Strategic Management Practices in the Local Authorities: Factors Associated with Adoption of Strategic Management practices in the local authorities

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Abstract
Strategic management has been touted as one of the effective management tools in strengthening organizational performance through effective decision making and systematic strategic formulation and implementation. On the other hand, since 1980’s there have been a series of reforms taking shape in the public sector, resulting from increased awareness on the importance of quality in the public sector. Strategic management was found to be an effective management tool in transforming a bureaucratic public sector to a more responsive and innovative administration. On this basis, the aim of this paper is to study the strategic management practices in LA (Local Authority) and determine factors associated to LAs in adopting a strategic management framework as suggested by the western literature.

Keywords: Strategic Management Practices, Factors Associated, Local Authority (LA);

1. Introduction

Strategic management has been touted as one of the effective management tools in strengthening organizational performance through effective decision making and systematic strategic formulation and implementation. Although strategic management was more prevalent in the private sector since the concept was first developed, the interest of using strategic management in the public sector has increased over the last decade (Smith, 1994). Since 1980’s there have been a series of reforms taking shape in the public sector, resulting from increased awareness on the importance of quality in the public sector. According to Osborne and Gaebler (1992), that strategic management appeared to be part of a package management innovations design to „reinvent” or „modernize” the public sector. Strategic management was found to be an effective management tool in transforming a bureaucratic public sector to a more responsive and innovative administration.

Local Authority (LA) is a government at local level in the Three-tier, Administrative System. It is responsible in providing urban services as well as implementing economic, social, physical and urban development within its gazetted administrative boundary. The role of LAs as the catalyst of economic development as well as political and social stability is undoubtedly critical given its status, as the government at the third level with certain autonomy power measured to enhance the increasing demands from the communities for a more customer-oriented and higher standard of urban services. On this basis, the aim of this paper is to study the strategic management practices in LA (Local Authority) and determine factors associated to LAs in adopting a strategic management framework as suggested by the western literature.

2. Strategic Management – An Overview

Strategic management is defined as a systematic process for managing the organization and its future direction in relation to its environment in a way that will assure continuous success as well as secure from surprises (Ansoff, 1984; Berry 1995). Strategic management encompasses the process of determining
organization's mission and goals; managing strategy formulation; strategy implementation; and strategy control.

Strategic management can be viewed as a series of steps covering the tasks of analyzing the opportunities and threats that exist in the external environment; analyzing the organization's strengths and weaknesses within the internal environment; identifying agency stakeholders; establishing organization's mission and goals; formulating strategies by matching the organization's strengths and weaknesses with the environment’s opportunities and threats; implementing the strategies; and finally engaging in strategy control activities to measure the implementation progress and ensure achievement of the stated goals.

Ansoff (1984) clarifies that the first step in the evolution of strategic management is known as strategic formulation, it began in 1950’s when firms started to invent a systematic approach in deciding on how and where the firms will do its future business. The progress of which managers jointly formulate the strategy was known as strategic planning. The term strategic management was subsequently introduced to include environmental assessment and strategy implementation. Thus, strategic management is defined as being where strategic planning is coupled with strategy implementation.

Steiner (1979) and Barry (1986), argue that strategic planning and management, regardless of why public and not profit organization engage in it, can help an organization achieve the clarify future direction; think strategically and develop effective strategies; establish priorities; deal effectively with rapidly changing Circumstances; build teamwork and expertise; and solve major organizational problems; and improve organizational performance.

3. Strategic Management Process

Strategic management is designed to effectively relate the organization to its environment. The environments include political, social, technological, and economic elements (Sharplin, 1985). Various strategic management models were introduced by Sharplin (1985), Greenley (1989), Certo and Peter (1991), Stahl and Grigsby (1992), David (1997), and also Hunger and Wheelen (2003). Table 1 shows some comparison of strategic management models by various authors. Even though it can be seen that each model of strategic management is different, the actions or activities that are involved are actually similar. Majority of authors have put strategy formulation, implementation of organizational strategy and strategic control focuses in their models. Planning strategy and environmental analysis phase are also important and most of the authors put this phase under formulation phase (Stahl and Grigsby, 1992; David, 1997).

