Strategy, political regulation and management control in the public sector: Institutional and critical perspectives

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Abstract

This paper mobilizes 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. In so doing, I draw attention to how the unobtrusive power of evolving strategy discourses conditions conceptions of organizational performance and relevant constituent interests. The implications for future management accounting research combining institutional and critical theories are discussed.

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1. Introduction

The notion of strategic management accounting (SMA) has attracted considerable interest over the past decades. Research on this topic has been dominated by a functionalist perspective and has primarily focused on private sector organizations (see Langfield-Smith, 2008). Yet notions of strategy and strategic management are becoming increasingly pervasive in contemporary organizations (Knights and Morgan, 1991; Carter et al., 2010) and have also begun to permeate the managerial discourse in the public sector (Llewellyn and Tappin, 2003; Johansson, 2009). This has compelled some researchers to modify functionalist, private sector conceptualizations of strategy (Boyne and Walker, 2004; Andrews et al., 2009a) and explore their interactions with the external, political regulation of public sector organizations (Andrews et al., 2008). However, given the relative novelty of the notion of strategy in the public sector, it would seem pertinent to take a more open-ended, constructivist approach in examining how its context-specific meanings evolve through some interplay between such regulation and novel SMA techniques. Despite the persistence of the public sector as a politically regulated space, few explicit attempts have been made to examine how this interacts with management accounting and control practices to shape organizational strategies (Carter and Mueller, 2006; Skærbæk and Tryggestad, 2010).

The objective of this paper is to further examine 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). As such, it complements functionalist accounts of SMA which typically trace the genesis of this concept to changes in competitive conditions (Chapman, 2005; Langfield-Smith, 2008). Management accounting scholars have started to apply an institutional perspective in examining the adoption and implementation of SMA 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 SMA 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 rather 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., 2010). 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).

The present paper advances a more critical understanding of how management control is implicated in the institutionalization of the notion of strategy. In examining the process of strategy formation I draw attention to how political regulation became intricately intertwined with the notion of strategy in the focal organization and how evolving management control practices inspired by SMA techniques, such as the balanced scorecard, mediated this process. 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.

2. Analytical framework

A key justification for political regulation of public sector organizations has traditionally been that of safeguarding the public interest from adverse consequences of organizational behaviour (Barrow, 1996; James, 2000). Historically, relatively detailed regulatory frameworks focusing on operating aspects and compliance with the rule of law 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. Reliance on goal-directed strategic planning has been found to have a positive impact.

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1 In the present paper, institutional theory primarily refers to new (or neo-) institutional sociology as this has been the primary target of the critique of contemporary institutional research for failing to develop more critical insights (see Lounsbury, 2003; Cooper et al., 2008).
on the performance of public sector organizations (Walker et al., 2010) whilst extensive political influence or an absence of 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 SMA being implicated in this interplay. For instance, SMA techniques, such as the balanced scorecard, have arguably had an important influence on some regulatory frameworks established to reinforce “arm’s-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 coalitions 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., 2010). 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 (Lounsbury, 2003; 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 Baldwinsdottir, 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). This requires close attention to unfolding strategy discourses, defined as the texts and conversations through which notions of strategy are made explicit. As noted by Knights and Morgan (1991), such discourses 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 inspired by SMA techniques 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 (Skærbaek 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 pursuing more 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.

3. 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 (Hasselbladh and Kallinikos, 2000; Dambrin et al., 2007). In the present study, the examination of macro-level processes underpinning the emergence of strategy discourses was mainly based on extant empirical research and archival data documenting the evolution of governance reforms in Swedish central government. This complemented the analysis of emerging strategy discourses in the focal case study organization – 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 to enable equitable access to higher education. As such, it fills an important social function. The agency also administers re-payment schemes which are activated upon graduation.

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 a 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 2004/2005, 2006 and 2007/2008. A detailed break-down of the distribution of interviewees across these phases is given in Appendix A.

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 1 and 2 h.

As described in greater detail in the case narrative, the political climate surrounding the SNBSA has occasionally been very tense and considerable caution had to be observed such that disclosure of potentially controversial and politically sensitive information was not unduly hampered. 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.

The analysis of data followed an essentially abductive approach as theoretically informed explanations of emerging observations were continuously developed and validated through member checking (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 as “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 analytically distinct 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. 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.

