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LEADING FOR A PURPOSE – MANAGERIAL LEADERSHIP AND STRATEGIC PERFORMANCE IN PUBLIC ORGANISATIONS

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INTRODUCTION

Public sector organisations exist to achieve outcomes that will benefit the society or community they serve.[1] The extent to which they succeed in this can be termed their *strategic performance*.

Many factors influence the performance of public sector organisations in this respect. In particular, the operating environment, political leadership, and internal managerial leadership can all affect their strategic performance.

Of particular interest is the way the operating environment (and especially its political leadership dimension) interacts with strategic leadership efforts by executives to affect strategic performance in public organisations. Understanding this interaction better should help to improve the strategic performance of public organisations.

This paper is based on a research project, undertaken as part of the Master of Public Management degree at Victoria University of Wellington, which explored perceptions of strategic leadership issues in New Zealand local government organisations. The project involved a review of the literature on leadership in organisations and managing and leading public organisations, and a piece of primary research.

Strategic leadership in public organisations is about leading an organisation so that it can contribute effectively to the realisation of beneficial outcomes for the community it serves. This has to be done in an environment where the outcomes to be pursued and the broad strategy for pursuing them are determined by a politically elected or

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[1] In New Zealand, outcomes are 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 requires local government organisations to set community outcomes to underpin their strategic planning framework and activities.

appointed body. The research was concerned with a specific instance, the New Zealand local authority. The political body in this case is the elected council responsible for a region or municipality, and the organisation (also, confusingly, usually referred to as 'the council') is the council's chief executive and employees.

The research explored leadership and goal and strategy formulation with a small group of executives from local government organisations, in the context of the environments in which they operate. Research participants, who were drawn from three council organisations, answered questions in an interview process on their understanding of various factors influencing strategic leadership efforts in their organisations.

From this exploration, some tentative conclusions about relationships between political leadership, strategic leadership efforts by executives and strategic performance can be drawn, with the proviso that the sample is small, and the data consists of participants' perceptions and opinions rather than hard evidence.

Influencing outcomes

The achievement of desired outcomes can be affected by many factors, including the outputs delivered by public organisations for this purpose, influences from other agencies, individual choices and behaviour, and other factors beyond ready influence or control. Take road safety, for example – an outcome that many local governments are charged with achieving. It is affected by a multiplicity of factors including the quality, design and condition of roads; various laws and regulations; the skill and education of drivers; traffic enforcement; the condition of vehicles using the road; and driving conditions such as weather, traffic, and roadworks. Some of these factors are beyond anyone's control, the weather being a prime example. The others are determined by various organisations – Parliament legislates, councils pass by-laws; Police enforce; design agencies and contractors shape roads; testing stations, mechanics, and manufacturers contribute to vehicle safety, and so on. No organisation, then, can directly control all the factors that will determine whether its desired outcomes will be achieved; but the chances of achieving them will presumably be better if the contributing agencies and organisations work together.

An organisation's strategic performance is heavily influenced by its operating environment or context. In addition to the environmental factors mentioned above,

public scrutiny and a political leadership dimension are features of the environment in which public organisations operate.

Public Organisations

Public organisations are usually governed by politically elected or appointed representatives of the society or community the organisation serves. Groups or bodies of such representatives are typically responsible for specifying the outcomes the organisation is to pursue, and the activities (or outputs) by means of which it is to pursue them (In New Zealand the Local Government Act 2002 formalises this process for local government organisations.) The governing body must communicate its desired outcomes and strategy for achieving them effectively to the public organisation it governs.

However, the individual members of a political body may have quite different philosophical and political drivers. Not all of their wishes will always align exactly with the outcomes the body is seeking. Not all decisions are unanimous, or universally popular with communities or stakeholders. Some politicians will try to undermine the implementation of decisions with which they disagree; and decisions may be modified as councillors are influenced by interests in the community, via more or less formal channels. Further, individual politicians may attempt to influence the way the organisation for which they are jointly responsible operates. As a result public organisations working to achieve outcomes on behalf of their communities have to operate in a dynamic political environment.

