Strategic Management

(Chapter 5)

Do Politicians and Top Level Bureaucrats Matter?

- Upper echelons theory (UET) states that organizational outcomes – both strategies and effectiveness – are reflections of the values and cognitive bases of powerful players (senior executives) in the organization (Hambrick & Mason, 1984; Carpenter, Geletkanycz, & Sanders, 2004).

- Evidence suggests that top managers and the decisions they make are not purely defined by the past, but rather that they reflect future aspirations and goals as well. UET has increasingly devoted attention to the role of the external environment and the organizational characteristics as antecedents of decision-making processes (Carpenter et al. 2004: 773).

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Do Politicians and Top Level Bureaucrats Matter?

- Critics have accused the (first) theory of ignoring constructs such as power, attitudes, or judgment in the analysis beyond the observable, demographic characteristics of leaders. Especially psychographic factors such as attitudes, interests, and opinions have proved to be better for predicting behavior than demographic factors. Carpenter et al. integrated these factors (2004).

- Can this assumption be transferred to the public sector? Initial research provides some evidence of this.

Do Politicians and Top Level Bureaucrats Matter?

Source: Carpenter et al. (2004)

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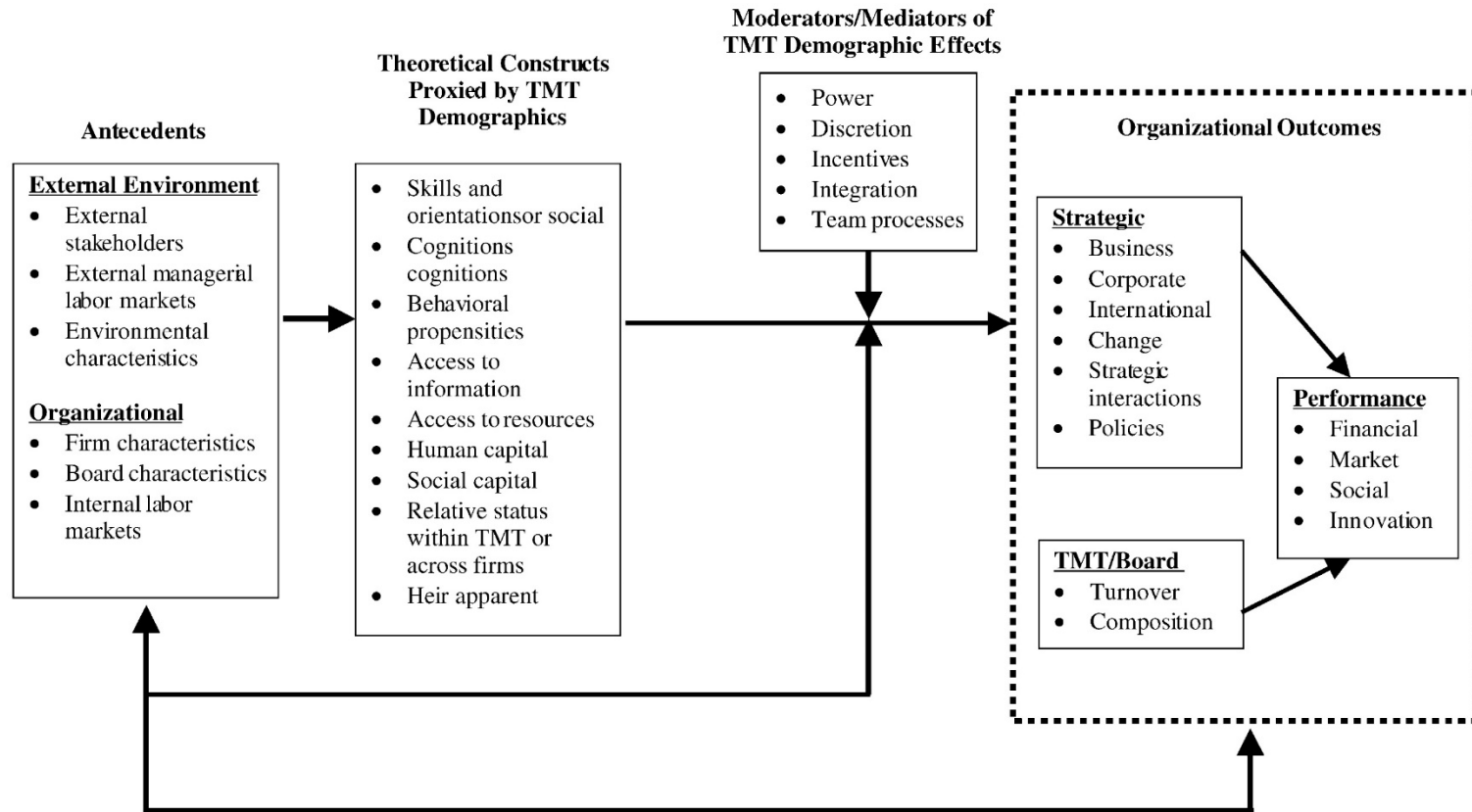
Strategic and Operational Management

- *stratòs* + *ageín* = "The Art of Army Leadership"

- Strategic management: Basic orientation framework ⇨ "What to do?" ⇨ Doing the right things (effectiveness)
  "Measures to ensure the long-term success of an institution"

