

**LEADING FOR A PURPOSE:
THE RELATIONSHIP BETWEEN POLITICAL
LEADERSHIP AND STRATEGIC LEADERSHIP
IN NEW ZEALAND LOCAL GOVERNMENT
ORGANISATIONS; AND IMPLICATIONS
FOR PUBLIC ORGANISATIONS**

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ABSTRACT

Public organisations exist to pursue outcomes for the benefit of the community/society they serve. Strategic leadership in public organisations is about leading those organisations to enable them to contribute to those outcomes. The contribution of an organisation towards those outcomes is labelled strategic performance.

The hypothesis of this paper is *that operating environment, and in particular, political strategy and leadership, have a significant impact on strategic leadership within a local government organisation*. The research questions asked are:

- How does the operating environment (or context) influence the ability of senior executives to lead a local government organisation strategically?
- What role do political strategy and leadership have in establishing the operating environment for organisational leadership?
- What leadership interventions are most effective at achieving strategic leadership in an organisation?
- How does the operating environment impact upon specific leadership interventions?

This paper examines the literature on the management and leadership of public organisations, and leadership in organisation. Key areas of enquiry are the impacts of the political operating context of public organisations on management and leadership, and types of leadership approaches and interventions that are effective in strategic leadership efforts. Implications for strategic leadership in public organisations are drawn from the literature.

The paper reports on primary research undertaken in the local government sector on the research questions outlined above. Seventeen senior and middle management staff from three organisations were interviewed. The findings and conclusions from the research are compared with the implications from the literature to see where the original research supports the literature and where it adds to existing knowledge.

Operating environment, and in particular political strategy and leadership, do have a significant impact on strategic leadership within local government organisations, alongside variables emerging from within the organisation. This conclusion seems applicable across a broad range of public organisations.

Political context affects strategic leadership through impacts from goal ambiguity, political influence and criteria such as the 'power of the purse' and impacts on staff from the political culture. Managing the operating context for the organisation, particularly the political context, is an important part in successful strategic leadership. The research indicates a relationship between strategic leadership, operating environment and strategic performance.

Both transformational and transactional leadership approaches are necessary in strategic leadership. A range of interventions from these leadership approaches are useful in strategic leadership efforts. The exact mix of interventions that will be successful will depend on the individual organisation and its specific context.

Three propositions emerge from the project that add nuances to the existing body of knowledge in this area:

1. Any lack of alignment or disconnect between the formal goals and strategy and implementation decision-making by the political leadership of an organisation is likely to have the most significant impact (in terms of impacts from the political context) on strategic leadership efforts and the organisation's strategic performance.
2. Managing the context for leadership in public organisations is a vital component of strategic leadership efforts.
3. Both transformational and transactional leadership approaches are required in effective strategic leadership in public organisations, with an emphasis on transformational approaches. However, specific interventions need to be tailored for the particular context of the organisation.

Fig. 4.1 - Variables Affecting Levels of Strategic Leadership in Public Organisations

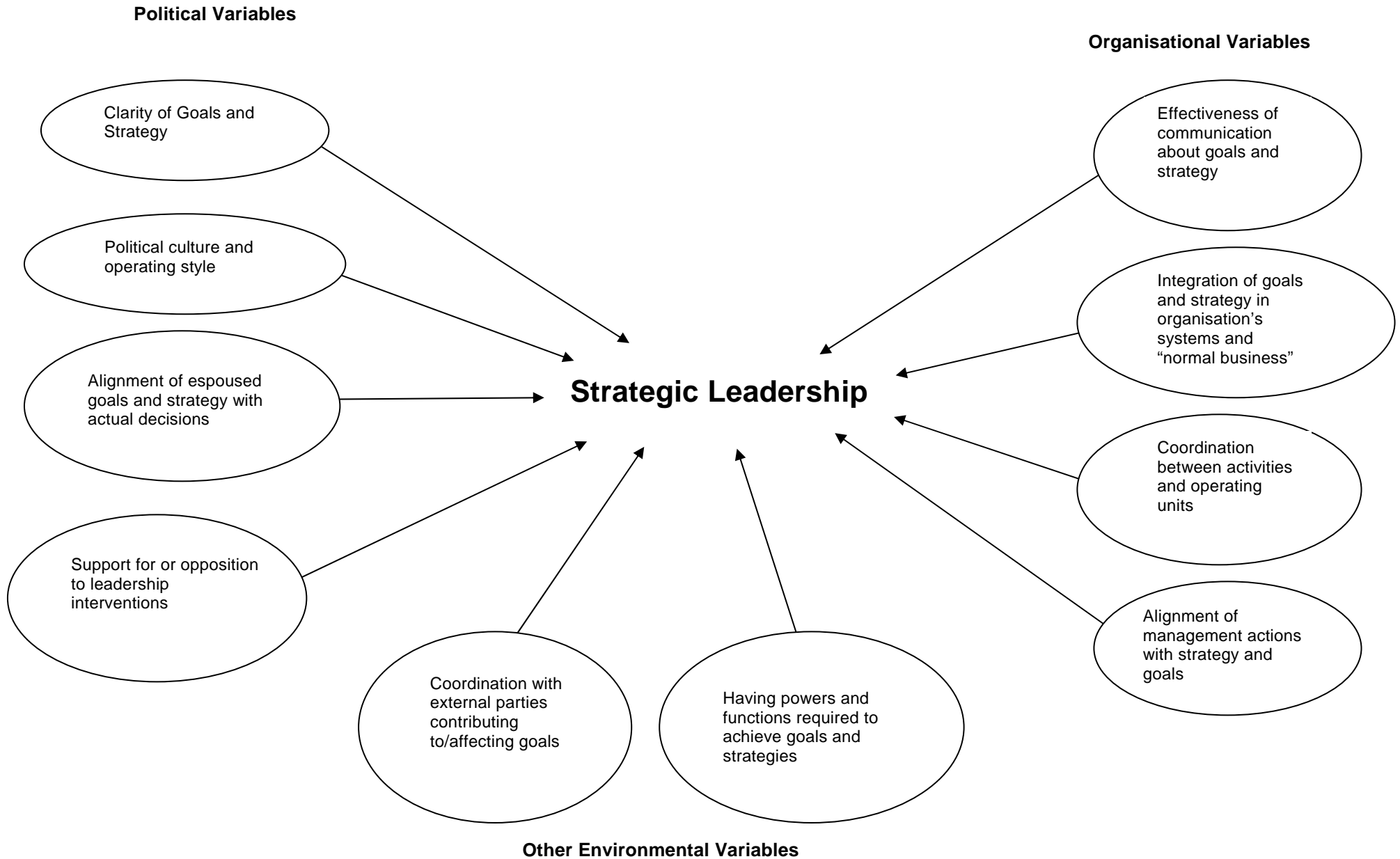


Figure 4.3 - Influence Relationship: Strategic Performance, Strategic Leadership and Contextual Factors

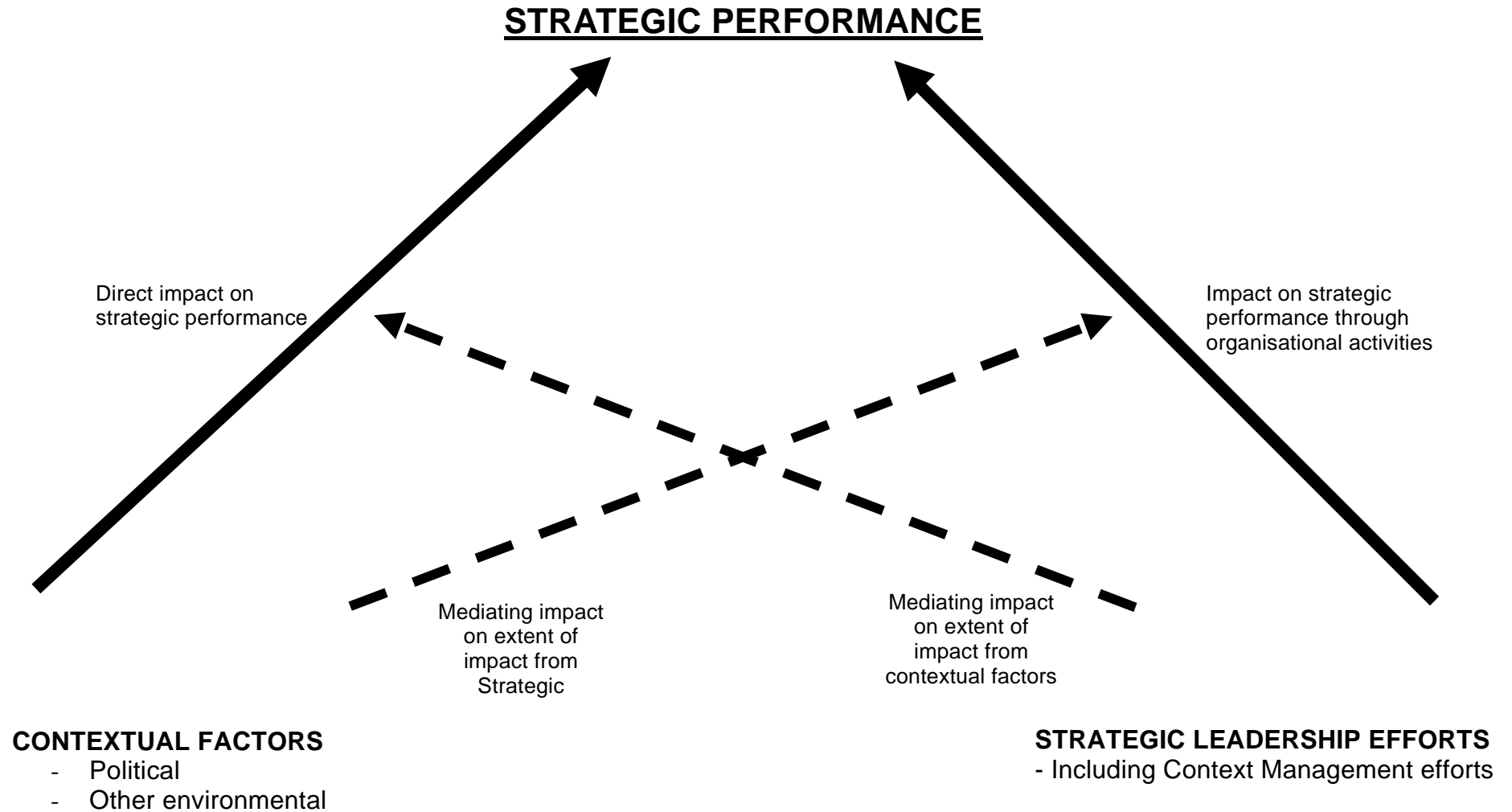
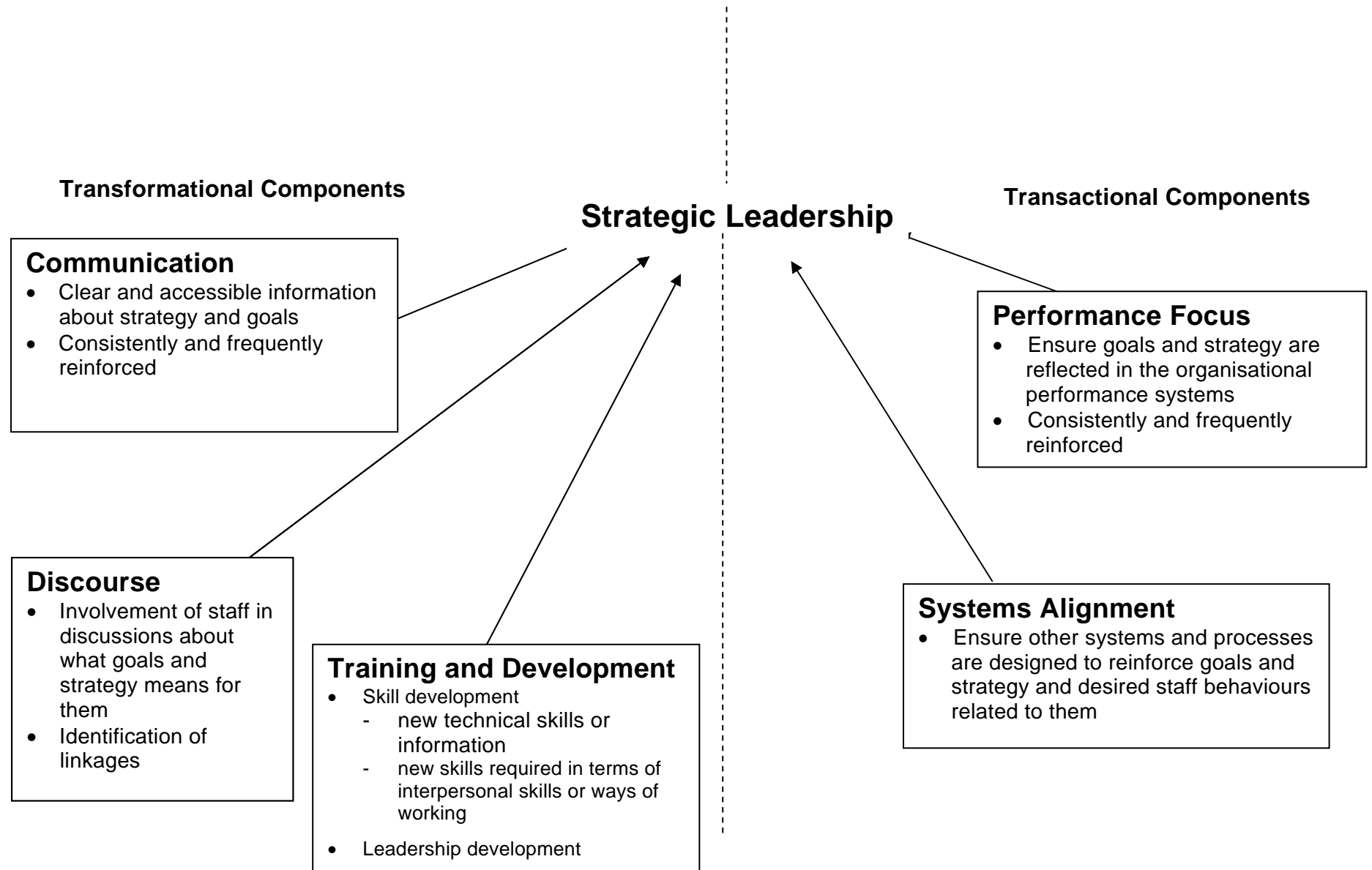


Fig 4.4 - Components of Strategic Leadership in Public Organisations



CHAPTER ONE – AN INTRODUCTION TO STRATEGIC LEADERSHIP IN PUBLIC ORGANISATIONS

BACKGROUND AND PURPOSE

Author's Perspective

It is useful to begin papers such as this with an up front statement of the underlying biases of the author. It is the author's view that public sector organisations exist to pursue and achieve outcomes that will benefit the society or community they serve. It is also the author's view that public servants working within these organisations, particularly at senior levels, have an obligation to ensure the organisation is able to, and in fact does, contribute to outcomes desired by the community/society. These views form the underlying basis from which this paper proceeds.

Context for the Project

In the New Zealand context, the notion of outcomes is enshrined in legislation as the purpose of governmental or organisational activity. The Public Finance Act 1991 defines outcomes as the impacts of actions in the community, while the Local Government Act 2002 sees community outcomes as underpinning the strategic planning framework and activities of local government organisations.

The public sector in New Zealand is made up of a number of different organisations, ranging from central government Ministries and Departments, special purpose Crown Entities or corporations and local government agencies. Some of these are tasked with contributing towards a small number of outcomes as part of whole of government efforts, while others such as local government bodies contribute to a broader range of outcomes within a particular locality. Those outcomes and the methods for achieving them are usually specified by a political or politically appointed body representing the interests of the society or community it serves. Such political bodies are typically responsible for the establishment and ongoing governance of the organisation, the specification of what outcomes will be pursued and what activities (or outputs) will be undertaken in pursuit of those outcomes.

The research component of this paper has been conducted in local government organisations in New Zealand. These organisations are generally responsible for a wide range of activities and contribute to a large number of outcomes across the communities they serve. They are governed by politically elected Councils that establish desired outcomes for their communities. This set of outcomes forms the goals or the strategic direction for both the community and the Council organisation. The Council also determines the mix of activities or outputs that the organisation it governs will undertake in order to help achieve those outcomes. This can be called its strategy, and together with the outcomes to be achieved, usually forms the basis of a strategic plan.¹

The performance of the organisation in executing the Council's strategy and contributing to the achievement of community outcomes is influenced by a number of factors. These include:

Leadership of the organisation – the relationship between the activities of the organisation and the achievement of outcomes is not as simple as the comments made above might indicate. A broad output or activity grouping could deliver completely different impacts on outcomes depending on the detail of what specific services or activities are undertaken and how they are delivered. Much of the detail will be determined not by the politicians, or even the senior executives of an organisation, but by the professional staff planning, designing and implementing the work. How the work is delivered will also rely to varying extents on the decisions, skills, attitudes and behaviours of those staff. Therefore, influencing the staff carrying out the work so that they understand how their roles and work relates to the outcomes and strategy set by the Council becomes vital. This can involve overcoming professional biases, traditional methods of delivery, or particular established interests among other barriers. This is where leadership, and in particular strategic leadership, can play an important role in influencing staff to perform in a manner best suited to achieving the Council's desired outcomes.

