

## **Alignment of strategy and structure in local government**

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Dag Ingvar Jacobsen

University of Agder, Norway

and Åge Johnsen

Oslo Metropolitan University, Norway

Dag Ingvar Jacobsen, Professor of Political Science, Department of Political Science and Management, University of Agder, PO Box 422, NO-4604 Kristiansand S., Norway

dag.i.jacobsen@uia.no

Åge Johnsen, Professor of Public Policy, Oslo Business School, Oslo Metropolitan University, PO Box 4 St Olavs plass, NO-0130 Oslo, Norway.

aage.johnsen@oslomet.no

### **ABSTRACT**

Strategic positioning and structural alignment in the public sector is a neglected area of research. This paper analyses the strategic positions of prospectors, defenders and reactors and structural alignment in Norwegian municipalities. Top managers responding to a survey perceived that the municipalities did align their organizational structures to the strategic positions for prospectors and defenders, but not for reactors, as hypothesized, but these relationships were modest. The top managers often found it difficult to provide consistent responses on their organizations' choices of strategic positions.

### **IMPACT**

The authors show that many Norwegian municipalities have minimal alignment of their organizational structures and strategies. A modest alignment of structure to strategy may explain the seemingly low impact of strategic planning found in many studies, as changes in

strategies have to be followed up with structural changes in order to be implemented effectively. In addition, the paper strongly indicates that strategy practitioners in top municipal management levels find it difficult to define their organization's choice of strategic position. Thus it is highly probable that policy-makers and strategy practitioners will see a higher impact of strategic planning if they define their organization's choice of strategic positions better and actually align the organizational structures more with these strategic positions.

**Keywords:** Environmental fit; municipalities; Norway; organizational design; organizational performance; strategic position; strategic choice.

## **Introduction**

The issue of strategic alignment and organizational design, the matching of an organization's strategy to its environment and the adaptation of its internal organizational structure to its strategy, has traditionally been at the core of both strategic management theory and organization theory (Chandler, 1962; Thompson, 1967). Despite being an important element in strategy and management practice (Joyce, 2017; Miles and Snow, 1978), the issue slipped off the academic agenda in the 1970s—perhaps because more fashionable academic issues emerged, such as new institutionalism and transaction cost analysis (Donaldson, 2001). The result has been that, according to Miller *et al.* (2009), much strategy and management research has lost its relevance.

As a result, there have been calls for research on strategic alignment and organizational design (Boyne and Walker, 2004; Greenwood, 1987). Some work has been published but this has been mainly in the Anglo-American context on schools and local governments in the USA and the UK (Andrews *et al.*, 2012a; Walker and Andrews, 2015). Additionally, some Continental and Nordic European studies have been provided (George *et al.*, 2016; Johnsen, 2016, 2018; Weiss, 2017). These studies did not, however, control for the organizations' structural alignment to the strategies, which may explain poor implementation of the strategies. All this research has shown that strategic alignment and planning can improve performance, but that the effects are small. More research is needed on strategy and the issue of structural alignment in local government. Using George and Desmidt (2014) contingency framework as

a point of reference, this paper explains the strategic management practice of plan implementation. According to George and Desmidt's table 10.1 there were no previous studies on their framework on environmental (for example the size and growth of population) and organizational contingency determinants (i.e. budgetary resources) and plan implementation. Our study therefore looked at the way municipalities implement strategies by structural alignment contingent on certain environmental and organizational characteristics.

One reason for the marginal effect of strategy content on performance in local government (Walker and Andrews, 2015) may be attributed to a lack of fit between strategy and structure. Insights from institutional theory inform us about the inertial forces inherent in all structural arrangements, especially in large and old organizations (like municipalities) (Le Mens *et al.*, 2015). Structures reflect underlying norms and values, they affect the influence of internal and external interest groups, and they represent stable and predictable frames for employees. All these features imply that changing structures may be more difficult and time-consuming than changing strategy. A similar mechanism of inertia may be found in the concept of bounded rationality and the logic of appropriateness. Organizations have limited resources and therefore normally manage by routines (Simon, 1947; March and Simon, 1958). When changes in strategies and structures are decided, these decisions may intentionally improve an organization's performance. Therefore, based on a logic of consequences, it is rational to implement the new strategy and structure. If, however, the new strategy and structure do not conform to current routines and organizational culture, they could, based on a logic of appropriateness, be deemed as unfit and therefore discarded, delayed or resisted (March and Olsen, 1989). The result is that organizational behaviour is hard to change and management decisions may face substantial inertia. Our empirical quest was to investigate whether, and to what degree, Norwegian municipalities change structures when they refine or redefine strategy.

