Strategy, Political Regulation and Management Control in the Public Sector: Institutional and Critical Perspectives

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Acknowledgement: Earlier versions of this paper were presented at the 6th EIASM conference on New Directions in Management Accounting, Brussels (2008) and seminars and workshops at Aston Business School, London School of Economics, Imperial College and Bocconi University. Comments on earlier versions by Diane-Laure Arjalies-de la Landes, Chris Chapman, Rob Chenhall, Wai Fong Chua, Norio Sawabe and Fredrika Wiesel are acknowledged. The study was partly funded by the Swedish Research Council.
Abstract

This paper combines institutional and critical theories in examining how evolving management control practices, inspired by the balanced scorecard, mediated the process of strategy formation in a Swedish central government agency. Particular attention is paid to how this process was conditioned by external, political regulation of the organization. Contrary to popular conceptions of strategy and strategic management as emerging alternatives to political regulation in the public sector, the study shows how the meaning of the notion of strategy became intricately intertwined with government regulation. Whilst this affirms the tendency of organizations to comply with institutional pressures exerted by dominant constituencies, the analysis also shows how the unfolding strategy discourse gradually narrowed the meaning of the notion of strategy permeating the organization. The extension of an institutional perspective to incorporate more critical insights highlights how this process fostered some “unintended” consequences with a detrimental impact on organizational practices aimed at achieving broader social objectives. The analysis thus contributes to recent attempts to give institutional research on accounting a “critical edge” whilst stressing the need to probe into the unobtrusive power embedded in emerging strategy discourses. It also extends prior institutional research on strategic management accounting by demonstrating how control practices emerging under this banner constitute, rather than being contingent on, particular notions of strategy.

Key words: critical theory, institutional theory, management control, political regulation, strategy.
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Introduction

Notions of strategy and strategic management are becoming increasingly pervasive in contemporary organizations (Knights and Morgan, 1991; Carter et al., 2010). Whilst originating in private sector, for-profit organizations, they are now also a notable feature of the managerial discourse in the public sector. Considerable efforts have been made to adapt existing conceptualizations of organizational strategy to fit public sector contexts (e.g., Johnson and Scholes, 2001; Boyne and Walker, 2004; Andrews et al., 2009a; Johansson, 2009). As noted by Llewellyn and Tappin (2003), however, the notion of strategy is still relatively new in the public sector and, as such, open to continuous negotiation and (re-)construction. Whilst rooted in New Public Management (NPM) reforms challenging the efficacy of traditional public management practices and political regulation, the notion of strategy has co-evolved with new regulatory regimes (see e.g., Boyne, 1998; Hood et al., 2000; James, 2000; Broadbent et al., 2010). Yet, little attention has been paid to the interplay between strategy and external, political regulation of organizations (Andrews et al., 2008). Similarly, few explicit attempts have been made to examine how management accounting and control are implicated in shaping organizational strategies in the face of changing regulatory regimes (Carter and Mueller, 2006; Skærbæk and Tryggestad, 2010). Hence, little is known about how strategies acquire their distinctive meanings through the interplay between management control practices and external, political regulation of public sector organizations.

The objective of this paper is to explore this issue through a field study in a Swedish central government agency. In doing so, I extend emerging research into the formation of organizational strategies informed by institutional and critical theories. Institutional theory constitutes a useful analytical lens for understanding how regulatory pressures influence organizational strategies and has contributed to distance the conception of strategy from the conventional view as a phenomenon dominated by economic and competitive imperatives (Oliver, 1997; Ruef, 2003; Lounsbury and Leblebici, 2004).\footnote{In the present paper, institutional theory primarily refers to new (or neo-) institutional sociology. However, the critique of this perspective for failing to develop critical insights would also seem to apply to other institutional} Management accounting...
scholars have also applied an institutional perspective in examining the adoption and implementation of “strategic management accounting” techniques (Granlund and Lukka, 1998; Kasperskaya, 2008; Ma and Tayles, 2009). However, these studies have tended to treat the notion of strategy as given and separable from its enactment by organizational actors. For instance, Ma and Tayles (2009, p. 490) concluded that successful adoption of strategic management accounting techniques is contingent on “whether they fit with the organisations’ strategic agenda” and “show high relevance to the organisations’ strategic objectives” without problematizing how such agendas and objectives come into being and are transformed. Hence, the process whereby the very notion of strategy is institutionalized has remained largely unexplored.

Even less attention has been paid to how the institutionalization of notions of strategy through the use of management control privileges certain interests whilst subordinating and marginalizing others (Carter et al., 2010). This strips the study of strategy of critical content and implies that the process of institutionalization is seen as somewhat apolitical (cf. Clegg et al., 2004; Ezzamel and Willmott, 2004; Carter et al., 2008). Whilst this is symptomatic of the general lack of dialogue between institutional and critical theories (Rahaman et al., 2004; Cooper et al., 2008) it is problematic for a number of reasons. Most importantly, it fails to recognize how a focus on strategy formation may reify narrow, managerialist agendas and bracket their potentially detrimental consequences for wider constituencies (Clegg et al., 2004; Ezzamel and Willmott, 2008; McKinlay et al., in press). This is especially problematic in contexts such as the public sector, where notions of strategy and strategic management have challenged regulatory frameworks intended to safeguard wider interests (see Andrews et al., 2008; Lane and Wallis, 2009). Mobilizing institutional theories in an unquestioning manner runs the risk of normalizing and legitimizing such changes by ignoring alternative theorizations critiquing the effects of institutionalization (Lawrence and Suddaby, 2006; Cooper et al., 2008). It would thus seem pertinent to give institutional analyses of strategy and management control a “critical edge” (cf. Lawrence et al., 2009).

The present paper advances such a critical understanding of how management control is implicated in the institutionalization of the notion of strategy based on a field study in a Swedish central government agency. In examining the process of strategy formation I draw
attention to how political regulation became intricately intertwined with the notion of strategy and how evolving management control practices inspired by the balanced scorecard mediated this process. In contrast to the view of strategy and strategic management as alternatives to political regulation, I demonstrate how the meaning of the notion of strategy gradually became closely associated with organizational alignment with government regulation. Somewhat paradoxically, this led to the institutionalization of an increasingly restrictive view of strategic priorities generating some “unintended” outcomes with a detrimental impact on organizational practices contributing to achievement of wider social objectives. In contrast to most institutional research on management accounting, I thus explicate how evolving management control practices are not only implicated in organizational alignment with institutional pressures but also contribute to the marginalization of some constituent interests.

The following section presents an analytical framework explicating how institutional and critical perspectives complement each other in examining the interplay between strategy, political regulation and management control in the public sector. The ensuing section describes the research setting and design. The case narrative then follows a largely chronological approach tracking the process of strategy formation in the field study site. A discussion of my main findings and contributions concludes the paper.

Analytical Framework

A key justification for political regulation of public sector organizations has traditionally been that of safe-guarding the public interest from adverse consequences of organizational behaviour (Barrow, 1996; James, 2000). To this end, relatively detailed regulatory frameworks have evolved in most advanced democracies and were long legitimized as necessary vehicles of democratic accountability and control (Hood, 1995). The emergence of more explicit notions of strategy and strategic management in the public sector is part of the wider onslaught on such regulatory frameworks, notably spearheaded by the Reinventing Government movement in the US (Osborne and Gaebler, 1992; Gore, 1993) but also replicated elsewhere (see Luke and Verreyne, 2006; Lane and Wallis, 2009). Several observers have traced current discourses pivoting on the need for a more “strategic” management approach to Osborne and Gaebler’s (1992) critique of political regulation for stifling the propensity for innovation and service improvement (Lynn, 2001; Luke and Verreyne, 2006; Lane and Wallis, 2009). Following the identification of excessive political
regulation as a key problem for strategy to resolve, the ideal conception of strategic management has often been one of long-term goal-directedness and pro-active management as opposed to the allegedly reactive and short-term nature of traditional public management practices (Johansson, 2009; Lane and Wallis, 2009). The adoption of private sector techniques presumably fostering long-term management (e.g., strategic planning) has also occurred as a response to growing concerns with the traditional absence of explicit strategies (Llewellyn and Tappin, 2003).