- Operational management: Concrete orientation for daily action ⇨ "How to do things?" ⇨ Doing things right (efficiency)
  "Measures to ensure the short-term success of an institution"
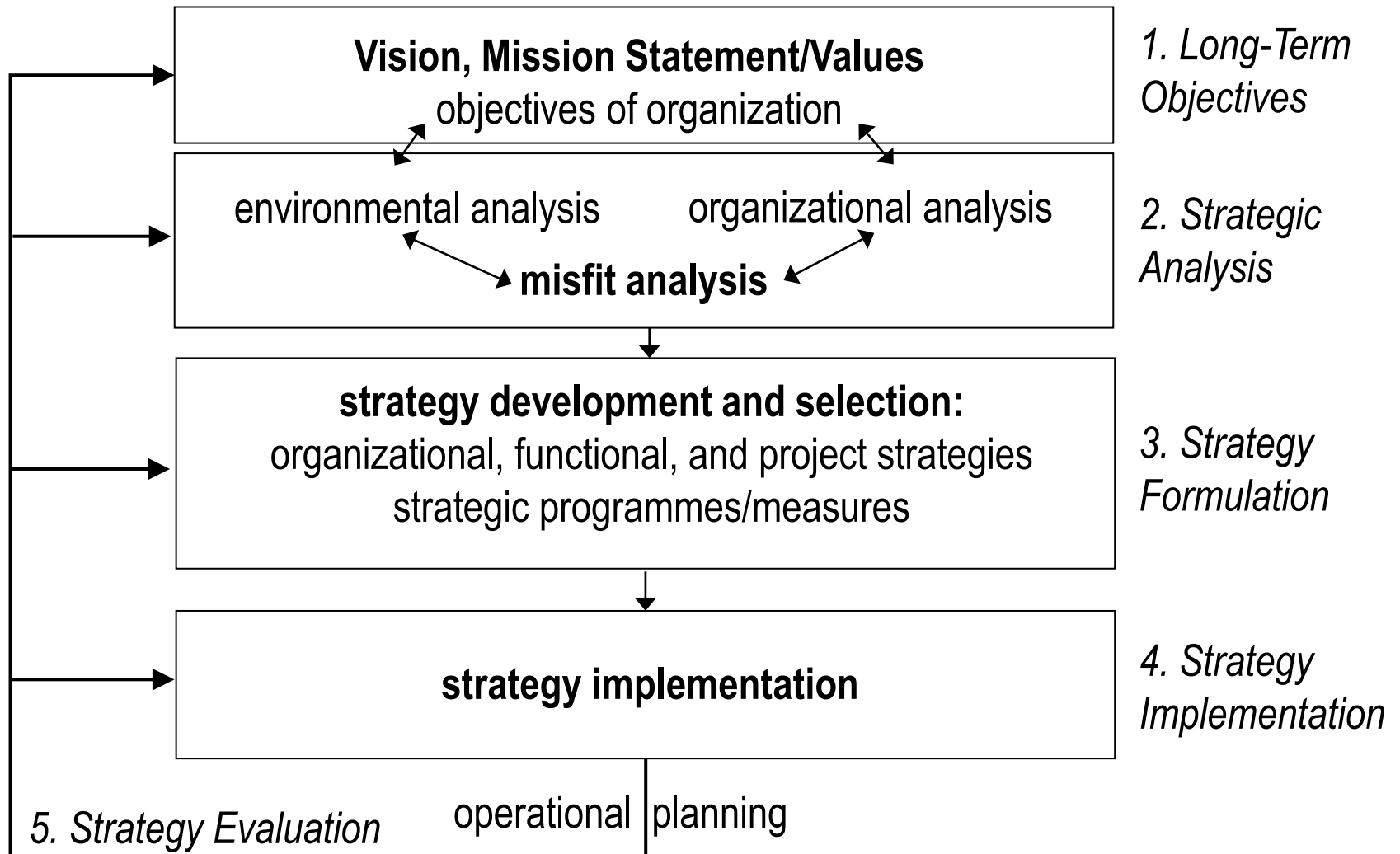
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Definition of Strategy

Strategy is a way (1) to create goods or services (2) for specific citizens/customers. These goods are created (3) through activities and (4) through the use of resources (5) which make it possible to gain a unique position and thereby gain a hoped-for (6) lasting competitive advantage.

Is this possible with the public sector? And if yes, which should be employed: a market-based view (Porter 1980) or a resource-based view (Prahalad/Hamel 1994) of the public sector?

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Process of strategic planning

Vision, Mission Statement/Values objectives of organization	*1. Long-Term Objectives*
environmental analysis organizational analysis **misfit analysis**	*2. Strategic Analysis*
strategy development and selection: organizational, functional, and project strategies strategic programmes/measures	*3. Strategy Formulation*
strategy implementation	*4. Strategy Implementation*

5. Strategy Evaluation   operational planning

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1. Long-Term Objectives

- The starting point is the legal basis and political objectives

- Establishing a vision (where do we want to go to?) and a mission statement/core values (what do we stand for?)

2. Strategic Analysis

- Survey of current state and expected developments

- SWOT analysis:

  Environmental analysis: opportunities and threats (political, legal, economic, technological, socio-economic environment)

  Organizational analysis: strengths and weaknesses (core competencies, analysis of value chain elements)

➜ Misfit analysis

Environmental factors / *Organizational factors*	**Opportunities**	**Threats**
Strengths	SO Strategies	ST Strategies
Weaknesses	WO Strategies	WT Strategies

- Overall assessment: compatibility with vision and mission, policy orientation, feasibility

3. Strategy formulation and implementation

- Develop strategic management documents:
  mid-term planning, subplans, organizational design

- Differentiation of direct measures (project plans, budgeting, organization, management systems, etc.) and indirect measures (communication, staff deployment and development, management and incentive systems, organizational culture)

Task review as an example of strategic planning

One strategic planning tool is the task review.