## **Theory and hypotheses**

### *Strategy and structural alignment*

The core of the 'classic' approach to strategy is the need for alignment between strategy, the organization's environment and its internal structure (Chandler, 1962; Meier *et al.*, 2010;

Miles and Snow, 1984; Mintzberg, 1979). Some general recommendations have been put forward: for example that organizations operating in turbulent environments would benefit from a prospector type of strategy, a strategy characterized by scanning the environment for new opportunities, focusing on innovation and keeping ahead of the competition (Miles and Snow, 1978). However, just choosing such a strategy would mean little if not supported by an appropriate organizational structure. In turbulent environments, it has been argued that a more organic, decentralized structure would offer the best performance outcomes. And, in more stable environments, a strategy focusing on defending the *status quo* would be more efficient. Such a strategy would focus on keeping ahead of the competition by producing goods and services with a better quality, at higher speed or at lower costs (or all three combined) than their competitors. To be able to do so, a more centralized, or bureaucratic structure, with a greater emphasis on stability and predictability, is necessary.

Miles and Snow (1978) emphasized what they called the 'adaptive cycle', where strategy followed analysis, and structural alignment—or rationalization of structure and processes—followed strategy. Although not explicitly stated in the original Miles and Snow proposition, one could easily argue that different strategic positions would imply different approaches to structural alignment. If we focus on the three 'ideal' strategic types of strategic position outlined by Miles and Snow—prospector, defender and reactor (analyser being a mix of the three)—we can argue that they will work with structural alignment differently (Burton *et al.*, 2006).

A prospector will, as previously noted, focus on innovations, new markets and new products and services, which implies an explorative approach (Andrews *et al.*, 2012a; Benner and Tushman, 2015; Boyne and Walker, 2004;). Innovation will necessarily mean that the organization will need to execute radical structural changes in short time intervals (Perretti and Negro, 2006). Thus, prospectors will have a stronger focus on structure than the other strategic types. A defender, on the other hand, will probably focus on optimizing existing processes. Radical structural changes will be few, but incremental changes in structures and processes will be frequent. It is difficult to say whether defenders will put less emphasis on structure, but as changes are more incremental they will probably be perceived by many as

less important. Reactors will probably have a very low focus on structural alignment, as they have no clear strategy to align structure to the environment.

Thus, we propose the following hypotheses:

**H1a:** Prospectors will be more inclined to align structure and strategy than defenders.

**H1b:** Prospectors and defenders will be more inclined to align structure and strategy than reactors.

### *Urgency and structural alignment*

From a behavioural science perspective, it is easy to criticize the academic literature on structural alignment for having a too instrumental approach to organization design. There is a plethora of inertial forces in all organizations aiming to uphold the *status quo* and to avoid any disruptions in the daily routines (Jacobsen, 2018). At any given time, an organization can be viewed as a fixed set of resources, interests and power (Pfeffer, 1982, 2013). While a change in strategy is a change in ‘talk’, structural change transforms talk into actual behaviour. And, while changing the way we talk is rather easy, it is much harder to change behaviour (Brunsson, 1993). Based on this insight, Kotter (1995) argued strongly that successful organizational change—including structural changes—is based on a sense of urgency. Without this sense of urgency, humans, and thus organizations, will often prefer to keep the *status quo*, avoiding all the ‘nuisances’ associated with change. This line of thinking also resonates with common reform theory. Common reform theory states that, if a reform is likely to materialize, then it is not enough to have a legitimate motive for change, such as improving performance, an opportunity for change, such as a political majority and a coherent administrative structure, also needs to be present (Hood, 1995).

A sense of urgency may stem from many sources, but is clearly tightly connected to the competitive intensity in the environment (Porter, 1980; Wilden *et al.*, 2013). The stronger the competitive environment, the stronger the fear of losing out in the competition, and losing customers and goodwill. Another source of a sense of urgency is the resource situation of the organization (Gravenhorst *et al.*, 2003). A lack of ‘slack’ resources is a frequently cited source

of organizational stress (March and Simon, 1958), and subsequently as a source for organizational change and adaptation (Meyer, 1982). A third sense of urgency, prevalent in political institutions, is the fear of losing a political majority in the next election following poor organizational performance (Boyne *et al.*, 2010; James and John, 2007).

