

## **The Importance of Strategic Planning In Local Development**

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### **Abstract**

*The improvement of the management system about Romanian public authorities and their alignment to European and global standards represents an up-to-date topic in the context of adaptation to market economy.*

*The reform of the Romanian public administration consists of the transformation of the administrative space using elaboration procedures of strategic plans for institutions, considering the existence of a good governance policy. Drawing up strategic plans at an institutional level requires the establishment of a medium-term vision, setting up the objectives and the action items by analysing the internal and external environment, identifying resources, implementing politics established by the government and coordinating all of these with the funding conditions available at a given time.*

*The person in charge of an organization must promote professional competition, he must have the ability to think and act strategically, so that in the strategic planning process, he/she must analyse different points of view and combine them, identifying new ways to solve the problems the institution is facing.*

**Key words:** *public management, public politics, strategic planning*

**JEL classification:** [H11] Structure, Scope and Performance of Government, [H41] Public Goods [H83] Public Administration. Public sector. Accounting and Audits, [H77] Intergovernmental Relations. Federalism. Secession [O21] Planning Models. Planning Policy, Government Education and Local Development, [O28] Government Policy.

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### **I. INTRODUCTION**

In an environment that is constantly changing, we can assert that strategic management is targeting the competitive attitude of the organization, aiming always to improve the balance between strengths and weaknesses of the organization, trying to modernize and rationalize it.

One of the world most famous influencer regarding the adoption of the strategic management concept, Peter Drucker, believes that the strategy must strike the right balance between the current management of the organization and the planning of the future business so that it can answer the following two essential questions: "What is the actual business?" and "What should be the organization's object of activity?" The elements of strategic management were taken from military strategy, where tactical actions were based on ideas, principles and instruments adapted to the imposed situation.

Other points of view belonging to strategic management specialists are related to the determination long-term directions, performance, strategic plans that require entrepreneurial qualities needed to position the institution towards achieving long-term performance. (Baker, M., Wong C., 1997) Peter Drucker also states that "the purpose of planning your future is not to decide what we will have to do tomorrow, but to decide what we should do today to have a future". The quality of the human factor is responsible for the process of measuring the progress of the organization, which, besides the ability to set the mission of the organization and its associated goals, it needs to be in control of the strategy implementation. Since 1962, Alfred Chandler in his book „*Strategy and Structure: Chapters in the history of industrial enterprises*" claims that workplace strategy must have a predefined direction, and strategic thinking in the short, medium and long-term perspective is imperative when we think about the future of the organization.

Although Romania is currently recording growth, the country's economy is still low compared to other competitive market economies in other EU countries, which is why development directions can be influenced by formulating territorial policies that respond to both current development needs and resistance to change. (Jaliu, D., 2012). The change accelerator basically forces the organization to be guided by a strategy regardless of the temporal factor, because precisely the unforeseen forces you to plan the general development directions synchronized with your goals and properly manage your own risks. Philip Selznick acknowledged that to analyse the situation of your organization, we must consider circumstances imposed by the external and internal environment.

The introduction of this theory also highlights the importance of using the SWOT analysis, long used in the last many years. (Carmona, M., Heath, T., Oc, T., Tiesdell, S., 2003) Improving strategic planning is determined by external environment analysis, identifying opportunities and minimizing threats by taking combative decisions; at the same time the issues related to the long-term impact on the environment causes the decline of the planning process.

## **II. METHODS**

Strategic planning embraces concepts, methods and tools that decision makers can use to underlain decisions about the organization's operation. Complying with the stages of the decision-making process (strategy formulation, implementation and evaluation) requires an optimal process that can build a solid and viable basis for the functioning of the organization. The deficient plan interferes inevitable and leads to low performance when the strategy is not executed properly.

When strategic planning refers to an organization (including local public administration), most likely the decision-makers are members of that specific organization, thus they are directly involved, they know the important issues, the link is direct and the process of identifying solutions is easier.