¹ The Local Government 2002 requires Council's to produce a Long Term Council Community Plan which incorporates outcomes set by the community together with the activities the Council will undertake to contribute toward achievement of those outcomes.

Political leadership and context – If the world was a simple place and political governance structures worked the way they were conceptualised, then this would be a short paper focused entirely on the preceding paragraph - what leadership interventions and tactics work to produce strategic leadership in organisations. But as the saying goes, “it isn’t, so it ain’t.” The effectiveness of elected Councillors as a group in determining and communicating their desired outcomes and their strategy for achieving them, has an impact on how well the Council organisation can understand and deliver on those outcomes. In addition, while in law elected Councils are recognised as singular entities that act with one voice through majority decisions, in reality they are groups of individuals, each of whom has different philosophical and political drivers. As well as setting outcomes and strategy, they make a whole range of decisions across different subjects, including levels and methods of funding, property ownership, and implementation options around different services. Not all of these decisions always align 100% with the outcomes they are trying to achieve and the strategy for achieving them. Not all decisions are unanimous, and not all of them are universally popular in the community. This means that some politicians will try to undermine implementation of decisions with which they disagree, and some decisions may change as Councillors are influenced by interests in the community. Further, individual politicians may not agree with how the organisation which they are jointly responsible for governing is being run, meaning they may attempt to influence how the organisation operates. All of these aspects of the political governance framework create a dynamic political environment in which local government organisations must work to achieve outcomes.

Operating environment and the tools available – the broader operating environment that Councils operate within influences how well they achieve desired outcomes. Local government in New Zealand works within a legislative framework that provides Councils with certain powers, providing they fulfil certain process requirements. For example, Councils can impose Bylaws providing a consultation process involving public notice and opportunity for public submissions has been followed. The legal framework for local government now includes a strong emphasis on consulting with communities over significant decisions, and working with communities, stakeholders and partners to establish and achieve community outcomes.

In working in this environment, Councils need to deal with the policies of central government and its agencies, and the aspirations of a whole range of other stakeholders and interests within the environment. These external influences can have an impact on the tools and tactics a Council uses in executing its strategy. In addition, these external influences may contribute to or affect the outcomes the Council is trying to achieve. Their willingness and approach to working with Council can have an impact on the success of the organisation in achieving desired outcomes.

While the research underlying this paper involves local government organisations, most of the context outlined above applies across the public sector. Conclusions drawn from the research are likely to have applicability across a range of public organisations.

This paper is the result of a research project that focuses on the leadership of public organisations toward a politically set grouping of outcomes or goals, in line with a politically set strategy. This is labelled strategic leadership in the public sector. The term strategic leadership is defined further below. The project has focused on the types of leadership and leadership interventions that are effective in terms of strategic leadership, the importance of political leadership and context on strategic leadership, and the effect of the broader operating context on strategic leadership.

Purpose of the Project

The purpose of this project is to examine the impact of the operating environment, particularly the political context and political leadership, of public organisations on the ability of leaders to lead strategically. This examination is based on research conducted in three local government organisations in New Zealand. The research questions this project seeks to answer are:

- How does the operating environment (or context) influence the ability of senior executives to lead a local government organisation strategically?
- What role do political strategy and leadership have in establishing the operating environment for organisational leadership?

- What leadership interventions are most effective at achieving strategic leadership in an organisation?
- How does the operating environment impact upon specific leadership interventions?

The hypothesis the project is testing is: *That operating environment, and in particular, political strategy and leadership, have a significant impact on strategic leadership within a local government organisation.*

Before looking at what is meant in this paper by leadership and in particular strategic leadership, it is necessary to briefly discuss outcomes. Because outcomes (or goals as they will often be referred to) are central to the notion of leading a public organisation strategically, it seems useful to examine them and their relationship to the activities of organisations more closely.

Outcomes

As stated above, outcomes are defined in the New Zealand public sector context as the impacts of actions in the community. The nature of outcomes is such that they are usually influenced by a number of contributing factors. These can be specific outputs or activities controlled or influenced by governmental and other agencies and individuals, or other factors not readily controlled or influenced. Take for example the outcome of improved road safety. This is influenced by a range of factors including the quality, design and condition of roads; the skill and education of drivers; levels of traffic enforcement; the safety of vehicles on the road; and driving conditions such as the weather, the amount of traffic on a particular road and activities happening adjacent to a particular road. Some of these factors are beyond any organisation's control – the weather being a prime example. A number of agencies contribute to the other factors – agencies and contractors with road building and maintenance responsibilities to road design and conditions; Police to enforcement; Vehicle testing stations, mechanics, and car manufacturers to vehicle safety standards and so on.

As one outcome can have a number of outputs or activities influencing its achievement, so too can one activity or output contribute to a number of different

outcomes. For instance the activity of designing, providing and maintaining a road network can contribute toward the outcome of improved road safety. However it can also contribute toward (depending on the detail of design) efficient movement of people and goods, improved accessibility, increasing use of alternative means of transport, increased local prosperity and community vibrancy. It can also (again dependent on the detail) contribute negatively toward a number of outcomes such as decreasing air and water quality (through emissions), and decreasing community safety, amenity, accessibility and vibrancy (through the impact of roads on surrounding neighbourhoods). These interrelationships demonstrate that there is a high degree of linkage and interconnectedness between outcomes and outputs.

As can be seen from this example, outcomes can be conflicting, and different outputs and activities from the same organisation can be in conflict in terms of outcomes sought to be achieved. Political leaders must make decisions about where priorities lie and what trade-offs they are prepared to make between various outcomes and between various outputs. These choices lie at the heart of the goal and strategy setting process. The degree of clarity in setting goals and strategy would logically seem to influence strategic leadership, by determining how clear the target is which the organisation is to be led toward.

AN INTRODUCTION TO LEADERSHIP AND STRATEGIC LEADERSHIP

Leadership

There are a number of definitions and views on the nature of leadership in the literature. As Yukl (2002, p2) states “*researchers usually define leadership according to their individual perspectives and the aspects of the phenomenon of most interest to them.*” A brief discussion of the different approaches to leadership will provide a basis for examining the concept of strategic leadership in public organisations.

Parry (1998(2), p17) has defined leadership as “*the presentation by a leader of some identifiable goal or vision or future state that people can desire; and the generation of a willingness within those people to follow the leader along a socially responsible and mutually beneficial course of action, toward that goal.*” Included in this definition are a number of components:

- The idea that leadership includes the presentation of a *future* – a leader must be going ‘somewhere’
- The idea of others *following* the leader
- The idea of *willing following* – people being willing to follow rather than being coerced
- A *desirable future state* – a goal that motivates the followers
- An *attainable future state* – goals that are not too difficult (or too easy) to discourage followers
- A *mutually beneficial* course of action – the intended outcome of the leadership journey is beneficial to both leader and followers.
- The idea that the leadership journey involves a *socially responsible and ethical* course of action – this is said to differentiate real leadership from influence
- Leadership is translated into both *actions and words*.

(Parry 1998(2), pp17-18)

However, not all of these components are agreed by writers in the field. Among the components that are contested are the propositions that willing following is a necessary part of leadership, that a leadership journey must be mutually beneficial to leader and follower, and that a leadership journey must involve a socially responsible course of action. Yukl (2002, p 4) defines these areas of debate as the type of ‘influence process’ used and the purpose of ‘influence attempts’. Other areas of debate highlighted by Yukl include whether leadership is a specific role or a shared influence process, whether leadership is influence based on reason or emotion, and what level of commonality there is between the concepts of leadership and management.

Yukl (2002, pp4-5) says that one viewpoint expressed in the literature limits the definition of leadership to those exercises of influence that result in enthusiastic commitment by followers, excluding influence through coercive means (control over rewards and punishments). This viewpoint is encapsulated in the component of *willing following* identified by Parry (1998(2)), and focuses on the process of leadership rather than the results. As Yukl (2002, p4) notes, the same type of influence attempt can result in different outcomes depending on the situation, while the same outcome can often be achieved through different leadership methods.

Another viewpoint expressed in the literature sees the purpose and outcome of leadership attempts as important in defining leadership (Yukl 2002, pp4-5). For real or true leadership to exist, this viewpoint holds that what followers are being influenced to do must be *ethical*, *socially responsible* and of *mutual benefit* to the organisation and the individuals. The opposing viewpoint is that the motivations behind influence attempts are not necessarily singular or clear, and that, due to external factors, outcomes can be positive or negative regardless of the motivation. This viewpoint also recognises that what is regarded as socially responsible and ethical can also vary across time and location. Accordingly, this viewpoint does not limit the definition of leadership on the basis of purpose or outcome.

Yukl (2002, p3) says that some leadership researchers see leadership as a specific role to be allocated and performed in an organisation. Others see leadership as a shared process, without hard distinctions between leaders and followers. The components of leadership set out by Parry (1998(2)) suggest that leadership is something that can either take the form of a process or be demonstrated through a specific role. Examples from everyday life also indicate that people in the “right place at the right time” are capable of showing leadership regardless of their formal role or position (Yukl 2002, pp3-4).

Many definitions of leadership emphasise rationality as the basis for followers to follow leaders, while recent theories of leadership emphasise the emotional aspects of leadership (Yukl 2002, p5). Limiting the definition of leadership by having an either/or view of the basis for followership excludes some conceptions of leadership that appear valid. Willing followership can be generated through appeal to the rational (for example, contingent reward for behaviour, or explanation of benefits of a course of action), or through emotion (for example, appeals to soldiers to sacrifice their lives for ‘King and Country’).

The relationship between leadership and management is also a key area of discussion in leadership research. Some researchers view the two concepts as mutually exclusive (Yukl 2002, p5, cites Bennis & Nanus 1985 and Zaleznik 1977). Other researchers (Yukl cites Bass 1990, Hickman 1990, Kotter 1988, Mintzberg 1973 and Rost 1991) see them as different things but recognise that leadership is often part of management, or at least needed alongside it. However, Yukl contends that defining leading and managing as distinct roles may obscure more than it reveals.

Yukl (2002, p7) provides a working definition of leadership: “*Leadership is the process of influencing others to understand and agree about what needs to be done and how it can be done effectively, and the process of facilitating individual and collective efforts to accomplish the shared objectives.*” This definition is process rather than outcome focused, and does not incorporate *willing following* and *social responsibility* as necessary components, instead leaving individual researchers to further refine their own definitions of leadership based on their individual research requirements. For this paper, with its focus on the concept of strategic leadership in public organisations, further clarification of what is meant by leadership in this context would seem necessary.

Defining Strategic Leadership

As stated above, the leadership of public organisations toward a politically set grouping of outcomes or goals, in line with a politically set strategy (group of activities or outputs), has been labelled as strategic leadership in the public sector for the purposes of this paper. For the purpose of this paper the term can be defined in more detail (in terms used in the leadership literature) as *the leadership processes and measures used to change the performance and culture of an organisation to enable it to contribute towards a politically set group of goals or outcomes for society/community in line with an agreed strategy for delivery of those goals or outcomes.* On the basis of this definition, how well an organisation contributes to the achievement of outcomes can be termed its strategic performance.

Defining strategic leadership in the public sector thus incorporates the general notions of leadership discussed in the leadership literature, as well as the strategic and public sector aspects of leadership that are of interest in this research project. It adds to and refines the concept of leadership for the purposes of this specific research – something Yukl (2002, p7) suggests is a necessary part of leadership research.

It is useful to examine the concept of strategic leadership in the public sector in the context of the debates over the various components and definitions of leadership highlighted above through the work of Yukl (2002) and Parry (1998(2)). The definition of strategic leadership in the public sector devised for this paper seems to

incorporate the presentation of a desirable and attainable future state and the idea of people in the organisation following the leader. However, it also seems intuitively to connote a definition of leadership that is closer to that of Parry than that of Yukl. Of the components of leadership that are contested in the literature, the concepts of a desirable future state, a mutually beneficial course of action, and particularly a socially responsible and ethical course of action seem to be either explicitly or inherently a part of strategic leadership in a public sector context. This interpretation is supported by the author's view stated above that public sector organisations exist to pursue and achieve outcomes that will benefit the society or community they serve. The concept of a socially responsible and ethical course of action is explicit in the delivery of beneficial outcomes. The concepts of a desirable future state and a mutually beneficial course of action can be modified and expanded somewhat in the public sector context - whereas the Parry definition sees them applying between leader and follower (which they still do in the public sector), they can also be seen as applying between the organisation and the community it is trying to achieve outcomes for. In order for a public organisation to deliver benefit, a future state would seem to need to be desirable for not only the leader and follower, but also the community. The same thinking applies to the concept of a mutually beneficial course of action.

The author's view is that strategic leadership in public organisations is about leading the organisation so that it is able to contribute to beneficial outcomes for the community or society it serves. This leadership occurs in an environment where the outcomes to be pursued and the strategy for pursuing them are set or largely influenced by a politically elected or appointed body.

THE IMPACT OF OPERATING ENVIRONMENT AND POLITICAL CONTEXT ON STRATEGIC LEADERSHIP IN PUBLIC ORGANISATIONS

The discussion of the definitions of leadership and strategic leadership set out above provides a foundation for an examination of the impact of operating environment, particularly the political aspects of the public sector context, on strategic leadership in public organisations. The remainder of this paper uses this foundation to examine the topic within the existing body of knowledge, and through original research conducted as part of this project.

Chapter Two contains a literature review in the area of leadership, examining types of leadership and their varying impacts, and the leadership of strategic change in organisations. Chapter Three contains a literature review in the field of public management, with a particular focus on the impacts of the political context and the wider operating environment on the management and leadership of public organisations. This review draws on both literature from the broader field of public management, as well as literature specific to the New Zealand local government sector. Chapter Four presents the methodology and findings of the research conducted by the author into the topic of the impact of operating environment and political context on strategic leadership in public organisations. This research was conducted in three local government organisations in New Zealand. Chapter Five compares the findings from the research to the themes drawn from the literature reviews, looking at what themes have been borne out in the research and whether any new nuances or ideas can be added to the existing body of knowledge. Chapter Six draws on the themes from the literature review and Chapters Four and Five in order to provide answers to the research questions and confirm the research hypothesis that forms the starting point for this paper. It also sets out propositions based on the research and a direction for future research.

CHAPTER TWO - LITERATURE REVIEW: LEADERSHIP AND LEADING TOWARD A STRATEGY

Central to any discussion about strategic leadership in public organisations are the concepts of leadership and leading change. This chapter continues the examination of leadership commenced in Chapter One, exploring what types of leadership and leadership interventions are thought most likely to contribute to strategic change and leadership efforts in organisations.

A key focus of much of the literature on leadership is leading change in organisations. Indeed, as Yukl (2002, p273) comments, “*for some theorists, it is the essence of leadership and everything else is secondary.*” The definitions of leadership discussed in Chapter One all involve some notion of change – moving from a current state to a different future state.

In terms of the definition of strategic leadership in public organisations set out in Chapter One, change is a key concept. The definition involves changing the performance and culture of organisations to enable them to contribute to goals and strategy. Such change can be viewed as significant and strategic.

The following discussion reviews the literature in the context of how different types of leadership and leadership interventions effect change in organisations. This discussion is then used as a basis for determining the implications from the literature for strategic leadership in public organisations.

TYPES OF LEADERSHIP AND THEIR IMPACTS

Types of Leadership

Bass (1998) identifies transactional leadership and transformational leadership as different types of leadership within the *Full Range of Leadership Model*. Transactional leadership is based on contingent reinforcement. The leader rewards or punishes followers based on the adequacy of their performance. Components of transactional leadership are:

- Contingent reward – the leader sets required tasks and performance levels and promises and provides rewards for satisfactory performance.
- Management by exception – the leader sets tasks and performance requirements and then monitors results. Deviations from the required standard result in corrective action (punishment). This component of transactional leadership can be active (active monitoring of performance to pick up deviations) or passive (waiting for mistakes to occur). (Bass 1998, pp6-7)

Of transactional leadership approaches, contingent reward is seen as being effective in most circumstances, active management-by-exception more variable in its results and passive management-by-exception not as effective (Bass 1998, p4).

Transformational leadership is seen as adding to transactional leadership. It attempts to “*engage the follower in true commitment and involvement in the effort at hand*” (Bass 1998, p4). Bass identifies four components of transformational leadership:

- Charismatic leadership – involves leaders being role models for followers. Leaders are seen as having extraordinary capabilities, persistence and determination; they display ethical and moral courage and do the “right thing”.
- Inspirational motivation – leaders behave in ways that people want to emulate; they inspire by providing meaning in work; they develop clear visions for the future and get followers envisioning the future; leaders communicate expectations clearly; they develop commitment of followers.
- Intellectual stimulation – leaders stimulate followers to be innovative and creative; followers are included in the process of addressing problems and finding solutions; followers’ ideas are not criticised but rather new approaches are encouraged.

- Individualised consideration – special attention is paid to individual followers' needs for growth and achievement; differences in followers are recognised; interactions between leaders and followers are personalised.

(Bass 2002, pp5-6)

Bass (1998, p7) also identifies *laissez-faire* leadership as a behaviour identified in leaders. This is the avoidance or absence of leadership and has been shown not to be an effective leadership type.

