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Case Studies on Improving Governmental Effectiveness

Putting the Resource-Based View of Strategy and Distinctive Competencies to Work in Public Organizations

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A key to the success of public organizations is their ability to identify and build capacity, particularly their distinctive competencies, in order to produce the greatest value for key stakeholders. This article grounds this proposition in the resource-based view of organizations and presents a method for identifying and making use of distinctive competencies in the form of a "livelihood scheme"—a business model appropriate for the public sector—that links distinctive competencies to organizational aspirations and goals. The case of a major public sector training and consultancy unit that is part of the United Kingdom's National Health Service is used as illustration. A number of conclusions are offered in the form of a set of propositions tied to the resource-based view and related research issues. The results contribute to both public strategic management theory and practice.

Public and nonprofit organizations are externally justified. In other words, their legal existence depends on serving public purposes. Their political, economic, and social existence depends on satisfying key stakeholders, at least minimally, according to those stakeholders' criteria for satisfaction (Bryson 2004a; Moore 1995). In an era of fluctuating resources, declining organizational slack, and increased public skepticism regarding public organizations, fulfilling public purposes and satisfying key stakeholders are becoming problematic tasks (Kettl 2000, 2002; Osborne and Hutchinson 2004; Peters and Pierre 2003). An important key to success for public organizations is identifying and building strategic capacities to produce the greatest public value for key stakeholders at a reasonable cost. Without continued attention to these capacities, public and nonprofit organizations will find it difficult to achieve their goals, create real public value, respond effectively to changes in their environments, or justify their continued existence. Therefore, dynamic organizational capacities for producing public value are necessary to achieve a desirable fit with the environment (Eisenhardt and Martin 2000; Kraatz and Zajac 2001). In some instances, an exploration of these capacities will result in the negotiation of new perfor-

mance indicators or criteria for satisfaction, or new or different resource arrangements.

The study of organizational capacities has a long history. For example, economist Joseph Schumpeter (1942) argued that private sector organizations and industries that are rich in resources are better able to survive environmental turbulence, or what he called "creative destruction," than their less well-endowed competitors. Sociologist Philip Selznick (1957) was the first to identify and label distinctive competence as a particularly valuable capacity and resource for organizations. He believed that a key role for organizational leaders is to identify, invest in, and protect such competencies and the resources underlying them. Early private-sector-oriented strategy theorists, such as H. Igor Ansoff (1965) and Kenneth Andrews (1971), also emphasized the importance of resource differences, especially in their promotion of SWOT analysis (strengths, weaknesses, opportunities, and threats).

In recent years, another major school of thought has developed in strategic management. Called the *resource-based view* of the firm, it describes the crucial importance of resources generally and of competencies specifically for organizational survival, growth, and overall effectiveness (Barney 1991; Peteraf 1993; Wernerfelt 1984). The resource-based view is arguably the dominant approach to strategy research and teaching in North America and Europe—explicitly for the private sector and implicitly for the public sector (Barney 2001a, 2001b; Bovaird 2005; Hoopes, Madsen, and Walker 2003). The key insights of the resource-based view are that "scarce, valuable, and imperfectly imitable resources are the only factors capable of creating sustained performance differences among competing firms, and that these resources should figure prominently in strategy making" (Kraatz and Zajac 2001, 632). Distinctive competencies are one such resource.

Although public strategic management theorists have been strongly influenced by this body of thought,

either explicitly or implicitly (e.g., Barry 1997; Bozeman and Straussman 1990; Bryson 2004a; Bryson and Roering 1987; Denhardt 1993; Joyce 1999; Moore 1995; Nutt and Backoff 1992), they have not focused on the importance of developing a *livelihood scheme*—that is, the public sector equivalent of a private sector business model—to show how distinctive competencies are directly linked to meeting organizational aspirations (e.g., mandates, mission, goals, outcome indicators, and key stakeholder requirements that the organization chooses to meet). A livelihood scheme provides the fundamental logic underlying any effective strategic plan. Said differently, a strategic plan should articulate how the livelihood scheme is to be taken advantage of and deployed in practice.

Instead, these theorists have focused on the need to identify organizational capabilities or strengths in relation to external opportunities and threats—not aspirations—especially through the use of SWOT analysis. This shortcoming in the literature may be a result of not knowing how to identify distinctive competencies or, alternatively, of not knowing how to elucidate a livelihood scheme for public organizations. Regardless of the reason, there is little in the public management literature on what the concept of distinctive competencies actually means for public organizations. Furthermore, in spite of the academic and practical attention to distinctive competencies in the private sector, most of the guidance in the literature on how to identify them in business, government, or nonprofit organizations is too vague to be very useful for advancing our theoretical understanding of distinctive competencies or of making use of them in practice for strategy formulation and implementation (e.g., Duncan, Ginter, and Swayne 1998; Johnson and Scholes 2002, 144–87; Bryson 2004a, 375–76).

The purpose of this article is to make a start at remedying these shortcomings. A real case is reported in which the top management team of a public organization developed a livelihood scheme on which it based a multiyear strategic plan and first-year business plan. The scheme provided the essential underlying logic for the organization's strategic and business plans, both of which are now being successfully implemented. The team first identified organizational aspirations and stakeholder desires; next, it clarified the organization's distinctive competencies and identified how they were linked with one another; finally, it joined aspirations and stakeholder desires to distinctive competencies to create a viable livelihood scheme. The organization's multiyear strategic plan and first-year business plan were then developed based largely on the logic of the livelihood scheme, which showed how the resources available through linked distinctive competencies could be used to achieve the organization's aspirations. The case shows how a resource-based approach to strategy is relevant and potentially very useful in the public sector, and it presents a method for identifying distinctive competencies and developing a livelihood scheme. Though the article relies on a single case example, our hope is that it will give public management theorists and practitioners a deeper understanding of some of the implications of the resource-based view for public organizations, a practical method for making use of resource-based view theory in the practice of public strategic management, and an understanding of some of the more important research questions related to the resource-based view. We hope the result will be an enhancement of public strategic management theory and practice.

This article is organized into four sections. First, we define and discuss some key terms. Examples and characteristics of distinctive competencies are presented. Second, we present a method for identifying distinctive competencies for public organizations and show how patterns of distinctive competencies can be used as the basis for articulating a public organization's overall livelihood scheme; this method is based principally on the work of Eden and Ackermann (1998, 2000) and Ackermann, Eden, and Brown (2005). The scheme articulates a rationale that links the organization's aspirations and distinctive competencies; in other words, the scheme summarizes how, or on what basis, the organization is uniquely able to achieve its mission, meet its mandates, accomplish its goals, do well against outcome indicators, and create public value—an expression, in other words, of its "right" to earn a livelihood. We illustrate the process using the case of a major public sector training and consultancy unit that is part of the United Kingdom's National Health Service. Third, we discuss a number of uses and challenges that distinctive competencies, as a part of a livelihood scheme, may pose for public organizations. Finally, we offer some concluding comments.

