

THE USE OF STRATEGIC MANAGEMENT IN THE PUBLIC SECTOR

Payman Mustafa Muhamad

College of Political Science, Sulaimani University, Sulaimani, Iraq

Email Address: payman.mustafa@univsul.edu.iq

ABSTRACT

Strategic management is now a government-wide reform initiative in most countries around the world. This study examines the effectiveness of using strategic management in the public sectors. By analysing the process of strategic management in public organizations, this study attempts to investigate how much the public organizations accepts the idea or thinks strategically in its performances. The research finds that the use of strategic management in public sector has resulted in several improvements, but due to barriers for perfect evaluation, it is still not clear how far public sector thinks strategically.

Keywords: Strategic Management, Strategic Planning, Public Organization, Control and Evaluation.

INTRODUCTION

Strategic management is a relatively new innovation in the public sector management. Strategic management is the “process whereby goals and objects are identified, policies are formulated, and strategies are selected in order to achieve the overall purpose or mission of an organization“(Steiss, 1985, p. 1). Although its root is outside the public organization, managing strategically in state entities have derived several benefits and improvements.

The structure of this study is as follows: firstly, the meaning of strategy in the Public Sector is analysed. Secondly, the rationale and importance of the use of strategic management in government organisations are discussed. Thirdly, the process of strategic management that consists of strategic planning, resource management, control and evaluation are discussed. Finally, in conclusion, the paper will highlight that, there are still problems with respect to strategic management in the public sector despite existing elements that can improve the situation. Hence, this paper further suggests that, using strategic management in public organizations might not be successful due to difficulties with evaluation.

2. THE MEANING OF STRATEGY IN THE PUBLIC SECTOR

The work of Chandler defines strategy as “the determination of basic long-term goals and objectives of the enterprise, adopting a course of action, and the allocation of resources necessary for carrying out these goals” (Chandler, 1962, p.13). According to his perspective, strategy includes both ends and means. Strategy has a substantial impact on the structure and performance of an organization which works as a key mechanism for creating a new direction. Without strategy, an organization lacks direction (Bovaird, 2003, p. 55). Also, Llewellyn and Tappin illustrate that strategies enable

the presence of organisational priorities and value in building the direction of public services (2003, p. 955).

Mintzberg et al. argue that, when defining strategy in every case, “five Ps” as basic elements should be taken in to account. Strategy can be analysed in five different meanings which are plan, pattern, position, perspective, and ploy. One view of strategy is a plan since it mostly means “a path to get from here to there”. To some people, strategy is a pattern that is stable in behaviour over a period (2009, pp 9-10). For others, strategy is a position that ensures specific products for selected markets. Perspective is another definition for this term, and an essential way of conducting activities in an organization. Finally, strategy can be defined as a ploy, which means a specific tactic for taking advantage against a competitor or opponent (Mintzberg, 2009, pp. 13-15). However, the term “ploy” is still criticized. Hence, dealing with strategy as ploy could raise moral issues since ploy mostly involves a purposeful “deviousness” (Levy et al. 2003, p. 94).

Llewellyn and Tappin argue that the concept of Strategy and managing strategically have their cruxes outside the public sectors; therefore, these concepts need to be “planted” in the public organizations (2003, p. 957). The culture of public entities is an uncultivated arena for managing strategically. Thus, public services create a “wilderness” in this regard. There are some problems in the application of strategies in the public sector (Hughes, 2003, p. 133). For example, public sector lacks competitive circumstances which offer the application of strategies and maintain its monopoly over provisions. Another issue is that, public organizations tend to remain unchanged and steady due to its inward focus on bureaucracies, conformity, reliability, and basic standards of service”. These ideas result in a limitation to strategic management in public bodies. Furthermore, the frequent existence of unsolvable problems and public sectors’ tendency to satisfy stakeholders’ demands are recognised as other factors regarding this context (Llewellyn and Tappin, 2003, p. 957).

Nutt and Backoff analyse profit and competitiveness as two major features of strategy (1995, p. 192). Similarly, Stewart argues that, the key idea of strategy is the spirit of competitive success through which an organization can determine its future and overcome the difficulties from competitors (2004, p. 16). In contrast, the nature of private sector is adaptable for strategy since its purpose in the commercial sector is to consider the conditions of the market for more long-term profits. While the public sector’s duty is to serve the demands and interests of the society, the aim of strategy in state organisations is to address both external and internal environments (Knutsson et al. 2008, p. 297). Popa et al. (2011, p. 63), critically suggests that the competitive feature of strategy could enhance the public organisation’s services and reduce the level of inefficiencies and wastefulness. There is another view that thinking about alternative models of strategy by considering “...market constraints on condition, aims, amount of authority, authorization to act accountability, and performance expectation”, is possible within non-profit sectors such as public and third sectors (Nutt and Backoff, 1995, p. 190).

