Perspectives on cutback management in public organisations : what public managers do

Schmidt, J.E.T.

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Chapter 4

Managing outward
A strategic management perspective

CHAPTER 4 – MANAGING OUTWARD: A STRATEGIC MANAGEMENT PERSPECTIVE[10]

ABSTRACT

We analyse how public managers interact with external stakeholders during cutbacks. Relying on strategic management scholarship, we develop an argument on why public managers decide for a closed or an open cutback management strategy. In the former, they try to close off the process for external stakeholders, whereas, in the latter, they actively engage with external stakeholders. A multiple qualitative case study of cutbacks in the Dutch prison sector shows that the choice to actively engage with external stakeholders depends on public managers' position within the organisational hierarchy, their perception of the stakeholder environment, and their process goals. The article contributes to the scholarship on cutback management and strategic management.

4.1 INTRODUCTION

One of the core activities of public managers is protecting their organisation against unpleasant surprises from their environment (Meier and O'Toole, 2009). Cutbacks have been a prominent environmental threat for public managers in the last decade. Public managers usually have an essential role in the decision-making process regarding *what to cut back* and *how to cut back* spending (Schmidt et al., 2017). At the same time, they are far from the only actors involved in such processes, as the environment in which public managers operate, includes a wide scope and variety of stakeholders (Raudla et al., 2015) that may try to affect decision-making. Such stakeholders can be internal (such as employees or other non-managerial actors) but also external to the organisation (such as private organisations, citizens, interest groups, and labour unions). All these actors may be offering opportunities as well as imposing constraints on managerial action during cutbacks (Pandey, 2010).

Based on cutback management research, there are good reasons to expect that public managers will actively engage with stakeholders in their environment and aim for a so-called *open cutback management strategy*. For example, including stakeholders in decision-making and implementation of cutbacks, may help to increase support for cutback-related changes (Raudla et al., 2015), and help to make informed decisions (Dunsire and Hood, 1989). At the same time, we can develop equally good arguments to expect that public managers will decide not to interact with other stakeholders during cutbacks and aim for a *closed cutback management strategy*. For example, cutback management decision-making is often centralized with only the key political and administrative actors involved (Douglas, Raudla, Randma-Liiv, and Savi, 2019), and cutbacks may lead to a conservative climate in which innovation and new ideas go unheard, thus limiting room for external interactions (Cayer, 1986). In this study, we explore *whether*, *how* and *why* public managers engage in external interactions during cutbacks, thus looking for the conditions under which particular managerial behaviour is exhibited. We do so by using a strategic management lens, and by categorising the behaviour of public managers towards their external environment as either defending, prospecting or reacting (Boyne and Walker, 2004; Miles and Snow, 1978). We will argue that defenders will aim for a closed cutback management process and focus on the internal organisation. Prospectors, on the other hand, will be oriented outwards and aim for an open cutback management process. Reactors will await further instructions and have no fixed orientation, either inward or outward.

In this study, we bridge the literature between cutback management and strategic management. So far, studies linking these streams of literature usually do so to assess the effect of managerial strategy on a range of outcome variables, such as fiscal retrenchment (Jimenez, 2017) or the adoption of particular crisis management approaches (Cepiku et al., 2016). However, such studies do not focus on why public managers take a particular managerial strategy and thus do not concentrate on *whether*, *how* and *why* public managers choose to engage with external stakeholders during cutbacks. By using the Miles and Snow (1978) framework of strategic management as an analytical

perspective, this study tries to fill this gap. By so doing, we add to both scholarships on cutback management and strategic management.

For cutback management, our study contributes to the growing number of studies focussing on managerial behaviour during cutbacks. Most recent cutback management studies focus on actors in the internal organisation, most notably on the interaction of public managers with employees (Conway et al., 2014; Kiefer et al., 2015; Van der Voet and Vermeeren, 2017). These works, however, does not look at how public managers choose to engage with actors within the environment of their organisation. For strategic management, our contribution first lies in acknowledging the importance of taking contingency factors into account when studying strategic management (Bryson, Berry, and Yang, 2010). By focussing on why public managers adopt a particular strategy during cutbacks, we show how cutbacks as a contingency factor affect managerial strategy. Second, we take a different focus than most studies. A considerable number of studies paid attention to the impact of adopting a strategic stance as defender, prospector, or reactor on organisational performance (Meier, O'Toole, Boyne, and Walker, 2008; Walker, 2013; Walker, Andrews, Boyne, Meier, and O'Toole, 2010). The same goes for the limited number of studies that tapped into the question how public managers interact with their environment during cutbacks (Barbera et al., 2016; Jimenez, 2017, 2018; Kim and Oh, 2016), which focus primarily on connecting strategic management with some measure of (financial) performance. This study, instead, takes the strategic stance as the dependent variable and in addition to that tries to add to our understanding of managerial strategy by giving in-depth explanations of why public managers Intend to take a particular stance.