The role of leadership

The operating environment and political context are external influences on an organisation's performance; among internal influences, this research examined the effect of internal leadership efforts.

Public servants have an obligation to ensure that their organisations are focused on the outcomes desired by the community or society their organisation serves. However, ensuring that their leadership efforts are directed toward that end may be difficult, because the relationship between the activities of an organisation and the achievement of outcomes is not simple. A group of activities or outputs may produce completely different results depending on the detail and delivery of specific services

or activities. Much of this detail will be determined not by the politicians, or even the senior executives of an organisation, but by the professional staff charged with planning, designing and implementing the organisation's work. Delivery will depend on the decisions, skills, attitudes and behaviours of those staff. Therefore, influencing staff to ensure that they understand how their work relates to the outcomes and strategy set for the organisation is vital. Doing so may involve overcoming professional biases, changing traditional methods of delivery, or battling established interests.

The behaviour of executives that is aimed at aligning an organisation's activities to desired outcomes can be termed strategic leadership. For the purpose of this paper, it is defined more specifically (in terms used in leadership literature (Yukl 2002, Parry 1998(2)) as follows: *the leadership processes and measures used to change an organisation to enable it to contribute towards politically set goals or outcomes for society or the community according to an agreed delivery strategy*.

RESEARCH THEMES

A number of themes relating to the links between the public sector operating context, strategic leadership and strategic performance emerged from the literature and the primary research.

Goals and strategy in public organisations

Goals (outcomes) and a strategy for achieving them are central to the strategic performance of an organisation. Participants in the research viewed a clear, politically agreed set of goals and a corresponding strategy as important for executives trying to lead an organisation strategically. Goals and strategy were seen as providing a unifying purpose for the organisation's activities, and a framework for deciding priorities, and making clear connections between the organisation's various activities.

The importance of goals and strategy has been recognised in the literature, where a key theme is the difficulty of establishing clear goals in the public sector. Rainey (1997) reports that one of the most frequently repeated observations about public organisations is that their goals are vague and ambiguous compared with those of private organisations. The lack of market indicators, combined with political

processes, often results in the goals of public-sector organisations being multiple, conflicting and intangible. Public opinion and pressure from interest groups are often seen as compounding the problem.

Rainey (1997, p 128) gives examples of conflicting goals: prison commissioners are charged with both punishing and rehabilitating prisoners; and police agencies must balance keeping the peace, enforcing the law, controlling crime, preventing crime, respecting citizen's rights, and minimising costs. Without clear guidance from those setting the goals, difficulty prioritising goals and activities, and confusion as to the purpose of the organisation, may result.

Political contexts and public accountability

Contextual influences on public organisations are manifest in the direct political oversight and control, in this case by elected councils, and the public accountability of such organisations.

All the participants in the primary research confirmed that their organisations had politically agreed goals and strategies. However, some doubted that some of their councillors understood the goals and strategy, and whether the goals and strategy had full buy-in around the council table, particularly in relation to hard implementation decisions.

Their concerns align with themes in the literature. Rainey (1997, p 131) observes that as well as formal, espoused goals, organisations have informal or actual goals. While organisations may state their goals as particular outcomes in the community, their actual behaviour (at both political and organisational levels) may be directed toward securing other goals, such as economic or political security for the organisation. The result may be confusion within organisations as to what they are trying to achieve.

This problem can be difficult for executives to resolve. Laking (2001, p 12) says that the senior managers of public organisations have a limited ability to take on a leadership role in resolving such ambiguity. There is a political leader (a council, minister or political appointee) beyond the organisation whose job it is to set goals and resolve uncertainties.