4. Strategy formation and control in the Swedish National Board of Student Aid


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 governance reforms. Starting in the late 1980’s, the idea of devolved performance management based on clearly identifiable output and outcome indicators was gradually introduced as a substitute for the traditional emphasis on short-term budgets (Sundström, 2003, 2006). To support this development towards “managing for results” and render notions of strategy more explicit influential actors, such as the National Audit Office and the National Financial Management Authority,3 promoted 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)

The diffusion of the balanced scorecard was also fuelled by private sector consultants (Modell, 2009). From the 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). 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. The Government has long requested very detailed reporting of short-term, operating performance

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2 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.

3 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 governance and management reforms (Modell, 2009).
Table 1  
Phases in the process of strategy formation in the SNBSA.

<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></td>
<td>2003–2004: Political regulation increasingly informing strategy discourse</td>
<td>2005: appointment of new Director-General and clarification of strategic priorities</td>
</tr>
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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 targets and reporting requirements laid down in extensive appropriation directives (National Financial Management Authority, 1999a, 1999b; Holmlblad Bruns, 2002). In many cases, the long-term objectives of government agencies also remained ambiguous and difficult to translate into meaningful performance indicators (Holmlblad Bruns, 2002; Modell and Grönlund, 2007).

The governance of the SNBSA constitutes a relatively typical example of this lingering emphasis on detailed regulation of operating aspects in lieu of a focus on clear, long-term objectives. The over-riding political objective of the organization is to enable individual citizens to overcome economic and social barriers to enter into higher education. As such, the agency is seen as an important vehicle of realizing the Government’s wider educational policy objective of broadening enrolment in higher education to further economic development and social justice. There is relatively broad political consensus regarding the need for state-subsidised support schemes to this end although higher education is free of charge. In particular, the role of the agency in combating ethnic and social segregation has historically been lauded as one of its key societal functions. However, it has proved difficult to measure the agency’s effectiveness in meeting such wider, societal objectives in any objective sense due to the lack of alternative financial support schemes and reliable outcome indicators linked to agency operations and outputs. To the extent that such aspects are covered in external reporting, evaluations have mostly been confined to verbal descriptions of the agency’s role in the wider educational system that are difficult to verify. This has rendered notions of long-term goal-directedness elusive and has made governance in accordance with the ethos of “managing for results” difficult.

By contrast, the Government has long governed the SNBSA through detailed but rather fragmented appropriation directives covering a broad range of operating aspects (see Appendix B). Particular emphasis has been placed on short-term targets for 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 significant 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 and negative media attention. 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.”

The Government’s emphasis on operating aspects has also penetrated deeply into management control practices. The feeling within the SNBSA was one of overwhelming short-termism detracting from the broader mission of the agency. 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.”
The internalization of more explicit strategy discourses initially emerged as a reaction against this introvert and short-term focus. 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 reinforced the sense of short-termism and fragmentation. Starting in the late 1990s, however, the absence of more clearly articulated strategies began to draw increasing criticism from within as well as outside the agency (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)

In particular, the inquiry recommended clearer division of responsibilities and increasing delegation of tasks to enable senior management to adopt a more long-term perspective and focus on “strategic issues, management by objectives, performance evaluation and coaching” (Ministry of Education and Science, 1998, p. 7). However, the more precise 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 informal yet 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” 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 of 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 long-term 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 Morgan, 1991). This was achieved by 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. However, their rather enthusiastic enactment of the new 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”.

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4 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.
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.”

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 fostered an increasingly strained relationship with the Ministry of Education and Science. Given the need for a more coherent and long-term strategy as a key rationale behind the adoption of the “goal cards” it is fair to describe these outcomes as “unintended” consequences. The need to address these consequences became a key managerial concern as strategy formation continued over the coming years.

4.2. Crisis management and continuation of strategy formation (2003–2005)

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 2003–2004 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 work-load. 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 1200 to 1000 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 grind 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 were appointed to develop a new, long-term strategy. These “strategists” were all staff specialists with extensive experience of the SNBSA and were each put in charge of various functional areas as part of a team supporting the Director-General. One of them was previously one of the chief advocates of the “goal cards”. Starting in mid-2004, they collectively worked out a draft version of a strategic plan for 2005–2008 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 but also recognized the need to “balance” the strategy of the SNBSA with government regulation. 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 of 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 (2005–2008). 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) largely overlapped with the contents of the appropriation directive although they were still kept relatively broad and contained few quantified requirements for performance improvement. The meaning of the notion of “strategy” thus became increasingly associated with regulatory mechanisms. A staff specialist assisting the “strategists” in developing the “target maps” explained:

