare services—including community centers, youth schemes, health services, transport schemes, and care and support services—has been provided to existing public housing tenants. Borins (1998) reports that Pennsylvania's job centers run a program that delivers multiple skills-development and job search services to the unemployed in a one-stop shop.

The emphasis on customer focus in the reinvention movement in the United States and the Modernisation Agenda in the United Kingdom has led to public-service organizations developing new services in response to the needs of users. These include the provision of training services for neighborhood organizations and addressing issues that cut across traditional client groups, such as community safety, public health, sustainability, and regeneration (Martin 2000; Moon and deLeon 2001). Osborne (1998) discusses a range of new services provided by voluntary organizations, such as emergency accommodation for adolescents, lunch clubs for the elderly, and sex therapy services. Moreover, public organizations may also withdraw services—recent research on English local government indicates that managers are simultaneously abolishing some services and developing others (Enticott et al. 2002).

Seeking Revenues
A major part of the strategy focus of public organizations is ensuring that they have sufficient revenues. This third public service strategic action is central to the work of Stevens and McGowan (1983). An important revenue strategy concerns the prices of services for which charges are levied. City managers in the United States have identified raising fees and charges to fund services as an acceptable form of extra revenue (Kearney, Feldman, and Scavo 2000; Moon and deLeon 2001). Quasi-public agencies, such as voluntary organizations, may seek additional revenues from a wide array of sources, including charitable donations (Moore 2000).

External and Internal Organization
The final two action categories cover aspects of external and internal organization. These are included because of the constraints that public organizations may face in altering markets, services, or revenues. The strategic challenge for many public managers is to find better ways to deliver existing services in a fixed market with limited revenues. Thus, strategy may focus disproportionately on the organizational arrangements for service provision. Internal organization refers to variables such as structure, culture, leadership (Boyne and Dahya 2002), processes of formulation and implementation (Borins 2000; Chackerian and Mavima 2001), and management practices including strategic planning

(Berry 1994; Berry and Wechsler 1995), total quality management (Douglas and Judge 2001; Westphal, Gulait, and Shortell 1997), and the adoption of performance measurement systems (de Lancer Julnes and Holzer 2001). Programs of management reform frequently focus on internal changes. Moore (1995) illustrates in two case studies how a range of internal organizational strategies has been used by newly appointed chief executive officers to turn around failing public agencies. Actions include defining missions, re-designing production processes, and using systems of operational management to rectify problems.

External organization refers to the interorganizational relationships through which many public organizations provide services (Provan and Milward 1995). These arrangements may include collaboration (Huxham 2000), networks (Bevir and O'Brien 2001; Kickert, Klijn, and Koppenjan 1997; Meier and O'Toole 2001; Provan and Milward 2001), consortia or joint ventures (Wistow et al. 1994), partnerships (Bardach 1998; Lowndes and Skelcher 1998), and outsourcing services to private or nonprofit providers (Boyne 1998). This last form of external organizational change is now an established part of the repertoire of public organizations. For example, the Hong Kong Special Administrative Region Government has contracted out the management and maintenance of 400,000 units of its public rental housing stock to the private sector. Existing civil servants have been able to form management buyout companies and compete for contracts in protected competitions (Walker and Li 2002).

Changes to the internal and external organization are often simultaneous. Bozeman's (2002) analysis of tax systems modernization in the Internal Revenue Service (IRS) highlights changes in the technical knowledge of staff, organizational culture, internal management and leadership, and the approach to outsourcing. The central constraints faced by the IRS that resulted in an emphasis on internal and external change were regulation and oversight. The National Performance Review had a similar emphasis on internal and external actions, including downsizing, reducing administrative costs, reforming administrative systems, decentralization, the empowerment of frontline workers, cultural change, and improvements to service quality and work practices (Thompson 2000).

