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**Strategic Management in Finnish and Norwegian Government Agencies**

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**Abstract:** The purpose of this article is to analyse the design and implementation of strategic planning and performance management in governmental agencies in two Nordic countries, Finland and Norway. Nordic countries are an interesting study from a comparative perspective because while they are commonly assumed to have been high-intensity new public management reformers, they are also commonly assumed to have a distinct public management tradition. Moreover, these two countries are interesting to study because within the Nordic public management tradition, Finland and Norway specifically represent two different public management traditions. Finland belongs to the Eastern Nordic public management tradition, with an emphasis on decentralisation and agency autonomy, while Norway belongs to the Western Nordic public management tradition, with an emphasis on hierarchical governance, and hence, much performance management and reporting. Therefore, we expected to find more decentralised strategic management and an emphasis on evaluation in Finland, and more central, planning-like strategic management and reporting in Norway. Our comparison shows that both countries had mandatory strategic planning and utilised decentralised strategic planning in government agencies. The stronger legal orientation in the public administration in Finland, however, made strategic changes more complicated in Finland than in Norway.

**Keywords:** agency governance; central government organisations; formal strategic planning; Nordic administrative traditions; performance management; strategy content

1. Introduction

The purpose of this article is to analyse the design and implementation of strategic planning and performance management in governmental agencies in a Nordic context. A common definition of strategic planning in the public sector is that it is “a deliberative, disciplined approach to producing fundamental decisions and actions that shape and guide what an organisation (or other entity) is, what it does, and why it does it” (Bryson 2018). Strategic planning is often integrated in budgeting, performance management, and evaluation (Vinzant and Vinzant 1996). Performance management comes in a wide variety and is documented as being a practice long before the term was employed academically. Here, we settle with a functional definition: “Performance management is a type of management that incorporates and uses performance information for decision-making” (Dooren et al. 2015, p. 20). This definition implicitly combines the performance focus with performance measurement as a basis for decision-making, thereby linking it to central processes such as strategic management.
Much of the research on strategy in the public sector has revolved around questions related to the diffusion and applicability of management models that many perceive as originating largely in the private sector to the public sector context (Alford and Greve 2017; Hansen and Ferlie 2016). Many public agencies at all levels of government fail to develop and implement strategy, and to manage performance effectively (Poister 2010). The design and implementation of strategic planning and performance management is, therefore, an important issue for government agencies. Much of the empirical research on strategic planning and management has, however, been conducted in Anglo-American and local government contexts (Walker 2013). Given different national administrative traditions, we expect much diversity in strategic planning management, in particular in central government. There is, therefore, a need for more knowledge on the diffusion and applicability of strategic planning and management outside the Anglo-American and local government contexts.

Governance, including strategic planning and performance management, in Nordic countries is particularly interesting for policymakers and practitioners to study because countries within “the Nordic Model” consistently score high in international rankings on dimensions such as rule of law, transparency, low corruption, high trust, equality, and government effectiveness (Fukuyama 2014; Rothstein 2011). The Nordic countries are also interesting to study from a comparative perspective because while they are commonly assumed to have been high-intensity new public management reformers (Hood 1995), they are commonly assumed to also have a distinct public management tradition (Pollitt and Bouckaert 2017).

In this article, we compare strategic management in governmental agencies in two Nordic countries, Finland and Norway. These countries are interesting to study because within the Nordic public management tradition, Finland and Norway represent two different public management traditions (Öberg and Wockelberg 2016). Finland and Sweden belong to the Eastern Nordic public management tradition, with an emphasis on decentralisation, while Denmark and Norway belong to the Western Nordic public management tradition, with an emphasis on hierarchical governance and much performance management and reporting. Therefore, we expected more central, planning-based, short-term strategic management, with an emphasis on performance management, in Norway than in Finland, and also expected more decentralised and long-term strategic management and more emphasis on evaluation in the Finnish government.

In order to compare the governmental strategic management systems in these two countries, we employed the New Zealand model of integrated strategic planning and performance management (Boston and Pallot 1997) as an ideal model (in a Weberian sense). This model shares many core assumptions with the normative strategic planning models (Bryson 2018) that originated in theory developed from Anglo-American contexts, such as North America and the UK. Moreover, since a similar model has been used previously in small countries like our focal countries, it is a compelling benchmark for our case study of the two Nordic countries. Our comparison of the two cases shows that both countries had mandatory strategic planning, as expected for high-intensity new public management reformers, but, unexpectedly, both countries utilised decentralised strategic planning in the government agencies. The tradition of a stronger legal orientation in the public administration in Finland made strategic changes more complicated in that country than in Norway, contrary to what we expected based on the emphasis on decentralisation and agency autonomy in the Eastern Nordic public management tradition. In Norway, the Western Nordic public management traditional emphasis on hierarchical governance could be related to the practice of a strong emphasis on agency governance by performance management and the practice of formally less-binding agency strategic planning. The implications of these findings are that different national public management traditions and performance management regimes impact how strategic management is utilised in government and within countries that are often assumed to be distinct from a comparative perspective.

The rest of this article is outlined as follows: Section 2 first the central strategic management concepts and then reviews empirical studies on strategy in central government and agencies. Section 3 documents the research design and data. Section 4 compares the design and implementation of the
strategic planning and performance management in government in Finland and Norway. Section 5 discusses the findings, and concludes.

2. Literature Review: Strategic Management in Central Government

2.1. Strategic Management in the Public Sector

Strategy is a multi-dimensional concept. Therefore, we first discuss a few definitions related to the concept of strategy in public sector organisations.

Ervin (1992) conceptualised strategic planning in line with the traditional strategy conceptions of alignment (Bracker 1980) by stating that “the fundamental idea of strategic planning is that the institution may need to be organizing itself for operations in some future environment very different from that of today” (Ervin 1992, p. 539). Ronda-Pupo and Guerras-Martin (2012) argued that the focus in strategy has shifted from the organisation’s (firm’s) achievement of goals to its improvement in performance, a shift that also has been evident in public sector strategy (Moore 1995; Mulgan 2009; Joyce 2017).

In a national survey of the use of strategic planning in government agencies, Berry and Wechsler defined strategic planning as “(…) a systematic process for managing the organization and its future direction in relation to its environment and the demands of external stakeholders, including strategy formulation, analysis of agency strengths and weaknesses, identification of agency stakeholders, implementation of strategic actions, and issue management” (Berry and Wechsler 1995, p. 159).