The effects of uncertainty about goals are stated in the literature to be lower job commitment, involvement and satisfaction among managers and employees; difficulties in setting clear performance measures; more reliance on control through rules and procedures, and a resultant weakening of the authority of leaders over employees; and reduced ability to assess performance (Rainey 1997, p 129).

Research participants also mentioned the impact of political climate or operating style on strategic leadership efforts and on the effectiveness of an organisation in contributing to a council's goals. The main influence they raised was that of political disagreements. One participant observed that "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; which can lead to frustrations for staff and a negative impact on morale to the point where some staff will leave." Participants also commented, however, that the impact of political behaviour is not necessarily negative, depending on the culture in the particular political environment. One noted, for example: "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."

The research suggested that the way councils and individual councillors interact with the organisation and with each other can significantly affect how well the organisation understands and contributes towards a council's strategy and goals. Responses from participants suggest that the general atmosphere and the sense of common purpose between the councillors and the staff is likely to impact on staff's understanding of and commitment to the council's strategy and goals. This in turn is likely to affect how well the goals and strategy are reflected by the organisation.

Responses from participants also indicate that the general political climate can mean that more of the organisational leaders' time of is taken up attending to political issues than leading the organisation. The reaction of politicians to mistakes by the organisation can play a strong role in determining aspects of the organisation's internal culture, empowerment of staff and systems of controls.

In the broader public context, the literature highlights the roles of public expectations and opinion and of the media in shaping political views and actions. Rainey (1997, pp 98–104) shows that popular sentiment influences political attitudes, and that media

interest in issues can drive political interest in and actions by public organisations. The literature notes that the goals of public organisations must therefore include accountability, responsiveness, representativeness, openness and efficiency (Rainey 1997, pp. 92–94). Rainey classifies these goals into 'competency values' and 'responsiveness values', and observes that they can conflict sharply, within and across the two groups of values.

Public organisations operate in the context of public demands for efficiency, with intense scrutiny of suspected inefficiency or waste. However, the public also demands effectiveness, timeliness, reliability and reasonableness, even though they may conflict with efficiency (Rainey 1997, p 92). Where a government is performing critical functions, getting the job done is most important – "efficiency is often a secondary concern" (Rainey 1997, p. 92). Different parties judge public management by different criteria. For instance, judges can emphasise reasonableness and process concerns, while politicians or the media may emphasise cost or timeliness (Rainey 1997, p 93).

Responsiveness is also expected of public managers. They are expected to be accountable to political and various other authorities and interests as well as the rule of law (Rainey 1997, p 94). Attempts to respond both to the public's wishes and to the governing body's interests may result in conflict; and public organisations also receive requests from clients, interest groups and private individuals.

The multiple goals of an organisation may conflict, then, as may the different activities undertaken to achieve them. To overcome this difficulty, research participants saw a need for councils to prioritise their goals clearly and specifically. In their experience, the clearer a council was about its own priorities, the easier it was to convey them to the organisation.

It was also apparent that multiple goals created uncertainty for staff and councillors in interpreting the strategy; and that this could lead to implementation decisions that were misaligned with goals and strategy, compounding the uncertainty. In line with indications in the literature, this uncertainty was found to lower staff morale, cause confusion as to goals and strategy, create cynicism, and ultimately hamper the organisation in pursuing its goals. However, contrary to observations in some of the literature, research participants also noted generally high job commitment and enthusiasm among council staff.

Implementation decisions that were misaligned with goals and strategy were often apparently influenced primarily by financial considerations. Participants from all the organisations represented in the research explicitly raised cost or affordability as the major reasons that councils debate implementation decisions that are straightforward as regards compatibility with strategy and goals. The financial impacts of a decision might carry political risk for some councillors, or the goals and strategy might have been set without access to detailed information about their financial implications. These considerations were perceived as a normal part of the political environment, to be managed as far as possible through a strong strategy-setting process involving the political leaders extensively, and the provision of the fullest possible information about the implications of proposed strategies. As one research participant commented, "Often alignment or lack of it comes down to money – they have priorities but don't have the money to match them."