Combinations of Stance and Actions

Figure 5 shows that fifteen combinations of stance and actions are theoretically possible. Two questions arise: Are all the combinations practically feasible, and are they all equally likely? The prospector is an outward-looking organization searching for new markets, scanning the environment, and developing new services. It is, therefore, feasible that it will be changing its markets and services while seeking revenues. It is also likely to be changing its internal and external organization in order to align itself with new environments (Miles and Snow 1978). Reactors may be instructed to adopt any combination of strategic actions. Unlike a prospector, they may not be seeking to change their markets, services, and so on by their own volition, even if they recognize that environmental changes are pushing them in this direction. Rather, they wait to be cajoled or coerced to do so by their political superiors. Defenders are, by definition, unlikely to adopt all of the possible strategic actions. In particular, they are unlikely to change their markets but may modify their services. They are also likely to seek additional revenues and change their internal and external organization in order to provide existing services more efficiently and effectively. After we have eliminated the combination of defender/change markets from figure 5, we

Figure 5
A Classification Scheme for the Strategic Content of Public Organizations

		Strategic Action				
		Change markets	Change services	Seeking revenues	External organization	Internal organization
Strategic Stance	**Prospector**					
	Defender					
	Reactor					

are left with fourteen feasible combinations of strategic stance and strategic actions. However, not all of these combinations are equally likely in the public sector. We turn next to the specification of some preliminary propositions on the strategies that are prevalent in public organizations.

PROPOSITIONS ON THE STRATEGY CONTENT OF PUBLIC ORGANIZATIONS

If we combine the distinctive features of public-sector strategy that we identified earlier (imposition and regulation) with the dimensions of stance and action in our matrix, then it is possible to identify the following hypotheses.

> H_1 There is a positive relationship between publicness and the extent to which organizations are reactors.

Public organizations are more likely than private organizations to be reactors because they are subject to more regulation. Furthermore, the prevalence of a reactor strategy within the public sector will vary positively with the level of regulation. A crucial issue here is likely to be senior officials' perceptions of the tightness of regulatory constraints. These perceptions, in turn, may be influenced by the longevity of a regulatory regime (a "culture of reaction" may develop over a long period) and the number of regulatory instruments wielded by higher bodies (see Ashworth, Boyne, and Walker 2002).

Evidence that is broadly consistent with hypothesis 1 is contained in Wechsler and Backoff's (1986) study of four state agencies in Ohio. The strategic stance of three of these agencies was "reactive rather than proactive." Furthermore, the proactive agency was subject to weak external influence, whereas the reactive agencies had moderate or strong levels of external influence. Indirect support for hypothesis 1 is also provided by Smith and Grimm's (1987) finding that private firms in regulated environments are significantly more likely to follow reactor strategies.

A test of hypothesis 1 would require measures of the three dimensions of publicness (ownership, source of funding, type of external control) and data on the actual adoption of a reactor strategy. The latter could be based on the strength of the link between the edicts and preferences of regulators and the direction of organizational change. In other words,

the problem of measuring a reactor strategy is analogous to that of assessing the extent to which one organization controls another (Pfeffer and Salancik 1978). To what extent are the actions of a "subordinate" not only consistent with the wishes of a "superior" but also different from the behavior that would have occurred anyway (Boyne 1996)? To some extent, a reactor may change its strategic posture before the receipt of formal instructions, in the expectation that compliance will soon become necessary. Nevertheless, the typical response of managers in a reactor organization to the question "Why did you change your strategy?" would be "Because we were told to."

> H_2 There is a positive relationship between publicness and strategic actions that focus on external and internal organizational change.