Mulgan defined public strategy as “the systematic use of public resources and powers, by public agencies, to achieve public goals” (Mulgan 2009, p. 19). This definition, being utterly instrumental, is relevant in our case, especially concerning the integration of public goals as an element of strategising. The surrounding environment comes into account when we ask how strategic planning and performance management contribute to the setting of public goals and the implementing of public policies.

A different take on the definition of strategy is found in Walker et al. (2010), which distinguishes between strategy processes and strategy content: “Strategy processes are concerned with how objectives and actions are selected and thereby encapsulate the internal dynamics of decision-making in public organizations, and strategy content refers to an organization’s approach to service delivery” (Walker et al. 2010, p. 731). This definition underlines internal processes and seems to presuppose a high level of strategic autonomy in the organisation. Whether this is applicable in our context remains to be seen.

Different definitions highlight different aspects of the use of strategic management in public organisations: “strategic planning”, “public strategy”, “strategy processes”, and “strategy content”, including using management tools. The conceptual diversity reveals the need to envision a larger, more integrative picture of how these perspectives fit in. Most relevant for this study is to view strategic management in relation to the governmental performance management system and administrative traditions.

One aim of strategic planning is to influence performance, and thus it is often conducted in relation to performance management. There is a substantial complexity linked to performance management in the public sector (Bruijn 2007; Moynihan 2008). Which results one shall measure, and for whom, what kind of efficiency is desired in public agencies, and how to measure public value (Pollitt and Bouckaert 2017) are just a few of the many challenging and relevant questions. However, focusing more on the theme of strategic management, such questions fall outside the scope of this study. See, for example, Pollanen et al. (2017), discussed below, for an analysis of performance measures used in strategic management.

2.2. Administrative Traditions

A central premise for our study is that different administrative traditions may have important imprints on public policy and the usage of governmental strategic planning, as well as the implementation and design of performance management. While new public management theory
(Hood 1995) implies that strategic planning and management could be expected to have been similarly, or at least extensively, adopted in the Nordic countries, and that the public management cultures in both countries are relatively similar (Hood 1998; Verhoest 2011), different Nordic public management traditions may imply differences in strategic planning and management between the Nordic countries.

Administrative tradition is “an historically based set of values, structures and relationships with other institutions that defines the nature of appropriate public administration within society” (Peters 2008, p. 118). There are several such administrative traditions in Europe, such as Anglo-Saxon, Continental European, Nordic and Eastern European (Pollitt and Bouckaert 2017). Administrative traditions are related to the political and administrative culture within a given society.

The Eastern Nordic administrative tradition, commonly associated with Sweden and Finland, is characterised by restrictions on modes of steering and state authority control in collegial governmental decision-making (Oberg and Wockelberg 2016). The Swedish public administration, in particular, is organised differently than in the other Nordic countries. The Swedish ministries are not expected to control the agencies to the same extent as in the Western Nordic administrative tradition. Hence, the Swedish agencies enjoy a more autonomous position than in Denmark and Norway. Finland falls somewhere between the Norwegian and Swedish cases with semi-autonomous agencies, but with ministerial accountability (Greve et al. 2016).

The Western Nordic tradition associated with Denmark, the Faroe Islands, Norway and Iceland implies significant ministerial administration (the “ministerial model”). This tradition allows for a high degree of spontaneous individual ministerial steering of the state authorities (Oberg and Wockelberg 2016). In Norway, for example, the Parliament traditionally holds only the ministers to account. This is also common in Denmark, but in Denmark the agencies may also be held to account.

How strategic planning and management relates to the Eastern and Western Nordic administrative traditions is an unknown issue we explore in this study. First, we review some empirical studies of strategic planning in central government and agencies.

2.3. Research on Strategic Planning and Management in Central Government and Agencies

Previous studies of strategy in agencies include several single- and multi-case national case studies (Wechsler and Backoff 1986; Ervin 1992; Boston and Pallot 1997; McHugh 1997; Roberts 2000; Llewellyn and Tappin 2003; Barzelay and Campbell 2003; Johanson 2009; Tama 2015a, 2015b, 2018), some international comparative case studies (Proeller 2007), a case study of strategy-making in two EU agencies (Ongaro and Ferlie 2019), and some large-N studies of local and central agencies mainly from North America (Chun and Rainey 2005; Elbanna et al. 2016; Pasha et al. 2018; Carrigan 2018).

In the early 1980s, Wechsler and Backoff (1986) studied four agencies in one U.S. state and identified four distinct strategies that the agencies used (developmental, transformational, protective and political), including the environmental, institutional, political, financial and administrative factors that influenced these strategies. These four strategies have some similarities with the four strategic types that Miles and Snow (1978) developed in their generic strategy framework, which has had much influence on later research in public sector strategy (Boyne and Walker 2004; Meier et al. 2007; Walker 2013). This research shows that the concept of the content of strategies is relevant in explaining the design and implementation of strategic planning in government.

Ervin (1992) analysed 25 U.S. agency plans using the common public-sector strategic planning model and found that the studied agencies commonly had mission statements, environmental scans and organisational analyses, and he identified strategic issues and strategic options. Attention to implementation was less developed, albeit the two most common means for implementation were budgeting and performance evaluation. Some agencies also used a bureau or standing committee in charge of strategic oversight and plan implementation, a means later used, for example, in strategy execution in the UK government (Mulgan 2009). Many agency managers also stated the importance of top-management commitment. In addition, there was some confusion regarding the difference
between ordinary planning (programming) and strategic planning, such that the strategy processes could be overwhelmed by issues without importance at the institutional level.

Reviewing many of the later empirical studies, it is striking that the content of and challenges in strategic management which Ervin (1992) described seem to persist. McHugh (1997), for example, used a single-case study of a social security agency in Northern Ireland for arguing that when senior management wants to use strategic management for changing traditional public sector bureaucracies into better-aligned organisations to changing environments in the Next Steps initiative, they must adopt an integrated approach. While the impetus and plans for change may be present, an integrated approach includes communication and time in order to implement the plans and hence improve performance.