The research tends to support the indications in the literature that the political context can have a significant impact on staff in public organisations, and therefore on strategic leadership efforts. The political environment can impair staff morale, and create scepticism and uncertainty about the direction of an organisation. Individual politicians can have a similar effect through negative, critical or destabilising interactions with the organisation, individual staff and other politicians, or through the media. The negative impacts on staff in turn can undermine strategic leadership efforts and limit the organisation's strategic performance.

Bush's 1995 analysis of local government suggests that, because of the close proximity of councillors to staff in local government, these effects are likely to be even stronger in councils than in other public organisations, where there is typically less political contact.

Political influence on strategic leadership efforts

Political intrusions into and influence on organisational decision-making are seen in the literature as a feature of the public sector (Rainey 1997, p 166). An area of obvious political influence over leadership efforts is the funding of leadership interventions. Rainey (1997, p 107) calls this the "power of the purse". Research participants found the attitudes of councils to funding leadership interventions affected their ability to undertake leadership initiatives. Political attitudes to staff and

organisational development tended to vary from council to council. Participants also noted that, while most councillors recognised the need to develop staff, they were generally not keen to increase resourcing for this purpose.

The research indicates that leadership interventions are not subject to intensive political scrutiny unless they attract political, media or public interest – for example because they are perceived as wasteful or excessive. The research indicated that managers are particularly sensitive about issues of public expectation and the legitimacy of expenditure. Several 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." Many gave examples of councillors making issues out of expenditure on leadership training programmes or conference attendance.

Asked about political interference in change efforts, research participants said that councillors occasionally tried to intervene in relation to particular staff members. This gives some support to Rainey's (1997, p 108, p 334) observation that politicians often try to influence decisions informally, and try to build and defend alliances with staff. However, participants also commented that most elected members supported the chief executive's right to manage the organisation.

Some executives also said that political support for strategic leadership interventions could be useful, citing the use of politicians in staff forums to explain the goals and strategy of councils, enabling staff to "hear it from the horse's mouth."

Managing the context

Both the findings of the research and the public management literature suggest that managing the political context is a vital role for senior executives in leading public organisations strategically. Yukl (2002, pp 342–343) shows that external constraints are a key factor in the success of strategic leadership efforts by executives. Rainey (1997) lists political intrusions and requirements among the contextual factors that influence leaders' performance.

The research tends to confirm that politicians can have an enormous impact on strategic leadership initiatives, in their roles of setting goals and strategy, making implementation decisions, and setting budgets.

The research also indicates that the strategic performance of an organisation is affected by other agencies and stakeholders, which may influence the particular outcomes sought. Participants agreed that the strategic performance of an organisation is greatly influenced by the impact of other organisations and external factors.

Participants saw external factors as affecting 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 a sense, these externally-directed activities aimed at managing the context for strategic leadership become in themselves an important part of strategic leadership efforts.

Organisational issues in strategic leadership

All the research participants recognised that improving internal understanding of the council's goals and strategy is a key part of effective strategic leadership in a local government environment. As one said, "If people don't understand it, how can they be expected to deliver it?" This perception is supported by the literature.

Participants distinguished different levels of knowledge and understanding of organisational goals and strategy. The first level was understanding goals and strategy in terms of one's own role. The next was understanding them in terms of connections with the roles of others. The third level was contemplating making changes in order to contribute to achieving the goals and strategy.

Various ways of increasing understanding were mentioned: frequent and repetitive communication of information about goals and strategy; discussions by staff of goals and strategy, and how they might do things differently to achieve them; and training and development programmes focused on goals and strategy and the skills needed to pursue them.

Developing leadership skills in staff and existing leaders was considered crucial by a majority of research participants. Making sure that people in key positions were capable of taking their staff along with them was seen as vital to organisational performance. Skills considered important were communication skills, the ability to translate vision into action (that is, goals and strategy into work programmes), and

the ability to use management systems to support the achievement of goals and strategy. In the participating organisations leadership and management development was already a key focus of training and development, or was rapidly becoming one.

