

## **MUNICIPAL STRATEGIC MANAGEMENT AND PERFORMANCE**

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**Abstract:** *Strategic management by which managers guide their organizations towards strategic objective can be as important in the businesses as in the municipalities. Particular importance has strategic performance management, which puts a great emphasis on the importance of strategy execution in municipalities, too. Municipalities should be able to identify success factors, especially intangible, which would make the municipality make an successful and different one. The paper emphasises the central importance of municipal strategic management. The aim of the contribution is to identify solved priorities and deficiencies in strategic plans based on the collection of secondary sources (websites of municipalities) and to discuss strategic planning of municipalities within the Moravian-Silesian Region in the Czech Republic. The paper suggests the improvement in the strategic plans based on an analysis of these plans and on a primary research.*

**Keywords:** *Municipalities, strategic plans, performance.*

### **INTRODUCTION**

Strategic planning is a deliberative, disciplined approach to producing fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it. Strategic planning is not a substitute for strategic thinking, acting, and learning, or for leadership. Instead, strategic planning is a leadership tool meant to enhance strategic thinking, acting, and learning. Strategic planning can produce several benefits, but there is no guarantee that it will. There are a variety of approaches of strategic planning some approaches emphasize process, while others emphasize content. Strategic management is a broader concept that links planning and implementation (Bryson, 2004).

Municipality can be a city, town, or village. Territorial self-government in the Czech Republic has two tiers. Currently, there is a total of 6 249 municipalities in the Czech Republic, of which there are 20 chartered towns, 496 towns and 5 733 municipalities. The Constitution of the Czech Republic anchors the division of the Czech Republic into basic (municipalities) and higher (regions) territorial self-government units. Municipalities in the Czech Republic administer their territories within the framework of independent competence (SMO CR, 2016).

Although utilization of strategy and strategic management is especially in business sector, it is possible to use principles of strategic management in public sector. Public administration organizations are more bureaucratic, public managers do not have to limited possibilities to determine missions of organizations. There are many potential benefits from adopting the concept of strategy in public sector organizations, municipalities. Public sector makes decisions according to especially legislative rather

than market-driven changes (Kerlinová & Tomášková, 2014; Ferlie, 2002; Rusaw, 2007). Implementation of strategic management principles is closely connected with elaboration of strategic plan.

## **THEORETICAL FRAMEWORK**

Effective strategic management of municipalities supports and encourages adaptive capacity to maintain or improve the conditions of socio-ecological systems and management aspects of profit and nonprofit organizations (Dutra *et al.*, 2015). From an organizational and management perspective, few studies identify municipality attributes that are necessary to build and strengthen adaptive capacity in profit and nonprofit organizations (Dale *et al.*, 2013; Dutra *et al.*, 2015).

Dutra *et al.* (2015); Folke *et al.* (2007); Ford *et al.* (2006); Stocker *et al.* (2012) write about the key drivers related to municipalities and governance: learning and human capacity, leadership, trust, cooperation and coordination, creation of open and transparent processes, communication, information and knowledge exchange, voluntarily. According to Ladner (2016) a lot of municipalities have continued to reform their political, administrative and management system along the ideas of new public management.

Battarra *et al.* (2016) argue that organized networks of citizens (such as non-profit organizations or private associations) together with networks of institutions (such as partnerships amongst municipalities or universities) are needed in order to improve the decision-making processes and strategic planning of municipalities.

Foged (2016) did research within 239 Danish municipalities he examined the attractiveness of municipalities for population. Ruiters & Matji (2016) present public-private partnership (PPP) framework models for funding and financing infrastructure at municipalities. Yinger (1986) provides a general treatment of disparities in a system of municipalities (including strategic areas of municipalities). Wang, Feeney (2016) examine the adoption of information and communication technologies (ICTs), which aim to increase efficiencies for the municipal governments. On the other hand the study of Moon (2002) suggests there are some widely shared barriers (lack of financial, technical, and personal capacities) to the progress of municipal ICTs. Duncombe & Yinger (1993) analyze returns of scale in municipalities their results indicate economies of scope, increasing returns to quality scale to municipalities. Falcao & Santos (2016) did a case study whose objective was to map and analyze organizational processes with the objective of making the public service more responsive, efficient and focused on the user the study object was the process of the simplified public selections made by a municipality.