Bass (1998, p8) says that all leaders display each style or type of leadership to a certain extent. Leaders displaying more transformational leadership components than transactional or *laissez-faire* components are shown in research studies to be more effective and satisfying to followers.

Yukl (2002, pp254-255) infers what the underlying influence processes for both transformational and transactional leadership are from the descriptions of leader behaviours and follower motivation provided by Bass (1998). Yukl sees that the primary influence process for transactional leadership is probably 'instrumental compliance', while transformational leadership involves 'internalisation' and 'personal identification'. Instrumental compliance means the motivation for the behaviour is purely instrumental – the follower carries out the action requested to either gain reward or avoid punishment. This form of motivation is likely to result in the minimum effort required to get the reward or avoid punishment. Internalisation means that the leader's proposal or request becomes integrated with the follower's own values and beliefs, leading to commitment to the ideas regardless of reward or punishment. Personal identification involves identification with and commitment to the leader rather than the idea, and is probably driven by the follower's needs for acceptance and self-esteem (Yukl 2002).

Other writers have made similar distinctions to Bass (1998) in classifying types of leadership. Nadler and Tushman (1989) identify 'magic leadership' and 'instrumental leadership'. They say that magic leadership is a "*special kind of leadership that appears to be critical during times of strategic organisational change*" (Nadler and Tushman, pp104-110), and that it is based on charismatic leadership. Key behavioural components of magic leadership are:

- Envisioning – creation of an attractive vision of the future that is challenging, meaningful, credible and worthy of pursuit
- Energising – generation of motivation to act among organisation members through personal enthusiasm, leveraging the enthusiasm of others and celebrating successes
- Enabling – helping people to perform in the face of challenging goals by providing support and expressing confidence

(Nadler and Tushman 1989, pp105-106)

Nadler and Tushman (1989, pp108-110) also identify 'instrumental leadership' as another necessary type of leadership. Components of instrumental leadership include:

- Structuring – creating structures (e.g. setting goals, standards and roles) that make clear required behaviours.
- Controlling – creation of systems and processes to monitor, measure and assess behaviour and results, and to administer corrective action.
- Rewarding – administering contingent rewards and punishments.

Nadler and Tushman (1989, pp109-110) also see what they call 'mundane behaviour', "*the accumulation of minor patterns of activity*", as having leadership impact. Mundane behaviour includes such things as the allocation of time and calendar management, shaping of physical settings and the use of symbolic actions including rewards and punishments. This behaviour signals and reinforces what it is that leaders regard as important.

The Impact of the Various Leadership Types

Parry (1999, pp149-150) says that while researchers have found it difficult to determine direct links between leadership behaviour and organisational performance outcomes, relationships between the two have been found, albeit with the recognition that there are many intervening variables that interrupt a direct relationship. In his 1999 study on leadership strategies to accommodate change in local government settings, Parry found that follower perceptions and knowledge were among

intervening variables, and that the personal adaptability of followers and the change process used were moderating variables in the leadership – organisation performance relationship.

The literature indicates that both transformational and transactional leadership types are important in achieving strategic change in organisations. Parry (1998 (1), pp94-95) stresses that to be effective in leading change, leaders must be high in both transformational and transactional leadership. However, the best leaders tend to emphasise transformational behaviour over transactional (Parry 1998).

Nadler and Tushman (1989, pp110-111) reach similar conclusions. They see that both magic and instrumental leadership are needed to achieve effective organisational reorientation: “*Magic leadership is needed to generate energy, create commitment and direct people toward new objectives*” while “*instrumental leadership is needed to ensure that people really do act in a manner consistent with their new goals*” (Nadler and Tushman 1989, p110). They say that either style alone is insufficient for the achievement of strategic change. Magic leadership is an essential component in strategic organisational change, but it has limitations in that it can stifle follower input, lead to unrealistic expectations and not provide the focus on the systems necessary to achieve and support change. Instrumental leadership is necessary to counter these limitations (Nadler and Tushman 1989). Proctor-Thompson and Parry (2001) concur with the view that both transformational and transactional types of leadership are required: they state that research has demonstrated transformational leadership to be the most effective leadership type, but that the best leaders, while being high on transformational leadership, exhibit transactional leadership as well, where it is appropriate.

Valle (1999) looks at leadership in the public sector. He sees public sector organisations as facing a turbulent environment and increasing demands and pressure from stakeholders. In order to succeed in this environment, leaders must “*build a culture with a core competency which values and excels at adaptation*” (Valle 1999, p249). Leadership is integral to public organisations adapting and surviving in their environment. He sees the real work of leaders in public organisations as preparing “*the members of their organisations to cope with, and adapt to, changes of mission, environment, and/or direction*” (Valle 1999, p245). Valle sees the challenge of leadership as being the development of an adaptive organisational culture as the organisation’s primary core competence. In order to change culture in this way, he

sees symbolic approaches to influencing the norms and values of the organisation and organisational development interventions as being effective. Leaders must concentrate less on "*concrete task and performance direction*", and more on "*framing and guiding the work tasks so that they align with the organisation's mission and focus*." (Valle 1999, p251) Vision and goals, rather than rules and procedures, are seen as key tools for co-ordination and control. Such an approach is more aligned with charismatic or transformational leadership behaviours than with transactional behaviours (Valle 1999, p251).

For Kotter (1996), leading change in organisations is about the transformation of an organisation in order to deal with a changing environment and changing circumstances. He sets out an eight-step process for achieving change in organisations:

The Eight-Stage Process of Creating Major Change

- 1. Establishing a Sense of Urgency**
 - Examining the market and competitive realities
 - Identifying and discussing crises, potential crises, or major opportunities

- 2. Creating the Guiding Coalition**
 - Putting together a group with enough power to lead the change
 - Getting the group to work together like a team

- 3. Developing a Vision and Strategy**
 - Creating a vision to help direct the change effort
 - Developing strategies for achieving that vision

- 4. Communicating the Change Vision**
 - Using every vehicle possible to constantly communicate the new vision and strategies
 - Having the guiding coalition role-model the behaviour expected of employees

- 5. Empowering Broad-Based Action**
 - Getting rid of obstacles

- Changing systems or structure that undermine the change vision
- Encouraging risk taking and non-traditional ideas, activities and actions

6. Generating Short-Term Wins

- Planning for visible improvements in performance, or “wins”
- Creating those wins
- Visibly recognizing and rewarding people who made the wins possible

7. Consolidating Gains and Producing More Change

- Using increased credibility to change all systems, structures, and policies that don’t fit together and don’t fit the transformation vision
- Hiring, promoting and developing people who can implement the change vision
- Reinvigorating the process with new projects, themes and change agents

8. Anchoring New Approaches in the Culture

- Creating better performance through customer and productivity-oriented behaviour, more and better leadership and more effective management
- Articulating the connections between new behaviours and organisational success
- Developing means to ensure leadership development and succession

(Kotter 1996, p21)

While this prescription is highly transformational in nature, it also includes some transactional elements. Kotter makes a distinction between management and leadership. He says management is “*a set of processes that can keep a complicated system of people and technology running smoothly*” (Kotter 1996, p25). It includes the key processes of planning and budgeting, organising and staffing and controlling and problem solving. He says that leadership “*defines what the future should look like, aligns people with that vision and inspires them to make it happen despite the obstacles*” (Kotter 1996, p25). This involves the processes of establishing direction, aligning people and motivating and inspiring. Kotter sees the distinction as crucial in

looking at achieving significant change in organisations. He sees that successful transformation efforts are about 70 to 90% leadership and only 10 to 30 % management, and that most transformation efforts fail because they are under-led and over-managed. However, he does not dismiss the value of management. He says that *“even in a rapidly changing world, someone has to make the current system perform to expectations”* (Kotter 1996, p168). This is seen as important in generating short-term wins. It also seems important for anchoring change in the organisation.

CONSTRAINTS ON LEADERSHIP

Yukl (2002) outlines a number of possible constraints on leadership efforts by senior executives. While constraints and contextual issues brought about by the public sector context are specifically dealt with in chapter three, it is worth discussing generic organisational constraints here to provide a broader leadership perspective.

Yukl (2002) states that there are potentially a number of forms of constraint on the ability of executives in organisations to achieve major strategic change. These can include internal constraints, external constraints and the attributes of executives. Internal constraints involve powerful forces within the organisation opposing change, such as a strong organisational culture, strong coalitions or factions (e.g. unions aligned with executives that will lose power or influence), or lack of financial resources (Yukl 2002, pp342-343). External constraints depend on the nature of the organisation and the extent that it is subject to market forces and competition and the ability of powerful stakeholders to dictate conditions, as well as regulatory and political-legal limitations. The attributes of executives are the skills and attitudes of those in leadership roles. The internal and external constraints will interact with each other and with the attributes of executives (Yukl 2002, pp342-344). Together these constraints will affect change in an organisation.

LEADERSHIP INTERVENTIONS FOR STRATEGIC LEADERSHIP

The literature provides guidance on the leadership interventions appropriate for achieving effective strategic leadership. Kotter's (1996) eight step process for change outlined above envisages a variety of interventions and approaches for

achieving change. The detail of these will vary dependent on the circumstances of the organisation involved, but the core of the approach is summarised in the eight steps. This approach incorporates both transformational (e.g. establishing the vision) and transactional (e.g. anchoring change in the culture) components.

Nadler and Tushman (1989) highlight the importance of institutionalising leadership within the organisation in order to achieve strategic change. They say that one individual is unlikely to possess the full range of skills associated with both magic and instrumental leadership. Individuals who are strong in magic leadership, are more likely to be weak in instrumental leadership skills. To overcome this they say it is necessary to broaden the range of individuals who can perform critical leadership functions in significant organisational change. They see three key leverage points for the extension of leadership: building the senior team, broadening the senior management and developing leadership throughout the organisation (Nadler and Tushman 1989, pp111-118)

Nadler and Tushman (1989, pp112-115) say that building the senior team can be an effective means of overcoming the limitations of an individual leader. This involves visibly empowering the team both objectively and symbolically so that they have the autonomy and resources to contribute to the change effort, and the visible mantle of leadership in the organisation. It involves developing team members so that they have the ability to contribute to the change effort, including the ability to deal with increased ambiguity and uncertainty. It involves ensuring the composition of the team is right, and getting the team involved in strategic anticipation. Another important component is ensuring the team is a learning system that is open to the rest of the organisation and outside ideas, and does not become isolated and inward looking.

Broadening senior management involves the extension of leadership beyond the senior team to get the managers of the organisation to commit to the change and motivated to work as an extension of the senior team. For Nadler and Tushman (1989, pp115-116), achieving this involves getting the senior team to take responsibility for developing their own teams as leaders of change. It can also involve using rites of passage to make managers feel part of senior management and creating structures to maintain contact between the senior team and the rest of the senior management group. Getting managers involved in planning change strategies to make them feel they are managing change, and maintaining a constant stream of

communication between the senior team and the group of senior managers, are also cited as important components.

Developing leadership in the organisation involves ensuring that systems and efforts to develop leaders and managers are consistent with the change the senior team is trying to achieve. This means that there needs to be strategic and anticipatory thinking about aspects of the leadership development process. This includes the definition of managerial competence to determine the skills and capacities required and the recruitment of appropriate managerial talent. It also includes the socialisation of new leaders into how the changed organisation is going to operate and education of managers in the new skills and knowledge required; and strategies such as career management and strategic placement of leadership talent (Nadler and Tushman 1989, pp116-117).

For both Kotter (1996) and Nadler and Tushman (1989), getting the composition of the change team right is a significant factor in achieving strategic change.

The importance of change in strategic leadership is highlighted above. Mechanisms for achieving change in organisations include:

Changing culture

Changing organisational culture is a key mechanism through which leadership can help organisational change to occur. In fact, as Yukl (2002, p278) puts it "*large-scale change in organisations usually requires some change in organisation culture as well as direct influence over individual subordinates*". Yukl uses Schein's definition of the culture of an organisation or group: the "*shared assumptions and beliefs about the world and their place in it, the nature of time and space, human nature, and human relationships*" (Yukl 2002, p278). Yukl says that Schein distinguishes between espoused values and underlying beliefs and values in organisations saying that the two are not necessarily aligned.

Based on Schein's work, Yukl (2002, pp279-281) sets out two groups of mechanisms for influencing culture: primary mechanisms and secondary mechanisms. Primary mechanisms tend to be leader or organisation behaviours and actions:

- The things the leader gives attention to – those things that are seen as receiving the most attention from the leader are seen as most important. Those things that do not receive attention are seen as unimportant.
- Ways of reacting to crises – if a leader supports espoused values during crises they are seen as important
- Role modelling – a leader communicates strongly through their actions. Acting contrary to espoused values or organisation policies will undermine those values or policies.
- Allocation of rewards – how rewards and recognition are allocated signals those things that are important to the leader.
- Criteria for selection and dismissal – these criteria can have a strong influence on culture.

Secondary mechanisms tend to be the more formal or espoused decisions, actions, statements, systems, or physical settings in an organisation:

- Design of systems and procedures
- Design of organisation structure
- Design of facilities
- Stories, myths and legends – more a reflection of culture than a determinant of it, these mechanisms can help transmit values
- Formal statements – these can set out organisational goals and values but have no credibility unless backed up by actions and decisions.

These secondary mechanisms are useful for embedding and reinforcing culture where they are consistent with primary mechanisms (Yukl 2002). Where they are incompatible, they are likely to have little effect.

Valle (1999) sees culture as vital in helping an organisation change in the face of a turbulent operating environment. He sees culture being changed by using a symbolic approach and through organisational development interventions. A symbolic approach involves attempting to influence cultural norms and values by “shaping surface elements (symbols, meanings and ceremonies) and managing meaning”. Organisational development interventions (such as process consultation and team development) are aimed at helping organisation members to identify and accept new norms and values (Valle 1999, pp250-251).

Much of the impact of leadership on the culture of organisations is associated with transformational leadership. Rainey (1997, p273) states that transformational leaders exert influence through 'social architecture', by working with the culture of their organisation.

Establishing and Communicating a Vision

All of the literature relating to transformational leadership types expounds the importance of establishing a clear and attractive vision for the future, and communicating that vision, in achieving strategic change in organisations (Kotter 1996, Nadler and Tushman 1989, Bass 1998). According to Yukl (2002, p283), a clear vision helps people understand the purpose, objectives and priorities of an organisation, gives work meaning and fosters a sense of common purpose. Jackson and Callan (2001), say that successful change leaders, among other things, communicate a clear vision and enlist other to help achieve it. The research of Proctor-Thompson and Parry (2001) indicates that leadership has an impact in organisations through promulgating vision which attracts commitment and energises people, creates meaning, establishes a standard of excellence and bridges the present with the future.

Communication of the vision is seen as a key part of effective leadership. According to Kotter (1996), a key reason why change efforts fail is that leaders under-communicate the vision.

Control Through Power and Influence

Power and influence are necessary components in leading organisational change. Yukl (2002, p141) sees influence as the 'essence of leadership' – it is necessary to get people to support proposals and implement decisions.

Power is a central concept in understanding how influence works. Yukl (2002, p157) says, "*it is obvious that leaders need some power to be effective*". He describes power as involving "*the capacity of one party (the "agent") to influence another party (the "target")*" (Yukl 2002, p142). Power can come from a range of sources:

- Legitimate power stemming from formal authority over work activity
- Reward power stemming from the ability to control rewards sought by the target of an influence attempt
- Coercive power stemming from authority over punishments
- Referent power stemming from a desire on the part of targets to please the agent out of affection, admiration and loyalty
- Expert power derived from expert knowledge and skill in relation to work activity
- Information power stemming from control over access to information
- Ecological power derived from control over the physical environment, technology, and the organisation of work.

(Based on Yukl 2002, pp144-153)

Some of these sources of power are transformational in nature (e.g. referent power), while others are transactional (e.g. reward power).

For Yukl (2002, p157) the amount and source of power required will vary according to the scale of change required/desired and the situation in the particular organisation. In difficult situations where major change is required but there is significant opposition, and the need for change cannot yet be seen, a leader might require sufficient expert and referent power to persuade people that change is necessary. Alternatively, they might have sufficient position power to overcome the opposition to change.

Researchers have also identified specific types of influence behaviour that don't focus on power as a source of influence (Yukl 2002, p159). These 'proactive influence tactics' (Yukl 2002, pp159-164) include rational persuasion, apprising, inspirational appeals, consultation, exchange, collaboration, personal appeals, ingratiation, legitimating tactics, pressure, and coalition tactics.

Impacts on Followers

Leadership has impacts on employee or follower behaviour through the psychology of followers. Parry (1998 (2)) has shown leadership to affect the behaviour of organisation members (and in turn organisation performance) through their social psychology. He sees leadership as acting to affect the social psychology of

followers, which in turn affects the behaviour of followers, which has an impact on organisational performance. This is demonstrated in Parry's diagram:

Leadership > Social psychology → Behaviours → Bottom line
of followers of followers of organisation

Parry (1998 (2), p18)

Parry (1999, p134) defines leadership as a "*process of social influence.*" In periods of organisational change, the strategies, behaviours, and activities of leaders can work to resolve uncertainty on the part of followers, which will provide for higher morale and better performance. Parry identifies enhancing adaptability, which incorporates resolving uncertainty, as the basic social process of social influence associated with change. He sees enhancing adaptability as involving both the enhancement of follower adaptability and leader adaptability. Leader adaptability can be enhanced through self-development (Parry 1999, pp141-150). Strategies for enhancing follower adaptability include:

- Uncertainty resolution through training and development and slow implementation of change
- Resource provision – Organisational developments aimed at increasing coping skills and changing the perceptions of followers
- Provision of access to a wide range of experiences
- Communication of desirable messages

(Parry 1999, pp145-147)

Enhancing adaptability helps reduce stress during periods of change (Proctor-Thompson and Parry 2001, pp173-175). This helps an organisation through the change process. Parry (1999) finds that transformational leadership is the most effective type of leadership in terms of enhancing adaptability.