Recent survey-based research would seem to vindicate normative claims regarding the benefits of explicit strategic management in the public sector. For instance, reliance on goal-directed strategic planning has been found to have a positive impact on the performance of public sector organizations (Walker et al., 2010) whilst an absence of or extensive political influence on formal processes of strategy formation tend to detract from performance (Andrews et al., 2009b). At the same time, however, it is recognized that emerging notions of strategy have not fully replaced, but rather form a complex interplay with external political regulation of public sector organizations (Andrews et al., 2008; Johansson, 2009). There is some evidence of management accounting being implicated in this interplay. For instance, strategic management accounting techniques, such as the balanced scorecard, have arguably had an important influence on some regulatory frameworks established to reinforce “arms-length” as opposed to more detailed regulation of public services (McAdam and Walker, 2003; Woods and Grubnic, 2008; Chang, 2009). This suggests some intricate intertwining of strategy, political regulation and management control with potentially far-reaching implications for the interests served by public sector organizations. However, little is still known about how this intertwining manifests itself in practice and comes to privilege and subordinate diverse constituencies collectively making up the public interest.

Institutional and critical theories offer complementary insights into this issue. Institutional theorists are increasingly conceiving of institutionalization as a more or less ongoing process infused with competing interests (see e.g., Seo and Creed, 2002; Lawrence and Suddaby, 2006; Scott, 2008). However, the constituent interests of primary concern in institutional analyses have been relatively limited. The narrow conceptualization of which interests matter in the process of institutionalization can be traced to DiMaggio and Powell’s (1983) emphasis on the professions and the State as the dominant rationalizers in contemporary Western society. The influence of these constituencies was ascribed to their capacity to exercise
normative and regulatory pressures fostering conformity in organizational fields. Even though
subsequent advances extended this view by emphasizing how organizational fields are
embedded in broader, societal value systems (e.g., Friedland and Alford, 1991), the early
institutionalization of institutional theory cemented its position as a framework primarily
explaining homogeneity and the gradual entrenchment of practices favoured by dominant
coilitions of interests (Scott, 1987; Tolbert and Zucker, 1996). Attempts to rectify this bias by
re-instating a focus on agency and power to explain the propensity for divergent change have
arguably left the value system reified by institutional theory largely unquestioned. This value
system has tended to naturalize the status quo without engendering critical analysis of how
agents reproduce and transform dominant social orders (Lawrence and Suddaby, 2006;
Cooper et al., 2008). The examination of agency and power has mostly been confined to how
extant or emerging elites entrench their positions in the process of preserving and changing
institutions but generally stops short of problematizing the wider effects of such processes.
Accounting research informed by institutional theory offers few exceptions to this pattern (see
Rahaman et al., 2004; Lawrence et al., 2009).

By contrast, a critical perspective on strategy formation draws attention to how the power
embedded in management control practices is implicated in privileging some interests whilst
subordinating and marginalizing others (Carter et al., 2010; McKinlay et al., in press). Some
institutional theorists have attempted to address this issue by asking critical questions about
who benefits from particular institutional arrangements and what they do to entrench them
(Lawrence and Suddaby, 2006). However, researchers need to go beyond deliberate attempts
by various constituencies to harness institutions in their quest for power and domination to
develop deeper, critical insights. The enactment of institutional arrangements often occurs in
more subtle ways as emerging discourses colonize actors’ life-worlds and alter power
relationships in and around organizations (Oakes et al., 1998; Cooper et al., 2008). This may
occur without overtly obtrusive forms of power being exercised by calculating agents as the
construction of social realities are tied up with normalizing processes (cf. Foucault, 1977;
Clegg, 1989). The idea of normalization is akin to that of institutionalization, or the process
whereby actors come to take various practices for granted. However, critical analyses of this
phenomenon display more innate concerns with how discourses permeate actors’ life-worlds
and contribute to construct particular institutional arrangements (Cooper et al., 2008). This
reduces the likelihood of unfettered, calculating agency as a vehicle of change although it
does not preclude the possibility of resistance to emerging organizational practices, such as
those being mobilized in the name of strategy (see Ezzamel and Willmott, 2008; Whittle and Mueller, 2010).

The possibility of calculating agency is also circumscribed by the difficulties in foreseeing the full implications of institutional processes. The institutionalization of particular practices often generates “unintended”, or paradoxical, outcomes with detrimental effects for various constituencies. For instance, Rahaman et al. (2004) show how organizational enactment of particular accounting practices in the quest for legitimacy eventually resulted in a legitimation crisis as the negative effects for subordinate constituencies became increasingly obvious. Similarly, Lawrence et al. (2009) illustrate how the institutionalization of novel accounting practices may contradict fundamental, social objectives of organizations and thus undermine their broader functions in society. Institutional theorists have seen such tensions and inconsistencies as a potentially powerful source of deliberate agency and change (e.g., Seo and Creed, 2002; Burns and Baldvinsdottir, 2005). However, the normalizing power of institutions may lead agents to fail to recognize or quietly accept “unintended” consequences of institutionalization as it regulates their understandings of social realities. Hence, the marginalization of particular interests may not be immediately obvious to various actors as notions of strategy are institutionalized. It is the task of critical scholars to unpack the processes leading to such “unintended” outcomes to foster some understanding of the possibilities of questioning and resisting emerging notions of strategy (Ezzamel and Willmott, 2008; Carter et al., 2010). By contrast, institutional theorists have shown little interest in such concerns with emancipation (Cooper et al., 2008).

To fully grasp the emergence of “unintended” consequences of strategy formation requires some awareness of the fallacy of only focusing on issues dominating strategic agendas. Researchers need to venture further and examine why certain issues do not emerge or disappear from such agendas (Carter et al., 2008, 2010; Whittle and Mueller, 2010). As noted by Knights and Morgan (1991), the discourses mobilized in the name of strategy often constitute the problems for which they claim to be a solution and thus define what is seen as “intended” and “unintended” consequences. Efforts to make the notion of strategy explicit set organizational agendas and shape the identities of those enacting strategies. In doing so, they normalize broader or narrower interpretations of what constitute legitimate strategic concerns. Management control practices may be complicit in such processes. For instance, Hansen and Mouritsen (2005) show how balanced scorecards were used to frame a broad range of issues
and thus bestowed a degree of strategic significance on these. This gave rise to considerable variation in the organizational problems emerging on the strategic agenda. Conversely, Kornberger and Carter (2010) demonstrate how league tables fostered a need for explicit strategies which, in turn, had the “unintended” consequence of narrowing strategy formation to a few measurable performance aspects and reducing diversity. The capacity of management control practices to define the scope of the notion of strategy may thus be expected to have a powerful impact on what concerns and interests receive attention in organizations.

It is plausible to expect the interplay between strategy, political regulation and management control in the public sector to generate “unintended” consequences with potentially detrimental effects for various constituencies. Novel control practices, such as the balanced scorecard, have arguably tended to institutionalize notions of strategy as a matter of aligning performance measurement and organizational action with a narrow set of clearly defined objectives (Modell, 2004). It is far from clear whether broader regulatory frameworks are capable of mitigating the risks of adverse consequences of focusing organizational attention to a limited number of measurable objectives. The continuous (re-)construction of the notion of strategy through changing management control practices may be seen as an attempt to address “unintended” consequences as they emerge and require attention (Skærbæk and Tryggestad, 2010). However, for continuous (re-)construction to be a more pervasive feature of strategy formation probably requires a relatively open-ended view of which problems warrant attention and which outcomes need to be mitigated. This is less likely to be the case where the strategy discourse is dominated by elites with strongly vested interests in pursuing narrowly defined agendas (cf. Knights and Morgan, 1991; Clegg et al., 2004; Carter et al., 2010). Empirical inquiries thus need to pay close attention to what conditions the propensity for open-ended and more restrictive modes of strategy formation.

**Research Setting and Design**

The combination of institutional and critical perspectives requires some familiarity with the broader, macro-level context in which the discourses constituting social practices evolve (cf. Phillips and Hardy, 2002). However, to fully understand how the rationalizations embedded in such discourses are reflected in organizational action also requires researchers to probe into the processes whereby discourses penetrate organizational control practices (Hassselbladh and Kallinikos, 2000; Dambrin et al., 2007). In the present study, the examination of macro-level
processes underpinning the emergence of strategy discourse was facilitated by the inclusion of the focal field study site in a larger research programme comprising case studies in a broad range of Swedish central government agencies and interactions with actors at higher levels of this organizational field (e.g., regulatory agencies, civil servants in government offices). This also entailed collection of extensive archival data shedding light on the development of management reforms and, more specifically, the emergence of more explicit notions of strategy and strategic management in this organizational field. However, the main focus of this paper is on the influence of the emerging strategy discourse on the process of strategy formation in a particular government agency – the Swedish National Board of Student Aid (SNBSA).