3. THE IMPORTANCE AND RATIONALE FOR STRATEGIC MANAGEMENT IN THE PUBLIC SECTOR

Public sectors are increasingly being asked to apply strategic management as a part to their systematic management technique (Green, 1998, p. 536). Hughes refers the rise of managing strategically in state agencies by criticizing the traditional model of public administration, which he

identifies as inward focus, routine orientated, short term perspective, and pays less attention to long-run problems (2003, P. 132). Koteen confirms that, strategic management is presented to improve the entire set of managerial decisions and activities that determine the long term performance of the organization (1997, p. 21). Using strategies in governmental agencies should go beyond routine managerial activities, and should analyse a long run organizational vision and mission in a systematic process (Hughes, 2003, p. 132).

In another perspective, Berry argues that the increased demand for managing public sectors strategically and economic crisis of the later 1980s are connected, to a major extent (1994, p. 322). As an indication of this connection, from this time onwards, several scholars have written about “cutback management”, and made proposals for adaptation of plans, and strategic management as a governmental response to the crisis in third publications. The adaptation of strategic planning makes it possible for agency managers to address third budgets and keep funding for the organization’s highest priority subjects (Berry, 1994, p. 328). Llewellyn and Tappin (2003, p. 956) stress that, while public services’ funding is uncertain and constrained, state agencies are highly required to underline their organisational aims, outputs, and outcomes more transparently in “strategies” for governmental funding bodies to survive. Thus, there is an argument that, with strategic management, public sectors may be able to handle their budget properly and possibly control public expenditure (Green, 1998, p. 539).

With the important role of strategic management in non-profit sectors, Joyce maintains that the size of public sector organization is significantly large, chaotic, and complicated. Thus, public sector management should apply strategic management as a powerful instrument in order to lead the organisation to the planned direction. Moreover, this kind of strategy is needed for ensuring that public sectors survive “in the short and medium term”, and also act towards the long-run future of the firm (1999, pp. 1-2).

The opinion of Bovaird is that, emerging strategic management in public sector organisation mostly refers to the lack of planning. He notes that in the 1980s “very few planned, intended strategies were actually implemented in the end – most of them ended up in the rubbish bin” (2003, p. 68). This indicates that plans were presented in public agencies before introducing strategic management. In a different perspective, Petrescu et al. (2010, p. 411) argue that the rise of new public management (NPM) has corresponded to managing strategically in public sector organizations. During NPM period, the boundaries between public and private organisations were absorbent and as a consequence, there were opportunities for transferring several culture and management techniques, including strategic management from private to public organisations (Olsen, 2004, p. 70).

Strategic management and strategic planning have been often used as two interchangeable concepts (Poister and Streib, 1999, p. 309). Bovaird critically supports the idea and suggest that, strategic management is present if government performance goes beyond the formulation of plans towards its implementation for obtaining the goals of strategies (2003, p. 57). Vinzant and Vinzant emphasizes that, strategic management process consists of strategic planning, resource management, control and evaluation. Based on their idea, strategic planning is one of the crucial elements of the process of strategic management: hence, these two terms are not the same (Vinzant and Vinzant, 1996, p. 203).

4. THE PROCESS OF STRATEGIC MANAGEMENT IN THE PUBLIC SECTOR

As mentioned, the work of Vinzant and Vinzant has recognised strategic planning, resource management, control and evaluation as three interrelated elements in strategic management implementation processes (1996, p. 202)

4.1 Strategic planning

Bryson defines strategic planning as “a disciplined effort to produce fundamental decisions and actions shaping the nature and direction of an organization’s (or other entity’s) activities within legal bounds” (1988, p. 74). It determines the goals and objectives of the organization and implementation strategies. Strategic planning process requires gathering, shifting, analyzing information and creating the organisational direction by evaluating goals and priorities, and deciding what is best for the organization (Dobson and Starkey, 1993, p. 1).

Poister and Streib argue that strategic planning is a managerial tool for creating a “balance between an organisation and its environmental context over time”(2005, p. 46). Vinzant and Vinzant argue that, creating strategic planning is significantly valuable for organisations, but highly important for strategic management to go beyond normal planning and the process of implementation. (1996 p. 202). Bovaird suggests that the identification of “strengths, weaknesses, opportunities and threats (SWOT)” before implementation is needed (2003, p. 63). Joyce emphasises on the importance of this identification for addressing the linkage between an organization and its internal and external environments (1999, p. 36)

SWOT is a widespread used technique that analysis both internal and external organisational environment for examining factors favourable and hostile to the success of the mission of organization (Joyce, 1999, p. 36). Mintzberg is concerned about controlling both environments and argue that, although people always pretend to have control over every situation , due to external factors they often fail (1993, p. 39). Koteen clarifies that strategic performance is substantially affected by external factors since these factors determine and direct the overall function of the organization. In addition to that, internal factors are mostly associated with organisational strengths and weaknesses such as authority and responsibility of executive part, structure and culture of the organisation, human and financial resources (1997, pp. 71-72). Therefore, in public agencies, examining both environments is important before plans are implemented.