IMPLICATIONS FOR STRATEGIC LEADERSHIP IN PUBLIC ORGANISATIONS

What do these observations about leadership mean for strategic leadership in public organisations? As stated above strategic leadership in public organisations is about

changing an organisation to enable it to contribute to goals and outcomes for the community. In this definition, leading change becomes an important part of strategic leadership in public organisations.

Important themes for strategic leadership in public organisations from the literature are:

Both transformational and transactional leadership types are needed in achieving effective strategic leadership in public organisations

The literature review indicates that both transformational and transactional leadership types are important in achieving change in organisations. The importance of transformational leadership in strategic change is stressed throughout the literature. Nadler and Tushman (1989, p104) see transformational type leadership (which they call 'magic leadership') as "*critical during times of strategic organisational change.*" Kotter's (1996) prescription for change sets out a number of leadership steps most of which are transformational in nature. Indeed, the concept of strategic organisational change is seen as being a transformation of the organisation. This infers that leadership of this type of change must be, at least in large part, transformational in nature. Bass (1998, pp8-15) cites research showing that leaders exhibiting greater degrees of transformational leadership are more effective and satisfying for followers.

However, the importance of transactional leadership approaches in support of transformational leadership is also apparent from the literature review. Nadler and Tushman (1989, pp106-109) state that leadership behaviours such as envisioning the future, and energising and enabling staff will not achieve major change on their own. Transactional type leadership approaches such as creating and managing systems and processes, creating organising structures and administering contingent rewards and punishments are necessary to consistently produce behaviours and results required to achieve the desired change. Kotter (1996, p168) acknowledges the importance of using management skills to produce ongoing performance during change and to embed change in the organisation's culture and systems.

Transformational leadership is particularly relevant in public organisations for maximising organisational contributions to community outcomes

The literature indicates that transformational leadership is of value in public organisations in order to maximise organisational contributions to the goals and strategy set politically, and thus to community outcomes. Transformational leadership is seen as increasing the ability of an organisation to adapt to its environment and demands from its stakeholders. Valle (1999) sees a transformational approach of using vision and goals as key tools for co-ordination and control as necessary for public sector organisations to succeed in the turbulent environment they operate in. The ability of the organisation to adapt to the environment is a key part of this. As outlined above, leaders need to prepare “*the members of their organisations to cope with, and adapt to, changes of mission, environment, and/or direction*”, by concentrating less on “*concrete task and performance direction*”, more on “*framing and guiding the work tasks so that they align with the organisation’s mission and focus*” (Valle 1999, p251).

Leadership culture is also seen as important in a public organisation’s ability to contribute to strategic outcomes, through its impact on the commitment of employees. Parry and Proctor (2001) see that people in transformational cultures go beyond their self-interests and strive toward organisational goals. Employees in transactional cultures are likely to be less interested in the organisation’s vision and goals and more self-interested, which only produces a short-term, reward contingent commitment to what the organisation is trying to achieve (Parry and Proctor 2001, pp5-6).

Leadership effectiveness is subject to constraints from levels of leadership ability, the environment within the organisation, and the external environment

Yukl’s (2002) analysis of constraints indicates that the ability of leaders to undertake strategic leadership efforts will be affected by factors from the external environment, factors within the organisation and the abilities of themselves and those around them. The interplay between these three sources of factors will have an impact upon how effective leadership efforts will be.

Because both transformational and transactional leadership approaches are required in achieving effective strategic leadership, a range of leadership interventions will be useful. The suitability and effectiveness of particular interventions will depend on the particular circumstances of an organisation

The literature shows that leadership interventions of both transactional and transformational types are necessary to achieve effective strategic leadership (Kotter 1996, Nadler and Tushman 1989). To achieve strategic change, vision, culture, and the commitment and abilities of employees need to be addressed. Transformational tools such as visioning exercises, leadership development and organisational development interventions are useful in this. Change also needs to be reinforced through transactional mechanisms such as performance systems, contingent reward and punishment, and other systems for monitoring and managing organisational performance.

In line with the preceding finding on constraints on leadership, the details of leadership interventions that will be successful are likely to vary depending on the circumstances of any particular organisation.

CONCLUSION

This Chapter has looked at the literature relating to leadership and its impacts on change in organisations. The literature review identifies types of leadership, the impacts these leadership types have in organisations, and a number of interventions for achieving change. From this review a number of themes that relate to strategic leadership in public organisations have been drawn.

Chapter Three reviews the literature on leadership and management in the public sector context. The themes from Chapter Three and this Chapter will be related to the findings of the research reported on in Chapter Four.

CHAPTER THREE - LITERATURE REVIEW: THE IMPACT OF OPERATING ENVIRONMENT AND POLITICAL CONTEXT ON PUBLIC ORGANISATIONS

This chapter examines the literature on management and leadership in the public sector context. The focus is to identify the impacts the political context of the public sector has upon the ability of managers to lead and manage, and to identify any broader environmental factors that impact on management and leadership in the public organisations.

A great deal has been written on the subject of managing public organisations, and how they differ from private sector organisations. Significantly less has been written about management and leadership in local government organisations in New Zealand. However, most of the contextual factors that exist for public sector organisations apply throughout the western world, particularly across English speaking countries. Similarly, many of those factors that apply to central and state government organisations, apply to local government organisations. In almost all cases there are electoral processes, political bodies (or individuals) governing the organisation and establishing goals, and managers endeavouring to manage the organisation to contribute to those goals.

Therefore, much of the literature reviewed in this chapter will relate to overseas sources. This is complimented by New Zealand specific literature. The effect is to give a broad picture of the impact that political context and operating environment have on leadership in public organisations, with some specific references to the local government sector.

THE PUBLIC SECTOR CONTEXT

Literature focused on identifying public organisations and the context they operate in generally uses private sector organisations as a basis for comparison. When characteristics of public organisations are described as *more* or *less* of a particular variable, this is in reference to private sector organisations.

A notable theme in the literature is the difficulty in drawing a discrete line between the public and private sectors. As Rainey (1995, pp58-59) highlights, the sectors overlap, with several types of organisations, and relationships between

organisations blurring the line between public and private. Private businesses do work for public agencies, many people in public agencies do work of a similar nature to those in private firms, and public corporations compete with private ones. Accordingly, distinctions between the sectors cannot be made in a simplistic manner (Rainey 1995, pp58-60).

Features of the Public Sector Context

Rainey (1997) undertakes a thorough review of literature on the differences between public and private sector organisations and on the distinctive features of public organisations. He summarises the assertions in the literature about the general characteristics of public organisations as:

- There are more political intrusions into management in public organisations and a greater infusion of political criteria
- A more elaborate overlay of formal, institutional constraints governs the management process, involving more formal laws, rules, and mandated procedures and policies
- Goals and performance criteria are generally more vague, multiple and conflicting for public organisations
- Economic market indicators are usually absent, and the organisations pursue idealised, value-laden social objectives
- The public sector must handle difficult social tasks, often under relatively vague political mandates
- Public organisations must pursue complex goals associated with the public sector – accountability, responsiveness, representativeness, openness, efficiency

(Rainey 1997, p166)

Each of these characteristics bears more detailed examination in an effort to understand what they mean and what impact they might have on management and leadership efforts.

Political Criteria and Political Intrusions into Management

The political nature of the context of public organisations has been identified in public management research as a major factor in distinguishing them from other forms of organisation (Allison 1983, Boston, *et al.* 1996). Rainey (1997, p96) argues that the environments of public organisations impose a relatively distinctive set of values and criteria on them, through direction and influence by government institutions and entities. He sees the public and their political representatives as an important part of this environment, with the ability to greatly influence organisational behaviour.

Rainey (1997, p98) sees two types of public opinion as important in influencing the management of public organisations: attitudes toward government in general and attitudes toward particular policies and agencies. Negative attitudes toward government can translate into political reform campaigns (such as Carter and Reagan in the US Federal government). This can affect morale and work behaviour within organisations and lead to higher staff turnover. Rainey cites a 1991 survey of Federal Senior Executive Service members by the Federal Executive Institute Alumni Association, conducted after a mass public campaign to defeat pay rises for members of Congress, Federal Judges and Senior Executives. Responses indicated that Executives felt morale at their agencies was low and declining and that the quality of employees was worsening. The results suggested that the unfavourable climate surrounding the federal service affected morale, recruitment and sentiment toward public service (Rainey 1997, pp99-100). Rainey sees that unfavourable public opinion has also led to reform efforts at state and local government level both within the U.S. and abroad, leading to initiatives such as performance pay systems.

The media plays a role in channelling and shaping public opinion. Rainey (1997) sees that the importance of public opinion bolsters the power of the media. He sees that they “*appear to emphasise scrutiny of the government even more*” than they do scandals in the private sector (Rainey, p102). Media reports can lead to investigations into particular issues and can alert political interest. Equally politicians can use the media to generate interest in their reform proposals. Rainey (1997, p102) sees that the media is often negative in its coverage of government, and tends to take an adversarial stance.

This scrutiny of the public sector by the media and their negative approach has an impact on managerial behaviour. Allison (1982) cites examples of executives who speak of managing in a “goldfish bowl”, and many public officials see creating bad publicity as more damaging to their career than poor performance (Rainey 1997, p103).

Political influence over public organisations is most directly exerted through legislative or governing bodies. Rainey (1997, pp106-109) sees legislative bodies (which include elected bodies at federal, state and local levels of government) as having as much formal authority over public organisations as any other entity. The ways in which authority is exercised include the power to set organisation budgets, the power to set legislation and/or the goals and rules governing organisations, oversight and monitoring of organisation performance, and committee oversight of, or involvement in, particular activities. The “power of the purse” is important, as the political body can directly influence organisation activity and scope by funding or not funding particular programmes (Rainey 1997, p107). In the case of local government organisations, where the legislative body appoints the Chief Executive and holds them accountable for performance, another powerful lever of influence exists (Bush 1995, Boston *et al.* 1996).

Political influence can also be informal. Politicians will often try to influence how organisations deliver particular programmes, and try to defend their alliances and influence with bureaucracy through informal means (Rainey 1997, p108).

The political system itself can also influence public organisations. An assertion about the impact of the political context on organisations set out by Rainey (1997, p74) is that political turnover can make it more difficult to implement plans and innovations. Electoral cycles and turnover of elected officials can make for artificial time constraints (Ring and Perry 1985, cited in Rainey, p168). It can also mean that goals, priorities and performance expectations change with a change in political leadership. Political systems also make for shaky political coalitions around particular issues, meaning public managers work toward policy goals that may change due to changing political ground (Ring and Perry 1985, in Rainey 1997, p168).

Formal Constraints and Rules

Public organisations are usually creatures of legislation, and are subject to rules imposed by that legislation. Such legislation usually sets out the basic mission of the organisation, as well as their activities and duties (Rainey 1997, p107). In the New Zealand local government setting, the legislation provides specific powers as well as specific rules and processes for exercising those powers (Palmer 1993).

Public organisations, in addition to being subject to general laws, are also subject to public or administrative law. Rainey (1997, p111) sees that Courts overrule the actions of agencies for two reasons: for going beyond the intent of the legislation that created them, and for violating correct procedure. In New Zealand there are similar constraints in administrative law. Palmer (1993, pp46-48) describes the ultra vires rule which is a common law (judge made) rule preventing organisations from exceeding their statutory powers. Common law also dictates that in making decisions and exercising powers, organisations must take into account relevant issues and discount irrelevant ones, and must not act unreasonably or in bad faith (Palmer 1993, pp57-65). They must also take account of the rules of natural justice (Palmer 1993, pp65-72).

Boston *et al.* (1996) comment that the state and its instruments have the monopoly on the legitimate use of force in society, such as taxation and law enforcement powers. The work of public managers is also bounded by rules and constitutional principles (Boston *et al.* 1996). These factors bring public expectations that qualities such as fairness, propriety and legitimate use of power will be present in the management of public organisations [see *Complex Public Goals* below] (Rainey 1997, Boston *et al.* 1996).

Public organisations are also subject to greater levels of formal scrutiny than private organisations. In New Zealand they are subject to formal audits conducted by the Office of the Auditor General (Palmer 1993, pp309-310). These audit obligations go beyond those of the private sector auditor. They include checking the discharge of financial duties in accordance with the law

and responding to the objections or enquiries of electors (Palmer 1993, p310).

Rainey (1997) says that there are numerous assertions that public organisations are likely to have a greater level of internal rules and procedures than other organisations, although not all research supports this claim. The greater level of rules and constraints is said to weaken the authority of managers over subordinates through constraining action, providing a “following the rules” defence, limiting the ability of managers to use merit and incentive based systems, and allowing greater scope for appeals to authority (Rainey 1997, p74, Boston *et al.* 1996). This greater level of procedures and rules has been seen by many as a function of larger organisations, rather than solely those in the public sector (Rainey 1997).

Goal Ambiguity and Diffuseness

Rainey's (1997) analysis shows that one of the most repeated observations about public organisations is that their goals are particularly vague and intangible compared to private organisations. The lack of market indicators, combined with political processes for the imposition of goals, result in goals for many public sector organisations that are often multiple, conflicting and intangible. Public opinion and interest group demands are often seen as contributing to this situation. Rainey (1997, p128) gives examples of multiple and conflicting goals: prison commissioners are charged with both punishing and rehabilitating prisoners, while Police agencies must balance keeping the peace, enforcing the law, controlling crime, preventing crime, respecting citizen's rights, and minimising costs. In the absence of clear guidance from those setting the goals, this can lead to issues around the prioritisation of goals and the activities undertaken to pursue them, and confusion over the goals and purpose of the organisation.

Laking (2001, p12) identifies that the leaders of public organisations are limited in their ability to take on a leadership role in resolving questions of goal ambiguity. There is a political leader (a Council, Minister or political appointee) beyond the organisation whose job it is to set goals and resolve

ambiguities. The nature of politics is such that ambiguities are often created rather than resolved.

In terms of impacts of goal ambiguity on public organisations, several assertions are made in the literature. Rainey (1997, p128) cites Buchanan's 1974 and 1975 findings that vagueness and value conflict in the goals of public organisations were among several reasons why federal managers reported lower job commitment, involvement and satisfaction. Buchanan argues that goal diffuseness made it harder for managers to see the value of their work. Rainey (1997, p129) also cites research by Barton (1980), Dahl and Lindblom (1953), Lynn (1981), and Meyer (1979), that says that goal ambiguity leads to difficulties in developing clear and readily measurable performance indicators, meaning that performance evaluation tends to be based on compliance with rules and procedures. The demand for accountability places greater emphasis on rules and hierarchical control. This emphasis is seen, somewhat paradoxically, as providing protection for lower level staff members without improving control over performance. In this way the authority of top leaders is supposedly weakened, as they cannot assess performance against clear measures.

However, attempts to improve goal clarity and performance criteria have been made, particularly in the New Zealand context, by the introduction of the outcome and output framework within the state sector, and the introduction of the requirement to define community outcomes in the local government sector (Public Finance Act 1989, The Treasury 1995, Boston *et al.* 1996, Local Government Act 2002). These frameworks are seen as tools to link organisational activity to desired outcomes.

Rainey (1997, p131) observes that organisations have both formal, espoused goals as well as informal or actual goals. While organisations might state their goals as particular improved outcomes in the community, their actual behaviour might be directed toward some other goal such as economic or political security for the organisation. This phenomenon has the potential to cause confusion in organisations as to what it is the organisation is trying to achieve.

Value Laden Social Objectives and Absence of Market Indicators

The absence of markets and market indicators for many of the services and activities of public organisations is seen as a distinctive characteristic differentiating public organisations from private firms (Rainey 1997, p73). Public organisations are often seen as being involved in the production of public goods or the handling of significant externalities, for which economic markets and prices do not exist (Rainey 1997). Assertions from researchers about the impacts of this absence of markets and market indicators suggest that public organisations have less incentive to achieve cost reduction, operating efficiency and effective performance, lower efficiency in allocating resources through weaker mechanisms for identifying consumer preferences, and less availability of clear market indicators and information for use in managerial decisions (Rainey 1997).

Based on this absence of market indicators, the objectives for public organisations also differ in nature from those of private firms. While objectives such as increasing profit or market share can be measured relatively easily, goals and objectives set for public organisations often stem from political values and are harder to establish measurement criteria for (Rainey 1997).

Difficult Social Tasks with Vague Political Mandates

Rainey (1997, pp61-62) cites Dahl and Lindblom's (1953) analysis of political hierarchies (polyarchies) and markets as providing a background as to why public organisations exist. Public organisations are generally established to deal with problems that markets fail to deal with, such as public goods and free riders, individual incompetence or lack of knowledge and externalities or spillovers (Rainey 1997, p62). While there is significant political debate about the extent of these problems and the need for government action, the actions required to deal with these are generally recognised as complex tasks that markets are unable to deal with in a way acceptable to the public.