Definitions

We discuss and define the following key terms: critical success factors, resources, competencies, distinctive competencies, core competencies, and core distinctive competencies. All organizations have goals, whether explicit or implicit (Scott 1987). Organizations also have what are termed *key success factors* or *critical success factors* (CSFs), which are the things the organization must do, the criteria it must meet, or the performance indicators it must do well against—because they matter to key stakeholders—in order to survive and prosper (Jenster 1987; Johnson and Scholes 2002). These factors may also be explicit or implicit. Organizations that do well against their CSFs presumably achieve a better "fit" with their environment, enhancing their chances of survival (Drazin and Van de Ven 1985). Goals and CSFs may be the same when managers and stakeholders agree about the nature of success. Alternatively, goals may support CSFs when

stakeholder views are dominant, or CSFs may support goals when stakeholders are less dominant.

Resources, broadly construed, are any assets that an organization might draw on to help it achieve its goals or perform well on its CSFs. For example, the items considered strengths in a typical SWOT analysis would all be resources.

Competencies connote a subset of resources and consist of abilities, sets of actions, technologies, or processes that help an organization perform well against important goals or CSFs. For example, Sony's competence in miniaturization has allowed it to manufacture a wide range of useful and highly profitable products. Canon's competencies in optics, imaging, and microprocessors have allowed it to enter diverse markets for copiers, printers, cameras, and scanners (Prahalad and Hamel 1990). The University of Minnesota's Department of Chemical Engineering and Materials Science has process competencies in recruiting and departmental management that have helped it remain the top-ranked department in its field in the United States for decades (Bland 2004). In particular circumstances, public organizational competencies may include hard-won legitimacy, service-delivery ability, taxing abilities of specialized kinds, citizen engagement expertise, emergency preparedness, service responsiveness, and so on. Competencies are less flexible than resources and usually arise through "learning by doing" (Joyce 1999; Christensen and Overdorf 2000).

Distinctive competencies are competencies that are very difficult for others to replicate and therefore are a source of enduring advantage. They "are the features of the organization that underpin long-term success" (Eden and Ackermann 1998, 103). What makes them distinctive is their uniqueness or lack of substitut-ability, rarity among competitors or collaborators, difficulty of imitation, value in terms of exploiting opportunities or warding off threats, and the resulting provision of competitive or col-laborative advantage (Barney 1991). They may involve consid-erable ambiguity and tacit knowledge, which makes them difficult to imitate, let alone codify (Johnson and Scholes 2002; Murnane and Nelson 1984).[1] It is especially important to note that distinctive compe-tencies may arise from the pattern of links among competencies (Eden and Ackermann 1998, 107). In other words, none of the individual competencies may be unique, but the pattern of links among them is. Note as well, that the competencies and links among them do not all need to be internal to the organiza-tion; instead, linked competencies across organiza-tional boundaries can be a source of distinctive competence (Schroeder, Bates, and Junttila 2002). The development and exploitation of such cross-boundary competencies is a major argument for seek-ing collaboration (Huxham and Vangen 2005).

A *core competency* is one that is crucial to the success of the organization. It is "core" because of its location in the linkages of competencies to aspirations: Remove the competency, and goal achievement is unlikely. A core competency, however, will not be distinctive if it easy for others to emulate, and thus it will not provide a basis for long-term success.

A *core distinctive competency* is a distinctive compe-tency whose presence is crucial for goal achievement (because of its linkages to goals) and, precisely because it is hard to emulate, critical to the long-term success of the organization. Core distinctive competencies are a necessary element of any viable, sustainable livelihood scheme. As Eden and Ackermann note, "the strategic future of an organization, or division, or business unit, or department, whether private, public, or third sector, depends totally on its ability to exploit competencies in relation to its aspirations. The security and stability of that future depends on the distinctiveness of the competencies and their sustainability" (1998, 108).[2]

The way in which distinctive competencies are linked to and support the aspirations of a public organization constitutes its livelihood scheme. Aspirations may include mandates, mission, goals, outcome indicators, or key stakeholder requirements the organization chooses to meet. Though some public organizations have little choice about their aspirations, others have a great deal of choice. The scheme is a shorthand description of how the organiza-tion believes it can create real public value in a sustainable way (Ackermann, Eden, and Brown 2005; Eden and Ackermann 1998, 108; Eden and Ackermann 2000).[3] The scheme says, "Here is our purpose and our goals and what we believe we must do to succeed. Here as well are the distinctive competencies on which we can draw (or must create) to achieve success. We believe the scheme, if implemented, will allow us to achieve the success, legitimacy, financing, and other necessary long-term support needed to sustain our continued existence" (adapted from Ackermann, Eden, and Brown 2005, 202). Thus, distinctive competencies are crucial to a viable livelihood scheme. The livelihood scheme is not the same as a strategic plan, but it provides the crucial underpinning for one. The sustenance and

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exploitation of distinctive competencies and particularly core distinctive competencies must be an important aspect of a strategic plan. The plan provides more detail and operational content to the scheme.[4]

A Process for Identifying and Making Use of Distinctive Competencies

In this section, we outline a process for identifying and making use of distinctive competencies as part of a livelihood scheme. The process is based principally on the work of Eden and Ackermann (1998, 2000) and Ackermann and Eden with Brown (2005) and, to a lesser extent, on that of Johnson and Scholes (2002) and Bryson (2000a, 2004b) (who also draw on Eden and Ackermann's work). The process is illustrated through an action research example from the Beeches Management Centre (BMC), a major training and consultancy organization that is part of the health and personal social service system for Northern Ireland in the United Kingdom (see www.beeches-mc.co.uk). Causal mapping was used throughout as a technique for structuring strategic ideas by explicating beliefs and indicating the influence relationships among them (Eden and Ackermann 2001). Causal mapping uses statement-and-arrow diagrams to show that statement A may lead to statement B, which, in turn, may lead to statement C (i.e., A → B → C). Causal mapping is described in detail in Bryson et al. (2004).

The BMC was established in 1993 to provide a range of management and organizational support to health and personal social services organizations and individuals in Northern Ireland (see table 1). The BMC is a government organization that is owned by most of the health and social service boards, trusts, and agencies of Northern Ireland, all of which are also public organizaitons.[5] In Northern Ireland, the vast majority of health and social services organizations are public. In U.S. terms, the BMC is a governmental unit that exists and operates through a joint powers agreement. The BMC identifies 18 health and personal social service organizations in Northern Ireland as its "core clients," but it also has expanded its client base to include many other public and nonprofit organizations, including several outside the United Kingdom. The BMC is organized into three units: management development, which is the focus of the process outlined here; nursing and midwifery education; and financial services. Thus, the BMC is clearly an unusual public organization: It is the result of a collaboration among other public organizations, and most of its funding comes from service and performance contracts with these organizations. But the BMC is not so unusual in that it represents an increasingly common form of public enterprise whose funding and continued existence is wholly dependent on providing good service to its customers (Barzelay and Armajani 1992; Osborne and Plastrik 1997).

