

The Challenges Faced by the Strategic Management of Public Organizations

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Abstract: *Public organizations should undertake strategies to meet their missions, but in the long road they face a myriad of challenges that threaten the fulfillment of this mission, or implementing successful strategies in accordance with this mission. Public managers may fail to link their strategic planning efforts to other critical decisionmaking processes. Based on the literature, having a strategic planning system in place is not a guarantee that an organization will achieve its strategic goals and objectives. It is important to evaluate the strategic planning process involved and how it is linked to other management processes in an organization. The objectives of this article are: to identify the challenges facing the formulation of strategy; to identify the challenges facing the implementation of strategy in public organizations; to identify the challenges facing the assessment of the strategy in public organizations. The methodology of this paper, will be based on primary research and secondary research. Secondary search, will focus on a rich literature in the field of strategic planning of public organizations, and the challenges these organizations face. The primary research, will be based on a qualitative research, which will aim the identification of challenges, in the process of choosing the strategy, implementation strategy and its assessment.*

Keywords: public organization, strategy challenges, role of information system, role of financial and human resource

JEL: H7, L3, Z

1. Literature review

Porter (1966) defined strategy as the creation of a unique position involving a different set of activities. Mintzberg (1994) views planning strategy, as precise intentions that are formulated and articulated by central leadership, and backed up by formal controls, to ensure their surprise free implementation, in an environment that is controllable and practicable. Stewart (2004) stated that strategy underpins organizational survival by anticipating and dealing with challenges from competitors. However, Stewart added that in the public sector, the claims for the benefits of strategy are more low-key. Hughes (2003) acknowledges that there are more problems and constraints in the public sector as compared to the private sector, yet he is of the view that public organizations could conceivably benefit from a strategic approach. This is a process that focuses on strategic and operational goals, objectives and strategies based on organizational policies, programs and actions designed to achieve the institution's aims and desirable results. It is argued

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that it is an extremely important tool for organizational effectiveness (Armacost, Pet-Armacost & Wilson, 2004; Austin, 2002; Bryson, 1988; Bryson & Alston, 1996; Keller, 1983; Peterson, 1980, 1993, 1995, 1999a,b). Studies found that linking the strategic plan to the budget, using the strategic plan to drive the organization's overall performance management system (Poister, Streib, 2005; Poister, Van Slyke, 2002), and using performance measures to monitor the progress of strategic initiatives (Hendrick, 2003; Poister Streib, 2005; Androniceanu, 2017) leads to better outcomes (Poister, Pitts, Edwards, 2010). Strategic planning is an action-oriented type of planning that is useful only if it is carefully linked to implementation – and this is often where the process breaks down (Poister and Streib, 2005). Public managers may fail to link their strategic planning efforts to other critical decision making processes. Mintzberg (1994) is one of the most vocal critics of strategic planning precisely because organization's planning activities are too often completely divorced from performance measurement and resource allocation. Consequently, the Government Performance and Results Act of 1993 (for the United States of America) requires federal agencies to develop strategic plans and tie them to budgets and performance measures (Poister and Streib, 2005; Ohanyan, Androniceanu, 2017). As a result, many states have imposed similar results oriented requirements through legislation or execution mandates (Broom, 1995; Melkers and Willoughby, 1998; Aristigueta, 1999). Even though many public managers have embraced strategic planning, it is unlikely to produce benefits they anticipate unless they drive it through budgeting, measurement, and performance management processes (Poister and Streib, 2005; Oahnyan, Androniceanu, 2017). Based on the literature, having a strategic planning system in place is not a guarantee that an organization will achieve its strategic goals and objectives. It is important to evaluate the strategic planning process involved and how it is linked to other management processes in an organization. Lynn (1987; 1996) confirms, governments' strategic decision-making processes are necessarily more ad hoc, than they are planned and rational. Flexible strategic responses, although often ill-directed, are an inevitable consequence of dynamic and complex political environments. For governments, as collective entities and not withstanding the likely selfish strategic ambitions and motives of some individual politicians, the ultimate outcome of strategic management action is electoral success. Governments will achieve this largely by being responsive, to the complex needs of the majority of the polity, at any given time in a range of policy fields, but their strategic actions in response can be devious, as well. At the public sector organizational level, therefore, it might be expected that the political nature of governments, would make it more difficult for rational models of strategic management to be implemented, given the almost inevitable interpenetration of politics into that arena. In this context too, Lynn (1987, 1996) argues that some strategic management actions, will be individually directed and political as well as related, to personal as well as organizational advancement. However, governments' adoption of the market-based model, especially in Anglo-American polities over the last two decades, encompassing neo-classical economic principles and private