Generally, strategic management process can be divided into three phases, i.e., the formulation phase is a strategy that aims at ensuring that organizations achieve their objectives (Certo and Peter, 1991). David
(1997) stated that strategy formulation include deciding which business to pursue, how to allocate resources without hostile takeovers and whether to enter international markets. He also added that strategy formulation phase comprises development of a mission statement, identification of external opportunities and threats, determination of internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing the best strategy to be implemented. Second, is the implementation phase that initiates activities in accordance to strategic plans (Sharplin, 1985). This requires firms to establish objectives, devise policies, motivate employees, and allocate resources to execute formulated strategies. Certo and Peter (1991) stated that without the effective strategy implementation, organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction, and formulating organizational strategy. Lastly, is the evaluation and control phase that requires information to be obtained on strategic performance and comparing it with existing standards (Certo and Peter, 1991). Evaluation is also done by reviewing current strategies, measuring performance and taking corrective actions. Strategy evaluation is needed because success today is no guarantee of success tomorrow. Success always creates new and different problems; complacent organizations experience demise (David, 1997).

Table 2. Comparisons of Strategic Management Model by Various Authors

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<td>Strategic Control</td>
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4. Strategic Management in States and Local Governments

The importance of strategic planning and management practice as an effective tool in strengthening the performance in the states and local governments has become a subject of interest in many developed countries since the last fifteen years. In the US, concerted efforts have been undertaken to empower states and local governments aimed at enhancing the capacity of these authorities. Much of such efforts were sparked by the idea of strategic management and organizational transformation inspired by Osborne and Gaebler in their Reinventing Government (1992).

Wechsler conducted a survey in 548 state agencies in the United States in 1995 to assess their experience in strategic planning and implementation. The survey discovered that a majority of the agencies (60%) currently uses strategic planning and management in their organizations. It was also found that leadership in the individual agency is the main factor (88%) for state agencies to initiate strategic planning in their organization, while almost all respondents chose „desire to set program and policy direction” as the most important objective of strategic planning and management. It was also agreed almost unanimously that „clarification of direction and goals” is the most important outcome that strategic management help achieve in their agency.

In the United Kingdom, a survey by Flynn, Talbot and Colin (1996) of over 600 UK public service senior managers in 1994 identified the element of competition as a main driving force for local governments to revisit their existing service delivery system. It was discovered that competition generates the need for a new strategic thinking, strategy formulation and implementation. However, it was also revealed that the undertaking of strategic planning in most local governments is normally by state governments.

5. Strategic Management Implementation Model

The Harvard Policy Model and the Stakeholder Management Model are two common approaches to strategic management in the public sector (Bryson 1989). The Harvard Policy model was developed as part of the business policy course taught at Harvard Business School since the 1920’s. In the Harvard policy, strategists assess organizational strengths and weaknesses, identify opportunities and threats, and seek to
coaling the organization with its environment. Organization are rejoined to build on strengths, overcome weaknesses, exploit opportunities, and block threats (Nutt & Backoff, 1992). Stakeholder approach to strategic planning are concerned with identifying individual and organization actors who have an interest or in the focal organization and it strategic program. This model placed important role on the leadership of an organization to maintain good relationship with the stakeholder who have influence in the agency’s direction and its capacity for realizing its strategy.