“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 and initiated a relatively open-ended search for a broadly based “catalogue of performance measures”. The intention was for this set of performance indicators to form a starting point for further analysis and discussion of which measures to use to capture achievement of strategic objectives. Office managers were also invited to suggest changes to the “target maps” and generally felt more involved in the development of the new strategy than was the case with the “goal cards”. This inclusive and 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 efforts to go beyond regulatory requirements were particularly notable with respect to the development of more specific strategies targeting different customer groups. The notion of “customer orientation” began to feature more explicitly as a metaphor for the alignment of operations with the Government’s emphasis on enhanced citizen orientation. The strategies developed to this end were further concretized through the emerging segmentation exercise based on the identification of specific customer needs. Whilst initiated by the strategists to devise adequate channels of communication for specific customer groups, the customer segmentation also entailed some efforts to integrate emerging, local initiatives aimed at improving the organization’s ability to achieve its wider social objectives. Pioneering efforts were made by branch offices in larger metropolitan regions (e.g., Stockholm, Gothenburg) launching co-localization projects in socially deprived, suburban areas to develop more personalized services to so-called “customers with special needs”. The customer segmentation exercise primarily defined this category as beneficiaries experiencing difficulties in re-paying student loans as a result of problems of entering into the labour market upon graduation and often being dependent on coordinated services from multiple agencies (e.g., tax, repossessions, employment and social welfare agencies). The co-localization projects aimed at facilitating such inter-agency collaboration and started to spread to other parts of the country but evolved without any significant government intervention or additional contributions to funding. The strategic plan for 2005–2008 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. The urgency of paying more focused attention to “customers with special needs” was underlined by the Government’s recent introduction of more demanding re-payment schemes and concerns that this might adversely affect enrolment of socially disadvantaged students.

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 shows 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 Morgan, 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.

4.3. Focusing of strategy formation (2005–2007)

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 changed 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 Morgan, 1991; Clegg et al., 2004).

The focusing of the strategy of the SNBSA originated in changing regulatory pressures which were first conveyed by the Government in a rather informal manner. 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. These informal instructions were subsequently formalized in the appropriation directives and had far-reaching implications for the continued strategy formation in the SNBSA. 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 2006–2009. 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 Fig. 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 2008–2009. These targets were subsequently linked to short-term targets reflecting underlying performance drivers for the preceding years. The short- as well as long-term targets also corresponded more closely with objectives and reporting requirements laid down in the appropriation directive (see Appendix B). For instance, telephone response times and other accessibility indicators were included as leading indicators of long-term customer satisfaction. Similarly, the automation of applications and re-payment routines were emphasized as key short-term priorities for reducing costs per customers in the longer term. Increasing emphasis was also placed on the quality of administrative procedures as vehicles of improved compliance with rules and re-payment routines. To support this alignment of the “target map” with political regulation the earlier, open-ended attempts to develop a “catalogue of performance measures” was replaced by more focused development and implementation of performance indicators tightly linked to the five priorities.

These changes to the “target map” focused organizational attention to a smaller number of performance aspects and resulted in some performance improvements. The most notable changes occurred in re-payment of student loans. Re-payment routines 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.5 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 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 and led the SNBSA to launch a range of initiatives to improve re-payment routines over the following years. 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

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5 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).
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.

Strategies

<table>
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<tr>
<th>IT strategy</th>
<th>Rules strategy</th>
<th>Competence and staff supply strategy</th>
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<tr>
<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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<td>More efficient re-payment routines.</td>
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<td>Enhanced employee commitment.</td>
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Vision and objectives.

**Overriding priorities**

- 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 2008/09**

**Targets 2007**

**Targets 2006**

**Action plans 2006.**

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**Fig. 1.** Simplified depiction of the ‘target map’ in the strategic plan of the SNBSA for 2006–2009.

Source: adapted from Modell (2005, p. 79).

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 performance improvements, especially in so far as re-payments of overdue loans are concerned.6

Parallel to these performance improvements the problems of meeting traditional targets for lead times and accessibility were gradually reduced.7 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.”

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6 Between 2005 and 2007, such re-payments increased by 39% 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.

7 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.
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. Although the agency has experienced considerable difficulties in compiling unit costs across various customer groups underlying operating-level concerns have not been ignored. Considerable efforts to meet short-term targets for reliance on electronic loan applications were made through investments in technology improvement and the number of students relying on electronic loan applications increased steadily over the following years.\(^8\) This 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.