While McHugh (1997) called for the attention to subordinates (employees) in the UK context, others have called for attention to superiors (politicians) in the U.S. context. In the United States, the Government Performance and Results Act (GPRA) of 1993 required nearly all agencies and government corporations to develop and report strategic plans to Congress by 1997. Based on the pilot studies conducted in the early stage of implementing the system, Roberts (2000) concluded that the synoptic model of strategic planning the GPRA championed was a poor fit for many bureaus because “they confront value and stakeholder conflicts, manage cross-cutting programs and experience a high degree of change and instability in their task and general environments” (Roberts 2000, p. 309). Her analysis sums up much of the critique of the rational planning frameworks developed for public sector organisations outside the U.S. context, in particular, for central government organisations, and highlights that public management is dependent on its political environment.

The New Zealand model of integrated strategic planning and performance management is one of the earliest cases reported in the literature and is also a case in point relative to Roberts (2000) critique. Boston and Pallot (1997) described the New Zealand model of integrated strategic planning and performance management in government, as it was evolving in the mid-1990s. (See also Horn (1995) and Boston et al. (1996) for analyses of the New Zealand model of public management at that time.) The New Zealand model is interesting, as it is almost a blueprint of a new public management-inspired, textbook version of an ideal integrated, rational, strategic planning model, such as the one described by Ervin (1992) and Bryson (2018).

The New Zealand model consisted, first and foremost, of three mechanisms: first, prior reforms in accounting and information systems gave politicians and civil servants better information on costs, liabilities and non-financial performance information than using traditional, cash-based accounting systems only; second, the development of a nation-wide governmental strategic vision that integrated the political decision-making with the administrative strategic planning accomplished both a political commitment to long-term planning for outcomes and made clear political priorities prior to the governmental organisations’ strategy processes; and third, a devolved government with a clear emphasis on outputs and accountability through policy-devised strategic result areas (SRAs) and organisational objectives, termed key result areas (KRAs), for the public sector agencies to pursue.

Despite—or maybe because—this system closely resembled the conventional wisdom of prudent strategic management, it soon experienced many of the problems that Roberts (2000) and many others (Van Gunsteren 1976; Mintzberg 1994) have warned against regarding attempts at implementing rational planning systems in the public sector. The strategic planning system that Boston and Pallot (1997) described is still not in use in its original form.\(^1\) The government changed in the 1999 election, and the Labour Party led the new government. The Labour Party was sceptical about the benefits of strategic planning systems for government and did not continue the approach pioneered by the previous National government. There were probably several reasons for the Labour Party’s decision; they tended to be sceptical about strategic planning for government seeing it as “managerialist” rather

\(^1\) The description of the strategic planning system in the New Zeland government after 1997 is based on information from personal communication with Iain Rennie August 7th 2019 based on his experience as head of the State Services Commissioner of the New Zealand public service, 2008–2016.
than relying on relationship-based approaches to clarify direction and motivate performance. In addition, there were philosophical tensions within the governing coalition, and there was likely a concern that clarifying a government-wide vision could highlight those differences. The Labour Party was in power until 2008 when the National (centre-right) government returned to power. The Better Public Service targets were introduced in 2012 and could be seen as the beginning of rebuilding the strategic planning system. The Labour Party once again discontinued that approach after it returned to office in 2017. For a period in 2018, and at the urging of officials, there was a brief attempt to recreate some kind of strategic planning for government, but it is uncertain if this has gained traction. The New Zealand case illustrates the impact of political context on the design and implementation of strategic planning in government, including the need for top-management commitment and time, in order for such systems to be viable.

Llewellyn and Tappin (2003) explored how strategy emerged in the public sector by comparing strategic management in the U.S. and UK. They found that although legislation may require strategies, strategic plans may be dormant documents. This changed when strategic plans were used less for legitimacy and more for external signalling and providing funding, given the increased budget constraints of many public sector organisations. This situation created a dilemma for public managers, as external funders generally want to influence the organisation while public managers want strategic autonomy. Thus, while traditional strategy theory sees strategy as a means for reducing uncertainty and influencing the environment, using strategy may be a trade-off in this respect.

Chun and Rainey (2005) analysed goal ambiguity based on a population study of 115 U.S. federal agencies from 1995 to 2000. They developed measures for mission comprehension ambiguity, directive goal ambiguity, evaluative goal ambiguity, and priority goal ambiguity. They found that the last three variables were related to organisational age, financial publicness defined as the proportion of funding from government allocations, competing demands, policy problem complexity and regulatory status in U.S. federal agencies.

The 1990s witnessed a wave of new public management and government reforms affecting strategy in public sector organisations in general. The period also witnessed the demise of the Soviet Union, which caused increased uncertainty for many organisations in the defence sector, as well as opportunities for many governments to trim the size and scope of many such organisations in order to rebalance the public sector. Barzelay and Campbell (2003) studied how one big complex organisation, the U.S. Air Force, conducted strategic planning during this period. Barzelay and Campbell distilled four “leverage points” that are important for such organisations to better prepare for the future. These leverage points essentially describe an integrated strategic planning system, with a vision that guides policy foresight, reciprocity between strategic planning and policy, linking planning with human resources (knowledge), and, finally, implementing the policy and strategy. Such an integrated strategic planning system does not guarantee alignment but helps such large, complex organisations to build “capacity for guided incrementalism”, meaning that an organisation can better position itself for conflicts and exploit opportunities that will occur than it can without using foresight and strategic planning.

Proeller (2007) conducted one of the few available international comparative studies of strategic management for states in an analysis of six countries (Great Britain, New Zealand, Ireland, USA, Finland, and Switzerland). Proeller (2007) concluded that the experience and results of strategic management overall were positive, and most of the analysed approaches had been under development for years and became institutionalised. However, enhancing strategic management in public administration was seen to be a long-term and costly process of change, and most of the approaches analysed had a history of five to ten years and were often built on even older reforms. In addition, all the six countries in 2007 saw themselves in the middle of the implementation process, which suggested an even longer process of change overall in order to fully implement strategic management in the state, according to Proeller (2007).
Johanson (2009) used an organisation-based view of public sector strategy and studied strategy formation in agencies. By using the organisation-based view, his study put public agencies at the centre of the strategic examination. Based on strategic thinking about the agencies’ corporate environment, Johanson identified three modes of strategy for public agencies: strategic design, internal strategic scanning and strategic governance. The essence of these strategic modes consists of programming actions (strategic design), combining capabilities (strategic scanning) and the formation of networks (strategic governance). Johanson proposed that these modes embody three distinct strategic orientations relevant in the public sector. By recognising the environment, the management processes internal to the agency and the agency’s relationships to others in order to create public value, his framework for strategy in agencies is largely congruent with another well-known contingency theory-based framework (Poister et al. 2010) that has been used by others in the strategy field (George and Desmidt 2014). The distinction into strategic design, strategic scanning and strategic governance can be used to separate macro government strategies from those of individual agencies (Johanson 2019).