sector (new) managerialist ideas, has strongly influenced public sector organizational strategic management actions in quite rational ways (Self, 1993; Hughes, 1994; Hutton, 1995, 1998; Argy 1998; Giddens 2000). Thus, it is apparent that two potentially conflicting patterns of strategic management, as broad streams of action, will be evident in any polity. However, (Johnston, 2002), the patterns of strategic management action are far more complex than any simple pattern dichotomy of ad hoc strategic management actions of governments and rational public sector organizational strategic management actions.

2. Research methodology

The objectives of this article are:

1. To identify the challenges facing the formulation of strategy
2. To identify the challenges facing the implementation of strategy in public organizations
3. To identify the challenges facing the assessment of the strategy in public organizations

This paper is based on primary and secondary research. The secondary research is based on an extensive literature search, to fulfill the objectives of the article. Whereas the primary research is based on an empiric study. In this empiric study are involved administrators of 48 public organizations. The main instrument for the study, has been a questionnaire with 50 questions that identifies the public administrators perceptions related to aspects like: strategy formulation, implementation of strategy, the evaluation of the strategy and management of change (www.amces.com).

The survey was anonymous, so the administrators would be more sincere in expressing their thoughts. Meanwhile from 48 surveys, only 38 were returned and 2 of them were not completely fulfilled. 36 surveys were processed in Excel and the results will be analyzed hereinafter. The survey is composed, to derive data related to the problems that represent the public organization, on constituent components of the strategic planning process like for example: the existence of a vision statement, mission, presented values, the use of SWOT analysis, definition of strategic objectives, identification of strategic alternatives, choice of strategy, the existence of financial capacity, availability of structure, human resource capacity, motivation of employees, leadership support, monitoring and evaluation of the strategy performance, the identification of corrective actions and assessment of the impacts of remedial actions.

The findings in these components will be analyzed in the sections below.

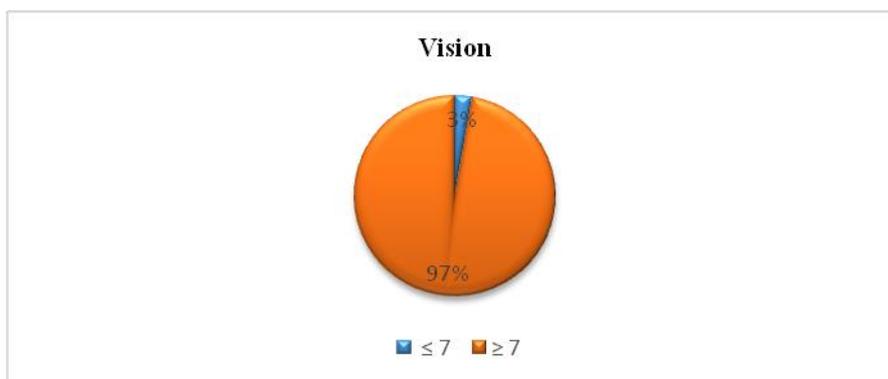
3. Research findings

3.1. Vision

Referring to the findings results that only 3% of the surveyors reflect lack of vision of their organizations, or lack of information about the declaration of vision. 97% of the administrators reflect that their organizations, have a vision that lead them along their long-term orientation.

The declaration of the vision exists to 100% of organizations, whose administrators were surveyed. It is explicable, given that the formal declaration of the mission of the public organizations, is a legal obligation also part of transparency values and the accountability that these organizations must demonstrate to the public.

