

Strategic Management in the Public Sector

Lecture 7 – Administrative Processes in Government





Keynote: The Truman Doctrine As Strategic Vision

- ◆ Strategic management – the achievement of long-term organizational goals – is not a tidy business.
- ◆ The “plan” may only be a vague document or unwritten philosophy.
- ◆ The most significant single strategic plan in the 20th century was the Truman Doctrine.
 - The policy of President Harry S. Truman’s administration of extending military and economic aid to those countries seeking to resist “totalitarian aggression”.



What Is Strategic Management?

- ◆ Strategy is the employment of, the management of overall resources to gain an objective.
- ◆ Tactics are the use of a subset of these resources to gain a part of the overall objective.
- ◆ Strategic management is the modern application of this ancient art to contemporary business and public administration.



What Is Strategic Management?

- ◆ Strategic management is the conscious selection of policies, development of capacity, and interpretation of the environment by managers to focus organizational efforts toward the achievement of preset objectives.
- ◆ Private example: doubling of annual dividends.
- ◆ Nonprofit example: creation of a repertory theater.
- ◆ Public example: reduction in crime rate.



What Is Strategic Management?

- ◆ Features of strategic management.
 - Definition of the organizational process within a mission statement;
 - Identification of objectives in a vision statement to be achieved in the future;
 - The adoption of a time frame (or “planning horizon”) in which these objectives are to be achieved;
 - A systematic analysis of the current circumstances of an organization, especially its capabilities;



What Is Strategic Management?

- ◆ Features of strategic management (contd.).
 - An assessment of the environment surrounding the organization – both now and within the planning horizon.
 - The selection of a strategy for the achievement of desired objectives by a future date often comparing various alternatives;
 - The integration of organizational efforts around this strategy; and
 - The creation of control and evaluation systems for continuing feedback.

What Is Strategic Management?

◆ Objectives.

- Objectives were originally part of military thinking.
 - The distinction between a strategic objective and a tactical objective.
- The public sector has been slower to adopt strategic management than the private sector because public administration was more concerned about functions and responsibilities rather than objectives.



What Is Strategic Management?

- ◆ Objectives (contd.).
 - Causes of change from responsibility and function to objectives.
 - The first was the popularization of management by objectives by Peter Drucker (measurable goals to be achieved over a set period of time).
 - The second was the more rapid pace of change in communities.
 - The third was the pervasiveness of strategic management in the private sector.
 - Public organizations still often separate statements of function and statements of objectives.





What Is Strategic Management?

- ◆ Objectives.

- A statement of objectives should be:
 - Succinct, and limited to organization's sphere of influence;
 - Directional, with specific future states to be achieved;
 - Time limited, with indications when each objective is to be achieved; and
 - Measurable, so that achievement or progress can be evaluated.
- Sample (American Red Cross, United Way, California Governor's Office of Emergency Services, and Department of Homeland Security).
 - http://www.redcross.org/services/govrel/0,1082,0_193_00.html
 - <http://national.unitedway.org/about/missvis.cfm>.
 - <http://www.oes.ca.gov/Operational/OESHome.nsf/Content/63427B6DE C770E6D8256C2A00626DA5?OpenDocument>
 - <http://www.dhs.gov/xabout/strategicplan/index.shtm>.



What Is Strategic Management?

- ◆ The planning horizon.
 - It is of the utmost importance to assess whether or not organizations have strategic intent – that is, the will to shape their future, rather than simply reacting to changes driven by others.
 - Any organization's planning horizon, the time limit beyond which the future is too uncertain or unimportant to waste time on, is an important factor in assessing its short- as well as long-term viability.



What Is Strategic Management?

- ◆ The planning horizon (contd.).
 - Severe obstacles exist for public organizations in establishing time horizons.
 - Political nature of public administration (election and public opinion cycles).
 - The budgeting process (political leverage).
 - Publicly owned businesses are forced to plan, however.
 - In general, pluralistic (developed) democracies may have the luxury of incremental decision-making. Many developing countries require more rational planning.

What Is Strategic Management?

FIGURE 8.2 The Essence of Planning.



What Is Strategic Management?

◆ Capabilities.

- Strategic management is a matching process in which variables of strategy, capability, and environment are matched as the organization seeks to manage change through strategy.
- As the environment moves from stable to turbulent, capability moves from custodial (unchanging) to entrepreneurial (risk-taking).





What Is Strategic Management?

- ◆ Capabilities (contd.).
 - In considering future strategic directions, managers must contemplate whether they have or can obtain the personnel, systems, finance, structure, and other requirements that might be essential to realize their vision.
 - SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis tests strategic viability.
 - Strengths and weaknesses highlight capabilities.
 - Opportunities and threats highlight survival.

What Is Strategic Management?

- ◆ Environment.
 - An assessment of an organization's present, currently emerging, and likely future environments is a critical aspect of strategic management.
 - Demand forecast – population, economic growth, consumer behavior.
 - Futures analysis – Likely scenarios.





Four Strategic Factors

- ◆ Four factors that affect the use of strategic management in the public nonprofit sector.
 - The public-private paradox.
 - The importance of being close to the center.
 - Organizational language and culture.
 - Organizational place.