Based on the above arguments, and leaving hypothesizing of the past poor performance mechanism for other studies (Cheon and An, 2017), we have two further hypotheses:

**H2a:** Municipalities with fewer slack resources will be more inclined to align structure and strategy than municipalities with more slack resources.

**H2b:** Municipalities facing high competitive intensity will be more inclined to align structure and strategy than municipalities facing less intense competitive intensity.

#### *Size and structural alignment*

As organizations grow in size—mostly measured as the number of employees—they also grow in complexity (Cyert and March, 1963; March and Simon, 1958). To control this complexity, organizations usually establish formalized structures to manage communication, production processes and coordination between units. In addition, increasing size seems to be associated with stronger centralization, as information sharing between horizontal units can rely less on direct communication channels (Aldrich and Auster, 1986). Size also increases the number of subgroups in the organization, and thus of different interests vested in subparts of the organization. Political processes will thus become more common (Pfeffer, 2013), and the organization will become more institutionalized in the sense that diverse interests are vested in the organization making it more resilient to change (Hannan and Freeman, 1984; Le Mens *et al.*, 2015).

Aligning structure and strategy can thus be hypothesized to be more difficult in large organizations than in small ones (easier to change small organizations), leading to the following hypothesis:

**H3:** Small municipalities will be more inclined to align structure and strategy than larger ones.

### *Control and structural alignment*

Traditional theories on structural alignment assume, mostly implicitly, that a unified, rather homogenous group of decision-makers decides on structural change. In real life, most organizations face external control and fragmented internal governance structures making change a complicated process. Most organizations are embedded in a web of external stakeholders, be in co-operating units, regulatory agencies, interest groups and organizations, media and donors. This network of stakeholders make change difficult, especially when one or a few external stakeholders exert considerable influence over the organization (Kim *et al.*, 2006). Thus, the more concentrated external power the organization faces, the more difficult it will be to implement structural changes.

In many organizations, internal governance structures are also characterized by fragmentation (Hambrick and Finkelstein, 1987). Boards may consist of competing groups, with different views on strategy and structure, transforming the strategic decision process into a top-political process characterized by power play and negotiation (Andrews *et al.*, 2012b; Finkelstein and Hambrick, 1990).

The above discussion led us to hypothesize:

**H4a:** Municipalities facing low external control will be more inclined to align structure and strategy than those facing strong external control.

**H4b:** Municipalities with concentrated political councils will be more inclined to align structure and strategy than municipalities with fragmented political councils.

### **Research design**

#### *Empirical setting*

Norwegian municipalities are an interesting case study because they constitute the largest part of the local government, implement substantial elements of the public policies of the welfare state, and have available relevant administrative data for political and administrative

organizational structures as well as performance over time. Studying the whole population of municipalities, it is possible to conduct large-*N* studies.

#### *Data collection*

A survey was conducted in all 428 Norwegian municipalities in 2016, with questions on the use of strategic planning and management in the previous four years. We replicated previously used research questions on municipal strategic planning, stakeholder involvement, use of management tools, formal strategic planning, strategic types and actions, structural alignment to strategy, and impacts of strategic planning. After four rounds of following up non-response, we received single-respondent data from 173 municipalities, resulting in a response rate of 40.4%. Except for over-representation of big municipalities, the sample data was representative for the municipal population on common variables. The survey was addressed to the chief administrative officer who is the top administrative leader in municipalities. The respondents consisted of 69% chief or deputy chief administrative officers, 10% advisors or senior advisors, 8% municipal managers, and the remaining 13% were financial directors, planners and politicians. The respondents therefore largely represented the municipalities' administrative top management.

#### *Variables based on survey data*

The survey data was used primarily to investigate strategic position (following the Miles and Snow typology of prospectors, defenders and reactors) and structural alignment. To measure strategic position, 12 questions were asked, where four questions were assumed to measure each of the three strategic positions. The questions were taken from Andrews *et al.* (2009). Contrary to the original research, neither an exploratory (principal component with varimax rotation) nor a confirmatory (CFA) factor analysis managed to construct statistically useful indexes of the 12 items. Only the position of being reactor could be measured through a statistically sound index. As an index consisting of several items will display larger variation than a single item, and thus probably will explain more of the variance in any dependent variable, we opted for a solution where only single items were used to measure each of the three strategic positions.