The SNBSA is held accountable to the Ministry of Education and Science and charged with administering a range of state-subsidised financial support schemes for secondary and tertiary education students. A substantial part of its operations entails administration of government grants and loans to university students and administration of re-payment schemes. The overriding objectives of the organization pivot on its role in furthering enrolment in higher education such that economic and social differences in the student population are evened out. These objectives are closely related to the Government’s broader educational policy objectives. There is relatively broad political consensus regarding the need for state-subsidised support schemes to ensure equitable access to higher education and combating social and economic segregation. As explicated in the case narrative, however, the process of strategy formation in the SNBSA had the “unintended” consequence of challenging emerging practices contributing to the achievement of these wider objectives.

Initial contacts with the SNBSA were made in 2003 and formal data collection within the organization commenced in October 2004. The agency was at this stage in the midst of developing a coherent strategy and novel performance management practices after having experienced a period of radical re-structuring and a largely “failed” attempt to link management control practices to strategy. To follow the unfolding strategy formation in real time, I extended data collection over a period of little more than three years. In addition to archival data providing insights into the mobilization of strategy discourse (e.g., government reports, internal planning and control documents, memoranda and promotional material), I conducted semi-structured interviews with senior and middle management and various staff
specialists in three consecutive phases in 2004/05, 2006 and 2007/08. A detailed break-down of the distribution of interviewees across these phases is given in the Appendix.

Initial interviews were held with senior management and headquarters staff extensively involved in past and ongoing efforts to develop the strategy and control practices of the organization. Several of them were also interviewed in the later phases whilst efforts were gradually made to broaden data collection to organizational actors less directly involved in these activities, such as other members of headquarters staff and middle managers. Operations within the SNBSA are sub-divided into a number of local branch offices across the country headed by managers with budgetary responsibility. I interviewed a representative sample (in terms of office size and location) of these managers at different phases of the research process. In total, five of the 19 interviewees were interviewed on more than one occasion and assumed the role of key informants throughout the duration of the study. Interviews typically lasted between one and two hours. All interviews targeted past as well as ongoing developments in control practices with particular emphasis on how these relate to government reforms and policy changes as well as internal change initiatives. However, the interview guide was continuously adjusted to reflect the specific position and experiences of each interviewee.

As described in greater detail in the case narrative, the political climate surrounding the SNBSA has occasionally been very tense. Whilst organizational anonymity was not requested, considerable caution had to be observed to avoid disrupting my relationship with the organization and hamper disclosure of potentially controversial and politically sensitive information. This posed certain constraints on the nature and forms of data collection at hand. For instance, I refrained from taping the interviews to avoid bias related to discussions of sensitive issues. To compensate for this limitation I adopted a systematic means of respondent validation (cf. Bloor, 1978). Extensive notes were taken during the interviews and transcribed immediately after each interview occasion. These transcripts were then returned to the interviewees to solicit feedback. Whilst this proved useful for stimulating further dialogue and probing deeper into certain issues, some caution needs to be observed in the use of quotes from the interviews and I mainly reproduce shorter statements for illustrative purposes. Emerging researcher interpretations were also validated through reliance on interactive group discussions. On two occasions (in April 2006 and October 2007) I arranged de-briefing sessions with larger groups of informants to discuss the development of strategy and control
practices. However, more direct access to formal strategy meetings was denied by senior management.

It is worth noting that the theorization underpinning the following case narrative was gradually deepened as data collection progressed (Ahrens and Chapman, 2006). The analysis of data followed an essentially abductive approach as theoretically informed explanations of emerging observations were continuously developed and validated (Lukka and Modell, 2010). Whilst open-ended, thematic coding and pattern matching were undertaken throughout the process of data collection, a more critical understanding only emerged as the study was broadened to organizational actors playing a less dominant role in strategy formation and “unintended” consequences became increasingly obvious. A limitation of the study is the inability to give direct voice to actors exposed to such outcomes (cf. Ezzamel and Willmott, 2008; Lukka and Modell, 2010). However, by extending the analysis of what emerges and is played down as explicitly “strategic” I hope to convey a critical sense of the processes reinforcing adverse consequences of strategy formation (cf. Knights and Morgan, 1991).

In constructing the case narrative I followed a temporal bracketing strategy (Langley, 1999). This led me to structure the case narrative around three phases during which key events and episodes triggered some discontinuities in strategy formation (see Table 1). Following the discussion in the previous section, I was particularly interested in identifying discontinuities signifying shifts between relatively open-ended and more restrictive modes of strategy formation. However, it should be emphasized that the distinctions between these phases are primarily analytical ones and are not intended to denote any neat, sequential process of strategy formation (Langley, 1999). Whilst the main thrust of the analysis is on the last two phases, which I was able to follow in real time, I cross-checked interview accounts offered by multiple individuals with long experience from the SNBSA and compared these with documentary evidence and notes taken during the interactive group discussions to mitigate the risk of retrospective bias.

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2 Whilst standard validation techniques for qualitative research, such as member checking and respondent validation, were employed throughout the study I recognize that the validation of interpretive and critical accounts is ultimately a matter of inter-subjective negotiation with broader communities of scholars (Lukka and Modell, 2010). Communicating simultaneously with institutional and critical theorists may present some challenges in this respect as they represent rather distinct communities which have only recently engaged in more extensive dialogue (cf. Lawrence and Suddaby, 2006; Cooper et al., 2008).
Strategy Formation and Control in the Swedish National Board of Student Aid

The emergence of strategy discourse (1998-2003)

Similar to many other countries, the emergence of more obvious strategy discourse in Swedish central government was partly embedded in novel management control practices being implemented as part of broader NPM reforms without replacing extant means of political regulation. Starting in the late 1980’s, the idea of devolved performance management, or “managing for results”\(^3\), was gradually introduced as a substitute for the traditional emphasis on short-term budgets (Sundström, 2003, 2006). To support this development and render notions of strategy more explicit influential actors, such as the National Audit Office and the National Financial Management Authority\(^4\), propagated the use of strategic performance management pivoting on the balanced scorecard (National Audit Office, 1996; National Financial Management Authority, 2000). For instance, the National Financial Management Authority described the basic idea of the balanced scorecard as follows:

“The balanced scorecard can briefly be described as a systematic method of formulating, measuring and following up objectives. The method is all about emphasizing what is really important in order to achieve organizational visions and strategies.” (National Financial Management Authority, 2000, p. 10)

At the same time, however, the National Financial Management Authority has repeatedly emphasized the need to adopt a flexible approach such that balanced scorecards are adjusted to the specific strategic challenges facing various government agencies. The process of diffusion has also been fuelled by private sector consultants implementing balanced scorecards in a range of agencies with a varying degree of success (Modell, 2009). From the

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\(^3\) In Swedish central government parlance, ‘management by objectives’ and ‘managing for results’ are typically used interchangeably. However, the latter term is more commonly accepted and I therefore use this consistently throughout this paper.

\(^4\) The National Financial Management Authority was formed in 1998 as the advisory branch of the National Audit Office was separated from state auditing. It fills an important role in disseminating management innovations to central government agencies and advising the Government on management reforms (Modell, 2009).
late 1990s, there is evidence of a growing number of central government agencies adopting the balanced scorecard as a means of organizing “managing for results” and supporting long-term, strategic planning (see National Financial Management Authority, 2000, 2006; Carmona and Grönlund, 2003; Wiesel et al., in press). Such efforts to nurture a long-term management approach were reinforced by concomitant government reforms placing increasing emphasis on enhanced citizen orientation and the overall effectiveness of agencies as opposed to the short-term efficiency concerns dominating the early development of “managing for results” (Sundström, 2003; Modell and Grönlund, 2007).