The Public-Private Paradox

- ◆ The relationship between business and government. Two propositions.
 - Business and government are ultimately different.
 - Business and government have very much in common.



The Public-Private Paradox

- ◆ Government is very different from business.
 - Work of government has the mandate of political legitimacy.
 - The work of government must be fair and defensible since owned by all.
 - Work of government defined by law and implemented by force.
 - Work of government involves accommodation, compromise, and incremental decisions.
 - Bottom-line profit never a test for success.



The Public-Private Paradox

- ◆ Business is very different from government.
 - Pursue interests of shareholders.
 - Pursue designated private interest and sometimes ignore public interest.
 - Focus on product differentiation and market positioning.
 - Managers have greater flexibility to make unilateral strategic decisions.
 - The bottom line rules.



The Public-Private Paradox

- ◆ Government and business have very much in common.
 - Large bureaucracies and small leadership structures.
 - Professional, mass production, and transportation.
 - Culture and decision-making similar.
 - Recruit from same populations.
 - Public sector increasingly focused on competitiveness (same as business).
 - Public sector benefits from private sector experimentation.
 - Technology presents a common language.

The Importance of Being Close to the Center

- ◆ Steering rather than rowing – Governments should direct their attention more to shaping and ensuring outcomes than delivery.
 - Problems: federal system, federal planning, state and local rowing.





The Importance of Being Close to the Center

- ◆ Four reasons why it may be difficult to adopt strategic management in bureaus or departments.
 - Shared power.
 - Political environment muddies definitions of performance.
 - Government managers have less autonomy and control.
 - Strategic decision-making is more difficult in government.

Organizational Language and Culture

- ◆ The special language of strategic management does not always fit with the culture of public organizations.
- ◆ Federalism and separation of powers makes the adoption of strategic management difficult.
- ◆ The language of culture of strategic management is easier to adopt if organizations are open to new talent, where staff have post-graduate training in management, and where there is a successful culture of change.





Organizational Place

- ◆ The single most important factor in the effectiveness of public sector strategic management efforts is location.
- ◆ The closer an organization is to the center of national decision-making, the less likely strategic management is to be adopted.
 - Clinton's health plan.
- ◆ Local organizations are much more successful at strategic management.
- ◆ Requires autonomy in decision-making.

Contemporary Strategic Challenges

- ◆ The challenge of mandate.
- ◆ The challenge of efficiency.
- ◆ The challenge of competitiveness.
- ◆ The challenge of boundaries.
- ◆ The challenge of service.
- ◆ The challenge of public interest.





The Challenge of Mandate

- ◆ Why should government carry out this function?
 - Is the organization a natural monopoly?
 - Are defense and strategic interests critical?
 - Does the organization serve special community or development purposes?
 - Is the organization part of the rule-making process?
 - Does the organization principally produce public goods?
 - Is the body part of the central administrative machinery of the state?



The Challenge of Efficiency

- ◆ Is the organization efficient by industry standards?
 - Benchmarking, best practices, and comparative performance can give us a handle.



The Challenge of Competitiveness

- ◆ Can this organization compete well in its markets?
 - The Postal Service, for example.

The Challenge of Boundaries

- ◆ What is the territorial and organizational scope?
- ◆ All government agencies are define in part by their geographical and organizational boundaries.
- ◆ Many agencies are now challenging their boundaries.
 - Technological expertise.
 - Modern transportation and communication.
 - The emergence of competition.





The Challenge of Service

- ◆ Is the organization effectively consumer oriented?
- ◆ The move toward customer service is a revolutionary change in government thinking.
- ◆ The Citizen's Charter in Great Britain.
 - The Service First team has established six service standards for government:
 - Answer letters quickly and clearly.
 - See people within 10 minutes of their appointment time.
 - Provide clear information about services and at least one telephone number for inquiries.
 - Consult users regularly about the service provided and report on the results.
 - Provide at least one complaint procedure for services provided and send information about this procedure as requested.
 - Do everything reasonably possible to make services available to everyone, including those with disabilities.

The Challenge of the Public Interest

- ◆ Does the organization clearly serve the public interest?
- ◆ Designing services to meet the national interest as opposed to sectional, regional, staff, or staff interests is a major strategic challenge.
- ◆ One useful technique is to prepare a list of an organization's community service obligations with identification of costs and beneficiaries.



Performance Management

- ◆ The specification of clear and measurable organizational objectives.
- ◆ The systematic use of performance indicators to assess organizational output.
- ◆ The application of performance appraisal of individual employees to reward exceptional personal efforts toward organizational objectives.





Performance Management

- ◆ The use of performance incentives to reward exceptional personal efforts toward organizational goals.
- ◆ The linking of human and financial resource allocation to an annual management or budget cycle.
- ◆ Regular review at the end of each planning cycle of the extent to which goals have been achieved and the reasons for performance that is better or worse than planned.

Strategic Plan – Department of Homeland Security

- ◆ www.csub.edu/~rdaniels/DHS_StratPlan_FINAL_spread.pdf.