To select the three items, we chose the three items (one each from the four assumed to measure the three different strategic positions) correlating strongest with the dependent variable:

- We have no distinct prioritization between service areas ('reactor').
- We are emphasizing efficiency in our service production ('defender').
- Searching for new opportunities is an important element in our strategy ('prospector').

The dependent variable consisted of three items regarding to what extent strategic planning is followed by structural alignments. These items were new. The three items were:

- When the municipality's strategic plan is decided, we always conduct a thorough analysis of how to align the municipality's structure to the strategy.
- A new strategic plan is always followed by reorganizations to assure alignment between strategy and structure.
- A new strategic plan is always followed by a change in our result indicators to support the strategic plan.

All three items were collapsed into a summative index displaying a high internal consistency ( $\alpha = 0.94$ ). Note that the items do not measure what type of structure that is chosen (for instance a more organic structure); they only measure the municipality's propensity to engage in structural change after a new strategic plan has been decided. To avoid missing values in the final analysis, missing answers to any of the three items were replaced by the series means. The index was divided by three (the number of items) to maintain the original scale from 1 to 7.

#### *Variables based on archival data*

In addition to the survey data, we also utilized register data from diverse, but highly reliable sources, on the municipality to operationalize the other variables discussed in the theory section.

Organizational size was measured through the number of inhabitants in the municipality per on 1 January 2016. Previous studies have shown that this measure is a good proxy of the number of employees in a municipality, as several studies show correlation between the two between 0.95 and 0.98 (Jacobsen, 2020). Moreover, if municipalities contract out services or create municipally-owned enterprises, employees in these entities are not counted as municipal employees. Therefore municipal inhabitants may be a better measure for organizational design than municipal employees. As population size (and thus organization size) is highly skewed, the variable was transformed using the log-function.

Slack resources were measured through an indicator called 'free income per capita', which captures the resources a municipality has that is not directly regulated by national laws and standards. Variation between municipalities stems mostly from variation in local taxes. To reduce the impact of annual fluctuations we used the average free income per capita for the years 2013–2015.

Competitive intensity was measured by the municipality's centrality, or geographical distance from the municipality centre to other municipalities of different size/density of population. The scale ranged from 0 (least central) to 4 (central). We assumed that less central municipalities will face less competition from neighbouring municipalities because in those cases it is more difficult for inhabitants to cross municipal borders or to move to neighbouring municipality.

External control of the organization was measured through a measure of heterogeneity of the population. Our underlying assumption was that a heterogeneous population may be used as an indicator of fragmentation, and thus of less external control.

Concentration of power in the political council was measured as the possibility of one political party to dominate. More technically, both heterogeneity in the population and in the council, was measured through Herfindahl's index. This measure is standardized, ranging from 0 (full dispersion or high fragmentation) to 1 (totally homogenous population or just one political party in the political council). The data used for this measure was for the municipal election term 2011–2015.

Table 1 shows the univariate distribution of the variables, as well as the bivariate correlations.

**Table 1. Univariate distribution, standard deviation in parentheses. Bivariate correlations (Pearson's r) (N = 173).**

	Mean (std.)	1	2	3	4	5	6	7	8
1 Structural alignment (1 = low, 7 = high)	3.9 (0.7)								
2 Prospector (1 = low, 7 = high)	5.6 (1.1)	0.28**							
3 Defender (1 = low, 7 = high)	5.8 (0.8)	0.24**	0.39**						
4 Reactor (1 = low, 7 = high)	2.6 (1.2)	-0.23**	-0.23**	-0.23**					
5 Size (log population)	8.9 (1.3)	0.04	0.22**	0.34**	-0.23**				
6 Slack (free income per capita in 1000 NOK)	54.4 (12.0)	-0.02	-0.17*	-0.33**	0.19*	-0.79**			
7 Centrality (0 = least central, 4 = most central)	1.8 (1.3)	0.07	0.24**	0.31**	-0.25**	0.61**	-0.59**		
8 Heterogeneity population (0 = homogenous, 1 = heterogeneous)	0.18 (0.06)	0.06	0.16*	0.24**	0.12	.36**	-0.19*	0.24**	
9 Heterogeneity council (0 = homogenous, 1 = heterogeneous)	0.74 (0.10)	0.05	0.05	-0.03	-0.07	0.07	-0.09	0.05	0.08

Significance: \* =  $\leq 0.05$ , \*\* =  $\leq 0.01$ .