Strategic planning is an effort that produces fundamental decisions and actions that shape and guide an organization. Strategic plan (strategy) is output of the strategic planning. Strategic management is about the strategy that management carries to achieve better performance. Despite its appeal for improving government, many local governments (municipalities) have not developed performance-measurement system, and even fewer use these systems to improve decision making (De Lancer Julnes & Holzer, 2001). Ammons & Rivernbark (2008) examine patterns of performance measurement use

among a set of cities and conclude that the types of measures on which officials rely, the willingness of officials to embrace comparison, and the degree to which measures are incorporated into key management systems distinguish cities that are more likely to use performance measures for improvement from those less likely to do so. Grossi *et al.* (2016) contribute to the debate on the use of performance in the context of public sector performance management they examine the interest of politicians and senior managers in using such information about performance for decision-making and monitoring within the municipal budget cycle. According to Kerlinová & Tomášková (2014) public administration organizations and municipalities in the Czech Republic have some barriers in strategic management not only with development of strategic plan however with its implementation and performance measurement. Municipalities and public administration organizations should know that strategic management is important instrument for decision process.

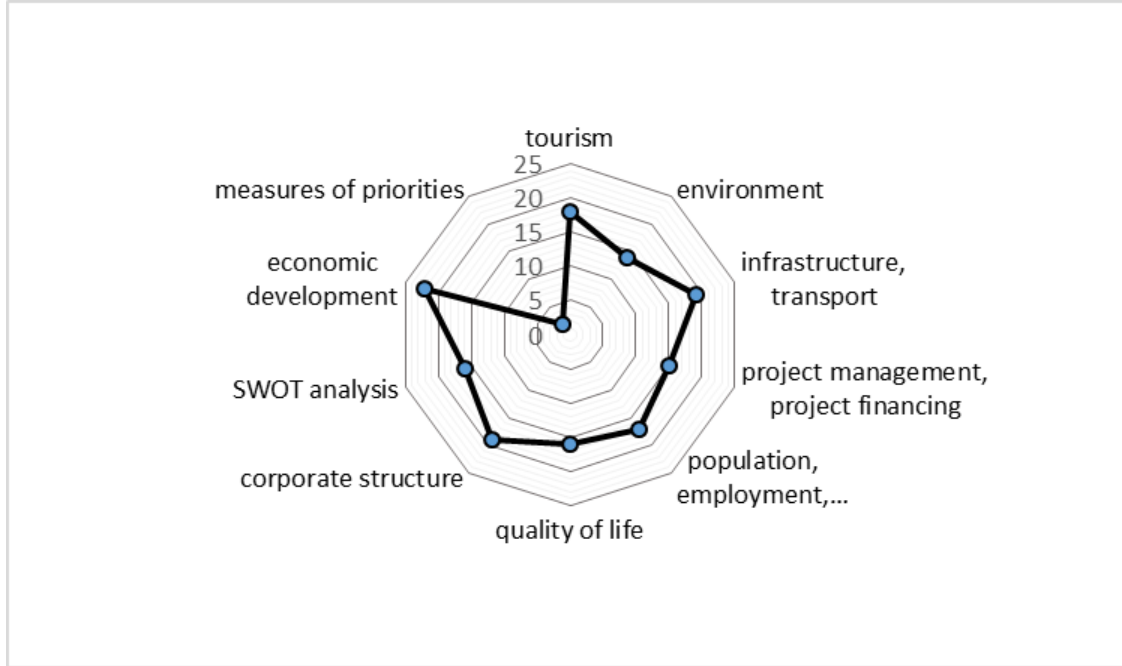
## **METHODOLOGY AND FINDINGS**

Based on the collection of secondary sources (websites of municipalities) there are identified solved priorities and deficiencies in strategic plans. According to comparison of the analyzed strategic plans there are written conclusions and recommendations. The author used subjective determination of evaluation criteria to perform content analysis of published strategic plans. 100 municipalities of the Moravian-Silesian region were analyzed, there were analyzed the websites of the municipalities. Only 22 basic municipalities of the Moravian-Silesian region have published its own plan.

Participation of interest groups as schools, non-profit organizations, entrepreneurs, office clerks, general public in the development of the strategic document is relatively high 14 municipalities from 22. The results showed (Figure 1) that the area of tourism is in 18 plans a strategic priority. 19 of plans mention transport links and infrastructure and entrepreneurship. Priorities such as the quality of life (housing, social, health and education) are mentioned in 16 plans. The environment is mentioned in 14 plans. In all plans, a main priority is determined by economic development. Strategic plans of 16 municipalities best meet the conditions of the SWOT analysis. This analysis is not contained in less than 28 % of these documents. Strategic plans of municipalities are not treated in terms of complexity. Around 59 % of the analyzed municipalities have not developed a strategic plan. Autonomy of these municipalities is unaware of the strategic management and development of a strategic plan that would allow them and their future followers established the basic starting points to develop the municipality. Most plans do not solve measures of solved priorities in the analyzed plans 20 plans do not measure the priorities as objectives, and they are not setting benchmarks to fulfill them. Control of such strategic plan is carried out without prior sophisticated objectives and measures without logical continuity and coordination in 90 % of analyzed plans of municipalities (22 plans).