Figure 1. Vision



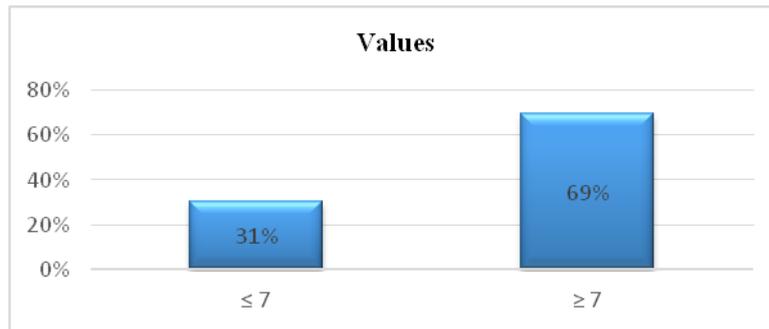
(Source: Author)

3.2. Values

Almost 69% of the organizations have an assessment of the value component over 7 (Chart2), demonstrating that these values have been shaped and they are a fundamental part of the strategic planning process. This way values orient employees in their daily operations, so they can operate in accordance, with these values to fulfill the mission of their organization. But 31% of the organizations appreciate this component under 7.

This shows that there are problems that can be identified on the existence of the declaration of the values from the organization. Values have fundamental impact to the behavior of employees at work. If this public organizations don't have a full disclosure of these values, or if there is a pale understand of these values from the employees, than these values do not dictate appropriate behavior, in accordance with the mission.

Figure 2. Declaration of Values

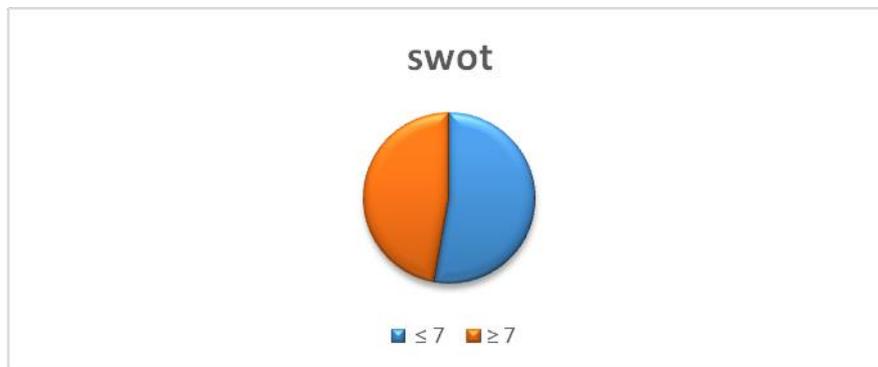


(Source: Author)

3.3.SWOT

The administrators of 53% public organizations included in the study, have a rating under 7 to use SWOT analysis, to determine future strategies (Chart3). This means that these organizations, are not supported to environmental analysis to determine future strategies. This way they submit problems in recognition of environmental influences, opportunities, threatens, strengths and weaknesses. Thereby setting the future objectives, shall be determined without knowing the real potentials of the organization, making them not accessible. According to Johnson and Scholes, the public organizations, rely on the political dimension and the imposed choice, making their strategies, not being strongly supported over SWOT.

Figure 3. Use of SWOT analysis

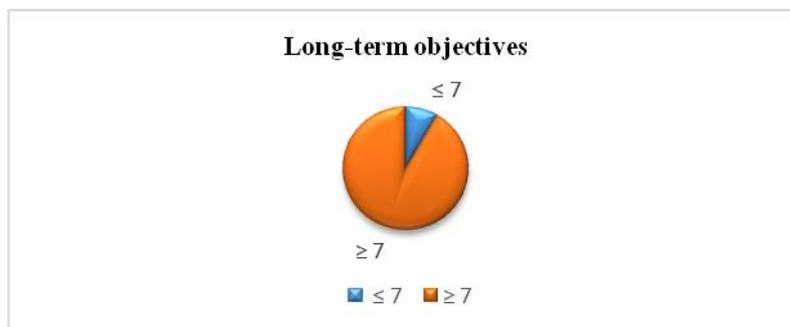


(Source: Author)

3.4. Long term objectives

Evidently from the 4th chart, is that 94% of organizations involved in the study, have a rating over 7 for this component of strategic planning. This means that these objectives exist and lead the activities that the employers perform. However, despite the existence of long term objectives, there is a problem that is reflected from deficiencies using SWOT for the long term objectives. The problem is that these objectives are not placed on the odds, threats, strength and the weaknesses that a public organization has, but are commanded or enforced, causing the objectives not be achievable and motivating for the human resource that will attain them. This would lead to inevitable problems in their implementation in the future and would ensue problems in the implementation phase of the strategy of the public institution. On the other hand, if these targets are set commanded they won't reflect dissent and demands that citizens have against these organizations, so they won't be clients oriented.