The measurement of both the dependent and independent variables originated from the same instrument. There may therefore be a problem with common source bias, potentially posing a threat to internal as well as external validity. Common source bias can cause wrong estimates because data come from the same measurement instrument that due to self-reported data systematically produces artificial tendencies in the measures and relationships (Meier and O'Toole, 2013).

Although common source bias is hard to control for, we conducted a Harman's single factor test by doing an ordinary factor analysis (principal component) constrained to one factor (unrotated). This factor only accounted for 22% of the variance—far below the usual cut-off threshold of 50%. Harman's single factor test indicated few problems with common measurement bias, therefore using the survey instrument to measure the independent and dependent variable did not pose a common source bias threat. Moreover, common source bias may be a threat to many studies relying on a single data source, but does not automatically invalidate such data. Common source bias should be analysed, but use of surveys as single or dominant data source should not automatically discredit the data and results (George and Pandey, 2017). Probably more problematic is the problem of endogeneity

as both dependent and significant independent variables stem from the same instrument and data collected at the same time. As Mintzberg and colleagues indicated many years ago, strategy might as well be a function of structure as the other way around (Mintzberg *et al.*, 1976). Although questions were framed to indicate a time lag (change of structure after new strategy), data collected at the same point in time can never establish a clear line of causality. To remedy this, we would need longitudinal studies, which was beyond the scope for this paper.

### *Statistical analysis*

We used ordinary least square (OLS) multiple regression models in the analysis. Table 1 shows a correlation of 0.79 between free income per capita and the log of municipal population, which is above the common threshold of 0.70, indicating a possible multicollinearity problem. In the two regression models, all of the variables had variance inflation indexes (VIFs) below five, which indicates that multicollinearity was not a problem in the models. A normal probability plot of residuals, as well as scatterplot of residuals, showed only minor deviations from a normal distribution, indicating near homoscedasticity. No influential outliers were detected (highest Cook's distances 0.06).

### **Results**

Table 1 indicates that Norwegian municipalities only to a modest degree followed up changes in strategy with changes in structure. The mean value of structural alignment was 3.9 (the same as the median and mode), indicating that respondents were neutral/slightly disagreeing with statements on whether they adapt structure to strategy.

Next, we wanted to discover if there were differences between municipalities taking different strategic positions. The variables in Table 1 was introduced in a multiple regression (OLS). The regression was conducted in two steps, first with only the three strategic types as independent variables (model I), next as a full model with controls (model II). Results are shown in Table 2.

Only hypotheses 1a and 1b get any support from this analysis. Prospectors were more prone to engage in structural alignment than defenders, although the difference in effects is small. Both prospectors and defenders were, however, much more involved in structural alignment

than municipalities enacting the position of a reactor. None of the exogenous variables had any significant effects on structural alignment.

**Table 2. Multiple linear regression (OLS) (N = 173).**

	<b>Model I</b>	<b>Model II</b>
2 Prospector (1 = low, 7 = high)	0.20**	0.21**
3 Defender (1 = low, 7 = high)	0.13+	0.17*
4 Reactor (1 = low, 7 = high)	-0.14+	-0.16*
5 Size (log population)		-0.07
6 Slack (free income per capita in 1000 NOK)		0.04
7 Centrality (0 = least central, 4 = most central)		-0.01
8 Heterogeneity population (0 = homogenous, 1 = heterogeneous)		0.01
9 Heterogeneity council (0 = homogenous, 1 = heterogeneous)		0.05
R <sup>2</sup> adjusted	0.11	0.09
F-value	7.6**	3.1**

Dependent variable = structural alignment. Standardized coefficients (beta).

Highest Variance Inflation Index (VIF) value = 3.3.

Significance: + =  $\leq 0.10$ , \* =  $\leq 0.05$ , \*\* =  $\leq 0.01$ .

## Discussion

Table 3 presents an overview of the findings related to our hypotheses.