Based on the collection of secondary sources (websites of municipalities) there are identified deficiencies in strategic plans especially in the area of measurement of priorities, project management and environment.

**Figure 1 Solved priorities in strategic plans**



Source: own processing

Survey method was chosen to collect the primary data. The research facility of this study was of municipalities within the Moravia-Silesian region. The aim of the survey was to get to know how important are areas – strategic priorities - for municipalities involved in the table 1. The key respondents were chairmen of municipalities. A total of 50 questionnaires were randomly distributed to the respondents. Only 24 were deemed usable for further analyses. As such, the response rate was 48 %. It is worth mentioning that the data collection process is still on-going at the point of time this paper was written. A self-administrated questionnaire consisted of 15 questions. All items were designed in 10-point Linkert-type rating scales to ease the respondents in making their choice by simply rating „out of ten“ Specifically, 1 denoted „strongly disagree“, 5 meant „slightly disagree“, 6 „slightly agree“, 10 „strongly agree“.

Table 1 summarizes the values of mean and standard deviation for strategic management. There were 15 items related to this variable. The individual mean value for all items was above 6.00 (slightly agree). The overall mean was 7.22 and standard deviation was 1.07. Two items were found to have a mean greater than 8.00, they were item 13 (M = 8.22; S.D. = 1.67) and item 15 (M = 8.12; S.D. = 1.81). Particularly, item 13 obtained the highest mean. The lowest mean was recorded by item 7 (M = 6.39, S.D. = 2.15). The results indicated that respondents were generally agreed that they possessed positive or favorable strategic management attitude. Therefore, in regards to perceived

desirability, respondents perceived that strategic management was important for the analyzed municipalities.

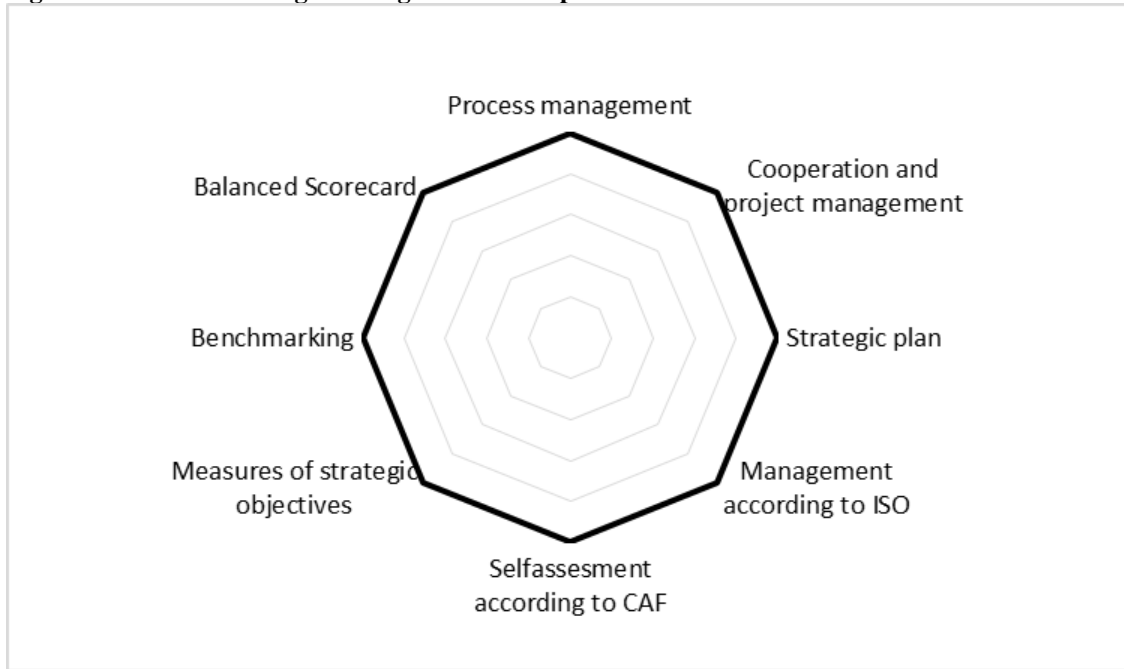
**Table 1 Mean and standard deviation for strategic management**