Understanding of the goals and strategy could be impaired by management actions or decisions that were misaligned with the goals and strategy of the Council, or inconsistent with its ways of working. Their impact appears to be comparable with that of non-alignment between a council's decisions and their goals and strategy. Participants spoke of "mixed messages" which could confuse communication about the goals and strategy, and cause staff to doubt the commitment of management to them, thus undermining leadership efforts.

A key theme that emerged from the research was the need to integrate a council's goals and strategy into its systems and processes, particularly the performance management system. Participants commented that if this was not done, the danger was that strategic change would be seen as an add-on, and not integral to the organisation's work. If this occurred, efforts at strategic leadership could be 'crowded out' by the 'real work' of delivering services in the way they have 'traditionally' been delivered.

Almost all respondents commented to the effect that anchoring goals and strategy in an organisation's systems and normal work practice was vital to effective strategic leadership. Participants suggested that performance management should involve specifying what constitutes success in terms of a council's goals and strategy, and the linkages between success factors and the activities being undertaken. It should focus on *how* work should be done as well as *what* should be done. Traditional components of performance management systems such as monitoring and corrective mechanisms were also regarded as important. Most participants considered that a strategic approach to performance management needed appropriate signals from managers; rewards and corrective signals should reflect the organisation's priorities.

Other systems were also seen as important. Respondents commented that human resources systems should be aligned with goals and strategy, so that consistent and mutually reinforcing signals were sent. Most participants thought that lasting strategic leadership and change without such mechanisms was impossible.

Another theme that emerged from participants' responses was the need for co-ordination and integration within an organisation, and with external parties. This meant building the capability of the organisation to recognise and exploit linkages between the various activities it undertook and those undertaken by external parties. For example, capital works in the road corridor could be coordinated to minimise disruption and duplication of excavation work.

Reported efforts to improve co-ordination included cross-council project teams, show-and-tell sessions, and integrated planning frameworks. For example, project teams on urban design projects incorporated various professional disciplines (transport engineers, stormwater engineers, planners, ecologists, etc), and dealt explicitly with linkages and trade-offs between outcomes.

The use of staff forums to present projects and discuss co-ordination and strategic linkages was cited as a useful tool for improving co-ordination. Some reservations were expressed about the use of planning tools and frameworks, especially for those involved in detailed work. Participants suggested that initiatives focused on the day-to-day work of staff were more effective in changing the way work was carried out. Abstract tools such as planning frameworks and communication forums were useful mainly for reinforcing more direct approaches.

Examples of external co-ordination included collaboration with government agencies and community groups to deliver social outcomes and services, and cross-regional collaboration efforts in areas such as transport and regional planning. Benefits could be achieved by recognising commonality between the goals and activities of the various organisations involved.

The flip-side of these benefits is the recognition that efforts of other organisations can hamper the achievement of goals, either because they have different goals, or because of inadvertent non-alignment. Co-ordination of efforts and a positive approach to working with other parties can minimise these negative impacts.

Broadening the understanding of staff employed in specialised areas was seen as a key strategic leadership task, so that they recognised linkages and thought about the broader impacts of their work. Ensuring that they understood the goals and strategy was considered essential, as was incorporating collaborative and cross-silo working methods into the organisation's normal practice. This might involve overcoming

sometimes strong professional mindsets in specialists such as traffic engineering and planning staff.

All the participants regarded processes such as staff selection and induction as important in ensuring that recruits could work in a cross-disciplinary and collaborative way from the outset.

Feasibility

Participants pointed out that the legislative powers and mandate of an organisation could affect its ability to pursue the goals that had been set for it. Frustration and powerlessness among staff constrained as to their ability to affect or pursue the goals set could damage morale and create scepticism regarding the feasibility of the goals.