The process of identifying and making use of distinctive competencies in this case involved the following steps, which will discussed further later (see also table 2):

- Do the necessary preparation work
- Identify a tentative mission and goal system (i.e., aspiration system)
- Identify critical success factors
- Identify distinctive competencies

Table 1 Beeches Management Centre

Unit	Number of Staff	Estimated Revenue, 2005–06	Main Products
Management Development Unit	• Senior managers and consultants, 23 • Administrative support, 12	£2.9m	• Management development and training courses, £0.8m • Consultancy services, £1.2m • Executive recruitment services, £0.5m • Information technology training and solutions, £0.3m • National Vocational Qualifications training (standardized training for specific health and social service occupations), £0.1m
Nursing and Midwifery Education Unit	• Trained nursing staff: full-time, 23; part-time, 13 • Administrative support, 9 Audiovisual technician, 1	£1.5m	• Post-registration education for nurses, midwives and health visitors, £1.3m • Private sector work, £0.2m
Financial Services Unit	• Trained auditors, 4 • Trainee auditors, 13 • Administrative support, 1	£0.5m	• Internal audit services to the Health Service, £0.4m • Private sector work, £0.5m
Total	99	£4.9m	

Note: One British pound (£) = $1.95 as of March 22, 2007.

Table 2 Identifying Goals and Distinctive Competencies and Creating a Livelihood Scheme—Process for the Beeches Management Centre

Do necessary background work
- Assemble and review necessary background materials
- Meet physical space requirements, including
  - Conference room with comfortable chairs, a supply of beverages, and easily accessible rest rooms
  - Uninterrupted wall space covered with flip chart sheets—two rows of paper, eight sheets wide, with each sheet overlapping the next by 1 inch
- 200 5" x 7" cards or ovals
- Black marking pens for each participant and the facilitator
- Self-adhesive putty or masking tape for mounting the cards on the flip chart sheets
- Soft-lead pencils for marking in tentative links among statements

Start by identifying the tentative mission and goal system (aspiration system)
- List/brainstorm purposes, goals, aims, aspirations, outcome indicators on cards (ovals)
- Create a purpose expansion (i.e., build a causal hierarchy from more specific to most general and abstract)
- Create other relevant links among statements to start creating a system of aspirations

Identify critical success factors
- Start with the question, "From the key stakeholders' perspectives, what must we do especially well to succeed—now and in the future?"
- Map resulting statements
- Identify ideas that appear to be actual CSFs
- Note which statements support meeting or achieving the CSFs
- Build initial parts of livelihood scheme—aspirations and supporting concepts, including CSFs; add concepts as necessary
- Identify what appear to be crucial linkages, and especially loops, that are at the core of the livelihood aspiration system

Identify distinctive competencies
- Brainstorm candidate competencies
- Maps the resulting statements
- Identify what appear to be linkages
- Identify which appear to be distinctive competencies (i.e., those that are in existence and are difficult to replicate)
- Think about competencies that are needed but unavailable or underdeveloped

Create the full livelihood scheme
- Link the goal system, including CSFs; supporting concepts; and competencies and distinctive competencies into a composite map
- Review and discuss the map
- Check to see that every goal is supported by a distinctive competency
- Note which competencies do not support any goal
- Note competencies that need to be developed
- Finalize the scheme

Develop a Strategic Plan
- Use the livelihood scheme to provide the basic logic for the strategic plan
- Develop a consultation document for review by key stakeholders
- Make sure the process of developing the strategic plan draws on and reinforces distinctive competencies wherever possible

Develop an Annual Business Plan
- Develop an action plan for each goal and subgoal
- Provide measurable targets for each goal and subgoal
- Make sure there is a clear logic linking the livelihood scheme, strategic plan, and annual business plan

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- Create full livelihood scheme
- Develop a multiyear strategic plan based on the underlying logic of the livelihood scheme
- Develop a first-year business plan

Note that the process has minimal physical requirements. The BMC's draft livelihood scheme was developed in a one-day workshop in June 2004. Development of the multiyear strategic plan for 2005–08 took longer and was formally adopted by the BMC Council of Management, the organization's governing board, in June 2005. The 2005–06 business plan was adopted shortly thereafter.

General Requirements for the Process, Including Preparation Work

The specific process to be followed depends on the situation. Almost always, though, some advance planning is necessary in order to make sure the needed participants are available and committed to working on the process. Outside facilitation may also be necessary. Important background information needs to be available, either on demand or as background reading for participants. The most important requirement, of course, is an agreement among the participants to work together constructively. In the BMC case, the preparation work included deciding who should participate.[6] The decision was made by the chief executive, Irene Hewitt, to assemble a group consisting of the senior management team of the Management Development Unit (three people), plus the BMC business manager and herself. The chief executive also contracted with the lead author to provide the necessary facilitation. In all, six people participated in the process, which clearly is a small group; the purpose of the session, however, was enhanced strategic thinking, not broad engagement.

Preparation work in this case also included having key staff revisit previous strategic planning efforts in which the need to develop new products and services had been highlighted. The ensuing discussion crystallized a realization that new product and service development was not occurring fast enough, in large part because the BMC was finding it difficult to stop delivering "old" products and services that were in demand by some clients in order to free up time to develop "new" products and services.

A stakeholder analysis exercise was then undertaken in which a 2 × 2 matrix of clients was created. One dimension captured how much the client used the BMC's consultancy and training products and services, while the other dimension represented how much the clients pushed the BMC to develop new products and services more responsive to new or emerging client demands and conditions. The decision was made to focus on CSFs related to working with the clients who pushed BMC the hardest to stay on the cutting edge and who made the most use of BMC products and services. If this group was not attended to closely, they might quit using BMC's consulting and training services and use alternative sources instead, which would cut off important revenues and the stimulus and partners with which to develop new products and services.

Identify Goal System (Aspiration System)

The first step in the process is to identify the organization's goals. The BMC participants were familiar with the organization's then-current mission statement:

> The Beeches Management Centre is committed to providing management, education and organizational support to health and social services organizations. We will work in partnership with our clients to enhance their capacity to achieve their objectives. This will be achieved by the effective deployment and use of our staff and other resources at our disposal.

The participants also knew, however, that they needed to add detail to the mission in terms of high-level purposes to be pursued and goals to be achieved.

The purpose-expansion technique was used to help identify the BMC's aspirations beyond its mission (Nadler and Hibino 1994, 127–59; Nutt 2002, 124–30). First, the group was asked to brainstorm possible purposes, mandates, goals, aims, outcome indicators, and aspirations on cards (in this case, oval-shaped cards). Second, the cards were attached to a wall covered by flipchart sheets, and a causal hierarchy was constructed leading from more specific to most general. In other words, the list of purposes was expanded from most detailed and concrete to most general and abstract. Third, relevant causal links were added to indicate influence relationships among the statements. This involved rearranging the statements from a vertical "ladder" to a network format.