In several case studies, Tama (2015a, 2015b, 2018) has analysed strategic planning in the U.S. central (federal) government. He found that agency strategies may be more driven by legislators’ needs than by the agencies’ desire for new ideas and major changes. Moreover, the practice of strategic planning may be diffused more by imitating than by learning, which may reduce its potential benefits, and it is influenced by networking (collaboration), economic factors (capital investments), political support and legislative mandates. Nevertheless, strategic planning in the form of strategic reviews may be helpful for agency leaders who may find value in the strategic reviews in helping advance incremental changes and aid congressional oversight. This study is based on U.S. institutions and practices but is likely to be relevant also in other contexts, in particular for studies of the blurred distinction between policy-making and strategic planning, which is typical for the public sector, thus attenuating an earlier critique of the merit of GPRA, at least in its early stage. These studies together highlight the importance of taking the political and institutional context into account in analyses of the design and implementation of strategic planning in governmental agencies.

Elbanna et al. (2016) studied how strategic planning determines the success of strategy implementation in public service organisations in a wide variety of governmental agencies, including some federal agencies in Canada. Notable findings were the importance of formal strategic planning and management involvement for strategy implementation. Another study from Canada found that strategic performance measures for efficiency and effectiveness were positively related to organisational performance (Pollanen et al. 2017). Though hardly surprising relative to the conventional wisdom in performance management, the documentation of these often taken-for-granted assumptions are important for justifying the integration of strategic planning with performance management, as in the New Zealand model, for example, which uses aims in strategic results areas (SRAs) and follows up with performance measures for key results areas (KRAs) (Boston and Pallot 1997).

Pasha et al. (2018) studied how local transit agencies aligned their strategy formulation to their environment by their strategic stances. In their analysis of this classical strategy problem, they did not, however, find support for the common propositions that prospectors using logical incrementalism and defenders conducting formal strategic planning perform better.

Carrigan (2018) examined a broad set of U.S. federal agencies looking for the effects of competing mandates on agency performance and found that diverse missions impede performance, as expected by conventional wisdom. This is relevant in our context, as (internal) strategic management and (external) performance management can constitute competing mandates, in particular if there are many strategic aims, objectives and targets. This competition could be amplified without a governmental-wide strategic vision or co-ordinated governance, such as in the New Zealand model of integrated strategic planning and performance management.

Ongaro and Ferlie (2019) studied two agencies in the EU administration and found usage of strategy processes in non-new public management and public service settings. The de-linking of strategic management from the typical new public management (NPM) context in many Anglo-American
countries is relevant for our study because we analyse agencies with strong traditions of the (neo-) 
Weberian State in the European context (Pollitt and Bouckaert 2017).

The above reviewed literature reveals some common and evolving themes. The earliest research 
started by distinguishing the different types of strategic frameworks in public sectors. After the 
pioneering studies, most of the discussion on strategic management relates to actual planning. However, 
the overly rationalistic ideas of comprehensive central planning have given way to organisational 
planning within agencies and other public organisations, which has given strategy discussion a 
bottom-up flavour. Yet again, many of the public sector reforms such as agencification, decentralisation 
and the emergence of multi-level governance in fluid networks, have put forward a need for more 
integrated governments. Here, strategic management may serve as a powerful co-ordination and 
controlling device which aims to provide coherence in national policies rather than to achieve any 
comprehensive design.

2.4. Research Propositions

Based on the review of the literature, we developed three research propositions. Hood (1995, p. 106) argued in his “motive-and-opportunity” proposition “that countries in the “Swedish way” box 
like the U.K., France, the Scandinavian countries and possibly the Netherlands) would be the type 
most prone to make rapid strides toward the development of NPM in the 1980s”. Many countries 
mandated strategic planning and performance management in government in the 1980s and 90s, 
including Finland and Norway. Some have argued that at least some of the Nordic countries have 
been slow to implement radical NPM-reforms (Olsen 1996) but recent empirical research shows that 
the Nordic countries have been high-intensity, albeit pragmatic and results-oriented, new public 
management reformers, including strategic planning and performance management (Greve et al. 2019). 
We, therefore, have expected strategic planning to have been widely adopted in the central government 
agencies in the Nordic countries.

Proposition 1. Strategic planning has been widely adopted in the central government agencies in the Nordic 
countries.

Moreover, Finland and Norway have relatively similar—in an international context—public 
management cultures (Verhoest 2011), and both countries belong to the Nordic administrative tradition, 
with emphasis on the rule of law, transparency and decentralisation (Pollitt and Bouckaert 2017; Greve 
et al. 2019), which should imply relatively similar strategic planning and performance management 
systems. Finland and Norway differ, however, by belonging to the Eastern and Western Nordic public 
management traditions, respectively (Öberg and Wockelberg 2016). We, therefore, have expected 
Finland to have a more decentralised system and to emphasise long-term planning and evaluation 
the most, and we expected Norway to have the most hierarchically steered system and therefore to 
emphasise short-term organisational control and performance management the most.

Proposition 2. Finland has a decentralised strategic management system emphasising long-term planning and 
evaluation.

Proposition 3. Norway has a hierarchical steering system emphasising short-term organisational control and 
performance management.

3. Research Design and Data

We chose a comparative case-design (Yin 2013), with an emphasis on describing the design and 
implementation of the governmental strategic planning and performance management systems in
Finland and Norway between 2013 and 2019. Because the government systems and availability of data were different in the two countries, we pursued different data collection strategies for each country. In Finland, the analysis was mostly based on the documents steering the strategic management, rather than the actual strategic plans. In practice, ministries consider strategy documents internal to the agencies, and ministries do not make them publicly available as part of the performance dialogue. The strategy documents can be obtained only from the webpages of individual agencies. We therefore took the instructions in the regulations for the strategic management, as well as operational and financial reporting for the government agencies, as our point of departure. The latest annual reports, multi-year planning documents, and the Government Programme were used as first-hand material. In the description of the strategic positioning of the agencies, we relied on an administrative survey on the nature and scope of the duties of government agencies, which therefore deviates from the strategy typology of the Miles and Snow (1978) framework used in the analysis of the Norwegian case.