Complex Public Goals

The public nature of public organisations means that they operate under a unique set of goals and criteria. These include goals such as accountability, responsiveness, representativeness, openness and efficiency (Rainey 1997, pp92-94). Rainey describes competency values and responsiveness values as important in terms of the public goals that public organisations work to achieve. These values can conflict sharply, both with each other, and between the criteria within each set of values (Rainey 1997).

In terms of competency values, organisations operate in the context of public demands for efficiency, with media and political enquiry into suspected cases of inefficiency or waste. However the public also demand effectiveness, timeliness, reliability and reasonableness, even though these demands may conflict with efficiency (Rainey 1997, p92). Where government is performing functions of critical importance, getting the job done is most important; "*efficiency is often a secondary concern*" (Rainey 1997, p 92). Conflicts can arise for public managers when different parties emphasise different criteria. For instance, judges can emphasise reasonableness and process concerns, while politicians or the media may emphasise cost or timeliness (Rainey 1997, p93).

In terms of responsiveness values, public managers are expected to be accountable to political and various other authorities and interests as well as the rule of law (Rainey 1997, p94). Responsiveness can be defined in terms of responsiveness to the public's wishes or responsiveness to the government's or governing body's interests. These interests can conflict, and conflicting pressures can coincide with accountability demands from political and other authorities (Rainey 1997, p94). Public organisations also receive requests from clients, interest groups and members of the public. They are also under scrutiny from the media and the public and subject to legislation directing public access to information. Public organisations are expected to exercise their powers and spend public money legitimately and properly (Rainey 1997, p94).

These goals and criteria form part of the context that leaders in public organisations must operate within. They can have an impact on the actions that public managers can take in leading organisations, and on the time they can devote to leadership.

These characteristics provide a distinctive context for leaders in public sector organisations to work within. They seem to apply equally to the local government sector, with its political context, public and media scrutiny, use of coercive powers and wide range of goals and activities.

The Political Context in New Zealand Local Government

Bush (1995) examines local government in the New Zealand context. He identifies two partners in the operation of local authorities: the elected element and appointed officials. Bush (1995) sees that there is little in the way of guidance to elected members as to their role or how they are to carry it out. While the Local Government Act 2002 provides slightly more guidance on role and more tools for guiding elected member behaviour, there remains a large degree of freedom as to what individual elected members do and how they do it. As Bush (1995, p194) says, *“Overwhelmingly, and notwithstanding any party or ticket affiliations, mayors and councillors are tantamount to free agents”*.

Bush (1995, p196) sees two formal roles for elected members: *“to take all decisions which lie within the Council’s sphere of jurisdiction and to act as a trustee in managing the local body’s affairs, business and interest.”* The rest of an elected member’s role needs to be hypothesised: participating in policy decisions; maintaining a general oversight of the local body’s affairs; stewardship over reputation and assets, representing the community and assisting individual constituents (Bush 1995, p200). He sees the formal model of interaction between elected members and management as based on four premises: ultimate authority resting in the Councillors; the province of the elected member is policy making and monitoring; officers are employed to advise elected members and implement their decisions; elected members should refrain from involvement in the management of the organisation and the delivery of services (Bush 1995, p230). In reality however, he sees that the model is not nearly so clear-cut. The line between policy formulation and implementation can be blurred, with officers helping to shape policy through expertise, experience and command of resources, and politicians being interested in the way policy is delivered. The policy process also becomes an amalgam of top down and bottom up decisions, with politicians and officers needing to work closely together (Bush 1995, p230).

The elected members of a Council are given some guidance with respect to their roles and responsibilities in relation to staff and the organisation. Both the Local Government Act 1974 (as amended by the local government reorganisation of 1989) and the Local Government Act 2002 clearly rest the responsibility for the employment and management of staff with the Chief Executive of the Council (or, under the 1974 Act, a group of Senior Executives if a group is appointed) (Palmer 1993, Bush 1995, Local Government Act 2002). The Council is responsible for the employment of the Chief Executive (or, under the 1974 Act, a group of Senior Executives if a group is appointed). Both Acts place some responsibility for staff and the organisation on the Council. The Council must be a good employer, provide good and safe working conditions, and must have in place an Equal Employment Opportunities programme, among other employment requirements (Palmer 1993, Bush 1995, Local Government Act 2002).

The potential impact of elected members of a Council on the organisation cannot be underestimated. Bush (1995, p194) sees that *“who is in charge, and how they govern, can make a decisive difference to both image and policy output and, more fundamentally, to the local body’s contribution to the wellbeing of its community.”* As for the wellbeing of the community, so too for the organisation. Bush (1995) sees that the relationship between the elected member and the officer is crucial in the performance and effectiveness of the local authority. He makes it clear that elected members can have a significant impact on how the staff and the organisation perform, and vice-versa.

IMPLICATIONS FOR STRATEGIC LEADERSHIP IN PUBLIC ORGANISATIONS

What do these features of the public sector context mean for leadership and management in public organisations? The review of literature conducted seems to suggest the following implications:

Authority and actions of leaders in organisations are subject to political and other external influences. This makes managing the context for the organisation important for leaders.

As Rainey (1997) highlights, the public sector context imposes limits on the authority of leaders in public organisations. These include:

- Public managers often have to share with politicians, authority over decisions affecting the organisation. The “power of the purse” is particularly important in terms of the ability to resource initiatives within the organisation.
- Formal rules and other constraints, together with public expectations concerning what is legitimate action, restrict the actions that managers can take compared to managers in other organisations.
- Several factors, including rules, public scrutiny and expectation, and the ability of staff to build coalitions with politicians or interest groups, limit the authority of managers over subordinates.

These limits would seem to have a constraining effect on the ability of leaders in public organisations to lead by making leadership initiatives and decisions subject to political decision (as to funding) or interference and criticism, or a target of public or media scrutiny or criticism. Constraints around employment and limits on authority over subordinates seem likely to affect the ability of leaders to make changes within the organisation, and use incentives and sanctions to encourage performance.

It also suggests that in order to be an effective strategic leader in the public sector, leaders not only need to know how to lead organisations effectively, but also need to know how to do so within the constraints imposed by the public sector context. It suggests that they need to be able to mediate between and reconcile as far as possible multiple and conflicting goals and political aspirations, and then define what those multiple goals and aspirations mean for the organisation. It also suggests that they need to combine organisational leadership skills with the ability to be able to manage political and other relationships external to the organisation. That is, to manage and lead the context of the organisation, as well as the organisation itself.

The authority of organisations is subject to external influences

Not only is the authority of leaders within organisations subject to external influences, so too is the authority of organisations themselves (Rainey 1997). There are two main ways in which this is relevant:

- Public organisations tend to have legislative mandates which set their powers and areas of activity (Rainey 1997). Where legal authority is not a constraint, funding of activities or community consent can be. This can be particularly relevant in local government where the community is very close to its elected representatives (Local Government Act 2002).
- The complexity and interconnectedness of the public sector, and society in general, means that the activities of several organisations can contribute to a single goal (Boston *et al.* 1996). An organisation may need to work with other parties (including the private sector) to achieve its goals.

This means that to achieve goals, organisations often have to work with other agencies that can influence the outcomes they seek. They may also need to influence those bodies that control the power and authority they have to affect outcomes. This suggests that strategic leadership involves managing and leading the context of the organisation as well as the organisation itself.

Goal ambiguity and diffuseness have the potential to have a significant impact on strategic performance and the ability of leaders to lead strategically

Rainey (1997) draws together the literature around goal ambiguity and diffuseness in public organisations. Public organisations are said to have goals that:

- Can be multiple and conflicting.
- Can be vague or confusing, and difficult to set clear performance criteria for.
- Are not as clear as profit/market share goals in the private sector.

Prioritising between goals can be difficult as different politicians, interest groups and members of the public have differing priorities as to goals and different views on the best methods for achieving them (Rainey 1997).

This would seem to have the potential to have a significant negative impact on the ability of leaders to lead an organisation strategically by making it hard to define and get support for clear goals and performance criteria for the organisation, difficult to communicate those goals to the organisation, and difficult to co-ordinate the organisation's activities to achieve goals. These impacts would seem in turn to

have the potential to have a negative impact upon the strategic performance of an organisation.

CONCLUSION

This Chapter has looked at the literature relating to the context for leadership and management in the public sector, and identified implications for strategic leadership. The literature identifies a number of constraints and influences on managers in the public sector. These clearly have the potential to have an impact on strategic leadership efforts.

CHAPTER FOUR – RESEARCH: METHODOLOGY AND FINDINGS

This chapter addresses the original research undertaken as part of this project. The methodology used for the research will be set out. The chapter will then examine the findings from the research.

METHODOLOGY

The aim of the research undertaken as part of this project was to provide information from managers operating in the New Zealand local government context that could be used to help answer the research questions posed in Chapter One. This information will be used alongside existing literature on public sector management and leadership to answer those questions, and also to test whether the broader literature applies in the New Zealand local government context.

The purpose of the research was to obtain detailed and structured comment from management practitioners in the New Zealand local government industry on the political and broader operating environments they work in, goal and strategy formulation within that context, and the leadership of organisations toward strategic goals within that context. Three organisations were used to provide a sample size that was manageable in terms of conducting research interviews while also providing scope for differing perspectives to emerge. Each of the organisations has over 400 staff which makes them large local government organisations in the New Zealand context.

The methodology used involved face-to-face interviews with a number of managers from each of the organisations. The interview consisted of a number standard questions aimed at eliciting responses relating to the main research questions. These were supplemented by follow-up questions to get participants to clarify or expand on their responses. The standard questions asked were:

1. How would you describe the political climate and style of your Council?
2. To what extent does your Council have a clear strategic vision and goals?
Please describe that vision and goals.

3. Is political disagreement a factor in your Council in relation to the strategy and goals or their implementation? If so to what extent? How does this impact on the ability of staff to understand or carry out Council's strategy?
4. How would you rate the alignment of your Council's espoused strategy and goals with its actions and decisions?
5. How well understood in your organisation is the Council strategy and goals?
6. How useful do you find the strategy and goals of your Council as a tool for engendering strategic leadership among staff?
7. How well would you say your organisation reflects your Council's strategy and goals in the way it operates: a) overall, b) at a senior executive level, c) at middle management level, d) among staff carrying out implementation of the work programme?
8. How willing is the Council to provide for expenditure for leadership interventions such as training and development and organisation review projects?
9. Are initiatives for leadership and the related methods and tools used within your organisation subject to political scrutiny? If so, to what extent?
10. How has your organisation approached increasing understanding of the Council's strategy and goals? Can you give specific leadership interventions that have been used? Can you describe these in some detail?
11. Can you comment on why specific interventions were successful or unsuccessful (i.e. what helped them succeed or not succeed)?
12. What changes to operating environment would make leadership in your organisation easier in terms of the achievement of the Council's strategy and goals?

Interviews were conducted with 17 interviewees across three organisations. Participants were selected so that there were at least 5 participants from each organisation, and the following participants and criteria were incorporated:

- The Chief Executive
- The senior executive or executive responsible for strategic planning
- The senior executive or executive responsible for human resources and organisational development
- At least one senior executive or executive from an operational area

This basis of selection of participants was used in order to get perspectives from strategic, human resources/organisational development and operational managers as well as from the chief executive.

Interviews were taped and transcribed. The content of the interviews was analysed and coded for 'political variables', 'environmental variables', 'organisational variables' and the relationships between them. Responses from participants were summarised across the standard research questions. The responses were then analysed for common themes and key differences. One aim of the analysis approach was to identify common themes in terms of leadership approach and impacts of the political environment that applied across all of the organisations. These themes were then be compared to existing literature to see if they might apply across local government and public sector organisations more generally. Another aim was to identify differences in responses between the organisations, and the different variables that might drive these different responses. This enabled conclusions to be drawn about the impact of different environmental, political and leadership factors on organisations. Finally, the range of participants from which the responses were drawn enabled different perspectives to be analysed within each organisation. While not a key focus of the paper, it enabled some level of verification of the responses and the ability to observe differences of view between different professional/role groupings and different levels of managers.

One limitation of the research is that only executives from the Council organisations were interviewed. No politicians were interviewed. This limitation may have had the effect of over-emphasising the perceived negative impact of the behaviours of Councillors on the strategic leadership of the organisations. A further limitation is

that participants were all from management positions. This means that there are no views on leadership from non-management staff reflected in the research.

KEY FINDINGS

The analysis of the research responses produces four main findings, two of which have a number of sub-parts to them. Each of the findings is now reported in turn:

Finding 1 - A clear set of goals and strategy is important in leading an organisation strategically

All of the research participants viewed a clear, politically agreed set of goals and strategy as important for leading an organisation strategically. As one participant said, *“if you didn’t have them, there would be nothing to give staff a sense of direction. The trick is making them understood and riveting them into the organisation.”* Participants saw the existence of a clear set of goals and an integrated strategy for achieving them as providing a unifying purpose for the organisation’s range of activities, and a framework for making choices about priorities. It enables the interconnected nature of the range of an organisation’s activities to be recognised.

All of the participants confirmed that their organisations had a politically agreed set of goals and strategy. However in two of the three organisations at least one participant questioned how well all of the Councillors understood the goals and strategy, and how much buy-in there was for them around the Council table, particularly when it came to hard decisions relating to implementation.

Another issue that emerged was that of how well the organisation understood the goals, and whether there was conflict between individual goals. This relates to the concept of goal diffuseness discussed earlier in the paper. With public organisations tending to have so many goals, some of which may conflict, an organisation may have some difficulty in getting clear direction on priorities with regard to what it is supposed to achieve. A common theme across the subject organisations was that the goals and strategy of a Council could mean different things to different people, both at the political level and within the organisation. People have a tendency to identify with the part of the strategy that relates to what

they do, particularly if they don't understand the rest of it. This tendency comes with strengths and weaknesses. One participant commented, "*people interested in the economy tend to see the strategy in term of economic sustainability. This can be a strength as they can show how what they do contributes [to the Council's outcomes], but it can also be a weakness if they ignore other things that they impact on.*"

Three participants (one from each organisation) commented to the effect that the range of goals an organisation has can provide for conflict either between the goals themselves, or between the different activities undertaken to achieve them. In order to overcome this difficulty the participants saw the need for the Council to clearly prioritise (assisted by staff advice) how much effort and resource they will put into achieving specific goals relative to others. The clearer the Council was with priorities, the easier it was to convey these to the organisation.

Having a clear set of goals and a strategy may have been seen as a necessary part of strategic leadership, but it was not seen as a sufficient condition in terms of the political environment. As is explored below, Councils and individual Councillors can have an impact on strategic leadership efforts within an organisation in a number of other ways than just through the setting of goals and strategy. Even with a clear set of goals, the range of goals means that there will be some conflicts between goals and the priority given to achieving each one. Trade-offs will need to be made. This diffuseness makes aligning the organisation with the goals a complex leadership challenge that requires guidance from Council around their priorities and an organisation focus on highlighting linkages between goals and the activities undertaken in pursuit of them.

Finding 2 - *The political leadership of an organisation can have a large impact on the ability of an organisation to understand and implement its strategy and contribute toward outcomes, through:*

- a. Actual or apparent non-alignment between goals and strategy and actual decision-making around implementation (negative impact)***
- b. Political climate and style and the nature of political disagreements around decisions (impact can be positive or negative)***

c. *Impeding (or supporting) leadership efforts aimed at improving the ability of the organisation to understand and implement its strategy and contribute toward outcomes (impact can be positive or negative)*

As noted above, setting goals and strategy is not the only way in which Councils and individual Councillors influence the organisation. Councils are responsible for governing their organisations. This includes goal and strategy setting, but also involves setting budgets and work programmes, providing rules and guidance on what is acceptable conduct by the organisation and what is not, and monitoring performance to make sure what should happen does and what shouldn't doesn't. In the New Zealand context, it also often involves making a number of detailed implementation decisions including, for example, the purchase and sale of property and the undertaking of certain court actions. This political context provides a number of interface points between the elected Council and the organisation. It provides a number of decision points where Councils have the opportunity to make decisions that reinforce their goals and strategy. But with individual Councillors coming from different backgrounds and different philosophical positions it also provides the opportunity for Councils to make decisions that run contrary to their goals and strategy.

The analysis of responses from research participants confirmed that politicians can have a large impact on strategic leadership within an organisation in ways other than through the goal and strategy setting process. This impact seems to have greater potential to be negative rather than positive; that is the Council can be clear at the goal and strategy setting stages but confuse this clarity, undermine its strategy or delay implementation steps through its subsequent decision making around implementation. While the extent to which the Council or individual Councillors (or groups of them) had a negative impact on strategic leadership varied from organisation to organisation, all participants recognised either explicitly or implicitly the potential for this to occur.

Specific commentary on each of the sub-parts of this finding is now provided:

a. *Actual or apparent non-alignment between goals and strategy and actual decision making around implementation*

While not mentioned by every research participant, a clear theme across all of the organisations was that Councils often debated decisions around implementation, even where the decision seemed straight-forward in terms of alignment with the Council's goals and strategy. There was comment to the effect that the goals and strategy could mean different things to different Councillors depending on their particular area of interest. There was also comment that there could be varying levels of buy-in to a set of goals or a strategy from individual Councillors, particularly if they had been developed over time by successive Councils.