The ultimate result of this exercise is presented in figure 1. The rounded rectangle shows a somewhat shortened version (because of software limitations) of the BMC's overall goal, which in its full form is as follows:

> To be recognized as the main regional provider of education, learning and organization development to the Health and Personal Social Services organizations and a leading provider to the wider public, voluntary, and independent sectors within Northern Ireland and beyond.
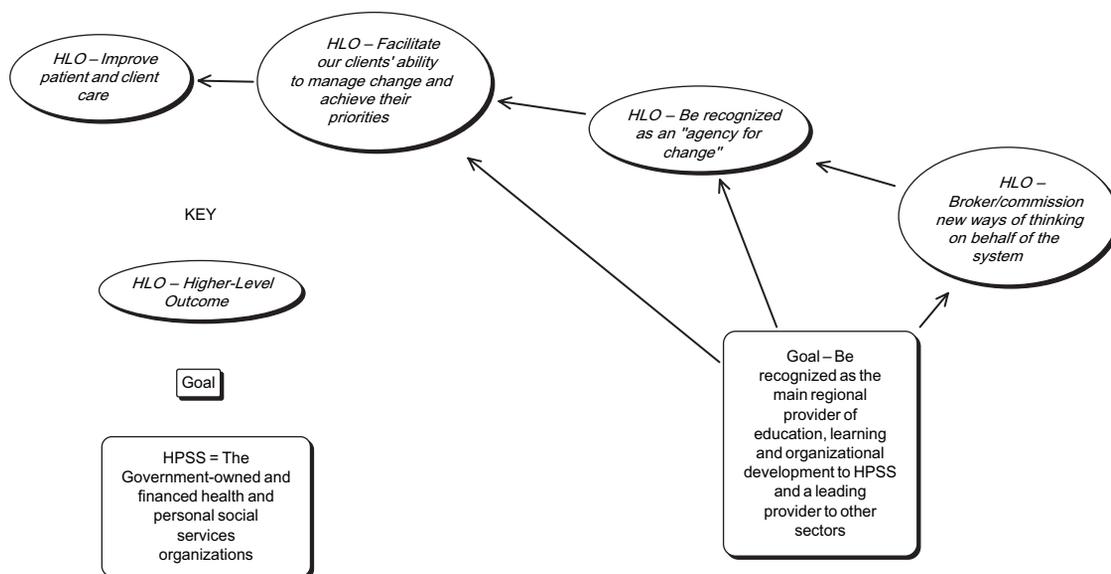

Figure 1   Beeches Management Centre Overarching Goal and Broader Purposes

The four statements in ovals represent broader health and social care system-level outcomes to which the BMC expects to contribute. These higher-level outcomes are mission-like statements in that they articulate ultimate purposes. It is unlikely, however, that the BMC would choose to be held directly accountable for the ultimate purpose—"improving patient and client care"—as it has no direct responsibility or capacity for doing so.

Identify Critical Success Factors

The next step in the process is to identify CSFs.[7] The following steps are suggested: Start with the question, "From the key stakeholders' perspectives, what must we do especially well to succeed—now and in the future?" Then map the resulting statements to indicate links among goals, CSFs, and any supporting concepts, indicating how the goals and CSFs might be achieved. Many statements are likely to surface in the process, and quite a few will be incorporated into the final livelihood scheme linking distinctive competencies (yet to be identified) to aspirations and CSFs.

In the BMC case, three CSFs were identified. These were thought to be crucial in satisfying the demands of key stakeholders—the organizations that use BMC services the most and push the BMC the hardest to stay on the cutting edge. The CSFs were "develop the clients' capacities," "help them manage critical business issues," and "enhance their performance profiles and image." The first CSF means helping to develop clients' capacities to be well managed and to deliver high-quality health and social care. The second CSF means helping clients effectively address immediate and challenging difficulties affecting management and health and social care delivery. The final CSF means

helping the clients inform others of their successes for political, financial, and public relations reasons. The BMC staff agreed to incorporate these CSFs as the functional equivalent of goals. Figure 2 combines the previous aspirations and CSFs.

Figure 2 shows how the higher-level outcomes and the BMC's overall goal are related to the three CSFs that serve as the equivalent of goals. Figure 2 represents the public value that the BMC seeks to create.

Identify Distinctive Competencies

The next step involves asking the group to identify distinctive competencies. Again, the group was first asked to brainstorm possible competencies on cards. Second, the cards were attached to the wall, leaving space between them and the aspiration system and other supporting statements that were already on the wall above them. Clusters of related cards were established and redundant items were removed. Third, relevant causal links were added to indicate influence relationships among the statements. What appeared to be distinctive competencies were noted by placing a blue dot on them after the group reached agreement. Similarly, needed but not-yet-developed or underdeveloped competencies were identified with a red dot after the group reached agreement. The ultimate result of this exercise appears in figure 3, which presents the map of BMC competencies and distinctive competencies. Eden and Ackermann (1998, 108) note that this process can be particularly difficult for public organizations because they are rarely expected to explore distinctive competencies.