This strategic instrument allows statements on the following questions:

- What tasks should the state perform? (quantity and quality)
- Who should perform these tasks? (provider)
- How should these tasks be provided? (structures and processes)
- What resources are needed? (allocated resources)

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Necessity

Subcriteria

1. Is the task so important that it must continue to be fulfilled?

2. Is the delivery of the task by the public sector in the public interest?

3. Does the current state level have to fulfil the task?

Effectiveness

Subcriteria

1. Are the strategic objectives met in accordance with the constitution and the law, as well as the specific political requirements of the government and parliament?

2. Do the state benefits granted in the context of the performance of the task enjoy a high level of acceptance by the population and the target groups?

3. Are there any developments that influence or call into question the effective performance of task?
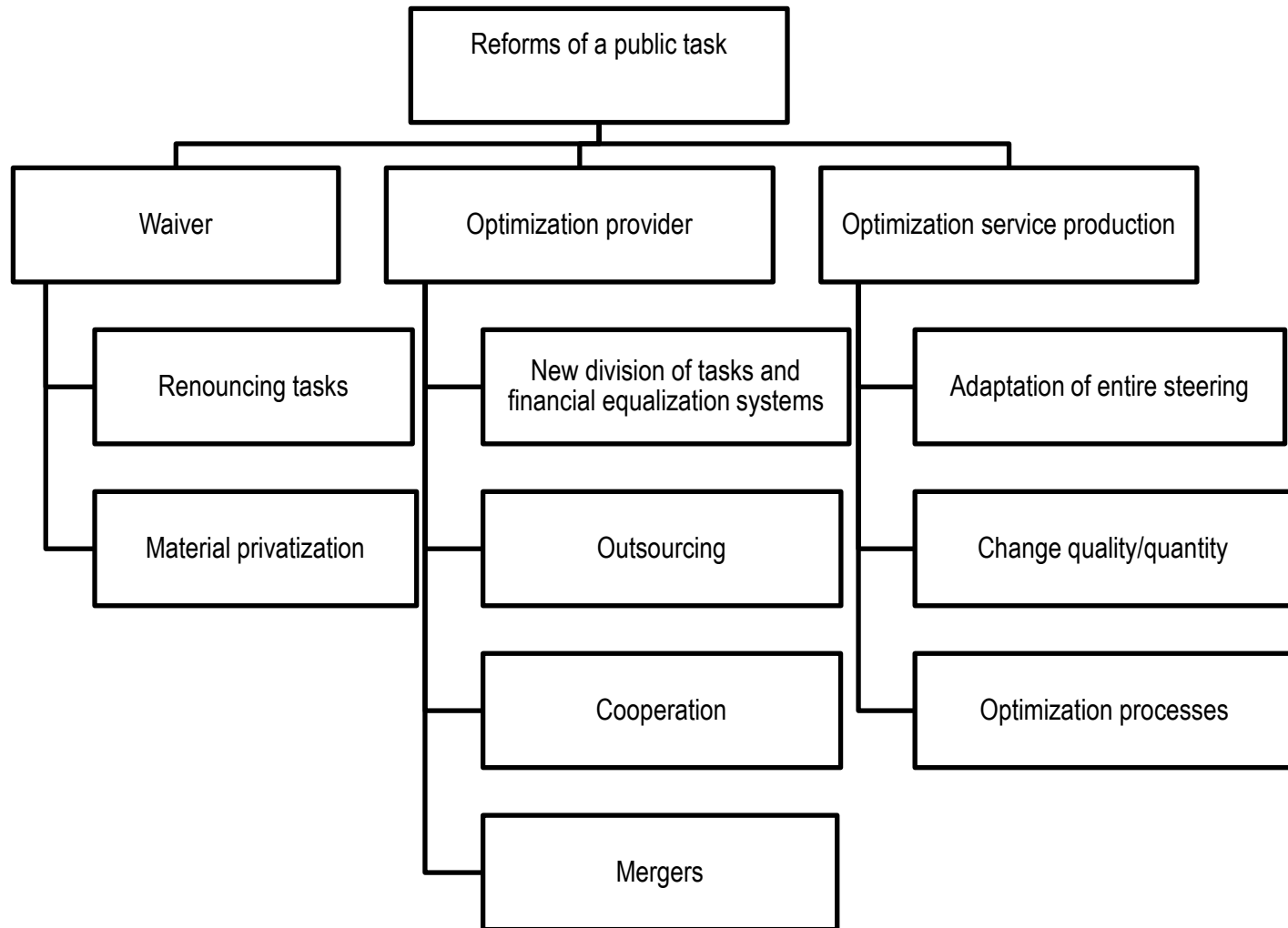
Financial viability and efficiency

Subcriteria

1. Can the financial and human resources used to perform the task be justified?

2. Could the task be accomplished with the same quality, but less financial and/or human resources?

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Result of review: Reform of public tasks

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                          ┌─────────────────────────┐
                          │  Reforms of a public task│
                          └─────────────────────────┘
        ┌──────────────────────────┼──────────────────────────┐
┌───────────────┐        ┌───────────────────┐      ┌──────────────────────────────┐
│    Waiver     │        │ Optimization provider │   │ Optimization service production │
└───────────────┘        └───────────────────┘      └──────────────────────────────┘
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Waiver	Optimization provider	Optimization service production
Renouncing tasks	New division of tasks and financial equalization systems	Adaptation of entire steering
Material privatization	Outsourcing	Change quality/quantity
	Cooperation	Optimization processes
	Mergers	

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Measurement of organizational performance as a basis for adaptation of the strategy (but also of the operation)

- Performance Measurement = Definition 1: Determination of the degree of achievement of selected organizational objectives; Definition 2: Process of identifying and quantifying performance indicators (key figures) that enable a statement about the extent of achievement of the target, quality, time and cost (performance).
- Measuring non-monetary achievement of goals challenging: Requires interpretation in attribulability, value judgments and focus.