Item	Description	M	S. D.
1	Identify and believe visions	6.57	2.12
2	Pleasant region to live	7.07	2.24
3	Safe city	6.46	2.04
4	Job opportunity	7.10	2.01
5	Effective management of funds	7.36	1.79
6	Preparation and implementation of investment projects	7.80	1.74
7	Train employees for sustainability	6.39	2.15
8	Entrepreneurship development	7.02	2.22
9	Improving the process of planning and project management	7.59	1.64
10	Fostering an environment of cooperation, trust	6.44	2.38
11	Leasure activities and tourism	6.71	2.06
12	Quality of services, educational facilities	7.61	1.64
13	To be creative and innovative	8.22	1.67
14	Have a feedback to items 1-13	7.94	1.81
15	Measurement and management of items 1-13	8.12	1.81
Overall Value		7.22	1.07

Source: own processing

The analyzed municipalities have positive attitude to measurement and management of strategic priorities (item 15 of the Table 1). When making plans for the new programming period, the strategic management of municipalities should try to apply appropriate managerial concepts and tools that can streamline the process of strategic management, define bottlenecks and should measure strategic initiatives of strategic plans. Appropriate managerial concepts and tools can help municipalities effectively eliminate deficiencies in strategic plans in the future. The development of municipalities within the area of strategic management should involve the process of strategic management development (Figure 2) based on the survey results.

**Figure 2 Process of strategic management development**



Source: own processing

Based on the secondary and primary research the municipalities should implement the process of the strategic management development and it should be fulfilled in step like progression from process management to Balanced Scorecard method (see figure 2). Balanced Scorecard concept belongs to the managerial methods of strategic management. Balanced Scorecard method is focused on the management of organizations and the method measures financial and non-financial indicators of the organizations, which brings together a monitoring and a comprehensive picture of the organization. This method is particularly widespread in business practice, but in the second half of the 90s of the 20th century the method began to be used also in public administration and municipalities. Municipalities can adopt and use the scorecard to help them describe their strategic plans and implement a new strategy management system based on scorecard measurements. The development of the strategy management system transformed the Balanced Scorecard from being an extended diagnostic system to an interactive system, defined by Simson (1995) to have the following characteristics: Information generated by the system is an important agenda addressed by the levels of management; information generated by the system can be interpreted and discussed in meetings of subordinates. The Balanced Scorecard is a catalyst for the continual challenge, for strategic planning.

## DISCUSSION

Falcao & Santos (2016) found that simplified selection processes were scaled on performance levels and their study found that it is possible to decide more objectively in relation to the sequence of activities, distribution of work and the time planned for its

execution. However, in most cases it has been indicated that lack of technical and financial skills and monitoring of the private operator are serious challenges (Ruiters & Matji, 2016).

The study of Longo & Rotolo (2016) explores strategic awareness and its implications for strategic planning in public organizations. The expectation is that better awareness of emergent strategies is the basis of effective strategic thinking and planning. The results highlight some relevant drivers promoting strategic awareness: a mindset change from an internal view to an external needs coverage analysis, the use of horizontal staff involvement to avoid responsibility issues in a structured strategic thinking process and total disclosure within a window of opportunity to show the structural impossibility of reaching universal coverage.

The model showed in the figure 2 “Process of strategic management development” should bring solution for municipalities how to work with factors involved in the table 1. Figure 2 highlights that municipalities should develop their strategic management based on the implementation of the model in the figure 2 in step like progression but it is important to know that the criteria in the model have the same importance and they need to be balanced in municipal strategic management. Moreover the model suggests the implementation of the universal management tool called Balanced Scorecard which can help to measure and evaluate the criteria involved in the table 1 because these criteria play important role in the development of municipal strategic management.

## **CONCLUSION**

Strategic management is essentially a process and it needs to facilitate decision-making and feedback about the feasibility and progress of objectives. Strategic planning is a process which sequences activities in terms of responsibilities and resources to manage an organization’s purpose, objectives and strategy. Seeing strategy in terms of figure 2 which will manage the features of the table 1 can help clarify thinking of municipalities about what kind of job such a strategy should do.

This paper was conducted to study the factors associated with analysis of factors playing important role for strategic management of municipalities of Moravian-Silesian Region of the Czech Republic. This paper is not without any limitations. This showed that municipalities are rather positive about becoming sustainable developing of their territories. The paper highlights the solved priorities in the strategic plans of the municipalities based on the secondary research and analyses the strategic priorities within municipalities based on the primary research. Based on the secondary and primary analyses there is created model which should bring a direction how to manage a municipality effectively and how to develop the municipal strategic management and performance.

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