Figure 3 indicates eight distinctive competencies (large font), four competencies (italics, small font), and two
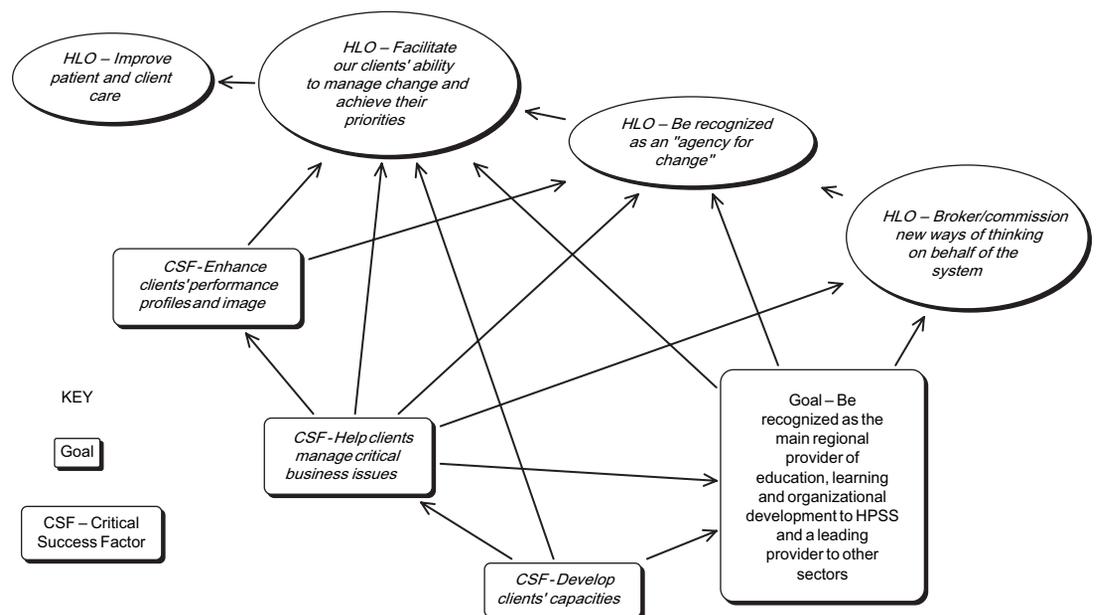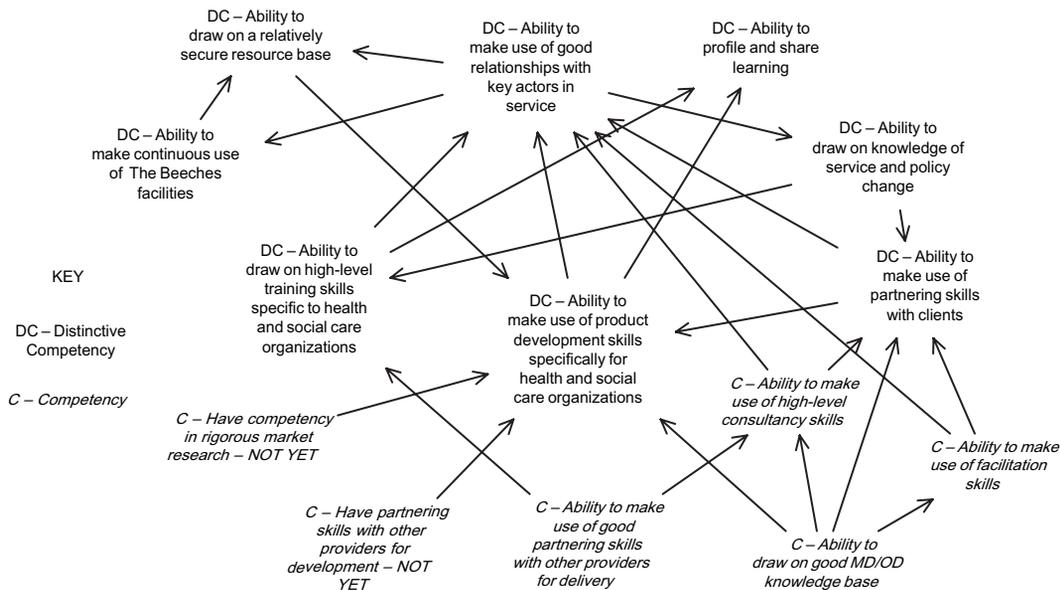

Figure 2   Beeches Management Centre Aspiration System, Including Critical Success Factors, the Overall Goal To "Be #1 Provider," and Broader Desired Outcomes

DC – Ability to draw on a relatively secure resource base

DC – Ability to make use of good relationships with key actors in service

DC – Ability to profile and share learning

DC – Ability to make continuous use of The Beeches facilities

DC – Ability to draw on knowledge of service and policy change

KEY

DC – Distinctive Competency

C – Competency

DC – Ability to draw on high-level training skills specific to health and social care organizations

DC – Ability to make use of product development skills specifically for health and social care organizations

DC – Ability to make use of partnering skills with clients

C – Ability to make use of high-level consultancy skills

C – Have competency in rigorous market research – NOT YET

C – Ability to make use of facilitation skills

C – Have partnering skills with other providers for development – NOT YET

C – Ability to make use of good partnering skills with other providers for delivery

C – Ability to draw on good MD/OD knowledge base

Figure 3   Beeches Management Centre Competencies and Distinctive Competencies

competencies that are yet be developed. The four competencies involve management development, organizational development, consultancy, facilitation, and partnering skills that would be expected in *any* training and consultancy organization. Consequently, these are unlikely to be *distinctive* competencies. The distinctive competencies are linked to the very specific knowledge that BMC staff members have of health and social care policies, services, organizations, and clients. This knowledge and the relationships on which these distinctive competencies are based are hard to replicate. In addition, the relationships help the BMC maintain a secure resource base, including its facilities.

There are, in total, 11 self-reinforcing positive loops, or "virtuous circles" (Senge 1990) within this linked set of statements. The loops support each other to the BMC's benefit. The "ability to make use of good relationships with key actors in the service" appears in all of these loops. If this distinctive competency did not exist and link to others, all of the loops would disappear; for this reason alone, it is likely to be a core distinctive competence. However, also noteworthy are five specific self-reinforcing loops linking distinctive competencies. The loops involve different combinations of three or more of the following: "ability to make use of good relationships with key actors in the service," "ability to draw upon knowledge of service and policy change," "ability to make use of partnering skills with clients," "ability to make use of product-development skills specifically for health and social care organizations," "ability to draw on high-level training skills specific to health and social care organizations," and "ability to draw on a relatively secure funding base." For example, one loop goes from "ability to make use of partnering skills with clients" to "ability to make use of good relationships with key actors in the service" (including those in government departments) to "ability to draw on knowledge of service and policy change," and back to providing some of the wherewithal for partnering with clients.

Another related loop goes from "ability to make use of good relationships with key actors in the service" to "ability to draw on a relatively secure resource base" to "ability to make use of product-development skills specifically for health and social care organizations," which support having good relationships with key actors who want new and useful products. The five self-reinforcing loops are almost impossible for any outside competitor to replicate and therefore provide a source of sustained competitive advantage for the BMC. Said differently, although the BMC has a number of competitors in the public sector (mostly universities) and private sector (mostly consulting firms), none of these organizations is likely to be able to match the self-reinforcing positive loops of competencies that the BMC possesses. If the BMC wishes to stay "in business," the loops should be diligently maintained and perhaps new ones promulgated. In addition, two of the concepts in the loops—"ability to draw on high-level training skills specific to health and social care organizations" and "ability to make use of product-development skills specifically for health and social care organizations"—also support "profile and share learning," which, as we will see, is an important, direct source of support for achieving the BMC's aspirations.

Create Draft Livelihood Scheme
In order to create a livelihood scheme, the aspiration system—what is desired—must be supported by the competencies and distinctive competencies (i.e., what can be reliably drawn on to achieve the aspirations). For the BMC, then, the next step in the process was

to link the statements in figure 2 with those in figure 3 (using only distinctive competencies) and thereby attempt to construct a valid BMC livelihood scheme. This task involved making use of a number of statements and links already on the wall, but it also required creating new statements and links. After considerable reflection and discussion, final agreement was reached on the aspirations, distinctive competencies, four necessary new linking statements, and links among them. The new linking statements included the following: "build the market for education, learning, and organizational development products and services," "develop new, different, value-added BMC products and services in partnership with health and social care organizations," "give clients public recognition for the results of BMC interventions," and "know the clients' issue agenda." Together, these elements composed the draft livelihood scheme for the BMC. The aspirations, distinctive competencies, necessary linking statements, and links among them are presented in figure 4; the new links among distinctive competencies, linking statements, and CSFs are shown as arrows with solid arrowheads.