A key factor that emerged in relation to the non-alignment of implementation decisions with goals and strategy was that of financial implications. At least two of the participants in each organisation explicitly raised cost or community affordability of implementation decisions as major factors in Councils debating decisions that might appear straight-forward in terms of their strategy and goals. This was seen as occurring for two main reasons: either the financial impacts of a decision carried with them political risk for some of the Councillors, or the goals and strategy had been set without access to detailed financial information. These reasons were seen as part of the political context, to be managed as far as possible through a strong strategy setting process with high levels of political involvement and as full information as possible about the implications (cost and otherwise) of a particular strategy for achieving the Councils goals.

Comments from participants included:

- *“They [the Council] have a clear vision and strategy but I’m not sure how clear it is to all of the Councillors.”*
- *“Sometimes there is a tendency from some Councillors to make decisions on the basis of short-term popularity rather than where they have said they want to be in 10 to 15 years.”*
- *“Often alignment or lack of it comes down to money – they have priorities but don’t have the money to match them.”*

A number of responses recognised that actual or apparent non-alignment of decisions has the ability to affect strategic leadership and an organisation's capability to contribute to the Council's goals. Non-aligned decisions can result in a difficult working environment for staff where work they thought was aligned with Council's strategy is challenged or even rejected. They can result in projects and programmes being delayed. They can also confuse organisation members by reducing clarity around what the Council's goals and strategy means. As one participant commented, *"even a decision that is aligned with the Council's strategy can have an impact if there has been a divisive debate around it that has had an impact on, or been observed by, staff."*

The impacts of these behaviours and the results of them were identified by four respondents as:

Confusion – all research participants viewed improving the understanding of staff of their Council's goals and strategy, particularly in relation to their individual roles, as a key part of strategic leadership. Clarity in a Council's goals and strategy helps with this. Apparent or actual non-alignment of decisions provides confusion in respect of goals and decisions, and makes it harder for staff to understand goals and strategy.

Effect on morale – most research participants saw getting the staff of the organisation enthused about working toward the goals set by the Council as part of strategic leadership. Decisions and behaviours that delay or have an impact on programmes and projects staff are working on to that end, were seen (explicitly by most of the participants in one organisation, more implicitly by other participants) as having a negative impact on morale. This was seen as making strategic leadership more difficult, and potentially damaging to an organisation's effectiveness in contributing toward outcomes by providing impetus for high-quality and committed staff to leave.

Cynicism – non-aligned decisions were seen (again most strongly by the participants in one organisation) as building cynicism in organisations toward the Council and its goals and strategy. This was seen as reducing commitment to, and interest in, the strategy, and again encouraging those staff committed to the strategy to leave.

Comments from participants included:

“Our Council was faced with a major implementation decision that underpinned their whole strategic direction. It was a major issue that was debated at length – a matter of balancing electoral risk against the strategy. In the end they made the strategic decision but it was a close run thing – going the other way would have presented a huge credibility gap, and within the organisation the manner of the debate did.”

“The impact [of non-alignment between strategy and decisions] comes through making it harder for people to see what the strategy means on the ground, through affecting the morale of those people who are committed to the strategy already, and by creating a credibility gap between the walk and the talk. It makes for either cynicism or confusion, neither of which helps to deliver on a strategy.”

The impacts of non-alignment between strategy and decisions were seen by respondents as negative in terms of the ability of an organisation to understand a set of goals and a strategy and contribute toward the achievement of them.

b. Political climate and style and the nature of political disagreements over implementation decisions

Participants either stated explicitly or implied that political climate or operating style can have either positive or negative impacts on strategic leadership and on the effectiveness of an organisation in contributing to Council's goals. The main areas of impact raised by research participants were the nature of political disagreements, how individual politicians went about expressing their views and how the rest of the Council dealt with this. These were seen as part of the broader political climate or style of a Council, which also includes the attitude of Councillors to each other and to staff.

The impact of political behaviour in this area can be either positive or negative. Research participants had different experiences depending on their organisation. One participant observed in relation to political disagreement:

“Even one or two Councillors who aren’t in step with what the strategy means in detail can have an enormous impact on implementing it – they can cause blockages in projects; this leads to frustrations for staff and a negative impact on morale to the point where some staff will leave.”

Another participant had experience with a positive political culture in terms of political disagreement:

“We have debates around major implementation decisions, and we have some close split votes. But the Council makes the decisions and then they move on. They don’t come back and try to overturn them – the Mayor’s leadership helps with this.”

A theme that emerged from the research was that the way Councils and individual Councillors interact with the organisation and with each other can have a significant impact on how well the organisation understands and contributes towards a Council's strategy and goals. Responses from participants indicate that a Council where close decisions were

constantly re-litigated was more likely to have confusion in its organisation in relation to its strategy and goals than one that got behind decisions once made. There was also likely to be more cynicism and lower morale among staff in such a Council (see the impacts discussed under a) above). At least one participant from each organisation in the research sample also commented to the effect that the general atmosphere and sense of common purpose between the Councillors and the staff was likely to impact on staff commitment to the Council's strategy and goals. This in turn was likely to have an impact on how well the goals and strategy were reflected by the organisation.

From the feedback from participants we can conclude that how politicians manage their own political processes and culture can have a significant impact, either positively or negatively, on the ability of senior executives to lead an organisation strategically. The feedback from the respondents indicates that a negative impact is more likely due to the nature of the political environment.

c. Impeding (or supporting) leadership efforts aimed at improving the ability of the organisation to understand and implement its strategy and contribute toward outcomes.

This area of the research was aimed at discovering what impact politicians had on strategic leadership interventions. Areas highlighted through questioning were the willingness to provide funding for leadership interventions and the scrutiny of leadership interventions. Other types of impact or influence were also highlighted by participants through the research process.

Questions around the willingness of Councils to fund leadership interventions such as training and development elicited different responses across the different participating organisations. One of the organisations was comparatively well funded in terms of training and development budgets, while the other two were less well funded.

Participants from the two lesser funded organisations commented that getting funding for staff and organisation development was traditionally difficult with Councils often seeing it “*as an area that could be ‘pruned’ when there was budget pressure*”, without much in the way of noticeable impact on service levels provided by the organisation. However this view was tempered by comments from the same participants to the effect that current Councils recognised the need for staff and organisation development, particularly in the area of strategic leadership, if they were to make a contribution to achievement of the Council’s goals. In spite of this view, most participants still held that getting Councils to increase budget for training and development was difficult in these times of increasing cost pressures, and that a Council’s approach toward this area was influenced by both the political climate of the Council and the personal views and values of individual Councillors.

Political scrutiny of leadership interventions used by managers was generally seen by research participants as not being a significant factor. Councillors generally viewed organisation development as a Chief Executive issue, although occasionally individual Councillors would take an interest in particular issues or programmes. Political involvement in or scrutiny of leadership interventions and organisational development programmes, when it occurred, was seen by participants either as a function of public interest and perception, or a function of close relationships between individual politicians and an individual or particular area of the organisation.

Most participants mentioned that detailed scrutiny of approaches to leadership and organisation development could be avoided if there was trust between politicians and management that excess expenditure and waste would not occur. Politicians were more likely to become involved where programmes or expenditure had the potential to embarrass them publicly. All of the participants noted that their organisations had a strong public service ethos, and took the legitimate and prudent expenditure of public money seriously. Expenditure that could genuinely be seen as excessive was avoided, and this message was reinforced

through senior and middle managers. The example of the “Christine Rankin – Wairakei Conference” was discussed with a number of participants in relation to this theme². A sentiment that was echoed by almost all participants was “*if you wouldn’t feel comfortable seeing it on the front page of the paper, then don’t do it.*”

A number of participants from across the three organisations gave examples of individual Councillors trying to become involved in organisational development issues. Councillors have occasionally expressed concern or tried to intervene on behalf of staff members or areas of the organisation that they felt were being unnecessarily affected by organisational change processes. Other examples involved Councillors criticising or trying to gain publicity out of criticising training programmes they saw as a waste of time or money. Generally these were isolated examples, and the majority of the Council had supported the right of the Chief Executive to run training programmes or make changes within the organisation. Two participants did note however that political behaviour such as this did have the potential to contribute to negative perceptions within the organisation of the political culture of a Council, which could in turn have an impact on levels of morale and cynicism.

A number of research participants from two of the organisations identified political support for strategic leadership interventions as being of use. They cited the use of politicians in staff forums to explain the goals and strategy of the Council as being a well received component of strategic leadership, enabling staff to “*hear it from the horse’s mouth.*” One of these participants stated that at their Council, particular strategic leadership interventions had received significant political support, with ideas for programmes and input into specific programmes being offered by Councillors and accepted by management. Through this input, Councillors felt they were able to have a direct influence on trying to get

² In 1999 the Department of Work and Income, chartered a plane to fly staff to Wairakei for a training conference at a hotel conference centre. While the money spent was within training budgets, the public reaction was that this was excessive expenditure. Intense media and political scrutiny followed, and the incident was thought to be a contributing factor in the Chief Executive of the Department, Christine Rankin, not having her contract renewed.

the organisation to understand better what the Council was trying to achieve and what the organisation needed to do differently to achieve it. This also had the effect of building positive working relationships between Councillors and staff.

Another participant from the same organisation felt that more political scrutiny and involvement in training interventions would be useful. The participant felt that over a prolonged period the limited training budget had not necessarily been well spent, with a one size fits all approach being used instead of careful targeting to ensure a maximum return from investment. The participant felt that greater political involvement in setting priorities for training around strategic leadership, or closer monitoring of outcomes from training might improve results.

The findings above indicate that the actions of politicians and the operating environment that they provide can have a significant impact on the ability of executives to lead an organisation strategically. It is not surprising then that managing the impact of the political context was mentioned by over half the participants as something that Chief Executives and other leaders in organisations could do to improve strategic leadership. Participants gave a number of examples of actions aimed at managing the impacts of the political environment such as working with politicians to set clear goals, taking measures to foster a sense of connection and inclusion between Councillors and the organisation so that the organisation is not seen as a political target, and explaining leadership programmes and their purpose to Councillors in terms of their own goals and strategy. Involvement of politicians in such leadership initiatives, particularly around explaining the strategy and goals, was also used as an example. While not fitting within a narrow definition of organisation leadership interventions, these sorts of actions were viewed by participants as important strategic leadership interventions, because of the impact that the political context can have on leadership efforts.

It also needs to be noted that while these findings highlight the negative impacts that the political context can have, most participants also noted the high level of enthusiasm and commitment from a large number of employees toward the work they were carrying out.

Finding 3 - Key organisational issues for achieving effective strategic leadership are:

- a. increasing understanding of what the goals and strategy mean for the organisation, and***
- b. making the achievement of the goals and strategy part of the definition of performance and part of the organisation's systems, and***
- c. building co-ordination and integration within and outside the organisation, and***
- d. making sure the organisation has the ability to achieve the goals set for it.***

The research has demonstrated that political impacts on strategic leadership are only one part of the equation in terms of leading an organisation strategically. Putting in place effective interventions for strategic leadership within the organisation is perhaps an even more critical factor in success.

The responses from the research indicate that there are four key issues for strategic leadership within Council organisations:

- a. increasing understanding of what the goals and strategy mean for the organisation.***

All research participants identified increasing the understanding of the Council's goals and strategy as a key part of effective strategic leadership. All participants commented to the effect that most staff probably knew what the strategic vision of their Council was, but that there would be varying levels of understanding of the range of goals and the detailed strategy for achieving them.

Participants identified that there were a number of levels of knowledge and understanding in relation to their organisation's goals and strategy. The first level, which was recognised as important by all participants, was getting staff to know what the goals and strategy meant for them in their role. The next level was getting people to

think about what the goals and strategy meant in terms of connections between their own role and those of others, both within the organisation and outside it. The third level was getting people to think about what they might need to change about what they do or how they do it in order to better contribute to the goals and strategy. The last two levels were not discussed by all participants but were discussed by at least two from each of the subject organisations. They were particularly of interest to people in strategy advice and formulation roles.

Not surprisingly, increasing understanding of the goals and strategy was seen as a vital element by all participants. As one said, "*if people don't understand it [the strategic direction], how can they be expected to deliver it.*" Enabling a more in-depth understanding of the strategy and goals among organisation members was seen by those who raised it as a key component in achieving greater integration and co-ordination within the organisation. The importance of co-ordination and integration is discussed further below.

Methods for increasing understanding identified were using a range of communication tools frequently and repetitively to try and convey information about the goals and strategy and what they mean for the organisation, getting staff to think about and discuss what the goals and strategy mean for them in their roles, getting staff to think about and discuss what they and the organisation might need to do differently to better contribute to the goals and strategy, and providing training and development programmes around the goals and strategy and the associated skills and knowledge that might be required in pursuing them.

Developing leadership skills within staff and existing leaders was identified by over half of the participants as a key component of equipping their organisation to deliver on their Council's strategy and goals. Making sure that people in key positions were capable of taking their staff along with them was seen as vital in influencing

organisational performance and behaviour. Skills identified as important under the heading of strategic leadership were communication skills, the ability to translate vision into action (or goals and strategy into work programmes) and the ability to use management systems to support the achievement of goals and strategy. In each organisation, leadership and management development was either already a key focus of training and development approaches, or was rapidly becoming one.

Understanding of the goals and strategy could be affected by actions and decisions by management that were not aligned with the goals and strategy of the Council, or consistent with the ways of working that were desired in the organisation. Two participants in one organisation raised this as a particular issue, citing impacts of actions and decisions of senior managers around particular operational issues that did not seem to align with the organisation's espoused values or the Council's goals. They saw this sending "mixed messages" that could confuse communication about the goals and strategy. They also saw it as affecting the belief of staff in the commitment of senior managers to the Council's goals and strategy, and as having the ability to undermine leadership efforts to align the organisation with the strategy and goals. The impact of this behaviour is similar to that of non-alignment between Council decision and their goals and strategy.

b. making the achievement of the goals and strategy part of the definition of performance and part of the organisation's systems

A key theme that emerged from the research was the importance of integrating the goals and strategy of the Council into the organisation's systems and processes, particularly the performance management system. Five participants explicitly commented that if this was not done, the danger was that strategic change will be seen as an add-on, and not an integral part of the organisation's work. Given the busy work programmes that all of the subject organisations reported, this meant that efforts at strategic leadership

could be 'crowded out' by the 'real work' of delivering services in the way they have 'traditionally' been delivered. One participant commented, "*we haven't got to where people see their normal work in broader strategic terms. Anything strategic is seen as additional work which is important, but middle managers in the operational area are so busy that it is the first thing to get crowded out.*"

Almost all respondents commented to the effect that anchoring the goals and strategy in organisation systems and normal working practice was a vital part of effective strategic leadership and achieving strategic change. The performance management system was seen as a key component. Necessary features of a performance management system mentioned by participants included identifying what success looks like in terms of the Council's goals and strategy, identifying linkages between these success factors and the activities being undertaken, providing for a focus on how work will be done as well as what will be done, and providing opportunities for staff and teams to discuss their work and what it means in terms of the Council's goals and strategy. Traditional components of performance management systems such as monitoring and corrective mechanisms were also seen as important. Indeed, most participants saw that inclusion of a strategic approach within the performance framework needed to be accompanied by managers sending the appropriate signals; that is, rewards and corrective signals needed to be appropriate so that they reflected what the organisation was saying was important.

Other systems were also seen as important. At least one respondent from each organisation commented on the importance of human resources systems such as remuneration systems, training and development strategies, recruitment and selection, retention and induction programmes being aligned with the goals and strategy so that common and reinforcing signals were being sent. Achieving lasting strategic leadership and change without these mechanisms was seen as impossible by most participants.

c. building co-ordination and integration within and outside the organisation

A theme that emerged from eight of the participants was that better co-ordination and integration within an organisation, and with external parties, leads to significant progress in contributing toward the Council's goals and strategy. Establishing better co-ordination and integration was explained as building the capability of the organisation to recognise linkages between the different activities undertaken by the organisation as well as activities undertaken by external parties. Significant progress can be made where activities are co-ordinated so that they don't work against each other, and in some cases, provide for gains from the co-ordination process. An example given here by one participant was that of co-ordinating capital works in the road corridor so that several services (for example drainage, water supply, electricity and communication networks) could be maintained or installed in one effort meaning less disturbance to the transport network and potentially lower costs in digging and reinstatement.

Examples of efforts to improve co-ordination cited by participants included cross-Council project teams, show-and-tell type sessions, and integrated planning frameworks. Three participants from one organisation cited cross-Council project teams working on urban design projects as effective examples. These teams incorporated different professional disciplines (transport engineers, stormwater engineers, planners, ecologists, etc), and were made to deal explicitly with trade-offs between outcomes. This was seen as a way to illustrate the linkages between, for example transport and water quality outcomes, and between the activities that contribute toward them.

The use of staff forums ("show and tell" sessions) to present and discuss projects and issues involving co-ordination and strategic linkages was cited as another tool for improving co-ordination. Examples of projects where co-ordination has been achieved or discussions about issues facing the organisation and the linkages

that need to be recognised could be used to highlight to staff the need to work in this way. Another example was the use of planning tools and frameworks to illustrate linkages and co-ordinate activities. However, three participants noted that these tools, while useful for planning and with some audiences, were often less useful for those involved in the detailed work. Participants that discussed co-ordination as an issue, saw initiatives that had an impact on the day-to-day work of staff as most effective in changing the way work was carried out. Other tools such as planning frameworks and communication forums were useful in reinforcing these approaches.