Factors that influence the successful implementation of strategic management from internal organization point of view relate quite closely with the generic organization development model suggested by management experts such as Mc Kinsey, de Bono, Ishikawa – to mention a few. Summary of factors contributing to organization’s excellence under the generic organizational development model is tabulated in the table below.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Explanation</th>
<th>Sources</th>
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<tr>
<td>Leadership</td>
<td>Leadership is the main driver of organization’s change. Leadership will lead the direction, influence and motivate the behavior of personnel to channel their efforts into the desired direction.</td>
<td>Kroll (1992), Howe and Kaufman, (1979), Ansoff, (1965, 1984), Bryson (1989)</td>
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<td>Culture/ Behavior</td>
<td>Identification of the right attitudes and behavior of the people is essential towards achieving strategy and objectives.</td>
<td>Kroll, (1992), Hamel &amp; Prahalad (1994)</td>
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<tr>
<td>Systems/ Process</td>
<td>Ability to perform and operate effectively rely heavily on superior work systems and process</td>
<td>Kroll (1992), Howe and Kaufman, (1979), Ansoff, (1965)</td>
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<td>Organization Structure</td>
<td>An organization structure (OS) must be aligned to put the strategy into effect. OS will cover responsibility and authority; job definition and description; and line of command.</td>
<td>Kroll, (1992) Ansoff (1965) Bryson (1989)</td>
</tr>
<tr>
<td>Human Resource Architecture</td>
<td>Human resource is the ultimate resource. Thus a strong organization must be supported by an effective HR Management.</td>
<td>Hamel &amp; Prahalad (1994) Bryson (1989)</td>
</tr>
<tr>
<td>Technology Architecture</td>
<td>Technology is key in coping with the dynamic competitive situation</td>
<td>Ansoff (1984), Hamel &amp; Prahalad (1994)</td>
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6. Factors Associated With the Extent of Strategic Management Adoption in the Local Authorities

These factors have been presented in Fig 2.

The dimensions of each independent variable are identified as follows:

a. Leadership Traits
- Degree of ability
  It refers to the ability to organize, supervise and dealing with issues. This variable is adopted from Jameson and Soule (1991);
- **Degree of Visionary**
It refers to ability to redefine the purpose of organization and embody new purposes into the structure and systems; ability to design long-term plan and the ability to forecast incoming issues. This variable is adopted from Bryson J.M (1988);

- **Locus of Control**
Locus of Control refers the extent to which individuals believe that they can control events affecting them. Individuals who have a high internal locus of control or referred to as „internals“, believe that the event in their lives are primarily the result of their own behaviour and actions. Individuals who have a high external locus of control or referred to as „external“, on the other hand believe that the events in their lives and organizations are primarily determined by chance, fate or other people. This variable is adopted from Julian Rotter (1966) and Burger J.M. (1986).

**b. Organization Culture**
- **Level of Teamwork.**
Refers to the desirability of the personnel to work in a group accomplishing a given task or assignment.

- **Level of Commitment,**
Refers to willingness among the personnel to complete the task at their level best and having a sense of pride for achieving organizational tasks.

**c. Organization Structure**
- **Degree of Authority.**
Refers to clarity of line authority from top management to the lowest level; clarity of duties, responsibilities and authorities of each role in the organization and the degree to which authority is delegated. Degree of structural flexibility in terms of adopting changes. Adopted from Fayols fundamental management functions.

- **Extent of Coordination.**
Refers to level of interdependence in work situations. How programs and tasks are coordinated and what are the tools or mechanisms used to coordinate. Adopted from Fayols fundamental management functions.

- **Level of Communication**
Refers to the existence of a strictly upward, downward and multidimensional communication as oppose to a little two-way communication. Also refers to the level of participation of personnel in organizational communication. Adopted from Likert Model of Organization Design.

**d. Dimensions of Dependent Variable**
The dimensions the dependent variable, i.e. the extent of adoption of strategic management by the Las will comprise of completeness of systems; established direction and mission; depth of analysis; implementation task and skills; and Control and feedback mechanism.

The determination of those dimensions was based on Certo and Peter (1990). These dimensions have been adopted with some modification from an earlier working of Steiner (1979), Van Gigch (1978) and Glueck (1982).

**7. Conclusion**
Strategic management is a management process that was utilized specially to increase the performance of an organization's operations and administration, and also LA in not an exception. The application of strategic management practice in LA can help the LAs to enhance their performance through improved effectiveness, efficiency and flexibility. To remain continuity of service quality in a long run, efficient LA structure should be focused upon as an strategic management process as it allows the expressed allocation of responsibilities for different functions and processes to different entities and is directly linked with the cooperate culture. In today's dynamic business environment, LAs need to re-structure themselves depending on the changing environmental factors and the organizational business strategy. A change is effected in LAs by organization structure to maximize efficiency and minimize costs under the prevailing circumstances. The result of all these measures transforming a bureaucratic public sector to a more responsive and innovative administration.
References