We study the strategic stance of public managers in three different organisational units within the Dutch penitentiary sector. This sector has been struck with cutbacks of about 30% of the overall budget. Cutbacks on prisons are regarded as a complex and politically salient topic, first, because safety is seen as one of the core tasks of government, and second because of the critical role that prisons play in local employment. For this study, we interviewed public managers working for the Ministry of Safety and Justice, the Custodial Institutions Agency (DJI), or working in prison. We use an analysis of newspaper articles to identify relevant (external and internal) actors and their main goals in the cutback management process. Semi-structured interviews with 20 public managers were conducted to understand *whether, how* and *why* they engaged in particular strategies to interact with their environment.

4.2 CONCEPTUAL FRAMEWORK

The relevance of strategic management during cutbacks

Charles Levine (1978), one of the founding fathers of cutback management literature, argued that cutting back any organisation is difficult, yet a public organisation even more because of its public character. Two aspects of this public character are especially important when it comes to cutback management. First, public organisations usually have a relatively predictable inflow of resources

(Pandey, 2010), which is crucial for maintaining a high quality of services (Scott, 2002). However, when confronted with cutbacks, public managers cannot easily find ways to increase their budgets (Ferry, Coombs, and Eckersley, 2017) or simply stop services (Andrews, Boyne, and Walker, 2012). Second, the context in which public organisations operate includes a wide variety of actors that may pose constraints on organisational (and in addition to that managerial) behaviour (Pfeffer and Salancik, 1978). Especially in times of cutbacks, when organisations have to fight over limited budgets, a wide range of stakeholders can be expected that try to engage with cutback management processes (Raudla et al., 2015). Whether public managers allow external stakeholders to engage with the cutback management process, depends on whether an open or closed cutback management strategy is used (Van Der Voet, 2018). Cutback management strategies are closed when public managers choose not to engage external stakeholders and non-managerial internal actors, such as employees. Strategies can be considered (more) open, depending on the number and type of external actors that are involved in decision-making and implementation.

Such a distinction between open and closed strategies can be related to the strategic stance that public managers take (Van Der Voet, 2018). Strategic management is the response of public managers to the constraints and opportunities that stem from the public environment in which public organisations and their managers operate (Johnsen, 2018; Meier et al., 2008). How public managers interact with their environment, is referred to as strategic stance. The Miles and Snow framework of strategic stance is one of the most dominant typologies within the strategic management literature. Miles and Snow (1978) build on the premise that managers will try to formulate and use strategies that are congruent with the external environment of their organisation. In doing so, the model categorises managers as either prospectors, defenders or reactors. These strategies roughly Correspond to the main responses that public managers may have to a changing organisational environment: innovating, maintaining the current focus, or awaiting instructions (Walker, 2013).

Initially, four different types of strategies were discerned within the framework: (1) prospecting, (2) analysing, (3) defending, and (4) reacting. While widely adopted in generic management studies (Johnsen, 2015), public administration researchers saw the need to refine the model for the public context. Boyne and Walker (2004) adjusted the model as they found similarities with other models of strategic management (for example, Downs, 1967). As analysers are an intermediate category between prospectors and defenders, this strategy is seen as redundant. In this study, we build on the work of Boyne and Walker (2004) and use prospecting, defending and reacting as strategies that public managers can engage in.

In the next section, we explain what these strategies look like, and we conceptually explore why public managers, in the context of cutbacks, may choose such a strategy. This way, we relate the Miles and Snow framework to open and closed cutback management strategies.

Prospecting as an open cutback management strategy

The first strategy, prospecting, refers to innovative and externally oriented behaviour. Public managers that fall into this category may analyse the environment looking for ways to align their

organisation with external demands by means of innovation. Public managers that are prospectors will actively try to identify new opportunities within their environment to exploit. This includes the possibility of invading the 'policy space' of other organisations (Downs, 1967) in search of extra budget (Walker, 2013). Prospectors are likely to adopt flexible organisational structures to adapt their organisation to different trends (Rainey, 2009). (Andrews, Boyne, Law, and Walker, 2009a) found that prospectors are more likely to engage other stakeholders in their organisation and are thus externally oriented. Prospecting is, therefore similar to open cutback management strategies, aimed at engaging stakeholder in the decision-making process.