The livelihood scheme indicates that the aspiration system is strongly supported either directly or indirectly (through linking statements) by distinctive competencies. Five distinctive competencies connect directly with CSFs: "ability to profile and share learning," "ability to draw on high-level training skills specific to health and social care organizations," "ability to make use of good relationships with key actors in service," "ability to draw on knowledge of service and policy change," and "ability to make use of partnering skills with clients." As noted earlier, the latter four are also part of self-reinforcing loops of distinctive competencies. These four distinctive competencies are also likely to be *core distinctive competencies,* as they are key to the long-term success and sustainability of the BMC.

Develop a Multiyear Strategic Plan and First-Year Business Plan

The previous multiyear strategic plan was ready for a major review in 2004. The chief executive noted the importance of the livelihood scheme when she said,

> The work spent on identifying the distinctive competencies of the Centre, and recognizing the links of the competencies to our aspirations through the livelihood scheme was essential to the strategic review begun in 2004 in that it highlighted issues central to the strategic direction of the organization. These issues have been
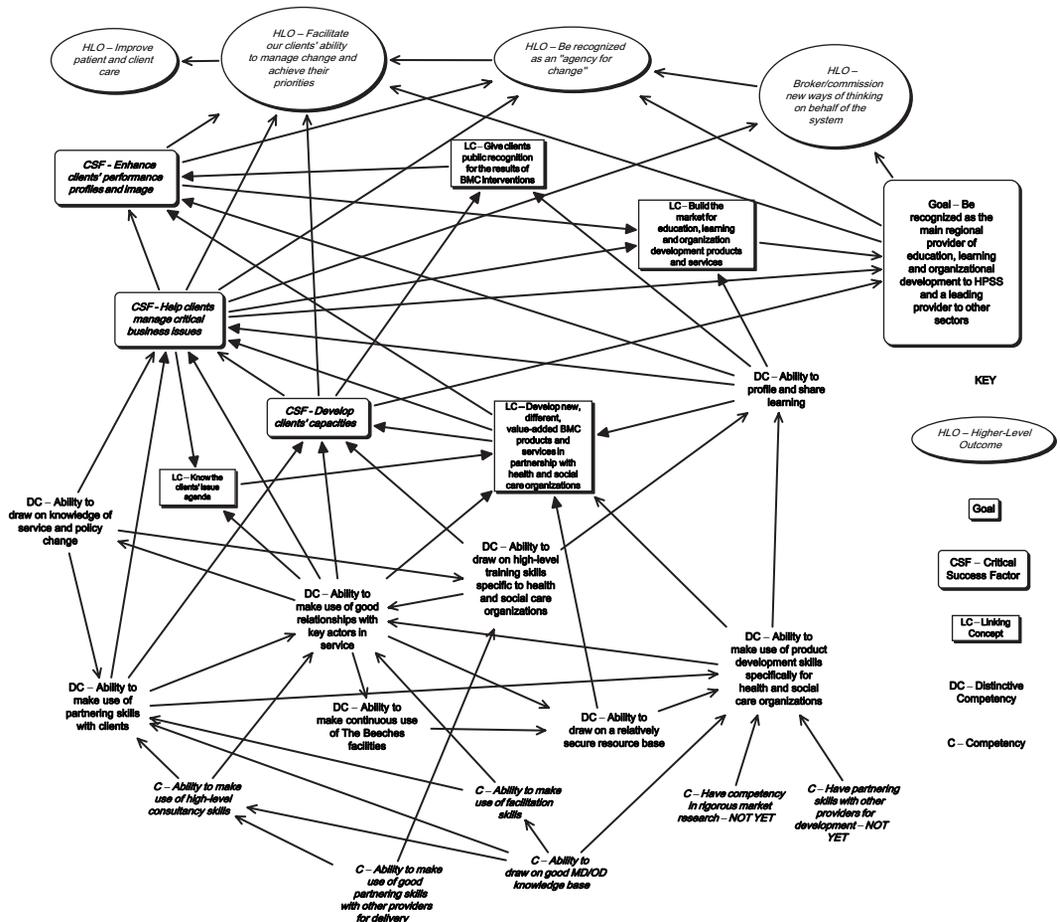

Figure 4   Beeches Management Centre Livelihood Scheme

integrated into the new corporate strategy for the organization.

A discussion paper was prepared and circulated to key stakeholders in autumn 2004, both within the organization, and externally, to our client base. The process of strategy formulation and consultation was designed to draw on and reinforce some of the distinctive competencies and critical success factors identified in the livelihood scheme. Specifically, the consultation process was designed to take advantage of and reinforce our "ability to make use of good relationships with key actors in the service" and our "ability to make use of partnering skills with clients." It was essential to the organization that the corporate strategy be supported by the livelihood scheme, and that we could be assured that it would help us achieve our aims and meet our critical success factors. The strategy will help us "help clients manage their critical business issues" [a CSF] through "developing clients' capacities" [another CSF] because the consultation process helped clarify exactly what those issues are and what client capacities are needed over the next three- to five-year period and allowed us to develop a robust set of strategies in response. (Irene Hewitt, personal communication, September 9, 2005)

The new corporate strategy includes four new strategic goals meant to guide the BMC toward the achievement of its mission (see table 3). The livelihood scheme's CSFs all focus on clients, and the analysis assisted in describing a corporate goal for clients. The goal is "to play a role in the improvement of services to patients and clients by raising the management and professional skills of the [health and personal social services] workforce, and supporting the overall improvement and reform of [health and personal social services organizations]." Note that this goal explicitly incorporates the broader desired system outcomes

presented in figure 1. Each of the other goals was also informed by the work on the livelihood scheme. The strategic subgoals supporting the new strategic goals address the issues identified in the livelihood scheme, such as the need to "develop new, different, value-added BMC models in partnership with health and social care organizations" (a CSF). Interestingly, one of the competencies identified as important but not yet sufficiently developed was "have partnering skills with other providers for development." This deficiency led the BMC to establish a productive working relationship with an English university to develop new initiatives around team-based working.

The new corporate strategy—the Beeches Management Centre Corporate Strategy 2005–2008—was formally adopted by the BMC Council of Management in June 2005. In addition to the four new strategic goals, it is also worth noting that the BMC changed its mission to reflect the four higher-level outcomes outlined in figure 1. The second sentence of the mission was changed to read, "We will work in partnership with our clients to enhance their capacity to achieve their objectives *and improve the health and well-being of the population*" (change in italics). Regarding this addition, Irene Hewitt observed,

> We always believed that [the BMC was intended to improve the health and well-being of the population], but the livelihood scheme work helped draw it out and make it explicit within our mission. The addition was then well supported by the other business units of the Beeches (i.e. Nursing and Midwifery Education, and Financial Services), when we came to draft the final version of the strategy. (Irene Hewitt, personal communication, September 15, 2005)

The first-year business plan for 2005–06 provided detailed elaboration of what the BMC proposed to do in each goal and subgoal area and specified numerical targets or performance indicators for each.