Evaluation vs. Performance Measurement

- Evaluation = „Evaluation is a type of policy research designed to help people make wise choices about future programming. Evaluation does not aim to replace decision makers' experience and judgment, but rather offers systematic evidence that informs experience and judgment …. Evaluation is systematic and data based." (Weiss in Alkin 1990: 83).
- Most common forms of evaluation: ex post, ex ante, accompanying
- Difference Evaluation - Performance Measurement:
  - Intervention vs. Results
  - One-off vs. Continuous
  - Understand history vs. listening to signals
  - E.g.: Understanding a heating system vs. reading temperature

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Instrument 1: Quality Management

Quality (according to DIN EN ISO 9000): (International Organization for Standardization 1947)

"The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs"

Quality (according to DIN 55 350, Part 11): (German Institute for Standardization first founded in 1917)

"A set of characteristics of a product or activity relating to its suitability to meet existing requirements"

Quality Management Process

Source: Thom, Norbert / Steiner, Reto / Ritz, Adrian (2006): 13

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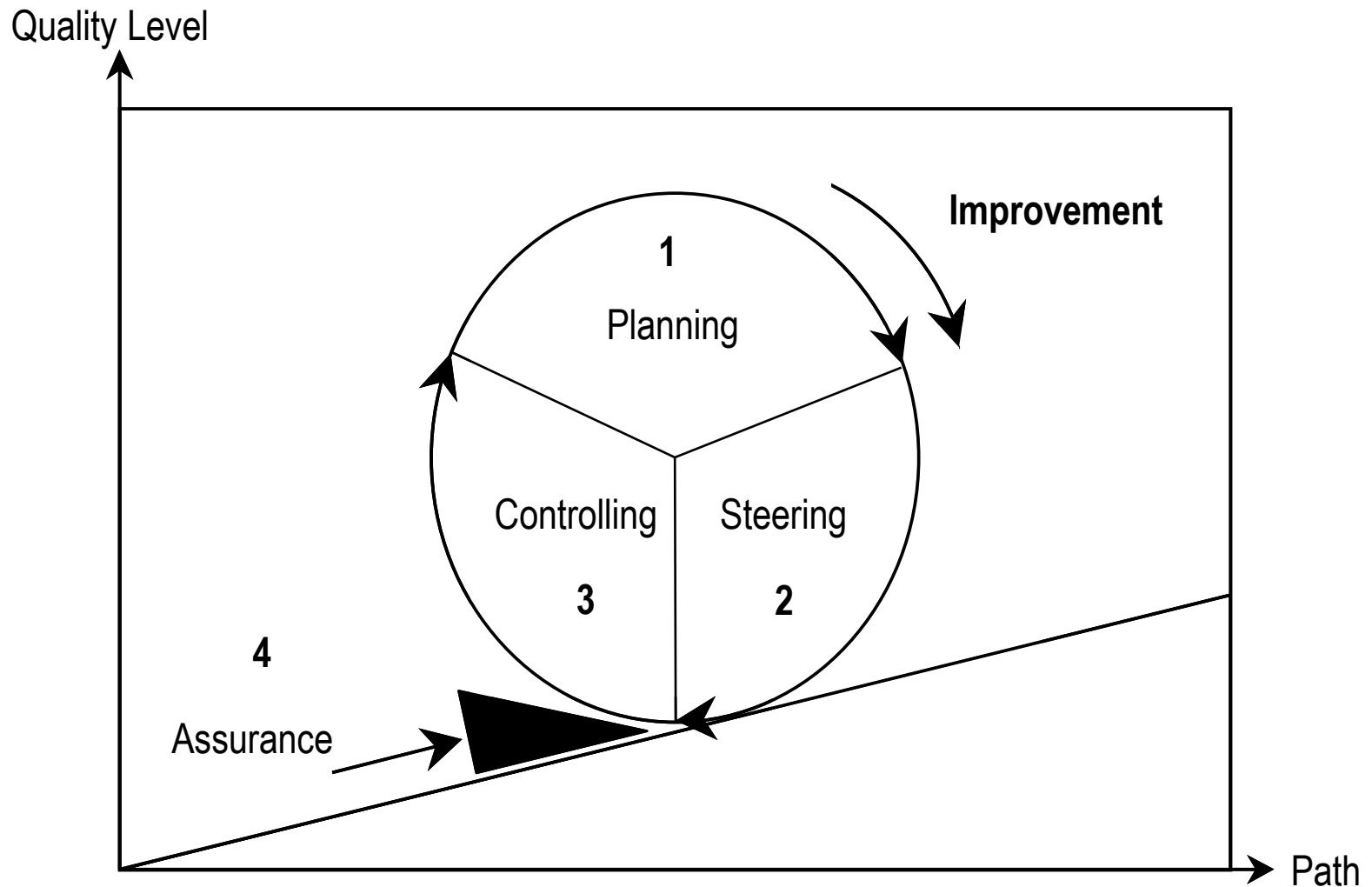
Common Assessment Framework (CAF)

- Adopted at the 1st Quality Conference of EU Civil Service Ministers in May 2000.
- The aim is for the civil service to practice self-assessment.
- Should be easy to handle, support in uncovering the strengths and potential for improvement and pave the way for the application of basic quality concepts.
- The 5th version is now available (2020).