Emerging notions of “strategy” and “strategic management” were thus intertwined with broader, macro-level discourses emphasizing long-term performance improvements. However, this did not necessarily reduce the short-term emphasis traditionally dominating political regulation. In contrast to the highly centralized and unitary structures characterizing central government bureaucracies in many other countries, the executive branch of government has long been formally separated from the realm of political decision-making (Pierre, 2004; Sundström, 2006). Elected politicians are constitutionally prohibited from intervening directly in the day-to-day running of agencies and the formal mechanisms of regulation available to the Government and Parliament are limited to those of legislation, appointment of senior agency managers (especially director-generals) and boards of directors and the annual appropriation and budgeting process. To compensate for this, the Government has traditionally requested very detailed reporting of short-term operating aspects from agencies. Albeit espousing the ideal of devolved performance management the Government’s use of “managing for results” tended to evolve into highly specific but fragmented reporting requirements laid down in extensive appropriation directives (National Financial Management Authority, 1999a, 1999b; Holmblad-Brunsson, 2002). In many cases, the long-term objectives of government agencies also remained ambiguous and difficult to translate into meaningful performance indicators (Holmblad-Brunsson, 2002; Modell and Grönlund, 2007).

The emergence of more explicit strategy discourse in the SNBSA mirrors the development described above relatively closely. Interviewees with long experience from the agency drew attention to the lack of more formalized strategic thinking traditionally characterizing the organization. This was largely attributed to the senior management team in place between the late 1970s and 1999 which, according to some interviewees, embodied a “bohemian” culture where “things got done” as a result of dispersed individual initiatives rather than coordinated
planning and control. This was said to be a key feature of the management style of the long-
serving Director-General who largely delegated control-related tasks to his deputy. The latter
was also described as having a penchant for direct intervention in day-to-day matters at all
levels of the organization rather than relying on formal control practices. Control practices
were described as “ad-hoc” and situated in the “back pocket” of the Deputy Director-General.
The rather fragmented and short-term nature of control practices was also reinforced by the
Government’s regulation of agency operations. Particular emphasis has been placed on lead
times in processing grant and loan applications and telephone response times. The political
concerns with regulating such performance aspects can be traced to the very public role of the
SNBSA as an agency with a direct impact on the daily lives of students. The problems of the
SNBSA in meeting targets for these performance aspects have led to repeated outbursts of
politically charged criticism. The civil servant in charge of monitoring the agency’s
performance within the Ministry of Education and Science explained:

“[The SNBSA] is an agency in every man’s pocket and we notice right away if people are dis-
satisfied. … People send letters and questions are posed to the Minister in Parliament. This is
not part of the formal control system but of course it matters. People send e-mails directly to
[the responsible minister] and my unit receives a lot of letters.”

However, to most interviewees it was far from clear how short-term performance aspects
contribute to achievement of the long-term, social objectives of the SNBSA. One member of
headquarters staff described this problem as follows:

“Response times and similar indicators can be found in the appropriation directives. I wish
[the Government] focused more on the longer term. Some objectives reflect this but then it’s
at too high a level of abstraction while other things are further down and there is nothing in-
between.”

Indeed, little information about the agency’s overall effectiveness in meeting wider,
educational policy objectives has traditionally been available. To the extent that achievement
of these objectives is covered in external reporting it is mostly confined to verbal descriptions
of the agency’s role in the wider educational system that are difficult to verify. This has
circumscribed the possibilities of regulating agency effectiveness and has rendered notions of
long-term goal-directedness elusive. At the outset of the study a member of headquarters staff characterised the organization’s traditional control practices as follows:

“It is a very inward-looking perspective with a focus on lead times and responding to phone calls. It has been the same thing for the past 30 years.”

Adding to such concerns with excessive short-termism, the absence of more clearly articulated strategy began to draw increasing criticism from within as well as outside the agency in the late 1990s (cf. Llewellyn and Tappin, 2003). Following a period of rapid expansion in the volume and scope of operations, the SNBSA experienced increasing problems of meeting targets for lead times as well as keeping within budgetary constraints. This prompted the initiation of a government inquiry entailing broadly based interviews with staff within the SNBSA. A key conclusion of the inquiry was that:

“In practice, the formal decision-making structure and division of responsibilities have been over-shadowed by informal ones, implying far-reaching centralization of control by senior management. This has been questioned by large parts of the organization.” (Ministry of Education and Science, 1998, p. 6)

The tendency of senior management to immerse itself in operating details arguably reinforced the lack of long-term, strategic thinking and de-motivated operating-level staff. Thus, the inquiry recommended clearer division of responsibilities and increasing delegation of tasks to enable senior management to focus on more “strategic issues, management by objectives, performance evaluation and coaching” (Ministry of Education and Science, 1998, p. 7). However, the meaning of the notion of “strategy” was kept open-ended and left to the incoming Director-General (from 1999) to work out.

In contrast to the strongly interventionist style of the previous senior management team, interviewees characterized the new Director-General as an ambitious “visionary” renowned for his use of strategic performance management models, such as the balanced scorecard, in the government agency he had previously headed. His appointment was also followed by more explicit mobilization of the strategy discourse associated with this technique. Initiatives were taken to develop a long-term strategic vision and objectives for the organization and were followed by adoption of the balanced scorecard in 2000. Echoing the strategy discourse
emerging at the organizational field level, a memo circulated by the Director-General motivated this initiative by emphasizing its role in fostering long-term goal-directedness:

“To manage our task effectively and contribute to achievement of the educational policy objectives and simultaneously accommodate the demands of other stakeholders, the vision and overall objectives of the SNBSA have been further specified in comparison with last operating year through the development of the balanced goal card. In the card, there are four focus areas of utmost importance for operations with objectives, strategies, critical success factors and measures for each. … The strategic objectives concern a longer period of development whilst the critical success factors for each focus area for the coming year will determine whether we succeed in our tasks or not.”

In contrast to existing control practices, the memo portrayed the “goal cards”\(^5\) as a broadly based performance management system better suited to communicate a coherent understanding of the strategy of the SNBSA to employees. This was to be achieved through disaggregation of the new vision of the organization as a “progressive and active service agency” into clearly articulated strategic objectives and chains of performance indicators spanning the hierarchical levels of the organization. Promotional material used to present the new system to staff also portrayed it as a vehicle for more coordinated strategic planning resolving the problems of excessive short-termism plaguing the SNBSA. To reinforce this long-term emphasis new performance measures, such as customer satisfaction indexes, were included as key performance indicators in the organization-wide “goal card” and linked to short-term measures such as lead times and accessibility indicators at lower echelons. Similar to many other central government agencies, customer satisfaction indexes were heralded as proxy indicators of overall effectiveness supporting the Government’s emphasis on enhanced citizen orientation (cf. Modell and Grönlund, 2007). Planning documents issued shortly after the appointment of the new Director-General also emphasized the need to develop long-term strategies for filling wider customer needs (beyond short-term service aspects).

The emerging strategy discourse in the SNBSA thus defined the problem to be resolved as that of overcoming the fragmented and short-term management approach traditionally dominating the organization (cf. Knights and Willmott, 1991). This was achieved by

\(^5\) The use of the term ‘goal cards’ instead of ‘scorecards’ was reportedly conditioned by an ambition to de-emphasize the obtrusive connotations of the latter term.
harnessing notions of strategic performance management enjoying increasing institutional support at the organizational field level. However, the emerging strategy discourse did not prove sufficiently powerful to effect radical change in control practices. One reason for this was the lack of forceful and more broadly based efforts to render the “goal cards” meaningful at the operating level. Most of the work on the “goal cards” was delegated to a small team of headquarters staff collaborating extensively with external consultants but not seeking much advice from branch office managers. Similar to the Director-General, this team was firmly committed to the balanced scorecard and showed an intimate familiarity with the popular discourse surrounding this technique. In our interview, the head of the team conceded to having been “totally converted” to the idea of the balanced scorecard as a strategic management tool after attending an executive training programme. However, this rapid and enthusiastic enactment of strategy discourse was not reciprocated at lower echelons (cf. Ezzamel and Willmott, 2008). Office managers did not feel sufficiently involved in the development of the “goal cards”, arguing that they were poorly adapted to their operating realities. One of them explained:

“The contents of the goal cards became too fuzzy. You could include nearly anything in it which made it superficial. … I never understood it and it became a rigid tool.”

This view was largely corroborated by headquarters staff, one of whom suggested that:

“From my perspective [the “goal cards”] became too theoretical and something that ran parallel to operations. The link to everyday operations was poor.”