Table 3 Beeches Management Centre: Corporate Goals

Our Clients	To play a role in the improvement of services to patients and clients by raising the management and professional skills of the HPSS workforce, and supporting the overall improvement and reform of HPSS organizations.
Our Staff	To continuously develop a highly skilled and dynamic BMC team to provide innovative and high quality management, education and organizational support.
Our Internal Processes	To challenge and improve those internal processes at which we must excel so that our programs and services are relevant to the current and emerging needs of our clients and deliver what they require.
Our Business Profile	To secure effective funding levels to deliver our mission statement and corporate strategy through consolidating our market position within the HPSS and expanding beyond.

Source: Beeches Management Centre, Corporate Strategy 2005–2008, adopted by the Council of Management, June 2005.

Contributions and Challenges of Making Use of Distinctive Competencies and Livelihood Schemes

The development of a livelihood scheme provides a powerful "structure for strategy" (Eden and Ackermann 2001). In the BMC case, key strategic goals, strategies, and the yearly business plan were directly informed by the livelihood scheme. For example, in addition to the connections noted already, the linking concepts between distinctive competencies and aspirations helped to clarify where key strategies were needed. The linking statements included "know the clients' issue agenda," "develop new, different, value-added BMC products and services in partnership with health and social care organizations," "give the clients public recognition for the results of BMC interventions," and "build the market for education, learning, and organizational development products and services." As one example, new product and service development strategies tied to clients' issues were articulated, as they would help clients and build the market.

The importance of these strategies, in light of the livelihood scheme, underscores the strategic significance of the issue that prompted the planning session in the first place. Recall that the planning group thought that new product and service development was not occurring at a rapid enough rate because the BMC was finding it difficult to stop delivering "old" products and services in demand by some clients in order to free up time to develop "new" products and services. The need to find a way to stop doing some things in order to focus more attention on product development was dramatically driven home by the explication of the livelihood scheme. The BMC simply had to find a way to do so, or else its long-term viability would be in question; whether it will wholly succeed in this regard is unclear at present. In the meantime, the BMC has added staff to meet increasing demand and had freed up time to develop new products and services.

In sum, we argue that creating a livelihood scheme should be viewed as an important precursor to developing a strategic plan, which it certainly was in the BMC case. The livelihood scheme provides the basic logic on which a strategic plan can be built.[8] As the plan is developed, new knowledge may indicate that the scheme needs to be changed, but the key point is that without a viable livelihood scheme to back it up, a strategic plan is irrelevant and organizational aspirations are unlikely to be achieved as efficiently or effectively as they otherwise might be.

> ...we argue that creating a livelihood scheme should be viewed as an important precursor to developing a strategic plan, which it certainly was in the BMC case. The livelihood scheme provides the basic logic on which a strategic plan can be built.

The BMC livelihood scheme also points to the need to invest in distinctive competencies and loops of distinctive competencies. This strategy should also invest in competencies that may not be distinctive but are nonetheless important because they support distinctive competencies, as well as develop new competencies to support aspects of more important distinctive competencies, which is what led to the partnership with the English university focused on developing new products and services tied to working in teams. Maintaining the "ability to draw on a relatively secure resource base" is crucial to all of the strategy work.

The process of developing a livelihood scheme is cyclical. Aspirations are modified as distinctive competencies are identified; distinctive competencies are identified as being necessary given the desire to retain particular goals; and gradually the need for new competencies becomes obvious as strategies and strategic options are explored. However, as Eden and Ackermann (1998) point out, developing new distinctive competencies is extremely difficult, and the most effective way of doing so is to strategically develop new links that create new distinctive patterns of competencies. In addition, other distinctive competencies may be seen as irrelevant or unhelpful in light of aspirations, resulting in a shift of energy and resources. This cycle gradually reveals which distinctive competencies are core and which aspirations are, at least for the time being, inviolate.

Research evidence from the public sector indicates that management stability is strongly associated with good performance in public organizations (Milward and Provan 2000; O'Toole and Meier 2003). We interpret these findings to mean that stable management also means stable distinctive competencies, aspirations, and livelihood schemes. On the other hand, changes in senior leadership or policy are likely to disrupt the nature of or linkages between distinctive competencies and aspirations, and this disruption will negatively affect livelihood schemes, at least in the short term. Public organizational performance thus is likely to suffer, at least in the short term.

A livelihood scheme also can provide useful information for making broader resource-allocation decisions; that is, these decisions should make sense in light of the scheme. For instance, choices to outsource particular functions or tasks should not undermine distinctive competencies and core distinctive competencies. Useful information can also be provided for the creation of performance measurement and performance management systems to ensure that

competencies and aspirations are linked. Additionally, a livelihood scheme can provide the logic behind marketing and public relations campaigns aimed at explaining what the organization does, how it does it, and why.

The process of developing a livelihood scheme may require outside facilitation because it is likely to require skill in causal mapping and facilitation. But more and more people are developing these skills, so efforts to identify distinctive competencies, develop livelihood schemes, and use them to develop strategies and strategic plans are likely to increase substantially over time.

The creation of a livelihood scheme and strategies based on it is not without danger, however. The biggest danger is that by locking in commitment to specific competencies, the scheme and strategies will create undesirable rigidities in commitments, learning, and abilities to respond to major changes beyond what the competencies and strategies can handle. In other words, if organizational leaders are not careful, distinctive competencies can lead to distinctive and damaging rigidities (Leonard-Barton 1995) and strategic inertia (Johnson and Scholes 2002). The challenge is to have competencies and strategies that help not just with knowledge exploitation around existing ways of doing business but also with knowledge exploration around new ways of doing business with current or new stakeholders (Zollo and Winter 2002). Developing competencies in learning and change management appears to be a very useful antidote to incipient rigidity and strategic inertia (Danneels 2002; Senge 1990).

Conclusion

We have attempted to demonstrate that a resource-based approach to strategy formulation and implementation is relevant and potentially useful in the public sector. We have also presented a method for identifying distinctive competencies and developing a livelihood scheme. In doing so, our hope has been to make contributions to both public strategic management theory and practice. The specific example we have used is a rather unusual public training and consultancy organization, but we believe the approach we have outlined would be useful for other types of public and nonprofit organizations as well. To be truly useful, the approach always has to take into account the specific context and organizational details. Our argument may be summarized in the form of several testable propositions.

Proposition 1—Public organizations that perform well over long periods of time will draw on distinctive competencies that consist of linked competencies and self-reinforcing loops of competencies. This is the key proposition of the resource-based view of strategy, especially as elabo-

rated by Eden and Ackermann (1998) and Ackermann, Eden, and Brown (2005), who emphasize the importance of linked competencies and self-reinforcing positive loops (virtuous circles) of competencies. The BMC example illustrates how competencies, distinctive competencies, and core distinctive competencies can provide an important basis for sustained performance and the creation of public value. Further research, of course, is needed to demonstrate a connection between distinctive competencies and sustained performance in public organizations. However, there is empirical evidence from the private sector to indicate that strategies based on core competencies help firms survive recession better than others and emerge stronger as economic recovery develops (e.g., Bogner and Thomas 1994; see also note 2). We propose a method for identifying distinctive competencies for both research and practical purposes that attends to the resource-based view assertion that many distinctive competencies are based on ambiguous, tacit knowledge and skills.