Structure of the CAF

Source: European Institute of Public Administration 2020
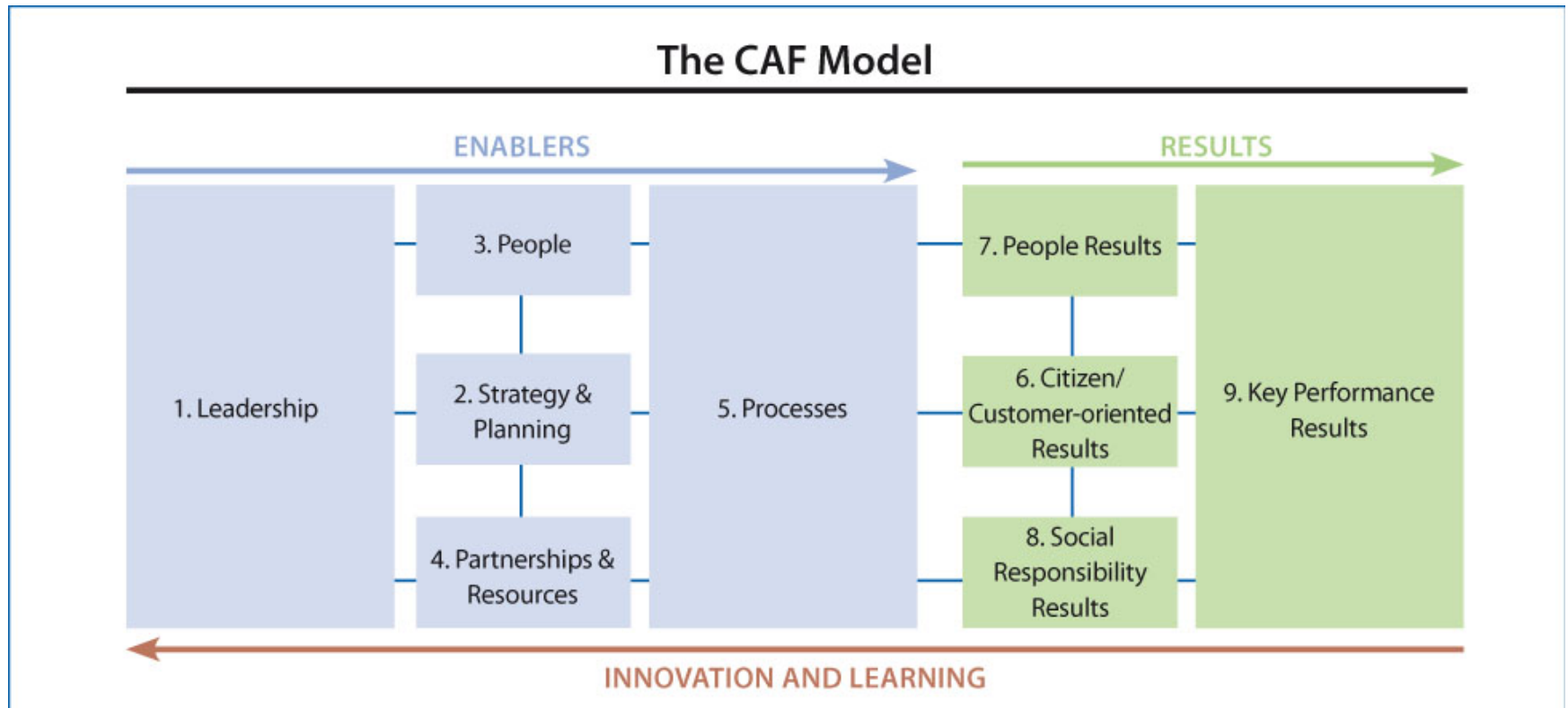
Self-Assessment Cycle

TEN STEPS TO IMPROVE ORGANISATIONS WITH CAF

PHASE 1: THE START OF THE CAF JOURNEY

Step 1
Decide how to organise and plan the self-assessment

Step 2
Communicate the self-assessment project

PHASE 2: SELF-ASSESSMENT PROCESS

Step 3
Compose one or more self-assessment groups

Step 4
Organise training

Step 5
Undertake the self-assessment

Step 6
Draw up a report describing the results of self-assessment

PHASE 3: IMPROVEMENT PLAN/PRIORITISATION

Step 7 Draft an improvement plan, based on the accepted self-assessment report

Step 8
Communicate the improvement plan

Step 9
Implement the improvement plan

Step 10
Plan next self-assessment

Instrument 2: Balanced Scorecard

- Since the end of the 1980s, the term "performance measurement" has been established in controlling and accounting literature.
- Performance measurement refers to the systematic presentation and evaluation of realized and potential organizational performance using the key performance measures.
- Dissatisfaction with one-dimensional, financial-oriented metric systems led to research projects by Robert D. Kaplan (Harvard) and David Norton in 12 American companies.

The Concept of the Balanced Scorecard (BSC)

- Objective: Linking strategies, operational goals, measures, and metrics

- Four perspectives (financial, customer, processes, learning) - but not mandatory.

- Selection of measured variables is required: Separation of important and unimportant issues is a basic feature of the BSC
  - Each measure has a reference to the strategy
  - Targets, drivers, and metrics must be interconnected

- Correlations are not derived through complex, mathematical-quantitative models, but in discourse (speech instrument). Start at target level, not key figures level.

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- Methodology: Analysis of each business (area) from four perspectives:

  ▶ **Financial perspective**: Does the implementation of the strategy contribute to the improvement of earnings? What are the objectives derived from the expectations of our owners?

  ▶ **Customer perspective**: What do we need to do for our customers to achieve the financial goals?

  ▶ **Internal process perspective**: How should our processes be designed to satisfy our customers? Which internal processes distinguish us?