In Norway, the data were collected by content analysis (Krippendorff 2019; Rapley 2007) predominantly of the ministries’ letters of allocation, the agencies’ formal strategic plans encompassing the year 2017, where these were available, and the agencies’ annual reports for 2017, published in 2018 (Reid 2019). Other data were retrieved from the Norwegian Centre for Research Data. We studied all the 61 governmental agencies as of 1.1.2017 (NSD 2018). We categorised the agencies’ strategic content by employing the Miles and Snow (1978) strategic types framework, adapted to a public sector context by Boyne and Walker (2004), to the content analysis of strategic plans.

4. Comparing Strategic Planning and Performance Management in Finnish and Norwegian Agencies

Boston and Pallot (1997) described the New Zealand model of integrated strategic planning and performance management in government as it was evolving in the mid-1990s. Albeit the strategic planning system that Boston and Pallot (1997) described is no more in use in its original form, the New Zealand model is interesting to use as an ideal model (in a Weberian sense) and can, therefore, serve as a benchmark for comparing different systems, including the systems in Norway and Finland that we analyse.

The New Zealand model consisted, as earlier mentioned, of three mechanisms: First, prior reforms in accounting and information systems. Second, the development of a nation-wide governmental strategic vision. Third, a devolved government, with a clear emphasis on outputs and accountability. We conceptualise these as governmental structure and public sector reforms, strategic planning and performance management. Using Boston and Pallot (1997) description of the strategic planning and management system in New Zealand in the late 1990s—although later abolished—as an ideal type, we can discuss the results from the Finnish and Norwegian case in relation to the three important traits of this model.

Table 1 summarises the main traits of the governmental structures, strategic planning and performance management, used in Finland and Norway, as outlined above.
| Governmental structure, strategic vision, and performance management, including strategic planning, in Finland and Norway. |
|---------------------------------------------------------------|
| **Finland** | **Norway** |
| **Governmental structure** | 20 cabinet ministers | 19 cabinet ministers |
| 12 ministries | 14 ministries | 61 agencies |
| 61 central agencies (+28 regional, and 68 local agencies) | 61 agencies | 292,121 full-time equivalents (FTE) |
| Reform eorts | Transfer of specialised care to government, NAV-reform (employment services, social security, and pensions), municipal reform, regional reform, and police reform |
| **Ease of establishing and terminating agencies** | Can be done only by issuing law if the task of the agency relates to the use of public authority | Can be done according to government decision |
| **Structure of the central government** | Central, regional, and local agencies, Agencies, net budgeted agencies, and government-owned corporations | |
| **Levels of administration** | Regional and local agencies | Some 18 of the 61 agencies have regional functions |
| **Government steering** | Budget control, performance management, right to appoint top management | A tendency to broader independence of agencies |
| **Right to issue norms** | Agencies can have right to issue norms according to law | According to law, ministerial delegation decisions |
| **Funding** | Mainly budget funding. Funding through fees and charges is possible | Mainly budget funding |
| **Strategic planning** | Nation-wide strategic vision Yes, the government programme and budgeting frame orient government in a top-down fashion | No, but the coalition governments have policy documents (political platforms) |
| **The strategic planning system** | A discrepancy between organic top-down government program and bottom-up planning tradition. Mandated performance management mostly aligned with budgeting | Mandated and integrated in the performance management and budgeting system. Few regular, national strategies. Foresight every fourth year |
| **Strategic plan mandated/regulated** | No | Yes |
| **Format of strategy documents** | The format of strategy document varies from a web-based visual formulation to a comprehensive strategy document | Unstandardised format with variety in use of visions, values, SWOT, aims, and objectives |
| **Central agency formal strategic planning** | 2/3 of the central agencies (ca. 70%) had a formal publicly available strategic plan. | 41 of 61 agencies (67%) had formal strategic plans in 2017 |
| **Agencies' strategy content** | Predominantly defender | Predominantly defender |
| **Strategic management tools** | Performance prism, Strato model, CAF Framework | Some use of strategic visions, values, and external scanning and internal resources audit (SWOT) |
| **Performance management** | Annual performance agreements and extension to government cycle, annual reporting, and ministerial statements to the reports, explicit strategy documents in regional agencies, annual budgets, performance audits, integrating of performance data in open government ICT platform | Cash-based accounting with modified accrual accounting at the agency level; agency governance with letters of allocation, annual budgets, steering dialogues, annual reporting, and governmental audit emphasizing performance audits |

Adapted from Kettunen et al. (2016).
4.1. Finland

**Governmental structure and public sector reforms.** The government is a right-wing majority, three-party coalition (Kansallinen Kokoomus, Centre Party, and the populist True Finns Party) formed in 2015. After the split of the True Finns party in 2017, a True Finns’ faction continued in a majority government coalition until its resignation in the Spring of 2019. In 2017, the governmental structure in Finland consisted of 20 ministers, 12 ministries and 61 central government agencies. The personnel measured as full-time equivalents (FTE) of the Finnish central government was small (73,132 FTE) in comparison to Norway (292,121 FTE). (The comparable number for Sweden was 229,400 FTE and for Denmark 174,454 FTE.) The differences in the administrative structures of these countries, however, have significantly influenced these data.

The structure of the agencies was assessed in an administrative report in 2014 (Finnish Ministry of Finance 2014). Most of the agencies were evaluated in the 12 ministries through assessment of civil servants by two dimensions on a five-point scale. The scope of the duties measured the scope of the duties as either broad or narrow. The nature of the duties measured to what extent duties related to the use of public authority or provision of public services. Most of the agencies were exercising duties of public authority within a broad scope. In terms of strategy, the largest group presenting legally mandated duties in a broad area of activity should give agencies a rather well-secured position from the whips and whims of changing political constellations. The existence of single-purpose units is seen in the number of agencies in which a narrow scope coincides with the use of public authority. Overall, the Finnish central agencies tended to be multi-purpose units which concentrated on the use of public authority. Another relevant feature was the inexistence of general-purpose service agencies (other service tasks, broad scope of duties). Only recently, this area has been occupied by the establishment of new service centres catering to human resource management and financial services for other government agencies.