**Table 3. Overview of hypotheses and empirical findings.**

<b>H1a</b>	Prospectors will be more inclined to align structure and strategy than defenders	Corroborated
<b>H1b</b>	Prospectors and defenders will be more inclined to align structure and strategy than reactors	Corroborated
<b>H2a</b>	Municipalities with more slack resources will be more inclined to align structure and strategy than municipalities with fewer slack resources	Not corroborated
<b>H2b</b>	Municipalities facing high competitive intensity will be more inclined to align structure and strategy than municipalities facing less intense competitive intensity	Not corroborated
<b>H3</b>	Small municipalities will be more inclined to align structure and strategy than large ones	Not corroborated
<b>H4a</b>	Municipalities facing low external control will be more inclined to align structure and strategy than those facing strong external control	Not corroborated

<b>H4b</b>	Municipalities with concentrated political councils will be more inclined to align structure and strategy than municipalities with fragmented political councils	Not corroborated
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This analysis corroborates partially one central tenet of the Miles and Snow proposition in that there is a correlation between strategic positions and structural alignment. Prospectors are more active in adapting structure, defenders somewhat less, while reactors are the least active in aligning structure and strategy.

This relationship is, however, weak. If, as theory assumes, certain organizational structures are important for implementing strategies, and certain strategies are important to adapt the organization to its environment and hence determine performance, this could explain the seemingly low relationship that has been found between strategy and performance in public sector organizations in some countries (Andrews *et al.*, 2012a; Johnsen, 2018). These relationships are important both for theory and practice because structural alignment and strategy implementation is a demanding endeavour in practice, and there is relatively little research evidence on these issues, which currently are available for practitioners as well as for students of strategic management and organization in the public sector.

The seemingly low structural alignment and the bigger impact of prospecting than defending on structural alignment in the Norwegian municipalities in 2016 may be due to several factors. There may still have been low urgency to pursue coherent strategies in 2016 because there often is delay in public policies, which could partly explain the overall low degree of structural alignment. The petroleum industry is important to the Norwegian economy. Until the drop in the crude oil price in 2014, there was relatively little emphasis on cutback management and efficiency in fiscal policy. When cutback management in Norway was placed higher on the public policy agenda in 2015 than before, it may have taken some time to take effect. Therefore, prospecting may have been a more feasible strategy for many municipalities until 2016 and during our period of study, and defending with emphasis on improving current services and fiscal prudence may have been less urgent before 2016.

Before we conclude that there is a weak relationship between strategy and structural alignment in the Norwegian municipalities, there are several issues that we need to address. The issues we discuss below need further research.

First, strategy—understood as the Miles and Snow conceptualization—and structure may be largely uncorrelated at the organizational level, especially for large and complex organizations like divisionalized structures and conglomerates. These overall configurations are usually associated with specific positions in competitive strategy, i.e. diversification (Miller, 1988; Mintzberg, 1979). Nevertheless, it is highly possible that one could find different strategic positions within a divisionalized or conglomerate structure (Cole and Karl, 2016). Municipalities, and Norwegian municipalities especially so, are conglomerates, consisting of very different tasks and functions organized in semi-autonomous units. Rather than being organizations selecting products and markets autonomously, municipalities are outcomes of long historical processes and political ‘battles’ over what tasks should be placed in the public sector and at what sectorial level. Tasks and technologies are thus located in municipalities, not from an evaluation of competitive advantage or synergies, but rather from a review and evaluation of which tasks are best solved at the local level.

Second, some municipal strategic choices take place at the macro level and are addressed in municipal policies, for example levels of taxation, privatization and outsourcing, and prioritization between tasks. Such choices will eventually materialize as traits of the environment, which different parts of the municipal organization will have to adapt to. Other strategic choices, however, are dealt with at the service or sector levels rather than at the organizational level (Andrews *et al.*, 2012b). Adaption of strategy and structure may thus happen in highly heterogeneous ways at the service or sector levels, rather than uniformly at the municipal level. Possible remedies to the problem of valid level of analysis are to conduct similar studies of specific services, for example schooling and health care, rather than at the general municipal level, or analysing environments, strategy, structural alignment and performance, between different countries with different institutional arrangements.

Third, a seemingly modest strategy and structure alignment may to some degree be due to local governments contracting out services. The focal municipality may change its strategy but

the changes in structures could come outside the formal municipal organization in the organizations providing the contracted services.