Taken together, these changes in operating-level practices and performance improvements demonstrate how changing regulatory pressures became 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 helped to clarify the strategy. This was partly ascribed to the simplifications of the “target map” but also to more basic features of her leadership 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 we discuss them a lot in the management team. It makes it less abstract.”

There also was 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. Following a change of government the same year, the “strategists” were commissioned to carry out another comprehensive analysis of future challenges which resulted in a new strategic plan for 2007–2009. The revised “target map” accompanying this plan was similar to earlier versions but lacked the linkages between targets over a longer time period (see Fig. 2). Again, the Director-General’s more direct approach to performance management and emphasis on the five priority areas were held up as key explanations for this return to a more one-sided, short-term focus. In our interview in 2007, she acknowledged the importance of developing a clearer long-term strategy in the years ahead but underlined the need to retain the emphasis on these priorities:

“Earlier it was all too intertwined and we didn’t really understand what our long-term strategy was and what was more short-term. ... The strategies were not crystallized and clearly linked to improvement areas. What we have now is something in-between. But we have to retain the five priority areas – at least till next year – because we haven’t improved enough to say that we are there yet.”

Whilst these changes in the “target map” encountered few overt objections they were not universally appreciated. Office managers complained that the removal of the strategic 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. Some of them also felt that the strategy work had reverted to a rather centralized and less inclusive approach. When interviewed in 2008, two office managers explained:

“The communication [of the new strategy] is mostly a matter of us getting it dished out to us. [The Director-General] presents most of it herself at managerial meetings and when it first came there weren’t many of us who thought there was anything new or particularly bold.”

“The strategy that came was more or less complete and there weren’t any greater possibilities of influencing it from below. [The Director-General] had made up her mind. The strategy that came last year contained a few things that I didn’t like.”

Similar concerns that the return to a short-term focus might be detrimental for communicating the strategy of the SNBSA were raised by headquarters staff in a feedback session in late 2007. The strategy formation unfolding since the appointment of the new Director-General thus implied some re-definition of the notion of strategy (cf.

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\(^8\) Between 2006 and 2008 the proportion of student loan applications administered electronically increased from 37 to 43%.
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. |

Five improvement areas

| 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. | 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.

Fig. 2. The “target map” of the SNBSA in 2007.


Knights and Morgan, 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. Indeed, one office manager went as far as saying that:

“Since [the new Director-General] came the strategy work hasn’t been that strongly emphasised. There is more of emphasis on creating good order and that has helped us in moving forward. But she is not really a strategist. She just produced a number of prioritised areas to work on and created a structure around that.”

However, the creation of “good order” came 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 reposition 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 [i.e. 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.”

Indeed, even though the “target map” for 2007 paid some attention to the need for improved inter-agency collaboration to improve service delivery, there has been considerable resistance to developing such practices in Swedish central government (see Modell et al., 2007). The significant problems of developing viable forms of inter-agency collaboration were noted in an evaluation of the co-localization projects already in 2005 (VISAM, 2005). Some of the co-localization projects also began to falter shortly after their establishment as a result of lacking commitment from participating agencies. However, the unfolding strategy discourse in the SNBSA was largely silent about the potentially negative implications of these developments for its broader, social objectives. To the extent that co-localization projects featured in the strategic plans they were mostly presented as vehicles of meeting government targets for re-payment of student loans. Whereas the earlier customer segmentation exercise had distinguished “customers with special needs” from other customers re-paying student loans, the two were now collapsed into the same category. Targets and action plans associated with improvement of services to the former customer group were also removed from the “target maps” as...
part of the simplifications initiated by the new Director-General.

Whilst wider, social functions constituting the raison d’etre of the organization were thus subsumed under performance aspects of increasing concern to the Government (cf. Lawrence et al., 2009), few of my informants saw this as particularly problematic. The closest anyone came to discussing the potentially negative impact of more stringent re-payment routines on students from disadvantaged backgrounds was the concern that such pressures tended to have a negative impact on customer satisfaction.\(^9\) This is indicative of an increasingly narrow conception of customer needs becoming taken for granted or normalized (cf. Knights and 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 perva-
sive strategy discourse causing managers to take emerging notions of strategy for granted (cf. Carter et al., 2010; Mckinlay et al., 2010). 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.

5. Concluding discussion

This paper responds to recent calls for more longitudinal, qualitative inquiries into the evolution of SMA techniques in their social and organizational context (Bhimani and Langfield-Smith, 2007; Langfield-Smith, 2008) and offers an account of how such techniques are implicated in shaping management control practices and the very meaning of the notion of strategy. Particular attention was paid to the interplay between evolving control practices and external, political regulation of public sector organizations and its influence on strategy formation. 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). The present study demonstrates how our understanding of such agenda-setting processes may be enhanced through the combination of institutional and critical perspectives.