Public organizations are more likely than private organizations to be in the boxes at the right-hand side of figure 5 because they have limited choices to change markets, services, and revenues. Public agencies typically operate in a fixed geographical market that is defined by their national, regional, or local boundaries. Moreover, they may be required legally to provide particular services and be debarred from diversifying their activities (e.g., U.K. local governments do not have the power to run hospitals). The range of strategies for raising revenue may also be legally constrained. Thus, the remaining strategic options (the "default" options) are to focus on external or internal organizational change. Constraints on other types of strategy content explain why public management reforms concentrate so heavily on new organizational arrangements for service provision. Although this phenomenon has been widely noted (see Boyne et al. 2003; Pollitt and Bouckaert 2000), it has not previously been placed in the context of a model of public-sector strategy.

Evidence from Hickson et al.'s (1986) comparison of strategic decisions in public and private organizations is consistent with hypothesis 2: 70 percent of public decisions concerned external or internal structure, whereas only 55 percent of private decisions fell into these categories of strategic action. Borins's (1998) study of innovation in Canada and the United States also indicates that the strategic actions of public organizations are directed more toward internal and external change than toward markets, services, or revenues. Of the 217 innovations included in the study, 30 percent are external changes, 48 percent are internal changes, and only 22 percent concern new markets or services. Boschken's (1988) study of west coast U.S. ports illustrates the strategic actions used by defenders and reactors. These were typically internal and included the frequent appointments of new chief executive officers and the adoption of planning systems. Brudney, Herbert, and Wright (1999) find that internal changes dominated reinvention actions in state agencies. Of the eleven actions that chief executive officers indicated had been partially or fully implemented, one was a change in services, one was an external change, and the remaining nine were internal changes including strategic planning, quality-improvement programs, benchmarks for measuring outcomes, decentralization of decision making, and systems for measuring customer satisfaction. Similarly, Thompson and Ingraham (1996) find that of the forty-eight innovations adopted in reinvention labs, nine were external changes, and thirty-nine were internal.

> H_3 There is a positive relationship between political centralization and the extent to which public organizations are reactors.

The nature of the political system will affect the strategy content of public organizations. If power is concentrated in a small set of political institutions, then public managers may lack the legal autonomy to select their own strategies. Moreover, they come to believe that little purpose is served by developing strategies that will be overruled or superseded by centrally imposed strategies. This implies that a reactor stance will be more common in unitary political systems (e.g., the United Kingdom) than in federal systems (e.g., the United States and Australia) where power is constitutionally dispersed. Furthermore, a reactor stance will become more common as power is centralized within a given formal constitutional arrangement. Empirical studies have used indicators of political centralization that include the distribution of legislative and fiscal powers among different units of government (Boyne 1985). If hypothesis 3 is valid, then a reactor strategy should be more common where the "concentration ratio" for such variables is high.

> H_4 The higher an organization sits in a governmental hierarchy, the less likely it is to be a reactor.

Public agencies at the apex of political systems (e.g., central departments in national governments) are less likely to have strategies imposed on them or to be regulated by other levels of government in unitary political systems or state governments in federal systems. By contrast, local governments are likely to be instructed and regulated by central government. A corollary is that, within a level of government, the "corporate center" of an organization is less likely to be a reactor than are the functional departments that it oversees and attempts to control. This assumes that governments possess an effective as well as a formal "chain of command."

A qualification to hypothesis 4 is that small units at the very lowest level of government may effectively be "off the radar screen" of regulators and thereby have the freedom to adopt a prospector stance. In this case, the relationship between level of government and a reactor strategy may be nonlinear.[1] A test of hypothesis 4 requires a count of the number of levels in a governmental hierarchy and the identification of the location of different organizations within this.

> H_5 There is a positive relationship between slack resources and the extent to which public organizations are prospectors.