Fourth, structural inertia may be higher in municipalities than in private organizations (that the original theories were elaborated for), and inertia in Norwegian municipalities may be higher than in other countries' municipalities. To elaborate on the first point, we must emphasize that municipalities to a high degree are institutions, and not organizations. They are highly institutionalized internally, as several groups have strong vested interests in the organization. Reorganizations will directly and indirectly affect the power and influence of these groups (Pfeffer, 2013). Furthermore, one could argue that power is more dispersed in municipalities than in a private company, as democratic political systems are based on differences in interest. This will make it harder to establish a strong guiding coalition to implement any reorganization (Kotter, 1995). Municipalities are also highly institutionalized externally in the sense that they are open to individuals and groups in the municipality. National laws regulate this openness, local media delves into municipal processes, and individuals and local interest groups follow closely what goes on in the municipality. As a consequence, attempts at reorganization activates a large array of external interests, and the possibility for the municipality to 'lock them out' is severely limited.

Fifth, some studies have pointed to the tendency for municipalities in the Nordic countries to have more responsibility for implementing national welfare policies and therefore to be more regulated, than many other European countries (Sellers and Lidstrom, 2007). If Norwegian municipalities are relatively heavy regulated, this may give less leeway for the Norwegian municipal top management to choose strategies and structural alignments, than in municipalities other countries. Strategic change may thus primarily be initiated by central government in the form of general, nationwide reforms. This lack of administrative leeway indicates that reacting to external pressures, and little emphasis on strategic choice and structural alignment—a reactor position—may have been relatively common and efficient in many Norwegian municipalities, and maybe even more so in an environment of relatively fiscal affluence until the drop in the crude oil prices in 2014.



Sixth, there may be misspecification of the models in our analysis, in particular omitted variables. One obvious missing variable is past performance. Organizations typically employ routines (March and Simon, 1958) which may scan the environment for new solutions, as typically emphasised by prospectors, or seek to improve the performance of the current services, as typically emphasised by defenders (Miles and Snow, 1978). Such routines may run relatively uninterrupted until some misalignment and urgency is perceived, typically in the form of poor performance (Cyert and March, 1963). Poor performance and structural alignment could therefore be included as a new hypothesis H2c, and a new independent variable with prior performance could be included in our models in order to explain both choice of strategy and structural alignment.

Seventh, the Norwegian data resulted in low reliability when we attempted to develop multi-item scales for measuring strategic positions. Our analysis, therefore, had to rely on single-item measures for strategic positions. This choice may have caused low construct validity in the measurement of strategic positions. This may or may not have affected the weak relationships between strategic positions and structural alignment in this analysis. This issue may be related to the issues of level of analysis, regulation and administrative leeway, discussed above. If Norwegian municipalities are strictly regulated and the municipal top management experience that they have little administrative leeway both in choosing strategic positions and in structural alignment, then the respondents may have been little used to thinking and acting within a strategic positioning framework. Hence, the replies on the different items on strategic positions may have little internal consistency or may not be able to distinguish strategic positions at the municipal level. A remedy also here is to conduct analyses at the service or sector levels. This is beyond the scope for this paper and with this data set.

Finally, the survey probed structural alignment by talking to the municipal top management. This is a valid data source regarding their perceptions of the municipal structural alignment, but using single informants from every municipality and using subjective measures may not measure factual structural alignment well. A way forward to remedy this possible limitation is to incorporate administrative data on changes in organizational design as an alternative measure for the dependent variable.

## **Conclusions**

Strategic positioning and structural alignment in the public sector is a neglected area of research. Our study indicates that it is also a mostly neglected area at the municipal level, an important part of the public sector in most Western countries. We found a loose link between strategy change and structural change, thus there is little alignment between the two, although there was a significant variation between municipalities. The missing link between strategy and structure may be an explanation for why managers often answer that the impact of strategic planning and plans at the municipal level is rather low (Walker and Andrews, 2015). Without adapting structure to support strategy, the risk of failing in the implementation phase will increase. Thus, the study indicates that changes in strategies without subsequent changes in the organization may be a rather futile activity. The strategy will remain just 'talk' without consequences for organizational action (Jacobsen, 2018).

Moreover, our top management respondents often found it difficult to provide consistent responses on their organizations' choices of strategic positions. These findings have important implications for policy-makers and strategy practitioners. If the municipal strategy is underdeveloped and representatives for the top management in addition find it difficult to understand their organization's strategy, this may explain why aligning the structure to strategy is modest. A poor strategy–structure alignment may also explain why many public sector organizations seem to achieve limited impact of their strategic planning and its content on performance.

This research is in an early state, and more research, using more refined concepts, models and measurement tools is needed. In addition, we need more research on the role strategy–structure alignment plays for municipal performance.

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