Participants did not see this issue as something that could be addressed by organisational leadership interventions. Some suggested that managing this issue might involve trying to change the powers and mandate of an organisation, co-ordinating with other agencies, and being explicit about the limitations on the organisation's powers and abilities. Again, managing the context was seen by participants as an important contribution leaders could make toward the success of strategic leadership efforts, though with inherent limits upon its scope in this area.

Leadership types and interventions

Transformational and transactional leadership are prominent concepts in the literature on leadership styles, and can be applied to this topic. Bass (1998) distinguishes transactional leadership and transformational leadership in the *Full Range of Leadership* model. Transactional leadership is defined as leadership based on contingent reinforcement: a leader rewards or punishes followers according to the adequacy of their performance.

Transformational leadership is proposed as an extension of transactional leadership. It attempts to 'engage the follower in true commitment and involvement in the effort at hand' (Bass 1998, p 4). Bass list four components in transformational leadership: charismatic leadership, inspirational motivation, intellectual stimulation, and individualised treatment of followers. (Bass 2002, pp 5–6)

Bass (1998, p 8) says that all leaders display each style or type of leadership to a certain extent. Leaders displaying more transformational than transactional or *laissez-faire* leadership (in effect an absence of leadership) are shown in research studies to be more effective and satisfying to followers.

Yukl (2002, pp 254–255) infers the underlying influence processes exerted by Bass's categories of leadership behaviour (1998). He sees that the primary influence process for transactional leadership is probably 'instrumental compliance' – the follower complies to 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. Transformational leadership involves 'internalisation' by the follower, so that the leader's proposal or request becomes integrated with the follower's own values and beliefs, leading to commitment regardless of reward or punishment.

Other writers have made similar distinctions to Bass in classifying types of leadership. Nadler and Tushman (1989) identify 'magic leadership' and 'instrumental leadership' Their account of 'magic' leadership resembles Bass's transformational leadership in essence; while their 'instrumental' leadership has much in common with the transactional leadership of Bass's typology.

Parry (1999, pp149–150) says that researchers have found relationships between leadership behaviour and organisational performance outcomes, though there are many intervening factors.

The literature indicates that both transformational and transactional leadership types are needed to achieve strategic change in organisations; both have their strengths and inherent limitations. The best leaders tend to prefer transformational behaviour over transactional, while employing both (Parry 1998).

A theme that emerges from the literature is that transformational leadership is particularly important in enabling public sector organisations 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 by 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 by concrete task and performance direction (Valle 1999). A transformational

leadership culture is also seen as motivating organisation members beyond their self-interest, and thus generating more commitment to organisational goals than a transactional culture (Parry and Procter 2001).

Responses to the research questions also suggest that a combination of leadership interventions and types are useful and necessary in strategic leadership. While not using these specific terms, participants made it clear that they considered both transformational and transactional leadership styles and tools were essential elements in effective strategic leadership.

The leadership interventions that participants reported in their organisations used a mixture of transformational and transactional tools. Transformational interventions were typically aimed at improving the staff's understanding of and commitment to the council's goals and strategy. They set out to persuade staff to think about goals and strategy in relation to their own roles and job functions, and their interrelations with the work of others; and how they might better contribute to achieving the council's goals.

Interventions for this purpose included communication, training programmes specifically about the goals and strategy, training that provided new knowledge, and programmes that encouraged staff to think about possible approaches to delivering on the goals and strategy. The programmes described by participants often had significant inspirational and motivational content, and were aimed at influencing change intellectually – in essence, by exercising transformational leadership.

Persuading staff to contemplate changes to their practice was an area in which mixed success was reported. One participant noted a tendency for some people to justify current practice in terms of the strategy, and to re-brand existing programmes – 'to start at the wrong end and back-fill the strategic linkages'.