**Strategic planning.** The Finnish government did not have a nation-wide strategic vision but had a nation-wide strategic plan called the Government Programme. The previous Finnish government reached an agreement on the Government Programme at the end of May 2015. The Government Programme was described as strategic because it followed the structure of a typical strategy document in identifying strengths (e.g., strong and functional democracy, capacity to invent), weaknesses (e.g., rigid structures, bureaucracy), opportunities (e.g., agile country, free trade) and threats (e.g., international security, lack of European competitiveness). It contained long-term (10-year) goals, as well as goals to be attained, during the electoral term. The document is 34 pages long and includes a 36-page appendix. The Government Programme contained five key strategic areas: (1) strengthening employment and competitiveness; (2) renewing knowledge and education; (3) improving health and well-being; (4) speeding up biotechnology and “cleantech” solutions; and (5) reforming procedures through digitalisation, experimentation, and deregulation. The Government Programme also included social and health reform, the aim to find a solution (with social partners) to increase the Finnish economy’s competitiveness by 5%, decreasing the responsibilities of local governments, and reorganising regional authorities and central government. The social and health reform, as well as regional and central government reforms, failed, but contract over competitiveness with social partners was achieved (Johanson et al. 2017).

The central government agencies in Finland were not required to have strategy documents. Out of 61 central government agencies, approximately two-thirds had formal strategy documents, and one-third had only the planning documents required by law. The quality and content of the strategy documents varied a lot. The documents could, for example, be a picture with short explanations or a comprehensive strategy document, but most of the strategies seemed to be of the defender type. One overall tendency in the variation was observable. Most of the agencies that had judicial mandate and tasks did not have a public formal strategy document available online, while the multi-purpose agencies typically had.
Performance management. The main steering instruments for guiding agencies comprise of legislation, budget steering, and performance management. The cabinet of ministers appoints the top management of the agencies. Each ministry steers and supervises agencies within its own jurisdiction. The performance management model is based on the goals stated in the Government Programme and its implementation documents. The government sets a ceiling for the government expenses for the whole of the government cycle at the beginning of the government formation. The allocation of the expenses across ministers is controlled through annual frame decisions. These frames serve as guiding documents for the preparation of annual budgets in ministries. In practice, the frame for the government cycle covers four-fifths of the expenses of the government’s annual budgets (Governance IV).

One of the peculiarities of the Finnish system is the degree in which the government budget in detail defines the content of performance information of the ministries. It must include a review of the changes in policy and financial environment, information on the activities and outcomes, as well as the changes in the sector, risks, effectiveness and evaluation of societal impacts (State budget decree 1243/1992). Thus, the budget process includes several activities that would be typically associated with strategic planning. In addition to the ministry level information, the state agency (booking unit) level information is defined in the decree.

Budget control and performance agreements between ministries and agencies were the most important parts of the performance management. In the performance agreements, the ministry and the agency make a contract for the performance targets and required resources for the following year. Agencies report on the achievement of the goals in their annual report included in the financial statements. Ministries provide annual reports on the statements of the agencies and report on their own area of operation in the government’s annual report. The targets of the agencies and the achievement of the targets, together with financial and personnel reporting, are included in the government public service reporting database (Netra). Basically, the performance agreements include the mission of the agency, a description of the external changes in the environment, and an assessment of the economy, efficiency and effectiveness criteria. In practice, the targets set in the agreements have been inadequate, and ministries have not always set performance targets for the agencies (Finnish Ministry of Finance 2012).

Government ministries and agencies are required to prepare multi-annual operating and financial plans. In practice, these plans follow the four-year government cycle. However, multi-annual plans of agencies are not approved by ministries, but are considered internal documents to the agencies. In this sense, the strategic planning of agencies is not strictly aligned with the Government Programme or spending frames. Even so, the growing importance of the Government Programme has meant that agencies are encouraged through pilot programs to align their plans according to the strategic management principles by following the content of the Government Programme. In this sense, the operating and financial planning has become a more top-down exercise (Finnish Ministry of Finance 2012). The centralisation of decision-making powers has proceeded incrementally (Virtanen 2016).

4.2. Norway

Governmental structure and public sector reforms. The government, a progressive–conservative minority, two-party coalition in 2013–2017, became a majority coalition, four-party government incorporating the Liberal Party in 2017 and the Christian People’s Party in 2018. The governmental structure in Norway consisted of 19 ministers, 14 ministries and 61 agencies per 1.1.2018.

Norway lacked full accrual accounting and multi-year budgets, as New Zealand innovated in the 1990s. A modified system blending a cash-based national budget and accounting system and accrual-based agency accounts were in place in Norway, and the system had extensive performance information (Lægreid et al. 2006), but the performance management system was little integrated with other management tools (Askim 2015). The emphasis was on the ministries’ agency governance,
involving letters of allocation, annual budgeting, steering dialogues, and annual reporting (Norwegian Ministry of Finance 2011). Furthermore, Norway has had many pragmatic reforms emphasising improving performance more than cutting costs (Greve et al. 2019), and the political commitment to the performance management regime has been relatively stable. For example, in 2017, the annual reports in government were standardised (Norwegian Government Agency for Financial Management 2018).

Strategic planning. The Norwegian system lacked a nation-wide strategic vision, but the coalition governments normally produced a document with a shared political platform. The 2013–2017 Government had a political manifesto, the Sundvolden Platform (Government of Prime Minister Erna Solberg 2013), but there was no nation-wide strategic vision as such. The Sundvolden Platform was a 74-page document outlining the coalition Government’s common values and its eight priority areas; it had 16 main chapters for different policies, with more than 200 action points. The Norwegian coalition government’s political platform was therefore much larger, had more (political) aims, and was less coherent as a strategy document than the strategic vision in the New Zealand model and the Finnish Government Programme were.

It should be noted here that even though the Norwegian system lacked a nation-wide strategic vision and seemed more tuned into short-term organisational control and annual budgeting and reporting, there were also regular, national long-range (strategic) plans in some policy fields, such as defence, transportation and health care. Other policy fields have their policies, but the strategic planning is left to the agencies, at least formally. In addition, there is a national “perspective report” (perspektivmelding) every fourth year (the latest in 2017), with long-term perspectives (foresight) for the Norwegian economy.