Even key advocates of the “goal cards”, such as the head of the implementation team, conceded to the problems of office managers’ lacking commitment:

“It was difficult for the managers to accept [the “goal cards”] and to 80 per cent they were still sitting on the shelf.”

An additional reason for the limited influence of the “goal cards” on extant control practices was their lack of alignment with the external political regulation of the SNBSA. Despite the espoused importance of aligning strategy with long-term, educational policy objectives, interviewees complained that the vision and targets in the “goal cards” were not tightly
coupled to the agency’s over-riding, social objectives and the reporting requirements specified in the appropriation directives. Indeed, even though some performance measures included in the “goal cards”, such as lead times and accessibility indicators, were also of key concern in external regulation of the agency the system as a whole did not closely match the contents of the appropriation directives. This reduced the sense of cohesiveness and led staff to question the meaningfulness of the strategy communicated via the “goal cards”. Moreover, the “goal cards” failed to address the problem of excessive short-termism as the organization continued to struggle to meet government targets for lead times and telephone response times. This led to an increasingly strained relationship with the Ministry of Education and Science. The need to address such “unintended” outcomes became a key managerial concern as strategy formation continued over the coming years.

Crisis management and continuation of strategy formation (2003-05)
The continued strategy formation in the SNBSA entailed increasing efforts to align the notion of strategy with political regulation whilst fostering a relatively broad and open-ended approach to performance management. An important event setting this process in motion was the organizational crisis unfolding in 2003-04 as a result of problems accumulating over the preceding years. Operating costs increased following substantial investments in information systems and a centralized call-centre function. The latter was intended to strengthen telephone services and improve accessibility by relieving the local branch offices of some of their workload. However, the existing organization was left intact and resulted in budgets being over-spent. To address these problems a major re-structuring programme was initiated. The number of local branch offices was nearly halved and the head count was reduced from 1,200 to 1,000 employees. These changes caused considerable upheaval and were accompanied by an extended period of poor service levels, escalating public criticism and negative media attention. The relationship with the Ministry of Education and Science continued to deteriorate and reinforced government concerns with the failure to regulate agency operations effectively.

Whilst these changes caused the already troubled implementation of the “goal cards” to ground to a halt, the strategy discourse introduced through their use had a lingering influence on subsequent developments. As the organization emerged from the crisis four “strategists” with extensive experience of the development of the “goal cards” were appointed to develop a new, long-term strategy. Starting in mid-2004, the “strategists” collectively worked out a draft
version of a strategic plan for 2005-08 to be discussed more widely within the organization. The new strategy was presented as a means of “revitalizing” the organization and nurturing a future-orientated perspective after a stressful period of change as well as aligning the organization with political regulation. The strategic plan explicitly recognized the need to “balance” the strategy of the SNBSA with government regulation. Similarly, in presenting the strategic plan to staff, the Director-General stressed the need to develop a “strategic vision towards 2008” as well as the need for greater responsiveness to regulatory pressures. In a memo distributed to all employees he proclaimed that:

“The SNBSA has gone through one of its biggest changes ever. Our challenge for the future is now, more than ever, to respond to government demands as well as the expectations of the wider environment. To succeed, we have carried out extensive strategy work starting from the ground.”

A key mechanism for improving the alignment between political regulation and strategy was the so-called “target maps” complementing the strategic plan. Similar to the balanced scorecard, the “target maps” translated the strategy into graphical presentation linking long-term objectives to more specific, short-term targets. However, to present a more cohesive view of such linkages the “target maps” did not only comprise targets for the current year but linked these to medium-term targets and long-term, strategic objectives over a period of three years (2005-08). The strategic vision introduced through the earlier development of the “goal cards” was further specified into the three long-term objectives of:

1. enjoying citizen confidence,
2. conducting operations in an efficient, lawful and democratic manner, and,
3. being an attractive workplace.

These objectives were then linked to more specific targets for each year presumed to constitute leading indicators of the achievement of over-riding strategic priorities. Targets for the first year (2005) corresponded relatively closely to the reporting requirements in the appropriation directives and were translated into more specific, short-term action plans. The meaning of the notion of “strategy” thus became increasingly associated with regulatory mechanisms. Although my informants underlined the need for more coherent, long-term strategies, there was a tendency to equate this with the alignment of control practices with
politically established targets and reporting requirements. A staff specialist assisting the “strategists” in developing the “target maps” underlined the importance of this:

“The focus on political targets has become clearer through our work on the strategy. Earlier we didn’t know where the SNBSA was going. We had very broad objectives but nothing to hold on to. Now, we are creating a better thought-through strategy with a focus on what we want to do. … There is better order.”

Similarly, one of the “strategists” described the rationale behind the renewed efforts to develop the strategy of the SNBSA as follows:

“The point of departure for the strategic plan has been that we have to be more alert to what comes from the Government. The new thing is that this has not previously featured so obviously in operating plans. This is new in the SNBSA, which is very operationally focused and there have been a lot of ad-hoc solutions.”

He continued by emphasizing the broader ramifications of these efforts for improving the relationship with the Government:

“The performance dialogue with the Ministry has not worked very well. It has mostly been a matter of the Director-General going down to Stockholm and talking to the Deputy Secretary [of the Minister of Higher Education] for two hours. We have asked for a broader dialogue about our annual reporting and a more future-orientated discussion. … At the same time we pay too little attention to the appropriation directive internally. We try to get better at this in the strategic plan and it should be incorporated here. This is necessary to get the whole chain to work.”

The growing efforts to align the strategy of the SNBSA with government reporting testify to the imperative of conforming to institutional pressures exerted by a dominant constituency (cf. DiMaggio and Powell, 1983). At the same time, however, the “strategists” were wary of the perils of only focusing on the information required for political regulation. The experience of the “goal cards” was that these had effectively evolved into mere “sorting” or “packaging” mechanisms for compiling existing performance indicators without much thought as to how they could be made more meaningful. To remedy such failings the “strategists” were
complemented by a small team of staff specialists initiating a more open-ended search for adequate performance indicators and developing a broadly based “catalogue of measures”. The intention was for this set of performance indicators to form a starting point for further analysis and discussion of which measures best capture achievement of strategic objectives. This open-ended approach to the development of performance indicators was seen as pivotal for going beyond, albeit not ignoring, the reporting requirements in the appropriation directives. For instance, one of the “strategists” described the development of performance indicators as follows:

“We adopted a bit of a smorgasbord approach. … We chose to say that we can produce information about some things right away while other things will have to be further developed. The point of the strategic plan is that we have initiated it ourselves and then we hope that the Government will appreciate what we are doing. At the moment, we are working on determining how to measure performance while, at the same time, trying to adjust it to what is required for reporting to the government.”

The relatively open-ended approach to strategy formation was also furthered by more concerted efforts of the “strategists” and the Director-General to enrol office managers in the strategy discourse (cf. Knights and Morgan, 1991; Carter et al., 2010). Office managers were invited to suggest changes to the “target maps” and generally felt more involved in the development of the new strategy than what was the case with the “goal cards”. The “strategists” also made some efforts to incorporate emerging, local initiatives aimed at improving the organization’s ability to achieve its wider social objectives into the “target maps”. The most notable example of this pivoted on projects emerging in response to more demanding re-payment schemes introduced by the Government a few years earlier. Following a growing realization that this might deter prospective students from disadvantaged backgrounds from higher education several branch offices started to develop more personalized services to so-called “customers with special needs”. Such customers primarily denote beneficiaries experiencing difficulties in re-paying student loans as a result of problems of entering into the labour market upon graduation and are often dependent on coordinated services from multiple agencies (e.g., tax, repossession, employment and social welfare agencies). To better cater for their needs, some branch offices initiated local development projects, entailing co-localization and improved inter-agency collaboration in geographical areas where such customers tend to be over-represented. The strategic plan for
2005-08 lauded these initiatives as a means of enhancing citizens’ sense of social security as well as facilitating service delivery to active students experiencing financial difficulties. The “strategists” also tried to capture their impact in the “target maps” by conceptualizing them as short- to medium-term drivers of customer satisfaction and enhanced citizen confidence. However, the co-localization projects went considerably beyond any regulatory requirements and interviewees emphasized their “voluntary” nature as a change initiative emerging in a bottom-up manner.