Figure 4. Declaration of long-term objectives



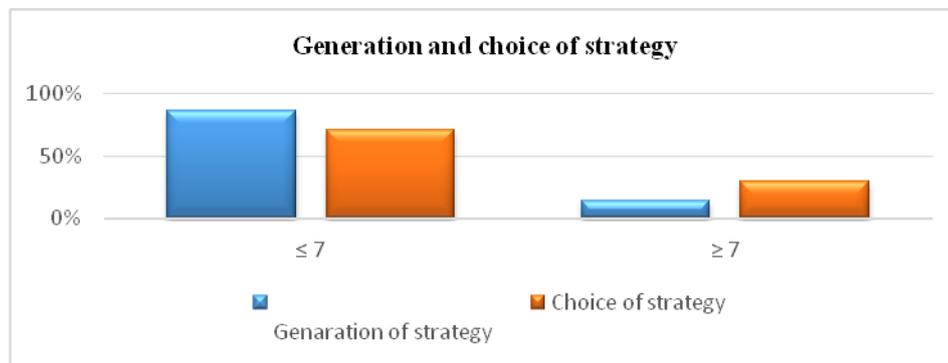
(Source: Author)

3.5. Generation and choice of strategy

Considering the results of the study demonstrated on chart 5, 86% of involved public organization for the generation of choice and 71% for choice of strategy, have reflected values for both these components of strategic planning under 7 value. These high rating in percentage, identify problems regarding identification of strategies and choosing the most appropriate strategy of organizations that will have to implement these strategies. Given that a part of these organizations depend on other public organization, their strategies often define these organizations. According to Johnson and Scholes public organizations strategies reflect the political dimension and that of an enforced choice, putting public organizations before decisions already taken by the priorities that arise from the political agenda of the governing force. In these conditions, the role of public organization itself focuses on the implementation of these strategies. But low

involvement in these strategic planning stages of the organization's members, will reduce their motivation during the implementation of the strategy.

Figure 5. Generation and choice of strategy



(Source: Author)

Financial resources

As shown in the 6th chart, 56% reflect problems with financial resources for the implement of strategies. This means that the organization will have deficiency in the provision of physical resources, human resources, and ensuring the right information and technology. This will lead to failure of complying the objectives and problems in the implementation of these strategies. Public organizations are financed from the state budget, who repeatedly has faced difficulties in realizing higher levels of income, as a result of high level of informality and other problems. This lack of compliance, will lead to difficulties in the implementation of strategies of these institutions.

Motivation

47% of organizations reflect lower levels of motivation of the employees. An argument widely known is the fact that employees of public organizations are not paid on the basis of their performance, but with a fixed salary. Also these wages are often considered low and the motivation gets low too. But on the other hand, the employee occupational exclusion in the process of setting objectives and strategies, reduces their acceptability to these objectives, considering them as non-motivating. Also autocratic leadership style and high levels of concentration of the structure, impact on reducing the level of motivation of human resources, bringing problems in the implementation of the strategy.

Human resources

39% of public organizations involved in the study, reflect problems in the employment of the necessary human resources, in quality and in quantity in accordance with those strategies require. Despite that public organizations employ, compatibility based on job description and professional characteristics of

employees selected the candidates based on competitions, this finding identifies real problems of these organizations in relation to recruitment and management of appropriate human resources. The staffs of these organizations often have high levels of turnover, as a result of the limited mandates and under the influence of policy recruitment.