The emergence of more explicit strategy discourse in the SNBSA had a clear institutional pedigree in so far as it was underpinned by criticisms of the absence of explicit organizational strategies by an important actor with coercive powers (i.e. the Government) and normative advocacy of strategic performance management as a remedy to such shortcomings by other influential actors (cf. DiMaggio and Powell, 1983). The adoption of the balanced scorecard was imperative in internalizing this strategy discourse conveying a notion of long-term goal-directedness and cohesive management practices. However, the analysis of the subsequent process of strategy formation extends prior institutional research on SMA (Granlund and Lukka, 1998; Kasperskaya, 2008; Ma and Tayles, 2009) by illuminating how the notion of strategy was re-constructed over time as a result of the intertwining of political regulation and evolving control practices. This intertwining started with the development of strategic planning and the “target maps” in response to the crisis in 2003 and gradually became more crystallized as these practices evolved over the coming years. In this process, the notion of strategy evolved from signifying a relatively broad and open-ended quest for better alignment with political regulation whilst nurturing novel practices furthering long-term objectives of social significance into a much more focused and, ultimately, short-term conception pivoting on a narrower range of regulatory priorities. Regulatory mechanisms played a key role in this regard as did the differences in leadership style of senior management. The appointment of a new Director-General in 2005 marked a clear watershed in so far as her susceptibility to emerging regulatory pressures and more direct and “orderly” leadership style contributed to narrow the scope of the strategy discourse. This development highlights how the meaning of the notion of strategy is far from given but conditioned by changing institutional pressures as well as the actions of diverse change agents.

This institutional interpretation represents an essentially managerialist account pivoting on the interplay between institutions and agency whilst drawing attention to the relatively neglected role of individual leadership styles as a differentiating factor in the process of institutionalization (Washington et al., 2008). However, the extension of the analysis to incorporate more critical insights compels us to examine whether the shifts in the process of strategy formation entail some attempts to address “unintended” outcomes and how this is conditioned by normalizing processes (Knights and Morgan, 1991; Carter et al., 2010). The initial development of the “target maps” 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. At this stage the strategy discourse was sufficiently open to include local development projects initiated by actors other than senior management and broadened the conception of customer interests to incorporate 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 strategy discourse and the focus of performance management 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 social objectives. What is perhaps surprising in this respect is the lack of overt objections or resistance to a development challenging the very foundations of the agency’s broader, societal role. However,

\(^9\) 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.
at this stage the ideal conception of strategy as a goal-directed and focused means of aligning the organization with political regulation was largely taken for granted, or seen as a “normal” part of management control, by broad managerial cadres. In contrast to prior studies (Ezzamel and Willmott, 2008; Whittle and Mueller, 2010), no compelling, alternative understandings of the notion of strategy emerged and engendered resistance to the dominant strategy discourse. This is indicative of the unobtrusive power of such discourses and goes some way towards a critical understanding of the process of institutionalization as less disconnected from value-laden discourses fostering normalization (Cooper et al., 2008).

This extended analysis draws attention to how political regulation influences the institutionalization of the notion of strategy and conditions conceptions of performance with potentially far-reaching implications for the interests served by organizations. Further research of this kind would seem particularly pertinent in the public sector given the incessant appeal of strategic management practices to policy-makers and managers and the recent emergence of seemingly compelling research evidence of the superior impact of goal-directed strategic planning on organizational performance (see Andrews et al., 2009b; Walker et al., 2010). A limitation of the latter 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 constituent interests in the process of strategy formation. By contrast, the present study demonstrates how evolving strategy discourses frame the very definition of what counts as “good” performance and relevant interests and thus provides a starting point for questioning the nature of strategy as a universally benign phenomenon. Future research following such a lead should counterbalance the strongly managerialist perspective dominating emerging research on strategy in the public sector (see Boyne and Walker, 2004; Lane and Wallis, 2009).