Research linking changes in the external environment to strategy found mixed results. In their classic work, Miles and Snow (1978) argue that in an unstable environment, for example, due to budget cuts, prospecting may produce the best results. Their argument is based on the work by Burns and Stalker (1961), who claim that a more flexible organisational structure is better able to adapt to changing circumstances. Following this reasoning, we would expect that public managers take a prospecting stance during cutbacks, to quickly adapt their organisation to changing conditions.

Defending as a closed cutback management strategy

The second strategy discerned by Miles and Snow is a defending strategy. Here, public managers will aim to consolidate. According to Andrews et al. (2009a), defenders resemble a classic bureaucracy in which *"top-level executives have the necessary information and the proper vantage point to control operations" (p. 734)* A defender strategy is related to a centralised organisational structure and decision-making, as public managers taking such an approach concentrate their efforts on improving the core activities of their organisation. This also means that defenders are less likely to actively engage with stakeholders in their environment, as they will be oriented toward safeguarding their organisation and buffering shocks from the environment (Meier and O'Toole, 2009). Therefore, defenders can be related to closed cutback management strategies. Miles and Snow (1978) argued that defenders usually perform well in a stable organisational environment. We may thus expect that public managers will not turn toward defending during cutbacks, as these can be seen as a break with a stable organisational environment.

While the previous section leads to the expectation that public managers will not adopt a defending strategy during cutbacks, we may also turn the argument the other way around, arguing why public managers will adopt a defending strategic stance. Cutbacks tend to create a more conservative climate within public organisations, in which new ideas go unheard (Cayer, 1986; Levine, 1984). Usually, managers that fall into the defending category can be seen as more conservative (Andrews, Boyne, Law, and Walker, 2009b), focusing on the internal organisation and competing with other organisations on service quality, rather than innovating.

Reacting as in-between closed and open cutback management strategy

The third strategy is reacting. Reactors are public managers who do acknowledge the uncertainties and threats from their environment, yet lack a strategy to deal with these trends (Meier et al., 2008). A reactor stance is often equated with *"awaiting instructions"*. Such a strategy can be a deliberate choice in the circumstances were responsiveness is valued (Walker, Andrews, Boyne, Meier, and O'Toole, 2010). From this point of view, such behaviour can be highly appreciated by political superiors, as this makes the organisation unconstrained by fixed strategic posture (Boyne and Walker, 2004). Especially when cutbacks become politically salient and have the potential to have electoral effects, a reacting strategy may be adopted by public managers, as this serves the interest of their political superiors.

While such a reactor strategy might be appreciated by political superiors, Andrews et al. (2010) found that reactors´ performance drops when faced with a dynamic environment. Walker (2013) explains this by arguing that especially in a dynamic environment, reactors may not be able to respond quickly to shifting circumstances, as they are not able to act proactively. In times of cutbacks, where rapid decision-making can be asked from public managers, keeping up with the pace of environmental dynamism can be challenging and a reason why public managers do not want to take a reacting stance, but instead choose to defend or prospect.

As one can see from the sections above, what strategy public managers will adopt during cutbacks is not easily understood, as the relationship between strategic stance and cutbacks can be conceptualized in different directions.

4.3 RESEARCH SETTING

To analyse how public managers strategically interact with stakeholders in their environment, we employed a qualitative case study in the context of cutbacks in the Dutch penitentiary sector. Within the Netherlands, the financial crisis led to significant cutbacks for public organisations. This study focusses on cutbacks at the Custodial Institutions Agency (DJI)[11], the executive agency responsible for the penitentiary sector. From 2012 onwards, this agency had been forced to cut back approximately 25% of their 2-billion-euro budget. From the announcement of cutbacks onwards, it was clear that cutbacks would involve closing prisons and in addition to that, laying off personnel, as a large share of DJI's budget is reserved for personnel expenses and housing costs. What made cutbacks even more difficult is that cutbacks came at a time when the organisation had already had a negative exploitation results for three out of the last four years.

In order to deal with cutbacks, the Ministry developed a so-called masterplan about the future of the penitentiary sector. In this masterplan, different measures were announced in order to cut back on operational expenses. Among these measures, the most important ones concerned closing

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11   As the Custodial Institutions Agency uses DJI as its English abbreviation, we also use this abbreviation.

26 prison locations (on a total of 50) and terminating 3400 full-time jobs (on a total of 16000 FTE). The plans caused huge commotion in the media and within Dutch politics. First of all, because safety is regarded as one of the critical tasks of government within the Netherlands and therefore, a politically salient topic; second because prisons play an important role in local employment. This also makes the penitentiary sector a relevant sector to study strategic management, as prisons' role in local employment and safety matters concern a broad range of different stakeholders.

Structure of the Dutch penitentiary system

The Dutch prison system consists of different organisational levels, which are shown in figure 4.1.