Slack resources allow an organization to purchase innovations, absorb failure, bear the costs of instituting innovations, explore new ideas in advance of an actual need (Rosner 1968), and adapt to internal and external pressures for change (Bourgeois 1981). Indeed, innovation often requires additional staff and extra resources for its development and implementation (Cyert and March 1963). Regulators may affect the availability of slack resources in public organizations by, for example, seeking to achieve better value for money or redistributing slack resources among public organizations, which will reduce the likelihood that regulatees might pursue a prospector strategy. Evidence from Berry's (1994) study of strategic planning, Damanpour's (1987) examination of the determinants

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1   We are grateful to one of the journal's reviewers for this point.

of innovation adoption in public libraries, and Kimberly and Evanisko's (1981) investigation of hospitals is supportive of a positive relationship between slack and innovation. Prospectors are likely to have resources beyond what an organization requires to maintain its operations (Damanpour 1991). Conversely, the research findings of Barker and Barr (2002) indicate that there is a negative relationship between organizational slack and a focus on the efficiency element of a defender strategy.

In empirical studies, measures of slack include financial and human resources. Financial measures cover an organization's budget, sources of finance, expenditure on its main activity, and fiscal health (Atkin and Hage 1971; Berry 1994; Daft and Becker 1978). Human resource measures include changes in the number of staff working for a public agency (Bourgeois 1981).

H_6 There is a positive relationship between leaders' time in office and the adoption of a defender stance.

A turnover of political or managerial elites is likely to be associated with a quest for a different strategic orientation, whereas long-serving leaders are likely to be committed to the status quo. Miller argues that established chief executives are reluctant to adopt new strategies, whereas new leaders "can change things without the embarrassment of reversing prior policies or commitments and without the pain of destroying cherished credos" (1993, 643). This assumes that organizational elites have not only the desire but also the power to shape strategy (Boyne and Dahya 2002). Whether new leaders adopt a prospector or reactor stance will partly depend on (*a*) their personal preferences and management style—some may have a disposition toward risk and innovation, whereas others emphasize caution and accountability to higher bodies—and (*b*) the tightness of the regulatory regime—as noted above, strict control by superior bodies is likely to suppress any willingness to pursue a prospector strategy.

CONCLUSION

In this article we have provided a classification of the strategy content of public organizations. This was achieved by reviewing existing models of strategy content and by addressing four problems in the literature: the false conflicts between strategy typologies, the simplistic and unidimensional classifications that seek to locate organizations in mutually exclusive boxes, the failure to recognize the distinctive characteristics of public organizations, and weaknesses in classifications of public-sector strategies.

Our classification of strategy content for public organizations has two dimensions—stance and actions. The three strategic stances in our framework are prospectors, defenders, and reactors. The range of strategic actions that can be used to operationalize a stance covers markets, services, revenues, and external and internal organization. We argued that fourteen of the fifteen combinations of stance and actions are theoretically feasible (defenders are, by definition, unlikely to change markets). It is possible for a public organization to occupy a variety of the fourteen strategy content cells because strategy is continuous and dynamic rather than categorical and static. Nevertheless, we have postulated that public organizations will typically occupy a fairly narrow range of strategic positions. In particular, they are more likely than their private-sector counterparts to be reactors rather than prospectors or defenders. Moreover, their strategic actions are likely to

focus disproportionately on external and internal organization because of political limits on their discretion to pursue new markets, services, and sources of revenue.

The strategy content framework that we have developed can be used as the basis for a stream of empirical research on public organizations. In particular, three major questions arise. First, does the framework capture the variety of strategy content in public-service organizations? An answer to this question will require extensive mapping and measurement of strategic stance and actions. Second, how can the pattern of strategy content be explained? We have suggested several propositions that can be tested empirically. Further explanations of interorganizational differences in strategy content will no doubt emerge from theoretical and empirical work in this area. Finally, what are the implications of different strategies for organizational performance? We have suggested that a reactor stance may not be the "lemon" of strategy in public organizations, but in what circumstances are different strategies likely to be successful? We have also argued that internal and external organizational actions are more readily achievable in public organizations, but are these changes more likely to result in higher organizational performance than changes in markets, services, and revenues? Answers to such questions not only will contribute to academic knowledge but may also help policy makers to design better programs of public reforms that reflect the distinctive aspects of the strategy content of public organizations.

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