Participants also regarded essentially transactional interventions as important in strategic leadership. Interventions falling into this category were aimed at integrating councils' strategic direction into their operations by incorporating it into performance standards and organisational systems. They included the use of human resources and performance management systems and planning and reporting frameworks to obtain and reinforce the required behaviours.

Performance management systems were mentioned as particularly important tools for making performance expectations explicit (a transactional approach), and also as a channel for communication and discussion about strategic implications for the individual or team (a transformational approach).

Aspects of the public sector context may limit the effectiveness of transactional leadership methods. The literature states that constraints on 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, in areas such as remuneration, so that the use of financial incentives is likely to be less acceptable than it is in private organisations.

The prevailing view that strategic leadership needs to encompass both transformational and transactional approaches was summed up by the participant who commented: 'Strategic leadership is not just about strategic planning and leadership programmes, it's about ensuring the organisation is aligned with its strategic objectives'. This meant constant checking on whether programmes were achieving outcomes, and whether processes and systems were aligned to support them.

Directions from the Research

The research suggests that three main groups of factors affect strategic leadership in public organisations: political factors, other environmental factors, and internal factors.

Political factors emerge from the political context in which the organisation operates. Four emerged from the research as critical for council organisations:

- Clarity of goals and strategy
- Political culture and operating style
- Alignment of espoused goals and strategy with actual implementation decisions
- Support for or opposition to leadership interventions from councils.

Other *environmental factors* that affect strategic leadership are external to the organisation and its immediate political context. For local government organisations such as those in the research, such factors include the national political context, as distinct from that internal to councils. Two main environmental factors emerged from the research:

- Co-ordination with external parties
- The specific powers and functions of the organisation

These factors affect strategic leadership less directly than political and organisational variables. While they do not directly limit the ability of managers to undertake leadership interventions, they can, however, limit the effectiveness of an organisation's efforts to achieve the goals its council has set. Resultant frustration and low morale may indirectly undermine strategic leadership efforts.

Organisational factors derive from within the organisation. They include actions by leadership and management, and the organisation's response to them. Four main organisational factors emerged from the research:

- Communication with staff about goals and strategy
- Integration of goals and strategy into organisational systems and practice
- Co-ordination and integration of activities and operating units
- Alignment of management actions with strategy and goals.

Because strategic leadership is affected by political and environmental influences, actions to manage or minimise the effect of these factors on the organisation can also be seen as leadership interventions, for the purpose of 'managing the context'. Working with councillors to clarify goals, or to explain how the organisation is working to contribute to achieving them, may not in themselves constitute organisational leadership interventions, but such actions can make subsequent leadership efforts more effective.

Leadership, Operating Environment and Strategic Performance

The research indicates a relationship between strategic leadership, operating environment and strategic performance. The aim of strategic leadership is to improve strategic performance, understood as the achievement of outcomes. The

experiences reported by research participants suggest that environmental or contextual factors can affect strategic performance directly, and indirectly by hampering strategic leadership efforts. They also suggest that leaders can limit or mitigate the impact of environmental factors by managing the context.

The effectiveness of strategic leadership efforts, including those directed at the management of context, will be influenced by the leadership interventions used and the skill and attributes of leaders.

Effective strategic leadership in public organisations

The actions and interventions used in managing any organisation can be viewed as a package of components. Different authors emphasise different components or themes. 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. In public organisations, the goals and strategy are usually set by the political leadership, so communicating and creating understanding about the goals and strategy becomes relatively more important as a leadership tool. 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 promoting strategic change, including encouraging innovation and learning.

The research suggested that certain components typify effective strategic leadership in public organisations. A combination of transformational and transactional leadership actions are perceived usually to be the most effective leadership style.

In isolation leadership interventions tend not to be effective in local government. The research suggests the need for a package of supporting measures to ensure that leadership interventions are effective.

The research results suggest that the interventions required for effective strategic leadership include the following components:

- **Communication** – clear and accessible information about goals and strategy, consistently and frequently reinforced. Staff need

opportunities to think and talk about what the goals and strategy mean for them, and ways of achieving them.