FIGURE 4.1 *Structure of the Dutch penitentiary system*
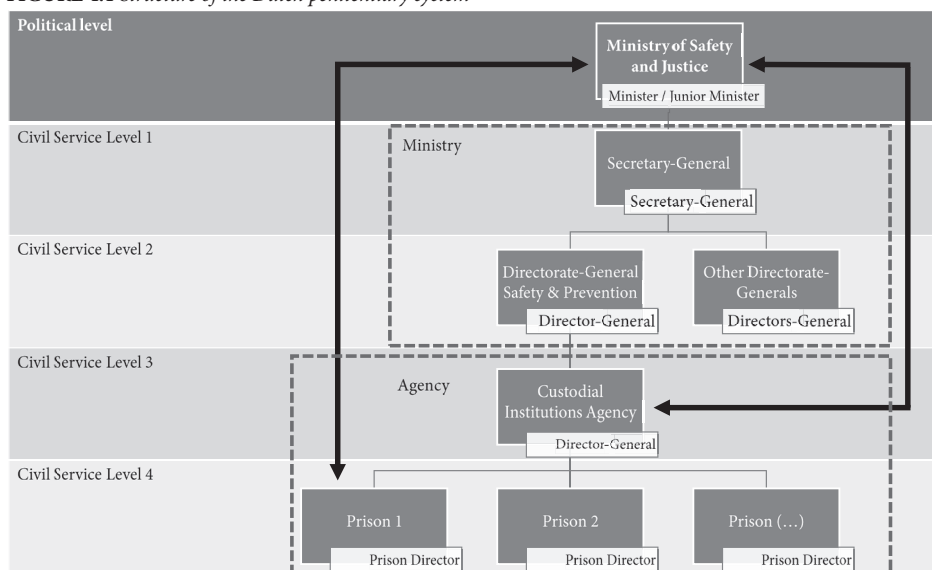
First of all, the Ministry of Safety and Justice is the organisation that is ultimately responsible for the penitentiary sector and communicates directly with the responsible political superiors. Within the Ministry, there are different directorates-general. One of these directorates is the directorate-general for Safety and Prevention. Within this directorate-general, DJI is an executive agency with its own management board and its own budget. All penitentiary institutions, prisons, but also custodial institutions for youth, and forensic psychiatric treatment clinics fall under the jurisdiction of DJI. While prison directors report to public managers at the DJI headquarters, they are relatively autonomous for the management of their prison. The main office of DJI is located within the office of the Ministry of Safety and Justice in The Hague, while prisons are spread throughout the country.

4.4 RESEARCH DESIGN AND METHODS

In this study, we use a multiple case study design (Seawright and Gerring, 2008). The main benefit of using a multiple case study approach is that differences and similarities within and between cases can be observed. Given the exploratory aims of this study, such a design allows capturing a wide range of responses and insights.

The primary method of data collection was semi-structured interviews with public managers within the three organisations as described in the research setting. In total, we interviewed eight public managers working at the Ministry, eight managers working at DJI, and seven managers working as prison director. All interviewees were involved in the process of managing cutbacks between the end of 2012 through mid-2014, though not all employees were still working at the same organisation or in the same position when being interviewed. The interviews were tape-recorded, and transcribed *at verbatim*, with all interviewees promised confidentiality.

Besides interviewing these key decision-makers, also other relevant actors (such as politicians, policy advisors, and other employees) were interviewed. These interviews were used to gain in-depth knowledge about the process and functioned as a check for the interviews with public managers. This was also done by collecting and analysing relevant documents such as policy briefs, media reports, and parliamentarian documents.

The interviews were prepared by doing an extensive analysis of 107 newspaper articles. These articles were collected from a database consisting of all major Dutch newspapers and based on searches with different keywords, with the articles being published between September 2012 and December 2013. In the selected articles, we systematically coded the main actors involved in the cutback management process, along with their main message regarding cutbacks. By so doing, we could identify relevant actors within the cutback management process, which helped to understand better what stakeholders tried to engage with the process of cutback management. A description of the process through which the newspaper articles were analysed is included in the appendix.

The interview transcripts were analysed in two subsequent rounds of coding. First of all, fragments within the interviews were coded using open coding methods. This way of coding resulted in the transcripts being broken apart in different fragments and giving codes accordingly. The result was a long list of codes covering many different topics from the interviews. The second round of coding was axial coding, which means that all codes were reviewed and afterwards merged or split into new codes. This process was also fuelled by insights from the theoretical part of this paper, and thus by drawing on the already existing literature on strategic management. In this process, public managers´ behaviour was coded as either prospector, defender or reactor.