The process of strategic planning in the public sector implies the same benefits as in the private sector, we should establish the direction of the long-term evolution of the organization, considering the influence of the environment. (Rainey, Hal G., 1997) The approach to strategic planning in the public sector is driven by the involvement of the public authorities in various economic activities, which has attracted criticism for the traditional management methods and for the development of public interventions. (Ring, P.S, Perry, J.L., 1998) As a result, there are norms and principles that distinguish the organizations in the two sectors, but we can apply the management of the private sector to the public sector, although this is not easy to achieve, without ignoring the mission and concepts applicable only in public institutions.

## **III. RESULTS**

In the "Strategy of the dolphin" book, Dudley Lynch and Paul L. Kordis identify the circumstances in which the organization is in the position to adopt rather an aggressive strategy or a passive one, depending on the type of the organization, the emphasis is put on the degree of human factor involvement in the development of the organization, in the correlation with sustainable development policies and environmental protection. (Porter, M.E., 1985) Peter Drucker describes the importance of man in the organization in relation to the environment that dictates the movements through the idea of "Era of discontinuity," prevailing of the fact that change is constrained by elements of discontinuity, so that reporting to the past makes no sense. (Cowan, R., Rouse, J.U, 2002) In this regard, we break the right of the source of discontinuity: globalization, innovative technologies, cultural pluralism and the capital of knowledge.

The computerization of the politic system allowed to create a modern organization in which all members have much faster access to information. The scoreboard is one of the most notable tools used in the development of the organization, as it is the result of applying by communicating valuable information about the processes of organizational development, human resource development, financial results. (Streiner, F., Butler, K., 2007)

Strategic thinking put into practice represents the strategic management process, but everything starts from intent and strategic analysis. The road to achieving performance in a turbulent environment involves the following steps: (Gordon, I., 2003)

- Strategic planning is useful if it is based on a rigorous analysis that leads to the implementation of a strategic management. For the public policy decisions to have the desired effect, they must be spatial and integrated with the regional development policies.
- Strategic management at the level of local public authorities in Romania implies the identification of the innovative tools based on good interinstitutional collaboration always oriented on solving the problems of the community.
- The development of a medium-term local development strategy is an action through which action lines can be phased in according to the available resources. Planning the future of the community is a participatory process of strategic planning, so the Pro-Democracy Association proposes a four-step approach:
  - o Evaluation
  - o Setting up local working groups
  - o Common vision of working groups
  - o Improving Local Governance.

The local development planning exercise is a tool that provides predictability for the community and aims to underlain public policy decisions at the same time.

We cannot deny that the changes imposed by the external environment lead the public administration to respond to challenges arising from the privatization of public services, social and demographic evolution, changes in the system of values on which the society is based, etc. (Cherry, G., Rogers, A.W., 1996) The obligation to adapt depends on the development of the arguments on which strategies are underlain, strategies designed to be efficiently implemented.

In comparison with the private sector, where the situation is crystal clear, profit maximization and actions modelling needed to set this goal, the use of strategic management into the public sector involves the pursuit of the public institution's mission by defining what the general good is. (Grant, R., 1991) Following the consultation of the specialized works, the process of defining and adoption of strategic decisions should combine the citizen's approach with the legal approach and the market economy.

Although in Romania the strategic planning process is rigid and sometimes too slow, we must consider the political component and the transition situation, is necessary to adapt the strategic management used in administration to the values determined by the political actions. (Matei, L., 2001) On the other hand, we can notice that the administrative system is atypical, does not function as a market economy, it has certain mandatory mechanisms used to form the foundation of its resources in a well-established way; as an example, we can analyse at the system used to collect taxes and other duties: the institution's budget becomes a political act, whereby the allocation of funds towards a specific sector is a political decision established in the governance program.