4.2 Resource Management process

The second step within the process of strategic management is resource management where the implementation of plans takes place (Vinzant and Vinzant, 1996, p. 203). A study by Koteen shows that, for an effective implementation process, a series of functions need to be considered. Essential elements of these functions are leadership, budgeting, and project management (1997, p. 85). For illustrating the importance role of one of these vital elements, Muuns and Bjeirmi identify project management as the sequence “of controlling the achievement of project objectives” (1996, p. 81). Project management is considered as the fundamental process since it allows the related members to understand their duties, and creates boundaries for activities that should be counted to improve monitoring (Joyce, 1999, p. 82). It is the responsibility of the project manager to clarify the necessary actions for achieving the expected results according to the goals of the programme. This clarification sets top-down model of functions where each activity has its own sub-activities and

follows “sub-sub-activities” for completing the process (Joyce, 1999, p. 83).

4.3. Control and evaluation

The final step within the process of strategic management in the public sector is control and evaluation (Vinzant and Vinzant, 1996, p. 202.). It has been discussed that the environment of states agencies are often unpredictable and unknowable; as a consequence, controlling is needed substantially in order to be sure about effective implementation (Koteen, 1997, p. 305). In this respect, using feedbacks as a valuable mechanism to avoid threats and difficulties to succeed in programs by management control is possible. For instance, the controller can take advantage from feedbacks for addressing errors or lack of efficiency in the organization, and further create alternative plans. Therefore, management control can be used as a prevention model against any possible issues (Koteen, 1997, p. 306).

Dobson and Starkey (1993, p. 16) argue that “strategy can neither be formulated nor adjusted to change circumstances without a process of strategy evaluation”. The process of evaluating and learning is needed in order to change and develop organizational interests. Koteen emphasized on the crucial role of evolution and suggested that, in order to measure how far “the strategic management system has become institutionalized”, evaluation is necessary (1997, p. 96). However, it is difficult to evaluate how much the organization accepts the idea or thinks strategically in its performances. It can be said that due to the complexity of goals and objectives of the organization, programme evaluation is often problematic in public sectors. Hence, as Ham and Hill (1984, p. 139) noted, there is no explicit standard to determine whether the implementation is successful or not.

Other concerns have been expressed by Oster who argue that, “program evaluation should be conducted by a person or group which is not associated with the unit being evaluated”. This means that internal evaluators are generally concerned about procedure than quality of performance (1995, p. 154). Alternatively, external evaluators may probably conduct unbiased evaluation. However, other prefer internal evaluators who are directly involved with units being evaluated since they might be more familiar with the environment where strategies are being implemented, and have more knowledge about formulated plans and goals. Additionally, in most cases, program evaluation taken place during implementation. In this situation, the implementer works as an evaluator. Overall, internal evaluator conducts better evaluation if they are unbiased. However, this is quite problematic within the context of state organizations (Mazmanian and Sabatier, 1989, p.10).

Owing to the variation of public services’ stakeholders, one possible solution for better program evaluation can be provided by cooperating and participation of multiple partners to the delivery of public services and decision making process. This may improve the quality of evaluation in governmental bodies (Fryer, 2009, p. 490). Determining the overall strategy and goals is the crucial part of the managerial program, and this determination can not only be done by the government, but also by agency and its stakeholder.

5. CONCLUSION

This article has examined several meanings of strategy. It has observed that, although the origin of strategic and strategic management was not from public sectors, borrowing these concepts from private sectors has derived several benefits for state entities’ performance and direction. However,

this does not mean planting strategies in public organizations has not faced challenging and barriers. This paper has recognized some of these difficulties. Some authors have supported the idea that managing strategically in government agencies was quite difficult since strategies often associate with profits and competitiveness. For others, the culture and nature of public sector were potentially uncultivated fields for the adaptation model of strategic management. In this respect, this study has underlined the absence of competitive conditions, monopolistic and bureaucratic behavior of public bodies, sustainability of stakeholders' satisfactions, and neglecting unresolvable problems as the main barriers with this issue.

Furthermore, in spite of these mentioned barriers, public bodies have always been encouraged to manage strategically. It has been discussed that, by adapting strategic management, traditional administration could improve toward addressing more long-terms problems. Other refer the rationale behind this adaptation to creating circumstances for helping managers to handle their organization budgets properly, and could maintain funding for the highest priority fields. This could aid states units to respond to economic crisis and maintain government survival.