4.5 FINDINGS

The newspaper analysis shows that many different actors tried to engage with the process of decision-making. We differentiated between internal and external actors. On a more general level, we can see that the number of external actors that appeared in the media was higher than the number of internal actors. Especially mayors of cities where prisons would supposedly close were very active in the public debate on cutbacks within the prison system. The group of other external actors consists of a range of actors, most notably professors or other academics who gave their opinion on the matters at hand and lawyers or other law professionals. The most visible internal actors were prison directors, followed by the formal personnel representatives (both those acting on a local as well as on a national level), and employees, for example, because they were the leaders of protests against the cutbacks. When using a matrix coding strategy to analyse what message about the cutbacks was brought forward by different actors, various patterns could be discerned. The overview is presented in table 4.1.

The results show that the different stakeholders had very different messages that they tried to get across during the cutback management process. On a more general level, we can see a difference in the emphasis on specific messages between external and internal actors. Internal actors were, compared to external actors, more active in emphasising the risks of cutbacks for the quality of service within prisons. Arguments here was the detention climate, and service quality within prisons would deteriorate, and in addition to that affect detainees. This argument was brought forward on several occasions by personnel, detainees and partner organisations such as the probation office. While internal actors do acknowledge the problems of cutbacks for local employment, the number of statements is in both absolute as well as relative terms much lower compared to those of the external actors. Especially mayors were active in bringing arguments about local employment to the discussion. Financial arguments were also frequently used by external actors, mostly as a supplement to arguments about local employment. Statements in this regard focused, for example, on the costs for municipalities of unemployment benefits for laid-off prison employees.[12]

How did public manager engage with these stakeholders, and why did they engage in a particular strategic stance? In our study, we found that public managers from the Ministry, an executive agency, and prisons adopt different strategies from the Miles and Snow framework (1978). Where public managers from the Ministry adopt a more defensive strategic stance, public managers from the executive agency seemed to engage in more reacting strategies. Within the group of prison directors, we found both actors that adopted a prospector strategic stance, as well as a defender strategic stance. We discuss the different categories of strategic stance. Interview quotes are put in italics, and the organisation that the respondent worked for is put between brackets.

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12   King´s Commissioners are provincial governors

TABLE 4.1 *Main messages per actor*

External actors	Mayors	King's Commissioners[12]	Local politicians	Members of Parliament	Labour unions	Other external actors
Alternatives	6	1	1	3	0	0
Financial results	7	2	1	7	0	0
Quality of service	2	0	1	2	0	3
Safe society	1	0	0	7	2	0
Work pressure and personnel safety	0	0	0	0	5	1
Employment	16	5	8	5	7	2
Other messages	0	1	0	1	1	2

Internal actors	Detainees	Partner organisations	Personnel representation	Personnel	Prison directors	Other internal actors
Alternatives	0	0	1	1	2	0
Financial results	2	2	3	3	6	1
Quality of service	5	3	1	3	1	1
Safe society	0	2	0	1	5	0
Work pressure and personnel safety	0	0	1	0	3	0
Employment	1	1	5	3	4	2
Other messages	0	2	0	0	2	0

Prospecting

Prison directors, though not all of them, were the only interviewees who were categorized as prospectors. Prospecting prison directors were actively searching for contact with external stakeholders. Regarding the stakeholders mentioned in the newspaper analysis, they mostly interacted with political actors, in particular, mayors and King's commissioners. The relationships between these actors can be explained by their mutual goals in the cutback management process. As can be seen in table 4.1, mayors and King's commissioners were mostly concerned about the effects of cutbacks on local employment. The same goes for some prison directors, as one respondent argued:

"Look; obviously we are in touch with local politicians. We are an employer in this region. That means that local government has an interest in what happens. There are multiple interests at play [during cutbacks], and these interests are not always per se those of DJI." (Prison director)

> *"Look, there simply is a lobby for the [name of the region]. (…) that exists, and the prisons are part of that." (Prison director)*

Most prison directors argued that through contact with external stakeholders, they could influence the decision-making process regarding cutbacks. The decision-making process regarding which prisons would need to close was made without any input from prison directors. While public managers at the Ministry and within the executive agency drafted these plans, the Dutch Parliament had the final say. For public managers in the Netherlands (including for prison directors), it is considered unusual and inappropriate to interact with members of Parliament directly. Mayors and King's commissioners, however, actively interact with members of Parliament to raise awareness for local issues. Through interaction with Mayors and King's commissioners, prison directors could thus try to affect the decisions regarding cutbacks. This way, prison directors tried to open the cutback management process to other stakeholders. Prison directors argued that the employer function of a prison is what differentiates the agency from the prison and, as shown in the newspaper analysis, found a partner in mayors and other local politicians. As a prison director exemplified:

> *"DJI is in charge of the prison cells. DJI is not really focused on being an employer." (Prison director)*

Prison directors thus felt that they had a definite responsibility regarding employment. This responsibility was not only felt in terms of making sure employees would not lose their job, but also in terms of working conditions. On these issues, prospecting prison directors were in touch with labour unions, who (as can be seen from table 4.1) were very vocal about especially safe working conditions. In general, prison directors argued that also towards their employees, interacting with external stakeholders was beneficial. For example, one prison director emphasised that:

> *"For employees, it feels terrific when you see that your environment sees what is happening and stands up for it." (Prison director)*

In practice, we have seen different examples of how mayors and prison directors together have tried to come up with innovations. Interesting examples are prisons that tried to launch pilot projects on different themes, such as making more detainees responsible for jobs within the prison, or by putting particular emphasis on how detained fathers could still interact with their children. Being involved in such projects, especially when they were innovative and would possibly be shared by other prisons at a later stage, could help to make sure that prisons would survive a round of cutbacks.

Defending

While some prison directors choose to engage in interacting with external stakeholders actively, some prison directors deliberately focused on their organisations and took on a defender strategic

stance. Some prison directors also seemed to perceive cutbacks on their organisation as inevitable and choose to focus on making sure that cutbacks were implemented with the least possible problems for their organisation and employees. In practice, this meant that some prison directors (immediately after the message that their prison had to close down) started working on finding new work for their employees. They did so by reaching out to other prison directors whose prisons would not close or by contacting other public organisations in need of employees, such as the Central Agency for the Reception of Asylum Seekers, which had to deal with a high increase in the number of (mostly Syrian) refugees.

A consequence of finding new employment opportunities for their employees was that they could close parts of their prisons. However, not all employees were happy with such actions from prison directors. As one of the prison directors recalled an encounter with his employees:

> "They said to me: 'You know what, dear director, you are trying to put our location up for sale.' Because I tried to help, my employees find new jobs proactively, the chances of our prison not being closed were much less." (Prison director)

Other prison directors focussed not so much on finding new employment opportunities for their employees, but on making sure that their prison would perform as good as possible given the budget cuts. These prison directors were focused on improving service delivery and argued that a smoothly running internal organisation (for example, by having low absenteeism of employees and limited safety breaches within prisons) would help them in discussions with managerial and political superiors and in how their prison would be ranked alongside other prisons. This, in turn, was expected to affect the chances of the prison surviving the rounds of cutbacks.

Next to prison directors, public managers working at the Ministry of Safety and Justice can also be regarded as defenders. At this level, public managers deliberately aimed for a closed cutback management strategy. The reason behind this is that public managers working at the Ministry explained their role and responsibilities in cutback management as a more procedural role. For these public managers, realising the financial goal of the cutbacks was the most important. As one public manager explained:

> "My task was predominantly: making sure that this process keeps going on. Because otherwise, before you know, nothing will happen. Because (…) not everyone feels (…) the budgetary pressure." (Ministry)

Public managers within the Ministry thus had a more internal focus. They interacted mostly with other internal stakeholders, most notably the Ministry of Finance, to keep an eye on planning and control. This internal focus on making sure that cutbacks are realised is also explained by the fact that public managers within the Ministry were not only responsible for making sure that

the penitentiary sector would implement cutbacks, but also had to make sure that several other agencies within the Ministry's jurisdiction implement cutbacks. As one respondent argues:

> "[The Ministry] has to make sure, of course, that the Judiciary does its job correctly, the Police, DJI, the Public Prosecutor, and all that kind of goals. (…) by a financial target of 9%, those [goals] are not to be called into question." (Ministry)

Such a strong focus on making sure that cutbacks are taking place is also related to different interests that the Ministry, DJI and prisons have in the process of cutback management. As two respondents explained:

> "The interest of the Ministry was realising the financial target (…). Moreover, DJI's interest was: how do I keep a qualitatively good prison service? So that does not always perfectly correspond." (Ministry)

> "Let me say it like this: within the whole organisation, you have different interests. This is the case in every organisation. It is the trick to go through the [cutback management] process together." (Public manager DJI)

In short, public managers at the Ministry were focused mostly on the internal organisation to motivate actors to implement cutbacks. In order to protect the cutback management process, only a limited number of people was involved in drafting decision-making plans. Prison directors were not involved in this process, but public managers from DJI were. They thus engaged in highly centralised decision-making, with only a few administrative and political key actors involved. Such behaviour links to defending strategies, in which the attention of public managers is mostly oriented towards the internal organisation. Rather than trying to find ways to engage external actors in the process of managing cutbacks, public managers in the Ministry deliberately tried to centralise and close of the decision-making process, to keep the process on track.