The continued strategy formation in the SNBSA thus entailed some attempts to extend the conception of customer needs beyond short-term service aspects, such as lead times and accessibility, to encompass broader dimensions of social significance. This testifies to how a relatively open-ended strategy discourse gradually enrolling a broader range of organizational actors may expand the view of which problems warrant attention (cf. Knights and Willmott, 1991; Clegg et al., 2004). Whilst fuelled by an ambition to align the strategy of the SNBSA with political regulation the work of the “strategists” did not prove overly restrictive or exclusive. However, strategy formation took a somewhat different turn over the coming years as the “target maps” were put into action and emerging regulatory pressures gradually narrowed the strategy discourse.

Focusing of strategy formation (2005-07)
The work on developing the strategy and the “target map” continued throughout 2005 as the latter started to complement existing, short-term performance evaluation practices within the organization. Following the relatively open-ended approach to strategy formation, however, the “target map” grew into a very extensive graphical exhibit (covering four large paper sheets) which office managers found difficult to use to communicate strategic priorities to employees. This was to change markedly as a new Director-General was appointed in 2005. This marked the starting point for considerable simplifications of the “target maps” and focusing of the notion of strategy to a smaller number of prioritized areas which eventually resulted in a more restrictive mode of strategy formation (cf. Knights and Willmott, 1991; Clegg et al., 2004).

The focusing of the strategy of the SNBSA partly originated at the political level. The new Director-General conceded to having received clear personal instructions from the Ministry of Education and Science to focus attention to certain critical issues in conjunction with her
appointment. Of particular concern in this respect was the need to strengthen re-payment routines whilst ensuring that recent efforts to shorten lead times and improve accessibility were stepped up. Whilst fully supporting the ongoing development of the strategy of the SNBSA, the new Director-General immediately liaised with the “strategists” to ensure that these issues were incorporated as key priorities in the “target maps” and the strategic plan for 2006-09. Consequently, the very broad scope of the preceding strategic plan was crystallized into a smaller number of functional strategies, linked to five over-riding priorities. These changes formed the starting point for the revised “target map” developed by the “strategists” in 2005 (see Figure 1).

Similar to the earlier versions of the “target map”, the new one was based on a pronounced long-term perspective emanating from the strategic vision of the SNBSA. However, the five over-riding priorities introduced by the new Director-General provided a clearer structure for disaggregating the strategic vision and objectives of the SNBSA into a number of quantified targets to be reached by 2008-09 which were subsequently linked to short-term targets reflecting underlying performance drivers for the preceding years. The earlier, open-ended attempts to develop a “catalogue of measures” was replaced by more focused development and implementation of performance indicators tightly linked to the five priorities.

Whilst most of the over-riding strategic priorities and long-term targets corresponded closely to reporting requirements in the appropriation directives, the alignment of strategy with political regulation was not confined to such formal mechanisms. The direct personal instructions to the new Director-General are typical of the more informal contacts between government offices and agencies flourishing as a complement to the rather constrained means of formal regulation in Swedish central government (National Financial Management Authority, 1999a; Pierre, 2004). These instructions conveyed changing political priorities with relatively far-reaching implications for the ensuing strategy formation in the SNBSA. The most notable changes occurred in the area of re-payment of student loans, which was described as the most immediate concern to the new Director-General. Re-payments had suffered as a result of the “crisis” culminating in 2003 since as one interviewee put it:
“It was more important to prioritize timely issuing of student loans so that people could actually study. We weren’t able to focus on re-payments on top of that.”

At the same time, the importance of efficient re-payment routines increasingly came to the fore as the volume of insecure student loans steadily increased. The main customer groups accounting for insecure loans have tended to be those with “special needs”, but also individuals ignoring their obligations to re-pay student loans despite being in a position to do so. These problems were partly said to be related to the propensity of some customers to equate student loans with various social welfare schemes. However, the ability of the SNBSA to address such problems was long hampered by a lack of political support for prioritizing re-payments. In particular, the Minister of Higher Education in office until 2004 was seen as reluctant to emphasize such aspects for fear of deterring prospective students from socially and economically disadvantaged backgrounds from entering into higher education and thus counteracting the wider social objectives of the SNBSA. One office manager explained:

“From time to time, we have had to ask ourselves whether we were allowed to tell students that this is actually a matter of taking a loan. [The former Minister of Higher Education] didn’t want that but emphasized enrolment aspects instead.”

The replacement of the Minister for Higher Education in 2004 implied that such political barriers were largely removed. New government targets for 2006 reinforced the emphasis on improving re-payment routines and led the SNBSA to launch a range of initiatives to this end. As a pre-emptive measure, the agency started taking a more pro-active approach to individuals showing early signs of lacking propensity to re-pay student loans. Rather than only issuing automatic reminders in writing, specialized teams were set up at headquarters and some branch offices with the task of calling up such individuals to persuade them to follow their re-payment plans. Initiatives were also taken to re-activate old student loans, which had previously been de-prioritized as a result of difficulties in debt collection. To enhance the organizational capabilities to administer re-payment schemes, debt collection practices were concentrated to fewer offices and training programmes were initiated to upgrade staff skills in this area. These initiatives started to translate into consistent

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6 In 2007, insecure student loans amounted to 28.3 billion SEK (16 %) of the total outstanding loans of 178.2 billion SEK (1 SEK = approximately 0.10 Euro).
performance improvements, especially in so far as re-payments of overdue loans are concerned.\(^7\)

Parallel to these performance improvements the problems of meeting traditional targets for lead times and accessibility were gradually reduced.\(^8\) This was partly achieved through re-allocation of staff and clearer prioritizations of these targets within local branch offices during peak work loads and the establishment of special support units at headquarters. Office managers also emphasized the importance of new, office-specific targets as an additional source of focused attention to the need to reduce lead times:

“There is tighter control today partly as a result of the quotas allocated to offices specifying a percentage of tasks to be handled every year. Earlier it was fuzzier and there were no clear time limits attached to targets. Now it’s more of a matter of working towards measurable targets.”

Increasing efforts were also made to translate government targets of growing significance, such as those for unit costs across different customer categories, into more meaningful operating-level actions. The Government has attached increasing weight to these targets to track efficiency gains from increasing use of IT solutions, such as electronic grants and loan applications and reliance on electronic mail for responding to queries. Although the agency has experienced considerable difficulties in compiling unit costs across various customer groups underlying operating-level concerns have not been ignored. For instance, more specific short-term targets for the proportion of users relying on electronic loan applications for 2006 and 2007 were included in the “target map” as presumed “drivers” of reduced costs per customer in the longer term. Considerable efforts have also been made to reach these targets by investing in technology improvement. The number of students relying on electronic loan applications has also increased steadily in recent years.\(^9\) This has enabled local branch offices to re-allocate resources to deal with other tasks whilst reducing opening hours in reception desks and de-emphasizing face-to-face services.

\(^7\) Between 2005 and 2007, such re-payments increased by 39 per cent from 335.7 to 467.8 MSEK whilst the total sum of overdue loans decreased. However, this still only accounts for a fraction of insecure student loans.

\(^8\) The improvements have been most notable for average telephone response times, which have consistently been shorter than the targets specified by the Government during both peak and off-peak periods since 2006.

\(^9\) Between 2006 and 2008 the proportion of student loan applications administered electronically increased from 37 to 43 per cent.
Taken together, these changes in operating-level practices and performance improvements bear testimony to changing regulatory pressures becoming more firmly embedded in the organization. The focusing of the strategy discourse around the revised “target map” arguably played an important role in this respect. There was a growing sense of control practices becoming more “structured” since the appointment of the new Director-General and that this had contributed to clarify the strategy. This was partly ascribed to the simplifications of the “target map” but also to more basic features of her management style. A member of headquarters staff characterised the new Director-General as:

“… a very practically orientated leader. Targets and controls are more grounded in practice now.”

Similar views emerged from the office managers:

“Controls have been better structured over the past year. … Above all, there is more workshop than talk today. It is largely an effect of [the new the Director-General] as she intervenes more directly and makes things happen. … The cement has now become harder.”

“[The Director-General] is very clear in her approach. She doesn’t let go of anything before it’s finished and things have been sorted out.”

The more extensive dialogue across various hierarchical levels also seemed to have fostered greater understanding of the strategy among office managers. One of them explained:

“It’s the Director-General’s over-riding objectives that count, which have been a bit difficult operationalize and disaggregate. What is efficiency, for example? ... it’s hard because we always struggle with day-to-day tasks. But it’s easier now since we have set more specific targets until 2008 and discussed them a lot in the management team. It makes it less abstract.”