#### **IV. DISCUSSION**

The particularities of the strategic management in the public administration can be described with respect to the uncertainty of public administration reform. Actually, it is desired to minimize the discontents, mitigate organizational rigidity and simplify the communication process. The process of imposing the concept of thinking in perspective involves issues related to the definition of the entity's objectives, strategy, structures and principles of operation, as well as the monitoring of the time impact of the decisions made. (Sadler, B., Verheem, R., 1996)

The strategic approach in the managerial area has its origins in the military field, where each victory was achieved by creating and implementing strategic plans. Chandler's contribution (1989) is significant to understand the strategic approach, he stated that "the strategy is the determination of organization's goals and objectives in the long run, the adoption of decisive policies and the allocation of resources to achieve these goals". (Cherunilam, F., 2015.)

Girard, T. H., Gunn, D. C., Simmonds, P. T., Weiss, C., 1995 notes that the difficulties of applying this strategic process are determined by the limited answers of the following questions:

- Where is it going to advance?
- What are the parameters used to translate the organization's goals?
- What policies will involve these goals?
- What human and financial means will be needed?

Strategy managers are the organization leaders responsible for implementing strategic plans, they are the first to be held accountable if strategic decisions failed to be implemented.

The applicability of the strategic approach in the public sector is difficult both in terms of setting up clear objectives and treating this path as a "symbolic" act without managerial impact but initiation of this process with certainly improves the traditional way of taking decisions. (Dumitrescu, M., 2003) The formal decision-making process may be rigid due to the lack of information and/or limited analysis capacity of the clerk who identifies it, the time horizon considered is rather limited to respond to each issue caused by the environmental change or the design is too abstract in relation with socio-political dynamics.

At the local level, the strategic approach is influenced by elements such as: competition between local entities, increasing the standard of improvement among officials, increasing the margin of manoeuvre, especially in financial matters. (Popescu, L.G.) At this level, we must permanently consider elements such as: organization culture, type of management adapted to existing resources, strategy implementation must be permanently considered.

Nutt and Backoff define the construction and implementation of the strategic plan by taking into consideration the following points (Murdoch, J., Abram, S., 2002)

- Drawing the historical context of the organization;
- Analysis of the situation of the organization in terms of strengths, weaknesses, opportunities and constraints;
- Developing strategies in relation to existing resources (identifying alternative strategies);
- Putting on the top of the higher hierarchical structures' agenda the current issues in the organization, as well as the ones in perspective, permanently making connections between each other;
- Developing alternative strategies in response to identified issues;

Analysis of the implementation of the strategic plan in feasible terms, regardless of constraints such as: poor legislation, political regime, unavailable material and financial resources supposes consulting stakeholders to apply the most beneficial strategy to bring value to the organization. (Briscoe, D., 2014) Let's not forget that human resources are more important than planning mechanisms, mentality can influence the strategic approach, and this is quite adverse in the public sector.

The way in which different institutions define their strategic objectives divides the institutions according to the following types of applied strategies (Wechsler, Backoff - 1986):

- development strategy for institutions with independent funding sources, managers can impose their own style in structuring resource capacities and organizational performance;
- transformation strategy for institutions that change their mode of operation by promoting a subordinate management to clients and communities, mainly due to pressures from external groups;
- a protection strategy applies to institutions under pressure from the legislature and the media, the main impact being the decrease in budget allocations;
- policy strategy used by institutions that take decisions favourable to a specific group of participants;

So far, no initiatives have been identified to develop a general framework for substantiating public politics and assessing their impact on governance, but awareness of the importance of using strategic management to improve institutional performance has become very prominent among local elected representatives. At the local level strategic planning is limited to the use of decision-making tools: public consultation, correlation of financial resources with the objectives pursued, setting performance indicators.

After 2007, (Streiner, F., Butler, K., 2018) notice that most of the public institutions have joined the main objective of the Administrative Capacity Development Operational Program "Improving the decision-making process at the political-administrative level", in this way we identify the tendency to create local development strategies as an effective tool for public politics.