  ▶ **Learning and development perspective**: What goals should be set in terms of our staff (employee qualification, employee motivation) so that internal processes are continuously improved?

Example: Generic Model

Vision	Transforming society through ease of access to ultra-high-speed information services		
Purpose	Delivering mobile services that contribute to society while acting lawfully, ethically and with integrity wherever we operate		
Strategic Priorities	Content Partnerships	Customer Service	Brand Awareness
Strategic Results	Strong supply chain for content and information services, exclusive agreements	Clarity in offering that surpasses anything in the market today, best user interface	Reinvigorated brand based on successes, attract a wider and younger audience

Strategic Objectives	KPIs	Targets	Projects
Financial — Increase Revenue, Increase Profitability, Decrease Operating Costs	• Net profit • Operating costs • Revenue in target markets	• ↑ 5% per year • ↓ 3% per year • ↑ 12% per year	• Implement new financial accounting system • Simplify billing operations • Competitive end user requirements market studies for new UK regions • "Improve the Offering" two year programme • Create improved offering selection process • Hook into 'Improve the Offering' programme • Training programme for new offerings and user interface • Product and marketing training programme • 2 year content supply agreements • Technology improvement programme including data centre upgrade
Customer — Improve Clarity of Offering, Improve Market Perception, Improve Customer Satisfaction	• % Market share index • % Customer satisfaction index • % Focus group user index	• ↑ 3% per year • 85% this year • > 90% each focus session	
Internal Processes — Improve Offering Selection, Improve Information Services, Improve Stock Reliability, Improve Cost Control	• New products as % of sales • Brand awareness score • Cost efficiency index	• 12% this year • ↑ 5% per year • > 90% every reporting period	
Organisational Capacity — Improve Knowledge and Skills, Improve Technology, Improve Supply Chain	• Employee development plans • Technology training index • Supply chain efficiency index	• 95% in place • 90% efficient • 95%	