Figure 6. Financial capacity, motivation and human resources

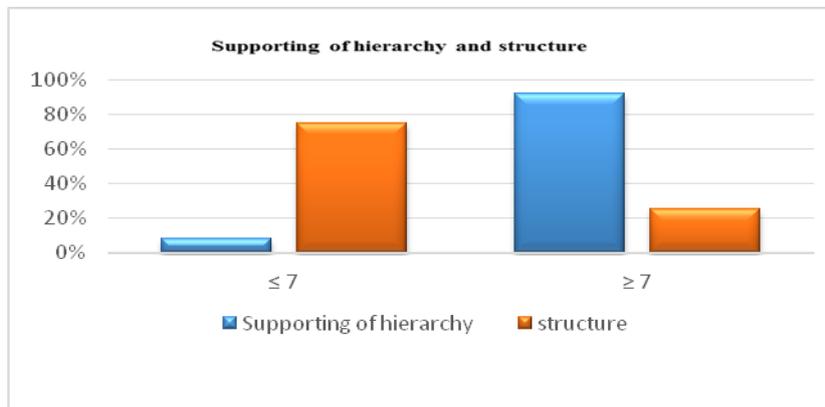


(Source: Author)

3.6. Structure

Another problem is identified to structures that these public organizations have. So 75% of the sample presents lower values in relation to the existence of structures in accordance with the strategy (chart 7). This is an expected result knowing that public organizations have bureaucratic structures which have low level of flexibility that leads to the lack of compatibility of the actual structure to the strategy.

Figure 7. Supporting of hierarchy and structure



(Source: Author)

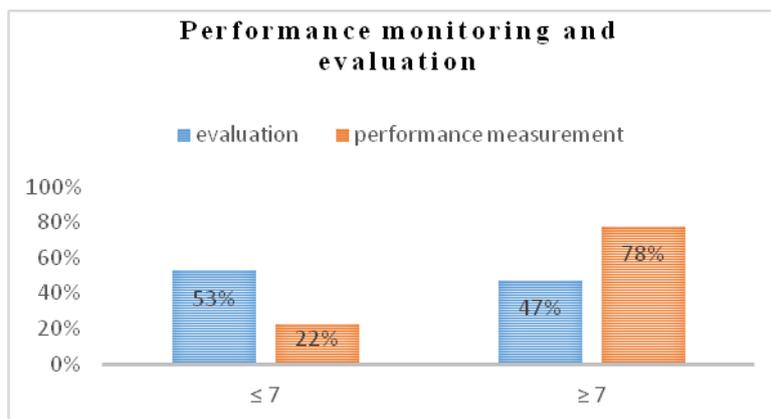
As well public structures are structures with high levels of concentration causing workers to have a low inclusion in the process of setting objectives and strategies that brings lower motivation.

On the other hand, given that financial resources are limited, public organizations face difficulties in the implementation of advanced information technologies and effective information systems which would make that the information was professional, updated, the transfer of this information would be in a shorter period of time. These technologies and systems of information would make the structure more flexible and effective, increasing its compliance strategy. Again, as it is seen in 7th chart, 7,92% of the respondents percept that in their organizations there is a high support from the managers, to implement a strategy in order to succeed. However the questionnaire is based on the perceptions of administrators and this is a limit for the study that may have led to these high values as to the terms of leadership support.

3.7. Monitoring and Evaluation

One of the most important stages of the strategic planning process, is monitoring and evaluation of the strategy.

Figure 8: Performance Monitoring and Evaluation



(Source: Author)

From the data obtained (Figure 8) from the study and demonstrated in chart 8, 47% of organizations reflect problems in measuring the performance. Meanwhile the problems in measuring the performance will be carried forward in the evaluation of performance and the management of change. In the framework of the evaluation of the performance, 53% of organizations exhibiting at this important component.

4. Conclusions

Recruitment of public organizations should be oriented towards the recruitment of capable and motivated specialists, who on the basis of their achievements should be promoted to higher levels of management hierarchy. The leaders of public organizations should have a vision for the direction of their organizations, they have to hire and promote the best employees. This will encourage the creation of a culture of high performance. Despite bureaucratic structures, leaders of public organizations using delegation, will make possible to reduce the centralization of these structures. On the other hand the increase of financial autonomy, will increase the flexibility of these bureaucratic structures. Administrators of public organizations should plan investments in the technologies of information and information systems, because this way will speed up processes and will make more flexible organizational structures. Also administrators of public organizations will receive quick feed back from citizens, and will accelerate the response to the complaints of citizens. Public organizations should be citizen-oriented, they should take into account the dynamic environment, take into account the existence of private competitors, which are often more flexible and customer oriented.

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