The Norwegian government agencies are required to engage in annual planning and longer-term strategic planning. Regulations for financial management in the Norwegian government expresses that “the agencies’ management shall plan and develop strategies with a one-year and multi-year perspective adapted to the agency’s distinctiveness” (Norwegian Ministry of Finance 2015, p. 29). Also, the annual requirement to give a detailed report on the attainment of performance and financial targets (Norwegian Ministry of Finance 2015, p. 26) constitutes an important institutional determinant for the strategic performance management cycle. Interestingly, the same regulative document also states that letters of allocation shall define “strategic challenges and areas of priority” (Norwegian Ministry of Finance 2015, p. 25). That makes sense from the perspective of annual government steering. However, the lines between the agencies’ strategy and the letters of allocation stand in danger of becoming entangled.

Regarding the agencies’ formal strategic planning, the definition given in the official guide on performance management in government states that a strategy “shows the major choices which have been made, and changes and improvements which are to be prioritised in the coming years, given political signals and ministerial demands” (Norwegian Government Agency for Financial Management 2010, p. 10). The guide states that the ideal is that performance management should be based on the strategy. The governmental strategic management system in Norway, therefore, requires the agencies to perform strategic analyses, formulate strategic objectives, and produce strategic plans. Forty-one out of the 61 agencies (67%) had agency-wide formal strategic plans, spanning on average 5.2 years. The agency’s formal strategic plans contained main goals and derived objectives. These, in contrast to the main aims and objectives in the ministries’ letters of allocation in the agency governance, however, were intended to be devised as more long-term oriented. Of the 41 agencies with a formal strategic plan, there was some use of typical strategic management tools. Fifty-nine per cent of the 41 agencies had strategic visions, 51% had values and 34% documented the use of an external scanning and internal resources review (SWOT-analysis) in the formal strategic plan.

Analysis of agency characteristics by formal strategic planning show that the 41 agencies with formal strategic planning consisted of fewer agencies within night watch policy areas (ministries of defence, foreign affairs, justice and treasury) and more agencies within the welfare and globalisation policy areas (ministries of health, social issues, labour, family affairs policy, culture, environment and
climate and immigration). The agencies with formal strategic planning were older, had more regulation, were larger and more complex, were subject to more performance management, had more performance reporting, and reported better performance than the agencies without formal strategic planning. These results are, however, bivariate relationships, but could indicate that institutional factors, as well as performance management and strategic planning, may have impacts on agency performance.

Commitment to strategic plans has been found to be important in public strategy (Elbanna et al. 2016; George et al. 2018). Twenty of the 61 agencies had no formal strategic plan in 2017. Given that there was no governmental-wide strategic vision, the performance management system was poorly integrated with the agencies’ strategic planning, and 33% of the agencies lacked a formal strategic plan; top-management commitment to strategic management in the agencies seems to have been modest.

The overwhelmingly dominant strategic stance among the 41 Norwegian agencies with a formal strategic plan was that of defender. Of all the strategic aims documented in the 41 agency strategic plans, defender-related aims consisted of 93% of these. If we categorise the 20 agencies without a formal strategic plan also as reactors, meaning lacking a coherent response to the environment, then 67% of the agencies would be mainly defenders and 33% reactors, or without a formal strategy plan. In a third of the agencies with strategic plans, we found a minority of strategic aims expressing a prospector-stance.

Performance management. Management by objectives and results was made mandatory for the government agencies in Norway in 1997 and is today the basic principle of performance management in government organisations (Norwegian Government Agency for Financial Management 2010; Norwegian Ministry of Finance 2015). However, various forms of results-oriented management have been used in local and central government organisations for decades (Johnsen 1999). In Norwegian government agencies, performance management is typically implemented through a set of main aims derived from the agency’s purpose. Concrete aims are then derived from the main aims, and performance indicators are often linked to the aims. Also, letters of allocation often employ the use of task assignments for specific projects which do not necessarily fit into the hierarchy of aims. All these parameters, main aims, aims, performance indicators and task assignments are given through the annual letter of allocation alongside fiscal budgets and other demands on the agency. Some letters directly link aims and performance indicators to performance budgeting (Reid 2019).

4.3. Comparison

Governmental structure and public sector reforms. Overall, the two Nordic countries share many cultural traits and administrative traditions and have equally small populations. On the one hand, in terms of public administration, Finland and Norway belong to the same tradition of Nordic public administration, which can be labelled pragmatic in its orientation. The neutrality of the bureaucracy, low level of corruption, and respect for authority among the populations are instrumental in reaching political and administrative stability. In terms of the authority of guiding ministries and ministers, both Finnish and Norwegian ministries have independent authority in their area of jurisdiction. Another similarity can be seen in the reform efforts. Possibly in contrast to some other countries, government reforms have been high on the political agenda in both Finland and Norway.

On the other hand, the Finnish agencies tend to be more independent from the ministries than the Norwegian agencies. It is relatively easy to change agency structures in Norway, Sweden and Denmark according to the changing political constellations of the government. In contrast to other Nordic countries, however, the Parliament holds considerable authority in defining the administrative structures of the government in Finland (Kettunen et al. 2016). Moreover, the use of laws in the operations seems somewhat more pronounced in the Finnish context contrasted to a more flexible approach in changing structures and practices in the Norwegian context.

Unlike Norway and the other Nordic countries, neither the universities nor the social security agencies were part of the government in Finland. In addition, government health corporations were part of government personnel in Norway. The government regional administration in Finland was comprised of six supervisory authorities (AVI) in charge of overseeing the functioning of regional and
local governments, and 15 developmental authorities which were responsible for the advancement of regional sources of livelihood, traffic infrastructure, and protection of the environment. Local government agencies were comprised of 68 units, which included agencies in employment services, magistrates, prosecution authorities, execution authorities, legal aid offices and police departments. There was a tendency to separate the issuing of permits, and the regulatory and inspection duties, to independent agencies in all of the Nordic countries in the 2000s. There was also an overarching aim to clarify internal accountability structures of the Finnish government and the need to adapt to a situation in which there are a variety of public and private providers of public services (Kettunen et al. 2016).