Examples of co-ordination outside the organisation included collaboration projects with government agencies and community groups around social outcomes and services, and cross-regional collaboration efforts around activities such as transport and regional planning. These projects were seen as an illustration of the need to recognise linkages between the goals and activities of the organisations involved and the benefits that could be achieved in terms of attaining desired results through co-ordination.

The flip-side of these benefits is the recognition that the efforts of other organisations that are not aligned with a particular organisation's efforts (either through them having different goals or through inadvertent non-alignment) can prevent achievement of goals to the extent desired. This can affect morale in the organisation and indirectly undermine strategic leadership efforts. Co-ordination of efforts and a positive approach to working with other parties can help to prevent these negative impacts.

A key strategic leadership task in achieving co-ordination and integration was seen as broadening the view of staff in specialised areas so that they recognised linkages and thought about the impacts of their work outside of their own activity. An understanding of the goals and strategy was considered central to this, as was making collaborative and cross-silo working methods part of the organisation's normal practice. Two participants in particular saw that overcoming strong professional mindsets was often necessary in

achieving this level of integration, citing the traditional approaches of professions such as traffic engineering and planning as having the potential to pose barriers to new or collaborative ways of working.

All participants saw processes such as staff selection and induction as important in ensuring that people selected could fit with the demands of a cross-disciplinary and collaborative approach to working. They also saw it as important that they were introduced to these ways of working early in their careers in an organisation.

d. making sure the organisation has the ability to achieve the goals set for it.

This issue was raised by two participants from one organisation. They saw that environmental factors such as the legislative powers and mandate of an organisation could have an impact on the ability of an organisation to pursue the goals set for it, and could through this, have an impact on strategic leadership and performance. These impacts were seen as developing a sense of frustration and powerlessness among staff as to their ability to affect or pursue the goals set. This could in turn lead to a decline in morale and an increase in cynicism toward both the goals and the process for setting them.

Participants did not see this issue as something that could be addressed by organisational leadership interventions, but as an issue relating to the organisation and its context that could affect leadership efforts. The participants that commented on it said that management of this issue could include trying to change the powers and mandate of an organisation, placing a strong focus on co-ordination with other agencies that could assist in the achievement of outcomes and goals, and being cognisant of, and explicit about, the limitations on the organisation's powers and abilities in respect of achieving its goals. This was another example where managing the context of the organisation was seen by participants as an important contribution leaders could make to affect the success of strategic leadership efforts.

Finding 4 - *Effective strategic leadership involves the use of a number of leadership types and interventions including both transformational and transactional leadership approaches.*

The responses gained through the research indicate that a range of leadership interventions and types are useful and necessary in effective strategic leadership. While not using these terms, participants made it clear that both transformational and transactional leadership styles and tools were essential elements in effective strategic leadership.

The leadership interventions reported by participants as being used in their organisations for strategic leadership were a mix of transformational and transactional tools. Transformational interventions were aimed at improving understanding in their organisations of the Council's goals and strategy, while also raising commitment and enthusiasm for them. As discussed above, key targets identified by participants were getting staff to think about how the goals and strategy related to their role and job function, how their role and those of others interrelated in terms of contributing towards Council's goals, and what they might need to change in the way they do their job in order to better contribute to Council's goals.

Interventions used for doing this were exposure to, and communication about, the goals and strategy, training programmes designed to raise knowledge of the goals and strategy themselves, training programmes aimed at providing new knowledge (both of a technical and a organisational development nature) on how to work toward Council's goals, and programmes designed to get staff to think about different approaches to how the organisation might need to work in order to deliver on the goals and strategy. Participants described programmes that comprised of one or all of these elements. They often had significant inspirational and motivational content and were aimed at influencing change through intellectual interest and stimulation.

A key element that came through from participants in all organisations, particularly those working in the strategy and human resources area, was that of trying to get people to think about how they might need to change what they do or how they do

it. This was identified explicitly by five participants as an area requiring further effort, and one where there had been only mixed success so far. As one participant remarked, *“there is a tendency for people, rather than looking at the goals and saying what do we need to do to deliver this, to say ‘here’s what we’re doing, and here’s how it fits with the strategy.’ That may end up right in a lot of cases but there is a tendency to rebrand existing programmes, to start at the wrong end and backfill the strategic linkages.”*

Transactional interventions were also seen as important in strategic leadership. The transactional interventions reported were aimed at integrating the Council's strategic direction into the operations of the Council by making it part of the definition of performance and by reinforcing the key messages through organisational systems. Integrating the goals and key elements of the strategy into performance management systems and planning and reporting frameworks was seen as important. Developing human resources systems that reinforced the sorts of behaviours required of staff was also reported as being a key element in strategic leadership efforts. At least two participants from each organisation viewed having recruitment and selection, competency identification, remuneration, promotion and secondment, and retention and development systems that reinforced the strategic direction and its requirements on the organisation as vital. Performance management systems were identified as particularly important as a tool for making explicit individual and team performance expectations (a transactional approach), but also as a reinforcing channel through which individual and team communication and discussion about the goals and strategy and what they mean for the individual/team could occur (a transformational approach).

The view that strategic leadership needs to encompass both transformational and transactional leadership approaches was summed up by one participant who commented, *“strategic leadership is not just about strategic planning and leadership programmes, its about ensuring the organisation is aligned with its strategic objectives. It involves running checks all the time on what does success look like, what are the outcomes we’re trying to achieve, are our programmes achieving those outcomes, are our processes and systems aligned to support them?”*

SUMMARY

The findings from the research provide a number of themes about strategic leadership in public organisations, and the impact of the political and operating environments. These themes can usefully be divided into three groupings: variables affecting strategic leadership in public organisations, relationships between strategic leadership, operating environment and strategic performance, and components of effective strategic leadership in public organisations.

Variables Affecting Strategic Leadership in Public Organisations

The feedback from research participants highlighted three groupings of variables affecting strategic leadership in public organisations: political variables, other environmental variables, and organisational variables.

Political variables are those that emerge from the political context that the organisation operates within. Four clear political variables emerged from the research:

- **Clarity of goals and strategy** – the extent to which the Council is clear about what it wants to achieve and what it wants the organisation to do to contribute to this.
- **Political culture and operating style** – the extent to which the way the Council operates can have an impact (either negatively or positively) on staff in the organisation as they attempt to carry out the activities that contribute to the achievement of the Council's goals and strategy.
- **Alignment of espoused goals and strategy with actual decisions** – the extent to which implementation decisions contribute toward the goals and strategy or hinder achievement of them.
- **Support for or opposition to leadership interventions** – the extent to which the Council and its members support or hinder efforts of the Chief Executive and management in leading the organisation to better contribute to the achievement of the Council's goals and strategy.

Other **environmental variables** are those factors from outside the organisation and the political context that affect strategic leadership. They include factors from the national political context, as the political context used here refers to the Council

that directly governs the organisation. Two main environmental variables emerged from the research:

- **Ability to co-ordinate with external parties contributing or affecting goals/outcomes the Council is trying to achieve** – the fact that external parties can have an impact on the achievement of goals and outcomes makes co-ordination with, and influence of, them important in strategic leadership.
- **Having the powers and functions required to achieve goals and strategy** – Limits on the ability of the organisation to pursue goals can have an impact on strategic leadership through frustration and resulting effects on morale.

These variables are more indirect in their impact on strategic leadership than political and organisational variables. While not having a direct impact on the ability of managers to undertake leadership interventions, they can have an impact (either positively or negatively) on the result of an organisation's efforts to achieve the goals the Council has set. This can cause frustration and affect morale in the organisation and indirectly undermine strategic leadership efforts. In this way, they are variables affecting strategic leadership efforts.

Organisational variables are those that emerge from within the organisation. While affected by environmental variables, they are predominantly driven by both the leadership and management actions a management team takes, and by how the organisation responds to these. Four main organisational variables emerged from the research:

- **Effectiveness of communication about goals and strategy** – in order to effectively contribute toward the goals and strategy, staff need to know what the goals and strategy are and understand how what they do relates to them. If communication efforts are not effective this will be difficult to achieve.
- **Integration of goals and strategy in an organisation's systems and 'normal business'** – leadership interventions aimed at strategic change within the organisation need to be supported by effective systems. The goals and strategy need to become part of the normal

way of doing business rather than being seen as an 'add-on' to 'business-as-usual'.

- **Co-ordination and integration between activities and operating units** – strategic leadership of an organisation towards a set of goals is difficult if parts of the organisation are working against the goals, or in ways that hinder other parts of the organisation in their efforts. Efforts at co-ordinating and integrating different activities were viewed as important.
- **Alignment of management actions with strategy and goals** – as with the decisions of politicians, the actions of managers can impact on the effectiveness of strategic leadership efforts. Those actions that are not aligned with the goals and strategy, or organisational initiatives to achieve them will undermine those initiatives.

These variables are depicted graphically in Figure 4.1.

An issue that has been highlighted through the research is that while leadership interventions are usually thought of as being focused within the organisation, other actions focused externally to the organisation can be viewed as leadership interventions, or at least management actions that impact on leadership effectiveness. With strategic leadership being affected by political and environmental variables, actions that help to manage or minimise the effect of these variables on the organisation can also be seen as leadership interventions. This group of actions can be labelled 'managing the context'. Working with Councillors to achieve greater clarity around goals and the actions that will be undertaken to achieve them, or explaining the programmes that will be carried out within the organisation to improve its ability to contribute to Council's goals, may not fit within a narrow definition of organisational leadership interventions, but they have the potential to make leadership efforts in the organisation more effective.

Strategic Leadership, Operating Environment and Strategic Performance

The research indicates a relationship between strategic leadership, operating environment and strategic performance. The aim of strategic leadership efforts is to have an impact on strategic performance; that is how well the organisation contributes to the achievement of outcomes. The research indicates that environmental or contextual factors can have an impact on strategic performance

both directly (for example, the impact of other environmental variables directly on outcomes) and indirectly (for example, the impact of political variables on strategic leadership efforts). It also shows that leader efforts to manage the context can affect the impact of environmental factors.

The effectiveness of strategic leadership efforts will be influenced by the leadership interventions used and the skill and attributes of those doing the leading. Similarly, the effectiveness of efforts to manage the context will be influenced by the amount of leader effort and the level of leader skills and attributes.

This relationship is shown graphically in Figure 4.2 and Figure 4.3. Figure 4.2 shows that strategic leadership is a mediating factor between organisational activity and strategic performance, and that leader effort aimed at managing the context is the mediating factor between environmental variables and strategic performance. Figure 4.3 shows how strategic leadership efforts and contextual (or environmental) factors impact upon each other, thereby indirectly affecting strategic performance, and also impact directly upon strategic performance.

Components of Effective Strategic Leadership in Public Organisations

Organisational variables, as identified above, are focused on the leadership actions and interventions taken by leaders and managers within an organisation. The mix of actions and interventions used in any organisation can be viewed as a package of components. The research highlighted a number of themes that can be addressed under the heading of the components of effective strategic leadership in public organisations.

As discussed in Chapter Two, leadership actions can be divided into transformational and transactional categories. A combination of interventions from both categories is usually most effective in achieving effective leadership.

The research here has highlighted that strategic leadership requires a number of supporting leadership interventions within an organisation. Isolated leadership interventions will not be effective.

In looking at the comments, themes and examples that emerged from the research, the interventions required for effective strategic leadership can be grouped together across a number of components:

- **Communication** – communication efforts for strategic leadership need:
 - Clear and accessible information about goals and strategy
 - To be consistently and frequently reinforced.
- **Discourse** – another form of communication. Staff need to be given opportunities to think and talk about what the goals and strategy mean for them in their role, what the organisation might need to do differently to achieve them. They also need to be identifying and thinking about linkages between their work and that of others.
- **Training and development** – which consists of two components:
 - Skill development – interventions aimed at providing staff with the opportunity to learn new technical skills or information, or learn new skills in terms of the ways of working or the interpersonal or behavioural approaches required to contribute toward the achievement of Council's goals and strategy.
 - Leadership development – interventions aimed at developing leaders that can identify where change is necessary for the organisation to better contribute to the achievement of Council's goals and strategy, and can use these leadership tools to lead staff to change the way they work where it is necessary.
- **Performance Focus** – interventions aimed at ensuring the goals and strategy are reflected in performance systems. The definition of success for the different activities in the organisation needs to reflect what the Council wants to achieve. The meaning of success and good performance needs to be consistently reinforced through reward and correction mechanisms.
- **Systems Alignment** – The systems of the organisation need to reinforce goals and strategy and support other leadership interventions. They need to reinforce and help obtain the types of staff behaviour and organisational performance that is desired.

These components can be roughly classified as either transformational or transactional as follows:

Transformational Components	Transactional Components
▪ Communication	▪ Performance Focus
▪ Discourse	▪ System Alignment
▪ Training and Development	

This is depicted graphically in Figure 4.4.

While individual interventions classified under a transformational component might be of a transactional nature, or vice-versa, generally this classification of components seems to be valid. More importantly, this method of looking at the findings of the research seems to reinforce the existing literature on transactional and transformational leadership. This will be commented on further in Chapter Five where the findings will be related to the literature reviewed in Chapters Two and Three.

CHAPTER FIVE – THE FINDINGS AND THE LITERATURE

This chapter is designed to draw together the findings from the research conducted with the implications for strategic leadership in public organisations drawn from the literature reviews set out in Chapters Two and Three. The aim is to assess how the research findings compare with what the literature says, and whether anything new has been learnt through the research project.

FACTORS AFFECTING STRATEGIC LEADERSHIP IN PUBLIC ORGANISATIONS

Chapter Four has highlighted the range of variables that the research has shown to impact on strategic leadership in public organisations. There are three sources of variable: those from the political context; those from the broader operating environment; and those arising from the organisation and the leadership approaches used.

This summary confirms the literature, albeit using slightly different terminology. Yukl (2002, pp342-344) says that constraints on leadership come from external (environmental) sources, internal (organisational) sources and the attributes (abilities) of leaders. Variable arising from the political context and the broader operating environment are both external sources of potential constraint. Variables identified as organisational in the research are a combination of potential internal and leader attribute constraints.

IMPACTS FROM THE POLITICAL CONTEXT

Goal Ambiguity

A common theme in the literature on public sector management is that of goal ambiguity and the effect it has on the performance of public organisations. Rainey (1997) shows that goals set for public organisations can be unclear, or can be multiple and conflicting. The political leader or leaders of a public organisation often do not resolve this conflict or lack of clarity, and organisational leaders are

often limited in their ability to resolve ambiguity left by the political process (Laking 2001, p12). The impacts from this ambiguity are stated in the literature as being lower job commitment, involvement and satisfaction among managers and employees, difficulties in determining clear performance measures, greater reliance on control through rules and procedures, and a weakening of the authority of leaders over employees through higher levels of rules and procedures and a reduced ability to assess performance (Rainey 1997, p129).

The research generally confirms the literature in this area but provides for a slightly different nuance around goals and goal ambiguity. Participants saw their organisations as having clear, politically set goals and strategies. These were signed off formally by the Council and generally had high levels of political support. However, the research has indicated a number of areas around the goals and strategy where ambiguity can occur. Participants stated that while goals and strategy were clear at a formal level, there were differing levels of understanding among Councillors as to what the goals and strategy meant. One theme that emerged was that the same goals and strategy could mean different things to different people. This provided for ambiguity for staff and Councillors in interpreting goals and strategy, and had the potential for decision-making around implementation issues that was not aligned with goals and strategy, which provided for further ambiguity. This ambiguity was found, partly in line with the indications provided by the literature, to have the potential to have a negative impact on staff morale, cause confusion as to the goals and strategy, and build cynicism, and to make it more difficult for the organisation to pursue the goals and outcomes sought. However, contrary to some of the literature, research participants noted a generally high level of job commitment and enthusiasm among a great deal of the staff employed.

The issue of goal ambiguity leading to more rule and procedure based processes for performance assessment, in turn leading to weakened authority over subordinates was not highlighted through the research. A number of participants commented on their organisation's efforts to align performance assessment for individuals and teams with strategic performance by the organisation in terms of contributing to the Council's goals.

Another level of goal ambiguity that emerged from the research was how well the goals and strategy were understood within the organisation. This has more to do

with how well the goals and strategy are translated into the organisation than it does to do with the political context, and is commented on below in the “Leadership Approaches and Interventions” section.

Political Intrusions, Influence and Criteria

Political intrusions and influence in organisational decision-making is seen in the literature as a distinguishing feature of management and leadership in the public sector (Rainey 1997, p166). The research undertaken reinforces the literature and provides examples of how this feature can impact on strategic leadership efforts.

One area of obvious political influence over leadership efforts is the extent to which politicians will fund leadership interventions. Rainey (1997, p107) calls this the “*power of the purse*”. Research participants found the attitude of Councils toward funding leadership interventions had a fairly direct influence on their ability to undertake leadership initiatives. The more limited the funding the more constrained they were as to the range and extent of programmes that could be undertaken. Political attitudes toward staff and organisation development tended to vary from Council to Council, although at least one participant from each organisation commented that most Councillors recognised the need to develop staff. However participants also noted that Councillors were generally not keen to increase resourcing in that area of expenditure.