Whilst the combination of institutional and critical theories may mitigate the risk of the former privileging such a managerialist perspective some caution is required in future research in this vein. Whereas some accounting scholars have argued for closer integration of these theories to give institutional theory a “critical edge” (Lawrence et al., 2009), others have cautioned that this implies a danger of overlooking their distinct epistemological commitments (Lounsbury, 2003; Cooper et al., 2008). More specifically, institutional theorists have been criticised for drawing on critical writers, such as Foucault, in an inconsistent and superficial manner that simplifies the influence of the normalizing power of discourses on agency and resistance (Cooper et al., 2008). Whilst the present study did not document much overt resistance, it goes beyond the view of adverse consequences of strategy formation as a direct outcome of deliberate agency exercised by some self-interested organizational elite (cf. Lawrence and Suddaby, 2006). Rather, it illuminates how the enactment of institutionally embedded discourses as part of a seemingly innocuous task, such as that of aligning strategy and control practices with political regulation, mediated the marginalization of some interests. As such, the study adds a previously neglected, critical dimension to the emerging body of institutional research on SMA (see Ma and Tayles, 2009). However, a deeper analysis of how the combination of institutional and critical theories may challenge or modify the conservative value system underpinning the former is beyond the scope of the present paper.

At the same time it is worth emphasizing that the epistemological foundations tying different communities of scholars together and conditioning what is regarded as valid or relevant knowledge claims are not static (Lukka and Modell, 2010). Neither are the boundaries between such communities always clear. Indeed, it is often difficult to distinguish between different genres of critical accounting research and separate them from broader, sociologically informed accounting scholarship (Roslender and Dillard, 2003; Cooper and Hopper, 2007). One way of furthering more critical reflection on research findings regardless of their theoretical underpinnings is to conduct empirical research such that greater attention is paid to constituencies whose interests remain under-represented by commonly accepted theories. This study may be seen as such an attempt to give voice to interests generally silenced by institutional theory. However, it remains to be seen whether further research of this kind may foster more radical critiques leading to some modifications of the epistemology in which institutional research on accounting is embedded.

Acknowledgement

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Appendix A. Distribution of interviewees across different interview phases

<table>
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<tr>
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<tr>
<td>Civil servant in charge of performance monitoring</td>
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<td>1</td>
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<td>Senior management and headquarters staff</td>
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<td>2</td>
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<tr>
<td>Chief Financial</td>
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<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Officer 1</td>
<td></td>
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</tbody>
</table>
Appendix B. Governmental objectives and reporting requirements for the main operating areas within the SNBSA for 2006

Organization-wide objectives and reporting requirements

Objectives

- Maintaining good balance between efficient administration, high-quality service and compliance with rule of law.
- Increasing accessibility via telephone. Number of answered calls and calls answered within 3 min shall increase. Proportion of responses to written requests within three weeks shall increase.
- Increasing the number of satisfied customers.
- Improving quality of administration of grants and loans. No undue payments of grants or loans.

Reporting requirements

- Number of incoming and answered telephone calls, number of written requests, number of visits to web-site, average waiting time in telephone and response time to written requests. Downtime in responding to telephone calls.
- Results of customer or citizen survey.
- Actions taken to improve quality and results of these actions.
- Actions taken to comply with the Government's administrative policy programme and results of these actions.
- Actions taken to minimize abuse and undue payments of grants and loans.
- Extent and costs of undue payments.
- Environmental management programme.
- Action plans for adjustment of premises to handicapped individuals.

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<tr>
<th>Chief Financial Officer 2*</th>
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<td>Manager, student grants and loans function</td>
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<td>Office managers</td>
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<tr>
<td>Total</td>
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</tr>
</tbody>
</table>

* Chief Financial Officer 2 replaced Chief Financial Officer 1 in 2005.

b Office manager 4 succeeded office manager 3 in 2006.

Administration of grants and loans to tertiary education students

Objectives

- Contributing to significant enrolment in tertiary education, evening out differences across individuals and groups in society and increasing social equity.
- Increasing proportion of applications administered within three weeks. For overseas studies, lead times should decrease by ten percent.
- Increasing the proportion of electronically administered applications.

Reporting requirements

- Number of students with student grants and loans distributed according to age groups, types of support schemes and types of education.
- Number of approved applications.
- Number of appeals and number of appeals approved by the agency.
- Distribution of applications across electronic and manual administration.
- Proportion of applications administered within three weeks distributed across types of applications.
- Unit costs for different types of applications.

Re-payment of student loans

Objective

- Contributing to re-payment of student loans.

Reporting requirements

- Number of debtors with student loans across different types of re-payment schemes.
- Number of debtors with overdue loans and size of overdue loans.
- Proportion of re-payments administered electronically and manually.
- Average lead times and unit costs for electronically and manually administered re-payments.
- Number of withdrawn student loans and reasons for withdrawals.
- Number of appeals and number of appeals approved by the agency.

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