There was also evidence of office managers starting to use the “target map” for communicating the strategy to lower-level employees in conjunction with staff meetings and local planning activities. The focus on a few prioritized areas was seen as a distinct advantage in this respect, or as one of them put it:
“The five areas of improvement were introduced because [the Director-General] wanted the strategy to be more comprehensible. In the earlier maps there were too many issues and it didn’t really hang together. At the same time, much of this was politically driven – not least the focus on re-payments.”

The focusing of the strategy around regulatory requirements continued as the strategic plan for the SNBSA was revised in 2006. A change of government the same year prompted the agency to carry out a comprehensive review of future challenges. Whilst this resulted in a new strategic plan for 2007-09, the long-term perspective was no longer reflected in the revised “target map” accompanying it (see Figure 2). The strategic vision and long-term objectives were replaced by the appropriation directive for 2007 as an over-riding point of departure. Although the five over-riding areas of priority were retained they were now linked more directly to targets for the current year. Targets and performance indicators proving difficult to use for the purpose of management control, such as unit costs, were also removed and replaced by more direct, short-term measures of operating aspects (e.g., the proportion of applications submitted electronically and automated case administration). A controller heavily involved in re-working the “target map” explained the background to these changes:

“We only concentrate on one year at the time because we don’t know very much about the future anyway.”

Whilst the return to a more one-sided, short-term notion of strategy encountered few overt objections it was not universally appreciated. Office managers complained that the removal of the vision and temporal linkages between short- and long-term targets from the “target map” had reduced its value and the clarity of the strategic direction. Similar concerns were raised by members of headquarters staff during the interactive group discussions in late 2007.

The strategy formation unfolding since the appointment of the new Director-General thus implied some re-definition of the strategic agenda (cf. Knights and Willmott, 1991). The emphasis on long-term goal-directedness was gradually reduced and the emerging efforts to align the organization with political regulation assumed increasing significance as the key problem for strategy to resolve. This occurred at the expense of more open-ended views of
what constituted strategic priorities and generated some “unintended” consequences with a detrimental impact on organizational practices closely associated with the over-riding social objectives of the SNBSA. In particular, the growing pressures to enhance the efficiency of re-payment routines seem to have overshadowed the wider social dimensions of co-localizing service provision with social welfare agencies and improving services to “customers with special needs”. The co-localization projects were increasingly used as a platform for launching many of the initiatives aimed at improving re-payment routines and strengthening the collaboration between the SNBSA and repossession agencies. Even though these projects were intended to take a broader and more coordinated view of the financial and social situation of customers, interviewees saw few tangible effects emerging from this. One interviewee described such initiatives as a “peripheral issue” within the SNBSA, whilst an office manager actively involved in establishing a co-localization project complained about the lack of political support, saying that:

“It [ie. the co-localization project] still remains but it’s not promoted which is a shame. It was a pretty bold initiative but the Government wasn’t ready for it. It came from below and that wasn’t so popular.”

Some of the co-localization projects also began to falter as a result of lacking commitment from participating agencies. However, discourses surrounding these problems were largely absent from the strategic plans and “target maps” emerging after the appointment of the new Director-General. Targets and action plans associated with improvement of services to “customers with special needs” were removed from the “target maps”. Similarly, to the extent that the co-localization projects featured in the strategic plans they were mostly presented as a vehicle for meeting government targets for re-payment of student loans. Wider organizational functions of social significance were thus subsumed under performance aspects of increasing concern to the Government (cf. Lawrence et al., 2009). Yet, few of my informants saw the potentially negative impact of more stringent re-payment routines on long-term enrolment of students from disadvantaged backgrounds as particularly problematic. The closest anyone came to this were some scattered worries that growing pressures on some customers to re-pay student loans tended to have a negative impact on customer satisfaction.10 This is indicative of an increasingly narrow conception of customer needs becoming normalized (cf. Knights and

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10 The scores for customers re-paying loans in the annual customer satisfaction index of the SNBSA have generally been lower than the average scores for all customer groups.
Morgan, 1991; Clegg et al., 2004). However, such narrowing of strategic priorities was never explicitly prescribed by regulatory requirements. It rather seems to have materialized as a result of the increasingly pervasive strategy discourse causing managers to take emerging notions of strategy for granted (cf. Carter et al., 2010; McKinlay et al., in press). Throughout the study none of my informants questioned the need for explicit and formalized strategies as a means of focusing attention in the organization. To the extent that requests for improvements were raised they were confined to the need for greater clarity and, towards the end of the study, a return to the emphasis on long-term goal-directedness for the sake of better communicating the strategy to employees.

Concluding Discussion

This paper set out to explore how the meaning of the notion of strategy is shaped by the interplay between evolving management control practices and external, political regulation of public sector organizations. The ambition to examine this issue in greater detail was underpinned by the recognition of strategy as a changeable, institutional phenomenon requiring critical investigation and unpacking. Whilst the notion of strategy has emerged as a relatively nebulous and elusive concept in contemporary public management discourse (Llewellyn and Tappin, 2003), it exercises a far from negligible influence on the definition of organizational priorities and agendas (Knights and Morgan, 1991; Carter et al., 2010). My findings bear clear testimony to how such changeable notions of strategy are implicated in agenda-setting processes whilst deepening our understanding of how this is conditioned by the intricate interplay between management control and political regulation.

The emergence of more explicit strategy discourse in the SNBSA had a clear institutional pedigree in so far as it was underpinned by normative advocacy of long-term, strategic performance management and growing government criticism of extant management practices (cf. DiMaggio and Powell, 1983). This process was mediated by the adoption of the balanced scorecard as a management control technique enjoying increasing institutional support in the wider organizational field of Swedish central government. Similar to the strategy discourse emerging in many other parts of the public sector (cf. Llewellyn and Tappin, 2003; Lane and Wallis, 2009) the meaning of the notion of strategy initially pivoted on the need for long-term goal-directedness and more coherent management practices. However, the notion of strategy only became more firmly embedded in management control practices as its meaning shifted to
denote improved alignment with government regulation. The continuous re-construction of the “target maps” as an integral part of strategic planning played a key role in this respect as it contributed to re-define the problems to be resolved around a number of clearly articulated strategic priorities closely associated with regulatory requirements of increasing significance (cf. Knights and Morgan, 1991; Clegg et al., 2004; Carter et al., 2010). This offers an interesting contrast to popular conceptions of strategy and strategic management as novel phenomena challenging traditional forms of political regulation in the public sector. The meaning of the notion of strategy rather evolved into a means of rendering such regulation more cohesive and comprehensible within the organization.

At one level, these findings may be seen as indicative of institutional processes blurring the notion of strategy and rendering it relatively vacuous. A traditional institutional interpretation would stop short of describing how the interests of a dominant constituency with the capacity to exercise coercive pressures (i.e., the Government) were increasingly re-produced in management control practices whilst couching political regulation in new symbolic guises (cf. DiMaggio and Powell, 1983; Scott, 2008). However, a deeper, critical analysis draws attention to the wider ramifications of such processes and how the evolving strategy discourse conditioned the propensity to address “unintended” consequences. The initial development of the “target maps” in 2004 was partly prompted by efforts to remedy certain “unintended” consequences of the early strategy formation, such as the failure to develop a widely accepted, cohesive and long-term view of the strategy of the SNBSA. This fostered a relatively open-ended strategy discourse entailing some efforts to broaden the conception of customer interests capturing wider, social aspects of organizational performance. By contrast, the propensity to address “unintended” consequences diminished as compliance with regulatory pressures became a more dominant concern and narrowed the process of strategy formation over the following years. This was particularly evident in the gradual loss of impetus behind the co-localization projects as a means of furthering achievement of broader social objectives. Hence, instead of denigrating the notion of strategy as little but a passing, or faddish, institutional phenomenon my analysis shows how its gradual intertwining with political regulation had relatively far-reaching implications for the attention directed to various aspects of organizational performance.