In an intelligent government that is constantly under the citizen's supervision, it is hoped that the decision will be made in a well-defined, coherent framework; in fact, the main purpose is for the government to produce politics. (Clement, K., Hansen, M. 2001). In defining the concept of public politics, several issues need to be addressed:

- politics are a course of action (public politics are interconnected actions in a given field);
- public politics refer both to action and to inaction, if they are deliberately chosen by the public authority.

We can see from the definition that politics, although they relate to problems or sets of interconnected problems, are considered instruments that can solve certain problems or take advantage of opportunities to solve problems of public interest.

## **V. CONCLUSION**

There is an interesting debate on the balance between instrumental analysis of public politics and politics values. We take the example of Ontario's Workfare Program - Progressive Conservative Government of Mike Harris proposed reforming the social assistance system. Although the initial aim was to provide social assistance only to those who really needed, in the mid-1990s, one of twelve citizens was beneficiaries of the social welfare system, in this sense the government proposed a program in which those who benefited from social assistance and have no disability to work on municipal projects. (Mason, R.O., Mitroff, I. I, 1981) There is a massive reduction in social assistance recipients, which indicates that this politics is based on values. (Dimitriou, H. T., Thompson, R., 2001)

Public politics is an action guide, a plan, a course of action or inaction to address a problem. Thomas DYE defines public politics as "what governments choose to do or not to do," while Harold Lasswell considers public politics to be "the most important choices." In the perspective of Mintzberg and Jorgensen, "politics and strategies are formulated consciously, preferably analytically, explicitly expressed, and then formally implemented". (Smith N., 1990) They also conclude that another approach can be focused on behaviours that are not planned, naming them emerging strategies.

Although the public politics makers are public authorities, it is certainly not every clerk can create politics, they are generally designed by the "governing board". (Glasson, J., 2005) Public politics are not routinely administrative, they must respond to public issues, they are designed by those who have the authority to develop normative action guides.

Every public politics consists of three essential elements: the definition of the problem, the goals it aims to achieve, the tools or how the problem is approached, and the goals that are achieved. To identify the exact problem, several points of view must be taken into consideration: the causality and the indication of the factors that led to the problem. (Ferreira A., Sykes O., Batey, P., 2009)

The definition of politics is closely linked to the politics goals, so the distinction between the general and the specific aims of the problem is necessary. The particularity of the specific goals is that they indicate what are the stages to go - for example, the health politics aims at improving the health of the population, this is

the goal, at the same time the health politics of a certain province can refer to young people in risk situations by reducing drug use among them.(Nurt, P.C., Backoff, R. W.,1992) In most cases, the enumeration of public politics goals is necessary, in this sense we can identify the issue of telling the real goals of politics (for example: the politicians want to translate a certain message without really solving the problem).

The issue of identifying the tools or means by which the politics goals will be addressed is sometimes shadowed by the question of "how can this be solved?", for which the choice of instruments is closely related to the selection of the means of implementing these tools (for example: the government can discourage tobacco consumers through advertising campaigns, the problem of the campaigner is related to the identification of the tools, while the execution method is about implementation).

Strategic management extends the characteristics of strategic planning, the difference between the two concepts, according to Ansoff, 1988, p.235 is that "strategic planning is based on making optimal strategic choices, while strategic management is focused on expanding the strategic vision at all levels of the organization and in all administrative systems ".( Hall, P., 2014) These two themes have also found their usefulness in the private environment by reaching fixed targets: profit and unlimited authority in action.

Concluding, we can identify the benefits of the strategic planning process, in general, the decision-making process becomes prudent and reasonable, promoting the implementation based on success by bringing forward strategic thinking and action, based on obtaining and systematically usage of the information about the internal and external environment, of the interests of the involved stakeholders and of the establishment of priorities within the organization.

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