Customer Focus - Integrity - Quality - Helpfulness - Community - Efficiency

Source: https://www.intrafocus.com/balanced-scorecard, 15 April 2020
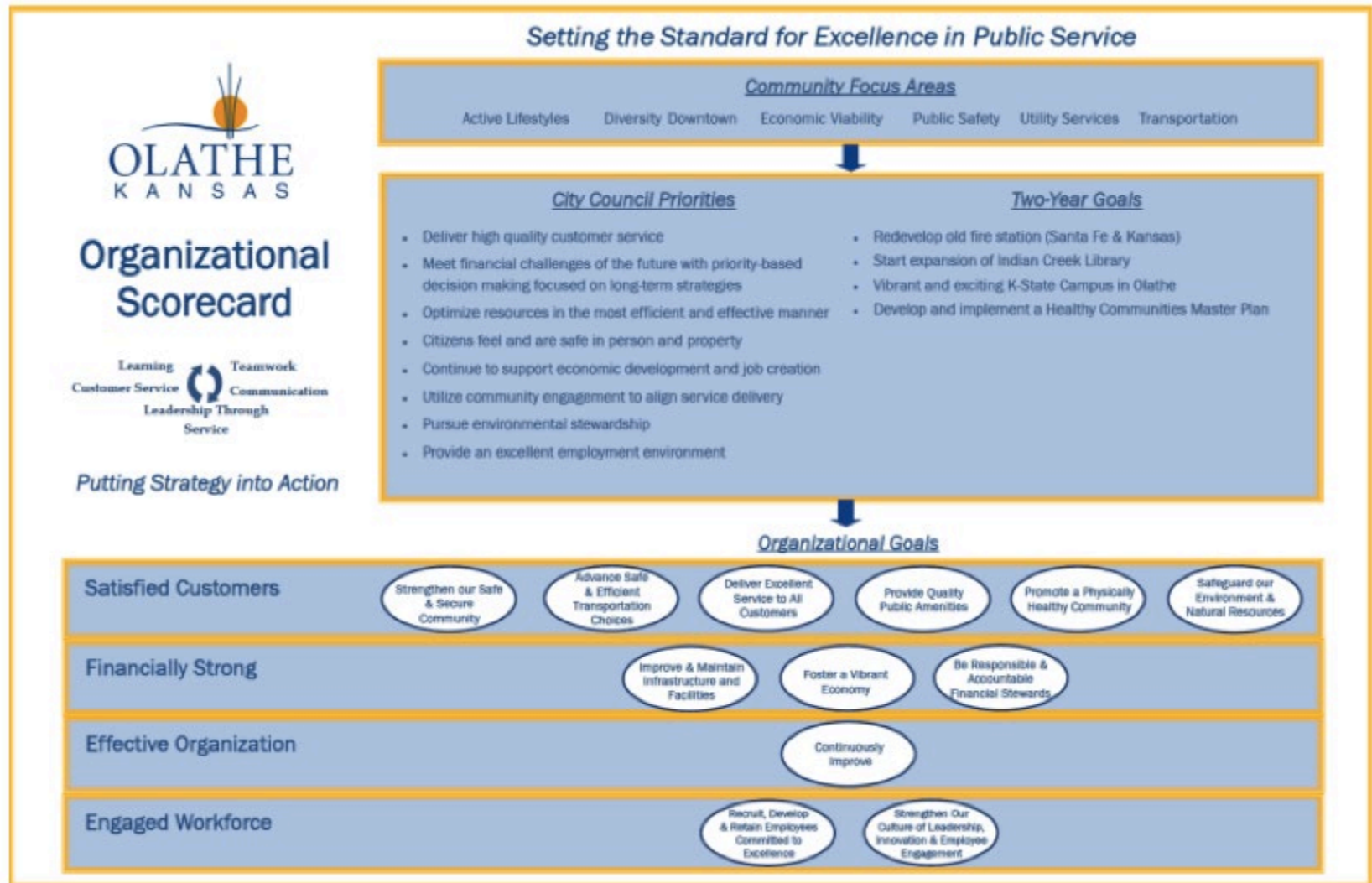
Example: City of Olathe (USA)
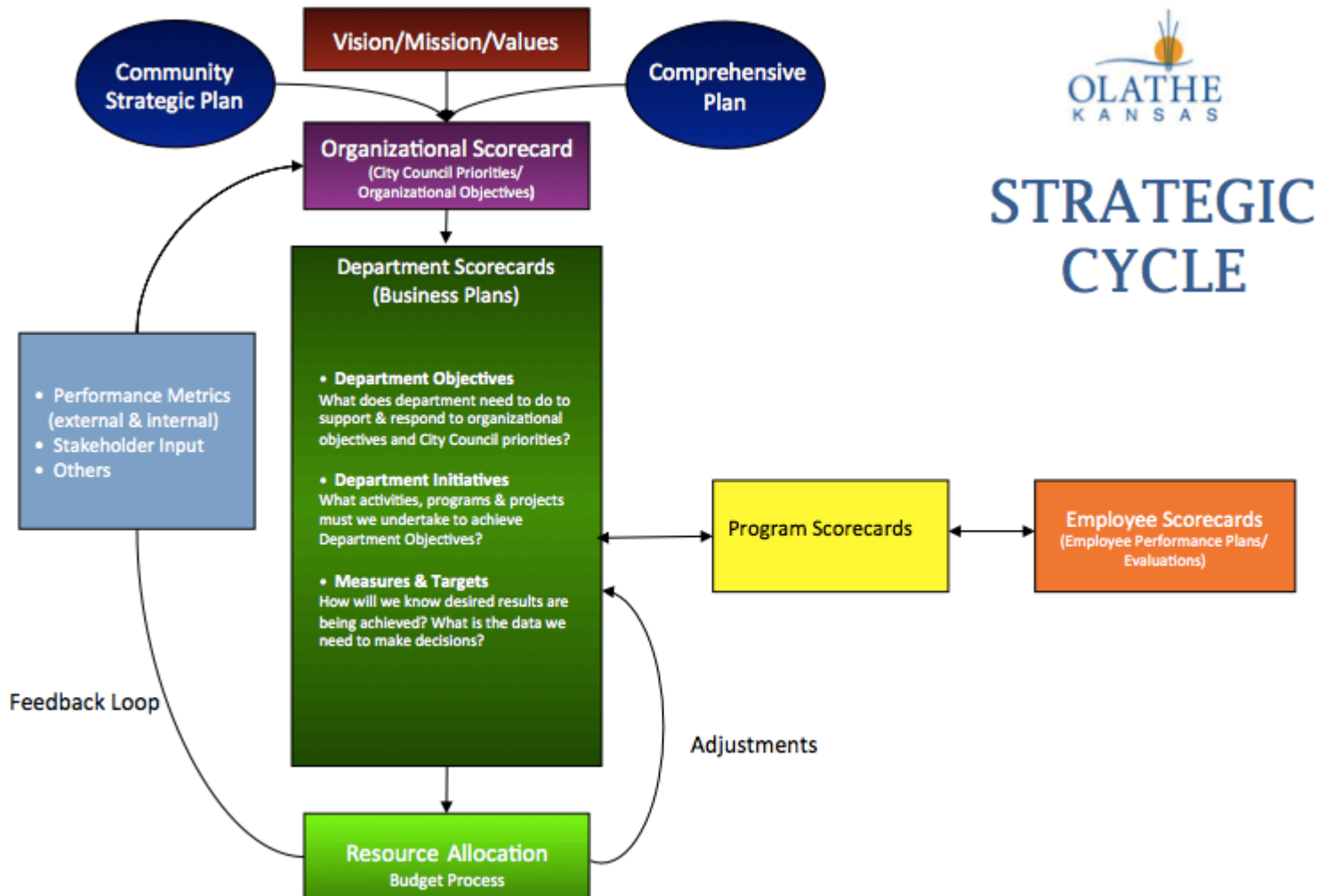
Example: City of Olathe (USA)

Example: WHO (Improving health services to displaced persons in Aceh, Indonesia)

August 2007

Measures	Alpen	Seulamat	Seumeur	Leuhan	Suak Raya	Langkak	Cot Mee
Staff							
Job satisfaction	4	3	4	4	4	3	3
Weeks since last pay	3	3	3	3	3	16	16
Months since training	1	1	1	1	1	1	1
Months since supervision	1	1	1	1	1	0	0
DHO supervisory visit	no	no	no	no	no	no	no
Disposal of used needles	fair	poor	poor	poor	fair	fair	poor
Needle reuse	excellent	excellent	excellent	excellent	excellent	excellent	excellent
Thermometer skills	excellent	excellent	excellent	excellent	excellent	fair	fair
Sterilization skills	fair	fair	fair	fair	fair	fair	fair
Health facilities							
Running water	yes	no	yes	no	yes	yes	no
Overall facility	fair	fair	excellent	fair	excellent	fair	poor
Waste disposal	poor	poor	excellent	poor	poor	poor	poor
Equipment (%)	65	61	61	61	65	61	48
Supplies (%)	83	94	94	94	88	76	94
Drugs (%)	73	48	58	91	58	54	64
Community							
Satisfaction (%)	100	100	100	100	100	25	67
Knowledge (%)	83	75	57	100	60	0	33
Outreach (%)	58	100	57	83	60	63	100
Active kaders (n)	9	.	7	10	5	5	3
Service Provision							
Hours of operation	no	yes	yes	no	no	no	yes
Child health (1-9)	7	.	4	7	6	6	.
Antenatal care (1-9)	4	.	4	4	4	4	.
Postpartum care (1-9)	0	.	.	7	.	6	.
PPH clinic (1-9)	6	.	7	6	5	4	.
PPH barracks (1-9)	6	.	7	6	5	4	.