- **Training and development** –
  - o Skill development interventions to provide staff with new technical skills and information.
  - o Leadership development.

- **Performance focus** – interventions to incorporate goals and strategy into performance systems.

- **Systems alignment** – ensuring the systems of the organisation reinforce goals and strategy and support other leadership interventions.

Performance focus and system alignment can be roughly classified as transactional components, while communication and training and development are essentially transformational interventions.

Generally this broad classification of classes of components seems to be valid, though individual interventions might cut across the categories in particular instances. More importantly, looked at this way the findings of the research seem to bear out the existing literature on transactional and transformational leadership.

CONCLUSION – ANSWERING THE RESEARCH QUESTIONS

The research undertaken for this research project has largely supported the existing body 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 confirmed most of the impacts that the public sector context is said to have on managing and leading public organisations. Some nuances emerged, however, in relation to 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), as from a disconnection or non-alignment between formal goals and strategy and implementation decisions. This does not lessen the importance of clear formal goals as a basis for strategic leadership, but it highlights the subsequent importance of ensuring that implementation decision-making keeps goals and strategy in view.

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

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

The leadership literature says that external factors are among the influences and potential constraints on leadership. They interact with organisational factors and the ability of particular leaders to determine the effectiveness of leadership. In public organisations, the political leadership of the organisation dominates the external or operating environment. There is also a broader operating environment, which 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. Political leaders set the goals and strategy toward which the organisation is to be led. They control the funding available for leadership activities.

They control (at least in part) the activities the organisation will undertake. They set expectations of legitimacy, propriety and other public standards that determine what types of leadership activities are permissible. They make decisions about the organisation's activities that affect its work, and can reinforce or confuse or undermine the goals and strategy. Such decisions can also affect staff morale. The general political climate can also mean that more of the organisational leaders' time 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 incompatible actions by external organisations or unhelpful political decisions, affect the organisation's strategic performance and ultimately undermine strategic leadership efforts. Therefore, 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.

How do political strategy and leadership affect 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 leaders provide the target or destination for leaders to lead the organisation toward. The way 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 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 dictates what leadership activities 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 in 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 bringing about strategic change in the performance and culture of an organisation to contribute towards politically set goals or outcomes in line with an agreed strategy for delivery. Strategic change requires transformational leadership to establish and communicate what the goals and strategy mean for the organisation, and to develop the skills and capabilities to realise it. It also requires transactional leadership approaches to make explicit and reinforce required performance, and to embed change in the organisation's systems.

In terms of effective leadership interventions, the research highlighted four requirements:

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

The first two of these components are mainly transformational in character, 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, and thus the extent of, leadership interventions. Ambiguous goals, or implementation decisions that do not align with the goals and strategy, can confuse staff 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 actions that leaders are prepared to take. These examples and others have been detailed in the preceding sections of this article.

As outlined above, the operating environment can also have an indirect impact on the effectiveness of leadership inventions by affecting the organisation's ability to attain the goals set for it (that is, its strategic performance).

Propositions from the Research

Proposition One – Any disconnection or lack of alignment between the formal goals and strategy and implementation decision-making by the political leadership of an organisation is likely to have a significant impact on strategic leadership efforts and the organisation's strategic performance in pursuing outcomes desired by the community.

The political context has been shown to have a wide range of impacts on strategic leadership. The potential for disconnection 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 disconnection becomes in itself an important leadership role.

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

To achieve effective strategic leadership in an organisation, and to improve its strategic performance, negative effects 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, 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, interventions need to be tailored for the particular context of the organisation.

Public organisations, like 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 of public organisations mean that there will be limits on the expenditure that can be justified for leadership initiatives. Executives will be restricted by these expectations in the use of tools such as contingent rewards. These restrictions will make transformational approaches to building commitment such as communication about the goals and strategy more important in the public sector than in other organisations.

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