Proposition 2—Public organizations that develop a valid livelihood scheme and formulate and implement their strategies based on that scheme will achieve a better fit or alignment with the demands and opportunities of their environments—and will perform better in those environments—than organizations that do not. The meaning of "valid," of course, is open to debate. By valid, we have in mind a livelihood scheme that takes mandates, goals, key performance indicators, stakeholder demands, and so forth into account and is tested with key actors in the environment. We argue that work of this sort is crucial for actually mobilizing public organizational power for public purposes. As Burns notes, "The two essentials of power are motive and resource. The two are interrelated. Lacking motive [aspirations or goals], resource diminishes; lacking resource, motive lies idle. Lacking either one, power collapses" (1978, 12).

We assert that one reason strategic planning is often less successful than it might be otherwise is that strategic planning exercises typically do not take distinctive competencies and their links to aspirations into account. In other words, many strategic planning efforts miss a key component of effective strategizing and performance measurement and management. The BMC clearly did take its distinctive competencies, aspirations, and livelihood scheme into account as it developed its strategic and business plans. Whether these linkages will lead to sustained success, of course, remains to be demonstrated, and this is an important subject for further research, both in the BMC case and in public organizations generally. To be most useful, research of this kind clearly should be comparative, longitudinal, qualitative, and quantitative in nature.

Proposition 3—Successful collaborations involving public organizations must be underpinned by linked competencies across organizations. A key feature of the linked competencies is their contribution to the building and maintenance of network-based intellectual, human, social, political, and cultural capital (Nahapiet and Ghoshal 1998; Flora 2003) and the extent to which they allow participating organizations to achieve together what could not be achieved separately—in other words, to achieve "collaborative advantage" (Huxham and Vangen 2005). The BMC process did not directly identify the competencies of the clients with whom it collaborates, but the BMC livelihood scheme focused directly on collaborators who use the BMC the most and push it the hardest. The livelihood scheme acknowledges the need to exploit existing knowledge, products and services, but it also highlights the need to explore and develop new knowledge, products, and services in partnership with these collaborators if the BMC is continue to produce collaborative advantage and survive. A crucial feature of the BMC's linked competencies appears to be their ability to build on intellectual, human, social, political, and cultural capital tied to the BMC's collaborative role in the health and personal social service system.

> ...our own anecdotal evidence indicates that the day a public management team spends on developing a livelihood scheme typically is one of the best days they will ever spend sharpening their strategic thinking, acting, and learning abilities.

Proposition 4—Success for public organizations is likely to be based on the exploitation, sustenance, and protection of existing distinctive competencies, as well as the development of new distinctive competencies. The point is typically made with regard to for-profit organizations (Zollo and Winter 2002). However, there is no reason to suppose that exploiting existing distinctive competencies and developing new ones are any less significant for public organizations. The BMC's strategic and business plans call for investing in existing distinctive competencies and developing new ones. The BMC's partnership with the English university to develop new knowledge, products and services related to working in teams is an example of investing in new competencies.

Obviously, research is needed on how livelihood schemes can best be developed and how useful they are in public settings. We believe that the four propositions merit careful testing. The BMC case does not in any sense represent a test of the propositions; instead, it is intended to show how distinctive competencies and aspirations may be identified and livelihood schemes developed. We hope the article and example will prompt broader use and careful testing of the methodology for identifying and making use of

distinctive competencies through development of a livelihood scheme along with strategic and annual plans based on it. In this regard, it is important to emphasize that the BMC represents an unusual public service-delivery organization that is a result of collaboration with and among other organizations. Other types of public organizations and settings also need to be studied—for example, oversight, regulatory, and staff support organizations.

We end with the observation that our own anecdotal evidence indicates that the day a public management team spends on developing a livelihood scheme is typically one of the best days they will ever spend sharpening their strategic thinking, acting, and learning abilities. At a minimum, we believe the superiority of focusing on competencies, aspirations, and a livelihood scheme over a simple SWOT analysis should be obvious, given that each typically takes approximately the same amount of time and SWOT analyses do not specifically take aspirations into account. But careful research with a larger sample is needed to test this assertion as well. In sum, we believe that the resource-based view's promise of improved public organizational performance is worth further investigation.

Acknowledgments

Notes

1. Ambiguity may not always be necessary in order to have a distinctive competency in the public sector. For example, government transparency can be a distinctive competency when it comes to creating public value, a competency that is hard for private or nonprofit organizations to replicate without the loss of competitive advantage.

2. Pringle and Kroll (1997) provide a unusual public sector example. Based on a resource-based view analysis, they argue that Lord Nelson's victory over the French and Spanish fleets at the Battle of

Trafalgar on October 21, 1805, was essentially won before it began because of the superior advantage in core distinctive competencies that the British Royal Navy had in comparison with its French and Spanish foes. Toward the end of his life, Napoleon Bonaparte ruefully observed, "In all my plans I have always been thwarted by the British Fleet." A very different example is provided by the success of the United Farm Workers union in the United States during the 1960s and 1970s. Ganz (2000) shows how the union's distinctive competencies in information gathering, strategizing, and motivation helped it outperform its better-financed rival, the Agricultural Workers' Organizing Committee of the AFL-CIO.

3. A livelihood scheme is somewhat similar to what Bryson, Gibbons, and Shaye (2000) call an "enterprise scheme."

4. One final definition may be helpful. Stalk, Evans, and Shulman define a capability as "a set of business processes strategically understood." They go on to note that "the building blocks of corporate strategy are not products and markets but business processes" (1992, 62). Honda, for example, has linked capabilities in the design and manufacture of engines, overall product development, and dealer management. Each consists of several linked business processes. Those processes, in turn, are made up of many competencies and distinctive competencies. A capability therefore refers to business processes that involve the integrated aggregations of competencies and distinctive competencies.

5. Boards include the Eastern Health and Social Services Board, a health and social service purchasing agent for the people of the Belfast region. Trusts are large operating units, such as the Royal Hospitals Trust, the Belfast City Hospital Trust, and the North and West Belfast Health and Social Services Trust. Agencies include the Central Services Agency, a supplies purchaser, and the Northern Ireland Regional Medical Physics Agency.

6. See chapter 2 in Ackermann, Eden, and Brown (2005) for detailed guidance on who should participate.

7. For Johnson and Scholes (2002, 156–59) and Bryson (2004a, 375–76), identifying CSFs is the starting point in the process of identifying distinctive competencies, whereas for Eden and Ackermann, identifying aspirations is the starting point. These authors do not say what the connection ought to be between CSFs and aspirations. Therefore, the process presented in this article joins the two approaches and indicates that CSFs ought be treated as part of the aspiration system.

8. Chapter 8 in Ackermann, Eden, and Brown (2005) provides a guide to the creation of a statement of strategic intent based on the livelihood scheme.

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