**Strategic planning.** One main finding of the comparison is that, contrary to expectations, both the Norwegian and the Finnish central government agencies have utilised a rather decentralised strategic management process. However, the origins of the similarity have had divergent roots. In both cases, the annual budget process holds a key role in influencing the strategic management process, which is more or less subordinated to the budget considerations. As for the divergent origins, there is probably a more pronounced emphasis on the performance management in Norway and a more pronounced emphasis on the centralised strategic management in Finland.

Another main finding from the comparisons of the two Nordic countries are the differences in the integration of strategic planning in the central government management system. In Finland, strategic planning is a function supporting (not envisioning) the work of the central agencies, which are defined in the law. Thus, typical strategic management processes, such as organisational structuring and planning, always include a political dimension in Finland. The strategic planning is also, in a way, a subordinate function for financial planning since financial planning (including scanning the environment, forecasting, and evaluating outcomes) is a regulated process and belongs to the budgeting process in Finland. Some of the features of performance management, such as multi-year planning of the agencies, have potential use for strategic management but are not well aligned with the formulation of the Government Programme. In this sense, the performance management procedures have a bottom-up flavour conditioned upon strong, centralised budget control. If the Government Programme continues to gain significance in orienting the operations of the central government, it might replace some of the budget control of the expenses with political control of the operations. In either case, there are tendencies to build a more strategic nexus right at the heart of the political decision-making in the hands of the cabinet of ministers in Finland, possibly becoming more like the strategic vision of the New Zealand model. This development does not promise the agencies more important roles in strategy formulation but emphasises the agencies’ roles in implementing strategic directives.

In Norway, it seems, the strategic planning within the central government administration includes the discussion of the agencies and their organisational structures. The performance management also seems to be a more explicit part of the strategic planning process (or vice versa) than in Finland. The strategic planning, however, seems not to be as systematic as in Finland where it was tied strictly to the budget process. The agencies’ strategic management, therefore, seems to have been more integrated in the Finnish central government than in the Norwegian central government. The long-term focus of strategic management possibly better suits the Eastern Nordic public management tradition than the Western Nordic tradition, which, in Norway at least in comparison, seems to keep a focus on a one-year financial and performance management cycle, and where the agencies’ strategic plans are not (yet) fully integrated into the government’s planning system. Therefore, even within a relatively homogenous Nordic context, the design and implementation of strategic planning seems to be related to different public management traditions in Finland and Norway.

**Performance management.** In both countries budgeting and performance management seem to have taken a more dominating role in agency governance than the agencies’ strategic planning.
5. Discussion and Conclusions

The purpose of this article was to analyse the design and implementation of strategic planning in central government agencies in a Nordic context by a comparative case study of two countries representing the Eastern and Western Nordic management traditions. We found that both countries had mandatory strategic planning, as expected for high-intensity, new public management reformers, but, unexpectedly, both countries utilised decentralised strategic planning in the government agencies. The tradition of a strong legal orientation in the public administration in Finland made strategic changes more complicated in Finland than in Norway, and formal, long-term strategic planning in the agencies seemed to have a less prominent role than in the Norwegian agencies, contrary to what we expected based on the emphasis on decentralisation and agency autonomy in the Eastern Nordic public management tradition. In Norway, the Western Nordic public management traditional emphasis on hierarchical governance could be related to the practice of a strong emphasis on agency governance by performance management, but there was also a practice of formally albeit less-binding agency strategic planning.

We agree with Ferlie and Ongaro (2015) that context is extraordinarily important in strategically managing organisations. In our attempt to interpret the differences between Finland and Norway’s design and implementation of performance management and strategic planning in government agencies, we were driven to use finer distinctions between contexts than those of Peters and Painter (2010). Differing public management traditions, some with quite recent developments, might explain the variations within what is considered uniform regions when seen through a wider lens. The variation of findings, both in the empirical studies we have reviewed above and in the comparison of the Finnish and Norwegian cases, underlines the need to further develop the understanding of how strategic planning and performance management are context sensitive.

Our somewhat unexpected findings relative to the Eastern and Western Nordic public management traditions, however, may give rise to a conception that many years of new public management reforms, on top of national practices, have made the “old” Eastern and Western Nordic public management tradition divide obsolete for explaining many current public management practices in the Nordic countries, such as strategic planning and performance management. This resonates with what Greve et al. (2019) found in their analysis. The Nordic countries were found to be active reformers resulting in “a layered, complex and hybrid Nordic administrative reform model in which new reform elements are added to existing ones”, and which was “more difficult to understand and explain in full” (Greve et al. 2019, p. 10). This conception could moreover imply that also the concept of geography-dependent contextual traditions, such as the Nordic public management tradition, may become awkward to use in empirical studies and could possibly better be replaced by concepts such as “maintainers”, “modernisers”, “marketisers”, and “minimizers” (Pollitt and Bouckaert 2017), both for organisations at the same level of government and across countries.

The implications of these findings for public sector strategic management theory is that different national public management traditions and performance management regimes impact how strategic planning is designed and utilised in government, also in countries that often are assumed to be distinct from a comparative perspective. The implication for policymakers and practitioners is that these findings are useful in understanding how the national public management tradition shapes the implementation and usage of strategic planning, even though the design of the strategic planning system may have been modelled after standard international templates for strategic management. This knowledge can be used in the future redesign and improved utilisation of the strategic planning systems in government, for example, to mandate agencies that produce formal strategic plans to publish these plans in order to make them publicly accessible and to produce guidelines for formal strategic plans in order to avoid unintended variation.

The present study has some methodological limitations. First, the analysis utilised different data sources. The Norwegian case enjoyed extensive use of primary data collected from the agencies’ formal strategic plans. However, in the examination of the Finnish case, there was more reliance on the
documents guiding the strategy process and the reports provided by the civil servants than on the formal strategic plans proper. Second, the analysis has mostly relied on document analysis, which means that strategy content in agencies without formal strategic plans has not been documented. Third, this comparison analysed the design and implementation of strategic planning in the governance system. Analysing agency performance and policy outcomes of the strategic planning was beyond the scope of this article.

This analysis gives rise to several suggestions for future research in comparative research. First, there is a need to study the content of the agencies’ strategic plans (such as in Finland) and to study other clues to the strategic content than document analysis for those agencies that lack a formal strategic plan (such as in Norway). Second, there is a need for in-depth studies of how policymakers and managers use strategic plans in policy making and management in different countries. Third, there is a need to explore how strategic planning relates to agency performance and policy outcomes in different contexts.

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