Reacting

Reacting was visibly exercised as a strategy by public managers within the executive agency. The question is whether this was a conscious choice, or whether the dynamics of the cutback management process forced them in such a strategy. Public managers at the executive agency saw themselves as intermediaries between the Ministry and the prisons. The intermediate position that public managers at the executive agency have is reflected in what role and responsibility they have in cutback management processes:

> "It is clear: in the end, it is just a political decision which you need to carry out." (Public managers executive agency)

The quote also reflects the defender stance, in which awaiting instructions is central. The intermediate position posed difficulties for public managers at the executive agency, with demands coming both from their managerial superiors in the Ministry, as well as from their managerial subordinates. Most of the time, they seem to await instructions from above on how to act and, while they were themselves involved in the process, had to keep prison directors out of the process of decision-making. While this may not have been their aim from the beginning, their behaviour was steered at a closed cutback management strategy.

During the interviews, they emphasise that they try to translate the demands of the Ministry (to cut back on spending) to operational measures (what to cut back):

> *"I think that this is the point: how could you (…) professionalise your business, optimise, so to say. Arranging more efficiently, with the essence that you are adding quality to the primary process." (Public manager executive agency)*

Because public managers have such an intermediate role, many different external actors try to interact with the executive agency. Most notably, they feel pressured by political actors, usually from the local level. Especially Mayors, aldermen and provincial representatives try to engage with public managers from the agency. Usually, these actors try to influence what prisons are hit by cutbacks. Some public managers argued that involving stakeholders in the decision-making process has pro and cons. At the same time, public managers at the executive agency did not feel comfortable to engage with external actors on their own. In that respect, they awaited instructions from their managerial counterparts at the Ministry and their political superiors. The most important reason for doing so is that they already expected that involving external stakeholders could lead to resistance. As one public manager from the executive agency argued:

> *"You can involve the entire world and then you succeed in having an excellent stakeholder analysis. However, it can result in having built much resistance among specific stakeholders as well, while the complete dossier is not in the political arena yet. So then resistance has been built, and our political superiors have no space left to move." (Public manager executive agency)*

Because public managers at the executive agency were unsure about whether involving stakeholders in the cutback management process would be beneficial, they awaited instructions from their political superiors. They did, however, acknowledged that the process was 'infiltrated' by stakeholders from outside the organisation. As a public manager from the executive agency explains:

> *"Especially via party-political lines that influence has been exerted. And, consequently, also entered the decision-making process." (Public manager DJI)*

In short, the context of cutbacks and being in an intermediate position made it difficult for public managers within the executive agency to develop their strategy and therewith forced them to take on a reactor strategy.

4.6 DISCUSSION AND THEORETICAL IMPLICATIONS

The analysis focused on identifying *whether, how and why* public managers take a particular strategic stance when being confronted with cutbacks. In this section, we describe the theoretical implications of our findings.

First of all, whether public managers engage in external interactions depends on the decision-making process. We observed that cutbacks could lead to centralised decision-making with only a small group of key managerial and political superiors involved. This finding resonates with recent studies on cutback management (Douglas et al., 2019). Centralisation of decision-making, also impacts what strategic stance public managers engage in (Andrews, Boyne, Law, and Walker, 2009a). For public managers within the Ministry, centralisation of decision-making would help to take a closed cutback management strategy and make sure that the process of implementing cutbacks would continue without interference from external stakeholders. This way, centralised decision-making leads to the adoption of a defender stance. Prison directors were deliberately kept out of the decision-making process. By taking a prospective strategic stance and actively interacting with external stakeholders, they still tried to (though indirectly) affect the decisions being made. While centralisation usually negatively affects whether cutback management processes are open (Van der Voet, 2018), it may be precisely centralisation of decision-making that prompts public managers to try and open-up the cutback management process by engaging with external stakeholders.

A second observation, related to the section above, is that what strategic stance is adopted by public managers, is also based on what they see as their goals within the cutback management process, and what they considered as the best strategy given their circumstances (Desarbo, Di Benedetto, Song, and Sinha, 2005). As mentioned, public managers within the Ministry aimed for a closed cutback management process as their interest was a smooth decision-making process regarding cutbacks. At the same time, the same goals may also lead to different strategic stances (Tonkiss, 2016). This is seen from the fact that some prison directors took on a defender stance focusing on the internal organisation, while others were actively prospecting, reaching out to external stakeholders. Walker (2013) already hypothesised that strategic stance could not only differ between organisational units but even within organisational units. Prior research on strategic management during cutbacks already showed that the importance of interacting with the external environment is magnified in more turbulence and less munificent environments (Jimenez, 2017). In this study, we see that prisons that are (geographically) located in more rural areas of the Netherlands were more actively looking for ways to interact with external stakeholders. They did so because cutbacks in organisations in such an environment are much more impactful on personnel, as employment

opportunities are less available. Their arguments for keeping their prison open are thus mostly centred around employment. For prison directors who work in more urban environments, such arguments do not make sense. Possibly, this is a reason why these prison directors choose to focus on their internal organisation and take a defender stance, making sure that organisational performance is high to keep chances of remaining open as a prison as high as possible.