The literature highlights the role of public expectation and opinion and the media in shaping political views and actions. Rainey (1997, pp98-104) shows that the general public sentiment toward the public sector influences political attitudes, and that media interest in issues can drive political interest and action in respect of public organisations. Complex public goals such as accountability, representativeness, responsiveness, openness, efficiency and fairness drive public and political expectations of public organisations. These expectations can vary across different political and community interests (Rainey 1997, pp92-95). These factors mean that leaders in public organisations face expectations that public funds will be spent legitimately and provide value for money for taxpayers. These expectations and the existence of media and public scrutiny help provide the context for public management and for leadership efforts by organisational leaders.

The research indicates that political scrutiny of leadership interventions is not intensive (aside from some scrutiny of funding) unless particular interventions attract political, media or public interest. Cited examples were expenditure the public regards as wasteful or excessive on particular leadership interventions, and organisation change processes affecting employees with strong political or interest group relationships. In relation to excessive or wasteful expenditure, the research indicated a high degree of manager sensitivity toward issues of public expectation and legitimacy of expenditure. Participants referred to the “*front page of the paper test*” – “*if you wouldn't feel comfortable seeing it on the front page of the paper, then don't do it.*” There were examples though, of Councillors trying to make issues out of the amount spent on leadership training programmes or conference attendances.

In relation to political interference in change efforts, participants commented that some Councillors occasionally tried to intervene in relation to particular staff members. This aligns with the literature, where Rainey (1997, p108, p334) has highlighted that politicians often use informal influence to try to affect decisions within organisations, and try to build and defend alliances or relationships with staff in the organisation. However, participants also commented that generally in the New Zealand local government context, the majority of the Council supported the Chief Executive's right to manage the organisation.

Impacts on Staff

The literature provides some commentary on the impacts that the political context can have on staff in public organisations. Rainey's (1997) analysis of literature highlights the negative impacts on staff morale and recruitment that can arise from politically driven public service reform campaigns. As expanded on above, ambiguity and conflict around goals is also likely to affect morale and job satisfaction and commitment among employees. Decisions on the funding of particular activities and programmes can also have a negative impact on staff. Bush's (1995) analysis of local government infers that with the close proximity of Councillors to staff within the local government environment, these impacts are likely to be even stronger than in other public organisations where the political contact may be less frequent and less detailed.

The research tends to strongly support the indications from the literature, providing detail on the effects that the political context can have. Through non-alignment of political decision-making with espoused goals and strategy, the political context can have a negative impact on staff morale, build cynicism and cause confusion and uncertainty as to what the goals and strategy of the organisation actually are, and as to how the organisation is going to contribute towards those goals and strategy. Individual politicians can cause similar impacts through negative, critical or destabilising interactions with the organisation, individual staff and other politicians, or through the media. All of these political actions can produce negative impacts on staff, which in turn have the potential to undermine strategic leadership efforts and have negative impacts on strategic organisational performance.

Managing the Context

Both the findings of the research and the public management literature suggest that managing the political context of the organisation is a vital role for senior executives in leading public organisations strategically. Yukl (2002, pp342-343) shows that external constraints are a key factor that can have an impact on strategic leadership efforts by executives. As detailed in Chapter Three, Rainey (1997) provides extensive analysis on the context for management and leadership in public organisations, identifying political intrusions and criteria as one of a number of contextual factors that influence leader performance.

The research confirms that politicians can have an enormous impact on strategic leadership initiatives, through goal and strategy setting, implementation decision-making, budget setting and the ongoing governance of the organisation. It also shows that the strategic performance of an organisation (its ability to contribute to outcomes) is affected by other agencies and stakeholders that influence the particular outcomes sought. A number of the research participants commented that, in terms of changes they would make in the operating environment to make strategic leadership easier, improving the interface with their elected Council and creating a “one-team” rather than “two-team” environment could make a significant difference. Research participants were also clear that the strategic performance of an organisation (that is, its ability to achieve the goals set for it) is greatly influenced by the impact of other organisations and external factors on the outcomes sought.

While not involving leadership interventions within the organisation, participants saw external factors that influence the strategic performance of the organisation as being relevant to strategic leadership. Political liaison and relationship management, and efforts to work with stakeholders and other parties affecting the organisation's outcomes, become essential parts of the leader's role in helping the organisation achieve its goals. In one sense, these external facing activities by leaders aimed at managing the context for strategic leadership become part of strategic leadership efforts.

LEADERSHIP APPROACHES AND INTERVENTIONS

Transactional and Transformational Leadership

The literature and the research indicate that both transformational and transactional leadership approaches are necessary in strategic leadership in public organisations. The literature is clear that both approaches are required to achieve change in organisations, with transformational leadership necessary for major strategic change (Bass 1998, Parry 1998(1), Nadler and Tushman 1989). The research findings support this view. Participants saw transformational approaches such as communicating about strategy and goals and providing development programmes as necessary for increasing understanding of goals and strategy, raising commitment to them, and directing effort toward them. They were useful in getting employees to consider what strategic performance meant for themselves and what they did in their role. Transactional approaches were seen as useful for making explicit and reinforcing performance requirements. Organising systems to support contribution to the goals and strategy, and the use of contingent reinforcement were transactional leadership tools highlighted through the research.

From the findings of the research, a range of leadership interventions were grouped into five components for effective strategic leadership in public organisations: Communication, Discourse, Training and Development (including skill development and leadership development), Performance Focus and Systems Alignment. These are discussed in detail in Chapter Four and below. The first three components are largely transformational in nature, while the last two are largely transactional. These components reinforce the fact that both transformational and transactional leadership approaches are required for strategic leadership in public organisations.

A theme that emerges from the literature is that transformational leadership is particularly important in public sector organisations in enabling them to maximise their contribution to community outcomes (Parry and Procter 2001, Valle 1999). Maximising this contribution would seem to be at the heart of strategic leadership. Transformational leadership is seen as affecting organisational contribution to outcomes through increasing the adaptability of the organisation and its employees. It does this by using goals and vision as co-ordination and control mechanisms rather than concrete task and performance direction (Valle 1999). A transformational leadership culture is also seen as motivating organisation members beyond their self-interests, generating more commitment toward organisational goals than a transactional culture (Parry and Procter 2001).

Support for the importance of transformational leadership approaches in strategic leadership can be inferred from the research findings. Participants listed transformational approaches to leadership such as communication and discourse, and training and organisation development, as being important in achieving understanding of, and commitment to, the goals and strategy, and in getting co-ordination of activities toward the achievement of goals.

The literature and the research findings both show that the political context of public organisations can impact on both transformational and transactional leadership approaches. Transformational leadership can be affected through the “power of the purse” (Rainey 1997); that is, the availability of resourcing to undertake leadership interventions, and public and political criticism of anything seen as wasting public funds. Aspects of the public sector context may also limit the effectiveness of transactional leadership methods. The literature states that constraints around employment and limits on authority over subordinates affect the ability of leaders to use incentives and sanctions to encourage performance (Rainey 1997). The research and the literature both highlight public and political scrutiny of the sector, particularly in areas such as remuneration, meaning the use of large financial incentives for desired performance is likely to be not as acceptable as in private organisations.

Leadership Interventions

Out of the research, the interventions for effective strategic leadership that emerged from participants were grouped into a number of components:

- Communication – clear, accessible, consistent and frequently reinforced messages about the goals and strategy
- Discourse – opportunities for organisation members to think about and discuss what the goals and strategy mean for the organisation, for their own roles and teams, and for what the organisation might need to do differently to better contribute to the goals. This includes identifying linkages between their own work and that of others, both inside and external to the organisation.
- Training and development – development of the technical and other skills required to contribute toward the goals and strategy, and the leadership capability required to lead the organisation toward the goals.
- Performance focus – the definition of performance so that it reflects the organisation’s goals and strategy, and the development or change of performance systems so that reward and correction mechanisms reflect this definition of performance.
- Systems alignment – changing other organisational systems so that they reflect and reinforce the organisation’s goals and strategy. This includes systems such as recruitment and selection and remuneration.

These components fit with the interventions and approaches described in the literature on leading strategic change in organisations. Kotter (1996) stresses the importance of vision (which can be taken as goals and a strategy for achieving them), and communicating extensively on the vision in leading change. Parry (1999) and Valle (1999) both see leadership and staff development as necessary in helping staff deal with and adapt to change. Yukl (2002) lists an extensive range of development interventions for helping strategic change to occur, including encouraging innovation and learning.

In public organisations, the goals and strategy are set by the political leadership, so communicating and creating understanding about the goals and strategy becomes relatively more important as a leadership tool. Vision setting is generally restricted to how the organisation will go about contributing to the goals and strategy.

As highlighted above, managing the context for leadership in the organisation has been shown to be an action leaders can take to improve the effectiveness of organisational leadership efforts. It is an important leader activity for achieving

strategic performance for an organisation, and can be classed as a component of strategic leadership on this basis.

CONCLUSION

The research undertaken for this research project has largely supported the existing bodies of literature on leadership of change in organisations and public sector management as they apply to the strategic leadership of public organisations. The research has reinforced most of the impacts that the public sector context is said to have on managing and leading public organisations. A couple of nuances emerge in relation to existing themes in the literature.

From the research, the issue of goal ambiguity appears, in the local government context anyway, to arise not so much out of ambiguous goals (at least for the organisations in the research sample), but rather from a 'disconnect' or non-alignment between formal goals and strategy and implementation decision-making. This does not lessen the importance of clear formal goals as a basis for strategic leadership, but highlights the importance of trying to ensure implementation decision-making is aligned with goals and strategy.

The research findings indicate that the potential impact of the operating environment, and particularly the political context, on strategic leadership efforts is so great, that managing the context becomes an important component of effective strategic leadership efforts in public organisations. This aligns with the importance given to the political context in the literature.

CHAPTER SIX – CONCLUSIONS ON STRATEGIC LEADERSHIP IN PUBLIC ORGANISATIONS

This research project was based around a set of research questions and the hypothesis: *That operating environment, and in particular, political strategy and leadership, have a significant impact on strategic leadership within a local government organisation.* This Chapter provides a conclusion about that hypothesis and answers to the research questions. It concludes with some propositions drawn from the preceding work, and some thoughts on a future direction for research.

ANSWERS TO THE RESEARCH QUESTIONS

How does the operating environment (or context) influence the ability of senior executives to lead a local government organisation strategically?

The leadership literature states that external factors are one of the influences and potential constraints on leadership. They interact with organisational factors and leadership ability to determine the effectiveness of leadership. In public organisations, the political leadership of the organisation dominates the external or operating environment. There is however a broader operating environment that can impact on the ability of senior executives to lead strategically.

The political context can influence the ability of senior executives to lead strategically in a number of ways. The political leadership sets the goals and strategy toward which the organisation is to be led. It controls the funding available for leadership activities. It controls (at least in part) the activities the organisation will undertake. It sets expectations of legitimacy, propriety and other public goals that provide a guiding framework for the types of leadership activities that are permissible. It makes decisions about the organisation's activities that affect the work of the organisation and can potentially reinforce or confuse or undermine the goals and strategy. Those decisions can also impact on staff morale. The general political climate can also mean that more of the time of leaders is taken up attending to political issues than leading the organisation. The reaction of politicians to mistakes by the organisation plays a strong role in determining aspects of culture, empowerment and systems of controls.

Aside from generic influences such as economic conditions and legal frameworks, the broader operating context can have an indirect impact on the effectiveness of leadership efforts by affecting the strategic performance of the organisation. Strategic leadership efforts are aimed at improving organisational performance in achieving the goals set for it. Impacts that mean those goals are not achieved, such as actions by external organisation or unhelpful political decisions, affect the organisation's strategic performance and ultimately undermine strategic leadership efforts. In this way, leadership efforts aimed at managing the context for leadership become an important component of strategic leadership efforts as they can improve the organisation's ability to achieve its goals; that is, its strategic performance.

What role do political strategy and leadership have in establishing the operating environment for organisational leadership?

Political strategy and leadership play a significant role in establishing the operating environment for organisational leadership in public organisations. The goals and strategy set by the political leadership provide the target or destination for leaders to lead the organisation toward. The way in which the political leadership takes decisions and interacts with the organisation can impact on the effectiveness of strategic leadership efforts by aiding or hindering understanding of the goals and strategy and affecting staff morale and commitment. The level of funding provided for leadership activities and the scrutiny of, and attitude towards, organisational leadership interventions can also have a strong bearing on the operating environment for leadership efforts. Funding levels dictate the type and extent of leadership activities that can be undertaken. Political scrutiny of, and attitude toward, leadership activities can influence funding decisions and affect staff morale.

What leadership interventions are most effective at achieving strategic leadership in an organisation?

Both transformational and transactional leadership approaches are required to achieve effective strategic leadership in public organisations. Strategic leadership is about a strategic change in the performance and culture of an organisation to contribute towards a politically set group of goals or outcomes for society/community in line with an agreed strategy for the delivery of those goals and outcomes. Strategic change requires transformational leadership approaches

to establish and communicate what the goals and strategy mean for the organisation in terms of how it operates, and to develop the skills and capabilities around this new meaning. It also requires transactional leadership approaches to make explicit and reinforce required performance and embed change in the organisation's systems.

The literature indicates that transformational leadership is vital in achieving this kind of strategic change, but that a certain amount of transactional leadership is also required.

In terms of effective leadership interventions, the research highlighted five components required. Those were:

- Communication
- Discourse
- Training and development – including development and leadership development.
- Performance focus
- Systems alignment

These have been described in both Chapters Four and Five. The first three of these components are mainly transformational in nature, while the second two are predominantly transactional.

How does the operating environment impact upon specific leadership interventions?

The operating environment for public organisations can directly affect leadership interventions in a number of ways. Political decisions over budgets can limit funding for the extent of leadership interventions. Ambiguous goals, or implementation decisions that don't align with the goals and strategy can confuse understanding of the goals and strategy and undermine communication efforts. Criticism of leadership initiatives can curtail leadership programmes. Political support for particular staff or political interest in change processes can limit the extent of actions that leaders are prepared to take. These examples and others have been detailed in the preceding chapters.

As outlined above, the operating environment can also have an indirect impact on the effectiveness of leadership inventions by affecting the strategic performance of the organisation.

The Hypothesis

Based on these answers and the preceding literature review, research and analysis, it is possible to state confidently that the initial hypothesis; *that operating environment, and in particular, political strategy and leadership, have a significant impact on strategic leadership within a local government organisation*, has been confirmed. It is clear that operating environment, and in particular, political strategy and leadership, do have a significant impact on strategic leadership within a local government organisation. Based on the consistency between the literature and the research findings, this impact would seem to be applicable across a wide range of public organisations.

EMERGING PROPOSITIONS AND A DIRECTION FOR FURTHER RESEARCH

Propositions from the Research

The question to be answered at the conclusion of this paper is: “*What does the research tell us about strategic leadership in public organisations?*” Based on the research carried out, the author has three propositions to put forward.

Proposition One – Any lack of alignment or disconnect between the formal goals and strategy and implementation decision-making by the political leadership of an organisation is likely to have the most significant impact (in terms of political impacts) on strategic leadership efforts and the organisation’s strategic performance (and in turn the performance of the political leadership in achieving outcomes desired by the community).

The political context has been shown to have a wide range of impacts on strategic leadership. However the potential for ‘disconnect’ between goals and strategy on the one hand, and implementation decision-making on the other, can create confusion about the goals and strategy and affect the commitment and morale of organisation

members. These impacts can undermine strategic leadership efforts and affect the organisation's strategic performance. Managing this disconnect becomes an important leadership role when viewed in this context.

Proposition Two – Managing the context for leadership in public organisations is a vital component of strategic leadership efforts.

In order to achieve effective strategic leadership in an organisation, and to improve the organisation's strategic performance, the negative impacts on the organisation from the operating environment need to be minimised or mitigated. As the impacts from the political context are likely to dominate the organisation's operating environment and have the most influence on strategic leadership efforts, managing the relationship between the political leadership and the organisation is a key part of managing the context. However, managing other aspects of the context, particularly relationships with other organisations that can affect the outcomes the organisation is seeking to achieve, is also vital to the organisation's strategic performance and the final effectiveness of strategic leadership efforts.

Proposition Three – Both transformational and transactional leadership approaches are required in effective strategic leadership in public organisations, with an emphasis on transformational approaches. However, specific interventions need to be tailored for the particular context of the organisation.

Public organisations, similar to private organisations, need to use both transformational and transactional leadership approaches to achieve strategic change. However, care is needed in public organisations to ensure that the interventions used are appropriate for the context. Public and political expectations around public organisations mean that there will be limitations on the amount of expenditure that can be justified for leadership initiatives. Executives will be restricted by these expectations in the use of contingent rewards. These limitations will make transformational approaches to building commitment such as communication about the goals and strategy more important than in other organisations.

A Direction for Further Research

An area of research highlighted in this paper, which could be explored further, is the relationship between the impacts of political leadership and context, strategic leadership interventions and impacts on organisation members. This would involve looking at how political impacts affect work motivation and behaviour of organisation members, and how leadership interventions could be used to minimise or mitigate these impacts. This research would draw on the areas of research covered here and explore the fields of work motivation theory and behavioural psychology, looking at the impact of contextual and leadership factors on work motivation. The purpose of this research would be to try and provide some guidance on how to manage the impact of political context factors on the strategic performance of a public organisation.

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