This extended analysis of the process of strategy formation in the SNBSA responds to recent calls for deeper empirical investigations of what passes for “strategic” in organizations and
how it comes to be reified as a way of fostering a critical understanding of the role of management accounting and control (Carter et al., 2010; McKinlay et al., in press). The study goes considerably beyond extant institutional research on the adoption and implementation of strategic management accounting techniques by exploring how balanced scorecard-inspired practices were implicated in constructing the very meaning of the notion of strategy and how this constituted emerging organizational agendas (cf. Granlund and Lukka, 1998; Kasperskaya, 2008; Ma and Tayles, 2009). Whilst accounting scholars have fretted over the elusive nature of strategic management accounting techniques (Lord, 1996; Roslender and Hart, 2003), deeper institutional analyses of their influence on strategy formation are still rare. At the same time, my findings underscore how conventional articulations of institutional theory are insufficient to engender critical understandings of the role of management accounting and control. The lingering influence of the balanced scorecard not only fostered increasing institutionalization of the notion of strategy within the SNBSA but also caused wider, social aspects to assume little more than a fleeting presence on the strategic agenda. Whilst such marginalization processes are increasingly being recognized in critical writings on strategy (e.g., Knights and Morgan, 1991; Clegg et al., 2004; Carter et al., 2008, 2010; Whittle and Mueller, 2010) they have received scant attention in institutional research on accounting (see Rahaman et al., 2004; Lawrence et al., 2009).

My analysis also sharpens the “critical edge” of institutional theory by emphasizing how the increasingly inferred role of agency as a precursor of institutional change is embedded in discourses fostering normalizing processes. Whilst some agency was initially exercised by a small organizational elite (ie. the director-generals and the “strategists”) to establish a more explicit strategic agenda, it was made possible by the emergence of macro-level discourses sanctioning such moves. Moreover, the notion of strategy only became more firmly embedded and complicit in processes of marginalization as a broader range of organizational actors came to view it as a “normal” means of alignment with political regulation. This goes some way towards a critical understanding of agency as less disconnected from the value-laden discourses constituting the very premises of organizational action (Cooper et al., 2008). What is perhaps surprising about my observations is the lack of objections or resistance to the relatively far-reaching challenges to objectives constituting the raison d’etre of the organization. This contrasts with prior studies indicating how the mobilization of alternative conceptions of strategy may enable resistance to dominant strategy discourses with adverse consequences (Ezzamel and Willllmott, 2008; Whittle and Mueller, 2010). However, such
alternative understandings were largely absent in the SNBSA as a result of the enrolment of key organizational members in the dominant strategy discourse. The very unquestioning attitude of my informants testifies to the depth of normalization processes resulting from such enrolment (cf. Cooper et al., 2008).

Taken together, these observations contribute to an emerging body of research providing an alternative to the functionalist approach still dominating the strategic management accounting literature (see Chapman, 2005). Continuing the pursuit of more critical research on this topic would seem particularly pertinent in the public sector given the incessant appeal of strategic management practices to policy-makers and managers (cf. Modell, 2004). This is especially the case as seemingly compelling research evidence of the superior impact of goal-directed strategic planning on organizational performance is now emerging (see Andrews et al., 2009b; Walker et al., 2010). A limitation of these studies lies in their highly aggregate conceptualizations of performance based on indicators laid down in regulatory documents constituting the very premises of organizational strategies. This reveals a glaring lack of recognition of the self-reinforcing effects of strategy discourses on organizational performance and conceals any trade-offs between conflicting performance aspects emerging in the process of strategy formation. By contrast, my study demonstrates how evolving strategy discourses frame the very definition of what counts as “good” performance whilst marginalizing performance aspects with a less salient presence on the strategic agenda. Further empirical research illuminating the consequences of such self-reinforcing processes of strategy formation may serve as a wake-up call to researchers and strategy practitioners alike and instil a more questioning attitude towards strategic management.
Appendix

Distribution of interviewees across different interview phases

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<thead>
<tr>
<th>Interviewee</th>
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<th>Interviewed 2006</th>
<th>Interviewed 2007/08</th>
<th>Total</th>
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<tr>
<td>Chief Financial Officer 2*</td>
<td></td>
<td>X</td>
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</tr>
<tr>
<td>Strategist 1</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Strategist 2</td>
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<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Strategist 3</td>
<td>X</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Controller</td>
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<td></td>
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<tr>
<td>Staff specialist 1</td>
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</tr>
<tr>
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<td></td>
<td>1</td>
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<tr>
<td>Staff specialist 3</td>
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<td>Staff specialist 4</td>
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<td>Manager, student grants &amp; loans function</td>
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<td>Office manager 1</td>
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<td>X</td>
<td>3</td>
</tr>
<tr>
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<td>Office manager 3</td>
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</tr>
<tr>
<td>Office manager 4**</td>
<td></td>
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</tr>
<tr>
<td>Office manager 5</td>
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<td></td>
<td>1</td>
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<td>Office manager 6</td>
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<td>X</td>
<td></td>
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<td>** Total</td>
<td>12</td>
<td>5</td>
<td>9</td>
<td>26</td>
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</table>

* Chief Financial Officer 2 replaced Chief Financial Officer 1 in 2005.
** Office manager 4 succeeded office manager 3 in 2006.
References


Hood, C., James, O. and Scott, C. (2000) Regulation of government: has it increased, is it increasing, should it be diminished? Public Administration, 78, 283-304.


<table>
<thead>
<tr>
<th>Phase</th>
<th>Emerging strategy discourse</th>
<th>Continued strategy formation</th>
<th>Focusing of strategy formation</th>
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</thead>
<tbody>
<tr>
<td>Role of management control practices</td>
<td>Balanced scorecard-inspired practices mediating emerging strategy discourse.</td>
<td>Strategic performance management and planning fostering open-ended strategy discourse.</td>
<td>Strategic performance management and planning narrowing the strategy discourse and rendering it more firmly embedded in control practices.</td>
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<tr>
<td>Relationship between political regulation and strategy</td>
<td>Detailed and short-term political regulation loosely coupled to emerging strategy discourse.</td>
<td>Political regulation increasingly informing strategy discourse.</td>
<td>Political regulation contributing to the narrowing of strategy discourse and control practices.</td>
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</table>

Table 1. Phases in the process of strategy formation in the SNBSA.
**Vision and objectives.**

The SNBSA is a progressive and active service agency. The SNBSA enjoys citizen confidence. The operations of the SNBSA are efficient, lawful and democratic from a government and citizen perspective. The SNBSA is an attractive workplace.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>IT strategy</th>
<th>Rules strategy</th>
<th>Competence and staff supply strategy</th>
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</thead>
<tbody>
<tr>
<td>Overriding priorities</td>
<td>Work smarter, better use of IT adapted to people.</td>
<td>Better and more coherent rules.</td>
<td>Improved accessibility and openness.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>More efficient repayment routines.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Enhanced employee commitment.</td>
</tr>
</tbody>
</table>

**Targets 2008/09**
- Cost per customer should be reduced by 4-6% 2006-09.
- Simpler rules and improved quality.
- Customer satisfaction index increasing by one unit/year from 2006.
- Repayment of loans should increase by 6% 2006-09.
- Employee satisfaction index increasing by one unit/year.

**Targets 2007**

**Targets 2006**

**Action plans 2006.**

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Figure 1. Simplified depiction of the ‘target map’ in the strategic plan of the SNBSA for 2006-2009.
The appropriation directive and government objectives for 2007

| What we did well 2006, we have to do better 2007. | We shall adjust to the expectations of the Government and the citizens and collaborate with other agencies. | We shall improve our approach to rules governing our operations and our conformance with rule of law. | Employees shall have confidence in the SNBSA as an employer and be proud of and committed to their work. |
| Work smarter, better use of IT adapted to people. | Better and more coherent rules. | Improved accessibility at peak workloads. Openness in terms of insight and possibilities for customer interactivity and following their cases. | More efficient re-payment routines. |
| Five improvement areas | | | Enhanced employee commitment. |
| Targets for 2007 | | | |

| 40% of all applications submitted electronically. | Increasing proportion of automated case administration. | IT systems 20% more cost efficient. | Increasing proportion of satisfied customer. | 60% of all telephone calls answered within three minutes during peak workloads (otherwise 80%). | Reduced delays in re-payments. | The SNBSA shall have a strong customer focus based on a common value base and approach. | Improved usefulness of student information system. |

Action plans and budgets for 2007.

Figure 2. The ‘target map’ of the SNBSA in 2007.