Third, it is not only cutbacks that affect the strategic stance, but also the institutional context in which public organisations have to work. While studies have tried to link institutional setting to the Miles and Snow framework (see, for example, Scott, 2002), we still know relatively little about the extent to which strategic stance is affected by organisational character. In general, it has been argued that public organisations are limited in their ability to choose their strategic orientation, mostly as they are constrained by political authority (Ring and Perry, 1985). In our study, we observed that public managers within the executive agency were in a position in-between prison directors and public managers from the Ministry, which limited their possibilities to choose their strategic stance. This resonates with the work of Rosenberg Hansen and Ferlie (2016), who found that the possibilities to adopt a particular strategy is dependent on administrative autonomy. Because of their position in between these actors, public managers at the executive agency seemed to be forced to take a reactor stand. This finding is in line with Poister, Pitts, and Edwards (2010), who expected that a combination of factors (including external environment and institutional context) could affect what strategy is adopted by public managers.

Position within the Ministry also affects whether the involvement of external stakeholders is seen as an opportunity or constraint. In the classic Miles and Snow (1978) study and subsequent articles that tested their theory, a major premise is that public managers use a strategy that fits the environment they work in. In our study, we have found that the same environment is perceived rather differently by the different actors. While all actors agree that cutbacks lead to a wide range of actors trying to get involved in the process of decision-making, whether this is an opportunity or constraint is dependent on public managers´ position in the organisation. The role of mayors in the cutback management process can be used as an example here, as the newspaper analysis showed how they frequently voiced their concerns and the interviews show the interaction with them by different actors. Whereas mayors make work more difficult for public managers in the Ministry and within the executive agency, mayors are seen as an ally for some prison directors. This also affects how public managers interact with them. Prison directors deliberately reach out to them and use them as a lever for political pressure. This, in turn, affects public managers working in the Ministry who suddenly have to deal with actors trying to penetrate the decision-making process. The same applies to labour unions. While seen as a constraint by public managers within the Ministry and executive agency, they are an opportunity for prison directors to make their interests heard, for example, on the issue of safe working conditions.

4.7 CONCLUSION

This article explored *whether, how and why* public managers interact with their external environment during cutbacks. The aim of this article was twofold. Our first aim was to better understand public managers´ behaviour during cutbacks, by explicitly focussing on their external interactions during cutbacks. The second goal of this article was to increase our understanding of strategic management by focussing on the question of *why* public managers choose to engage in a particular strategic stance. We observed that organisational context and the context of cutbacks limits the possibilities for strategic management for public managers. Those public managers that do engage in frequent interaction with external stakeholders do so when they believe that this helps them to affect decision-making regarding cutbacks. The context of cutbacks, and more specifically high political salience and centralisation of decision-making, help some public managers to keep the cutback management process closed, while it forces others to engage in active, external engagement to open-up decision-making processes.

A couple of limitations from this study should be mentioned. First, the results of this study were found in a particular policy sector, in a country with a particular political-administrative setting. Whether the dynamics that we found in this study, also hold in other sectors, government levels and/or countries, should be studied using comparative methods. Second, we would welcome longitudinal studies that follow public managers' external engagement over a more extended time to assess whether actors take a different strategy depending on the phase of cutbacks they are in. While the criteria to determine whether public managers act as prospectors, defenders or reactors are distinctive, they are (over time) not to be seen as mutually exclusive (Rainey, 2009). Instead, public managers may use a mix of strategies that change over time, depending on the threats and opportunities that public organisations face from their environment (Boyne and Walker, 2004). The current study explores one snapshot of the cutback management process, and interviewed public managers at one moment in time and is thus unable to systematically assess how and why public managers choose to switch strategies.

In general, cutback management deserves constant attention from scholars. Even when financial constraints do not lead to cutbacks, political decisions to close down, public organisations can have significant consequences and in addition to that require public managers and public management scholars undivided attention. In the words of O'Toole and Meier (2010): *"no public organisation, no matter how well supported and how protected from its environment, is immune from unpleasant and often unanticipated shocks."* (p. 343).