Legend: Met target (green) · Partially met target (yellow) · Below target (red)

Source: https://www.who.int/bulletin/volumes/88/9/09-064618/en/, 15 April 2020

Instrument 3: Benchmarking

Benchmarking in the public sector is a…

◆   comparison of the performance
◆   of administrative units (and private organizations)
◆   with the same or similar services
◆   to learn in a qualitative process
◆   to learn from the best,
◆   to increase the performance of one's own institution.
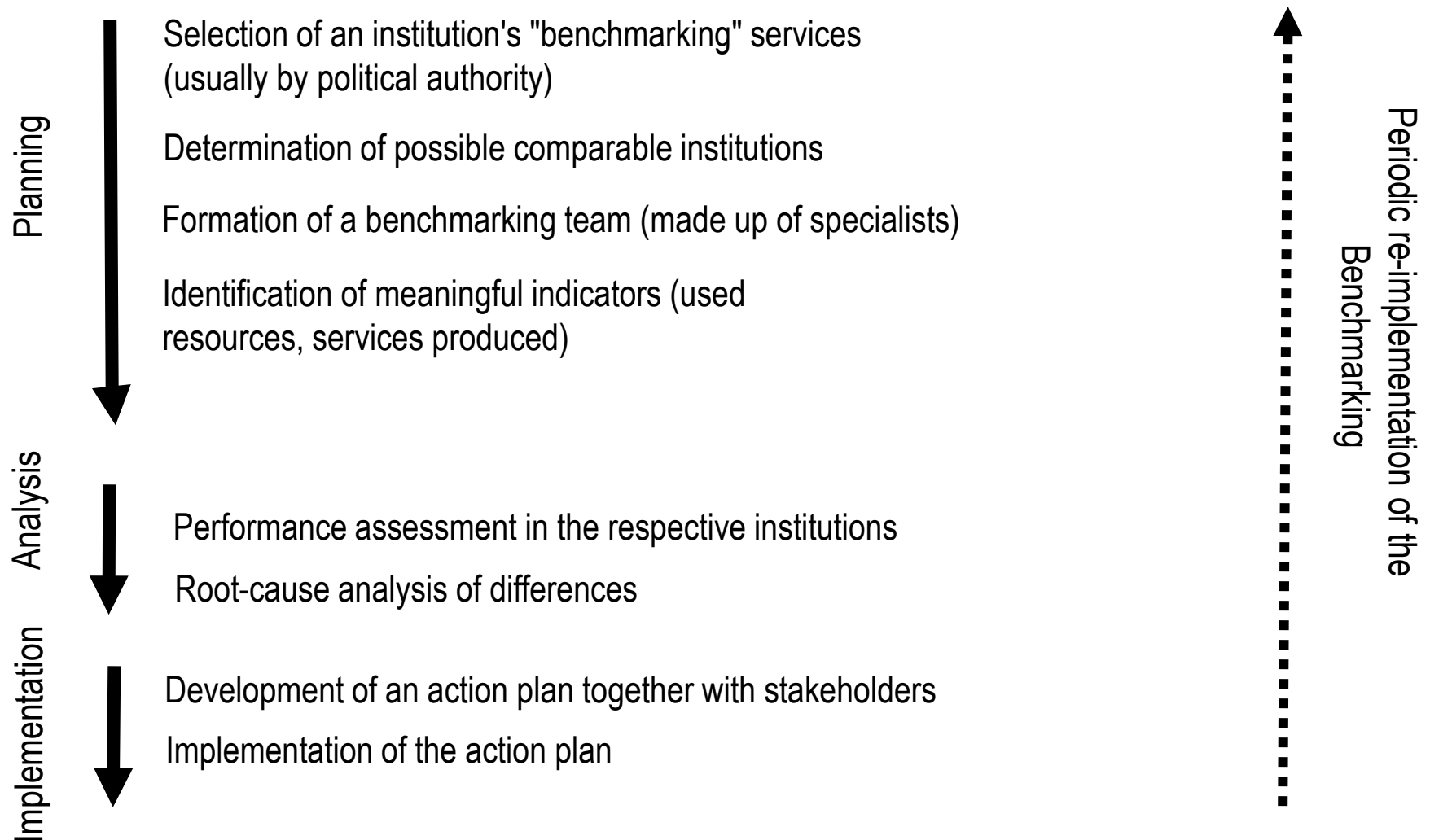
Source: Steiner 2008

Differentiation criteria

- Objectives
- Objects: policy field strategy, process, product (output and impact on customers), as well as organization
- Criteria (target fields)
- Form and partner: Internal benchmarking, external horizontal benchmarking, external vertical benchmarking, and external intersectoral benchmarking
- Initiating institution

Possible process

Planning

Selection of an institution's "benchmarking" services (usually by political authority)

Determination of possible comparable institutions

Formation of a benchmarking team (made up of specialists)

Identification of meaningful indicators (used resources, services produced)

Analysis

Performance assessment in the respective institutions

Root-cause analysis of differences

Implementation

Development of an action plan together with stakeholders

Implementation of the action plan

Periodic re-implementation of the Benchmarking

Observed Effects

Quality improvements

Optimized resource use

Savings potentials identified

Known defects confirmed

Time-consuming and expensive

Poor evaluation

Insufficient implementation of the findings