Based on the work of Vinzant and Venzant (1996, p. 202), this article has recognized strategic planning, resource management, control and evaluation as essential phases of strategic management process. Instead of analyzing each stage in detail, this work has mainly focused on control, evaluation, and the underling barriers for effective evaluation. Finally, it could be concluded that, the use of strategic management in public sector has resulted in several improvements, but due to barriers for perfect evaluation, it is still not clear how far public sector accepts or thinks strategically. One possible solution for better evaluation may be achieved by involving multi-actors to the process of program evaluation.

REFERENCES

- Berry, F. (1994). Innovation in Public Management: The adoption of strategic planning. *Public Administration Review*, 54 (4), 322-330.
- Bovaird, T. (2003). Strategic Management in Public Sector Organizations. in Bovaird, T. Loffler, E. *Public Management and Governance*. London: Routledge. (pp 55- 73).
- Bryson, J. (1988). Strategic Planning Process for Public and Non-profit Organizations. *Long Range Planning*, 21(1), 73-81.
- Chandler, A, D. (1962). *Strategy and Structure: Chapters in the history of the industrial enterprise*. Cambridge. Mass. : London: M.I.T. Press.
- Dobson, P. Starkey, K. (1993). *The Strategic Management Blueprint*. Oxford: Blackwell Business.
- Fryer, K., Antony, J. and Ogden, S. (2009). Performance Management in the Public Sector. *International Journal of Public Sector Management*, 22(6), 478-498.
- Green, S. (1998). Strategic management initiatives in the Civil Service: A cross-cultural comparison. *International Journal of Public Sector Management*, 11(7), 536-552.
- Ham, C. & Hill, M. (1984). *The Policy Process in the Modern Capitalist State*. Brighton: Harvester Wheatsheaf.
- Hughes, O, E. (2003). *Public Management and Administration: An Introduction*. New York: Palgrave.
- Joyce, P. (1999). *Strategic Management for the Public Services*. Buckingham: Open University Press.

- Knutsson, H., Mattisson, O., Ramberg, U. and Tagesson, T. (2008). Do Strategy and Management Matter in Municipal Organisations? *Financial Accountability & Management*, 24(3), 295-319.
- Koteen, J. (1997). *Strategic Management in Public and Nonprofit Organizations: Managing Public Concerns in an Era of Limits*. Westport : Greenwood Press.
- Levy, D., Alvesson, M. and Willmott, M. (2003). *Studying Management Critically*. Newsbury Park: SAGE
- Llewellyn, S. & Tappin, E. (2003). Strategy in the Public Sector: Management in the Wilderness. *Journal of Management Studies*, 40(4), 955-982.
- Mazmanian, D.A. & Sabatier, P.A. (1989). *Implementation and Public Policy: With a New Postscript*. Lanham. MD: University Press of America.
- Mintzberg, H. Ahlstrand, B. and Lampel, J. (Eds). (2009). *Strategy Safari: The complete guide through the wilds of strategic management*. Harlow: Pearson Education Limited.
- Munns, A. and Bjeirmi, B. (1996). The Role of Project Management Achieving Project Success. *International Journal of Project Management*, 14(2), 81-87.
- Nutt, P. and Backoff, R. (1995). Strategy for Public and Third-Sector Organizations. *Journal of Public Administration Research and Theory*, 5(2), 189-211.
- Olsen, J. P. (2004) Citizens, Public Administration and the Search for Theoretical Foundations, *Political Science and Politics*, 37(1), 69 – 79.
- Oster, S. (1995). *Strategic Management for Nonprofit Organizations: Theories and Cases*. Cary: Oxford University Press.
- Petrescu, M. Popescu, D. Barbu, I and Dinescu, R. (2010). Public Management: Between Traditional and New Model , *Review of International Comparative Management*, 11(3), 408-415.
- Poister, T. and Streib, G. (1999). Strategic Management in the Public Sector: Concepts, Models, and Processes. *Public Productivity & Management Review*, 22(3), 308-325.
- Popa, I., Dobrin, C. and Popescu, D. (2011). Theoretical and Empirical. *Research in Urban Management*, 6(4), 60-66.
- Stewart, J. (2004). The Meaning of Strategy in the public sector. *Australian Journal of Public Administration*, 63(4), 16-21.
- Vinzant, J. and Vinzant, D. (1996). Strategic Management and Total Quality Management: Challenges and Choices. *Public Administration Quarterly*, 20(2), 1-23.
- Steiss, A. (1985). *Strategic Management and organization Decision Making*. Lexington: MA: D.C. Health.