

# Model strategy for village development in the Czech Republic

## Modelové strategie rozvoje venkovských obcí v České Republice

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### Abstract

The model strategies discussed in this article represent different ways of possible village development in the Czech Republic. We used typologies of strategies from business strategic management for their definition. Twenty municipalities, where structured interviews were carried out with their mayors, were chosen randomly from among 100 villages where a questionnaire survey was conducted in 2012 (Faltová Leitmanová, et al., 2012). Based on the qualitative analysis of the structured interview summaries, eight model strategies were ascertained. These include integration strategy, service differentiation, spending cuts, usage of municipal property, stabilization of village population, business support, fundraising, and identification of the inhabitants with the village (village pride). The most commonly applied model strategy is integration, followed by village population stabilization.

**Keywords:** Management of Municipalities, Strategy, Strategic Management, Villages

### Abstrakt

Modelové strategie jsou v příspěvku chápány jako různé způsoby rozvoje venkovských obcí v České republice. Při jejich vymezování jsme vycházeli z typologií strategií, které jsou definovány a uváděny zejména v podnikové sféře. Pro zjištění informací byl využit strukturovaný rozhovor ze starosty z 20 vybraných obcí. Tento výběr navazoval na dotazníkové šetření mezi 100 obcemi provedené v roce 2012 (Faltová Leitmanová, et al., 2012). Na základě kvalitativní analýzy zjištěných dat získaných z řízených rozhovorů, bylo vydefinováno osm modelových strategií. Mezi ně patří strategie integrace, diferenciací služeb, snižování výdajů, využívání obecního majetku, stabilizace obyvatelstva obce, podpora podnikání, fundraising a soudržnost obyvatel s obcí. Nejčastěji uplatňovanou modelovou strategií je integrace, následována stabilizací obyvatelstva obce.

**Klíčová slova:** Strategie, strategické řízení, řízení obcí, venkovské obce

## Detailní abstrakt

Strategické řízení představuje proces, který je zaměřen na zajištění dlouhodobé prosperity řízených subjektů. Premisou je na základě záměru realizátorů (managementu, vlastníků, klíčových zájmových skupin) vymezení strategické cíle a následně i strategii a implementovat jí, tak aby byly co nejefektivněji využity zdroje a zohledněny vnější faktory. Přestože je tento přístup uplatňován a to zejména z historického pohledu častěji při řízení podniků, jeho základní principy a rovněž i nástroje jsou použitelné i pro řízení municipalit. Je to způsobeno mimo jiné i tím, že obdobně jako podniky i obce potažmo regiony mezi sebou soutěží a to zejména při získávání finančních prostředků pro jejich rozvoj, fyzických a právnických osob jako potenciálních zaměstnavatelů a rovněž i jako zdrojů příjmů.

Příspěvek se zabývá návrhem a vymezením modelových strategií venkovských obcí v ČR. Pro návrh strategií bylo využito studium literatury, která je zaměřena na problematiku strategického řízení (viz úvod příspěvku). Na základě komparací jednotlivých typologií strategií byly vybrány a vymezeny takové, které jsou uplatnitelné pro řízení obcí. Přehled strategií byl rozšířen o modifikace typových strategií.

Pro zjištění, zda je v obci určitá strategie uplatňována, byly provedeny řízené rozhovory se starosty obcí. Starosty obcí jsme oslovili vzhledem k tomu, že díky svým rozhodovacím pravomocem do značné míry určují rozvoj obce. Starostové zastávají volené funkce a měli by být tudíž representanty všeobecně sdílených představ a hodnot obyvatel obce.

Výběr obcí, ve kterých byly realizovány řízené rozhovory se starosty obcí, byl uskutečněn v návaznosti na rozsáhlejší dotazníkové šetření provedené v roce 2012 (Faltová Leitmanová, et al., 2012) tak, že bylo z původních 100 obcí, ve kterých bylo provedeno dotazníkové šetření, zvoleno metodou náhodného výběru 20 obcí.

Rozhovory byly strukturovány v návaznosti na základní prvky Integrovaného modelu strategického řízení a to tak, aby vystihovaly hlavní premisu strategického řízení. Starostové určovali a hodnotili nabídnuté myšlenkové podstaty vizí rozvoje obcí, vymezovali zásadní pozitiva a negativa jako základ pro situační analýzu obcí, odhadovali míru aktivity obyvatel obcí, přiřazovali bodové hodnocení výzkumným týmem navržených strategií, které při řízení obcí uplatňují. Kromě uvedených oblastí byl rozhovor doplněn řadou otevřených otázek, ve kterých mohli starostové vyjádřit podstatu jejich záměru při řízení obce. Na základě zjištěných informací byly výzkumným týmem generovány modelové strategie, které byly ve výběrovém vzorku využívány.

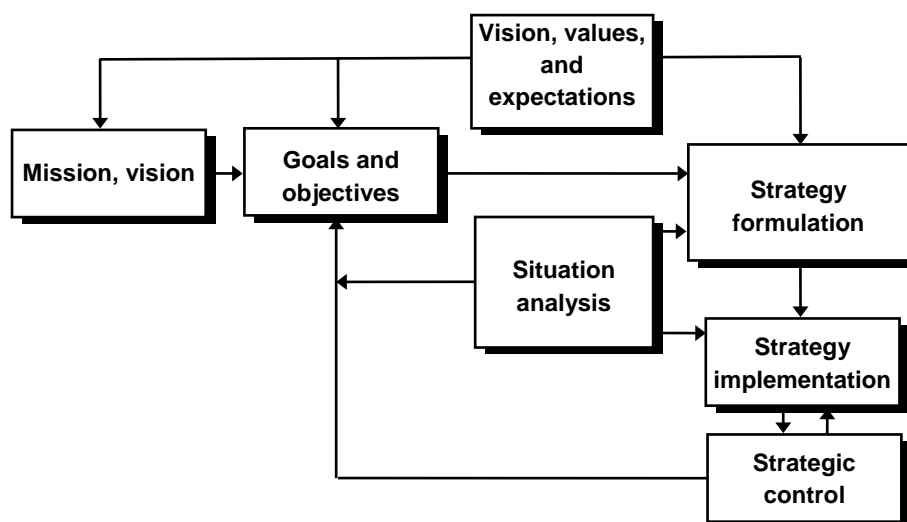
Z šesti navržených vizí rozvoje obce, bylo nejčastěji uplatňováno zachování tradic. Ze situační analýzy vyplývá, že největší pozitiva a případný potenciál rozvoje obcí spatřují starostové v příznivých podmínkách pro cestovní ruch. Jako největší negativum je uváděn nedostatek finančních prostředků. Na základě kvalitativní analýzy závěrů, které byly získány z řízených rozhovorů, bylo zjištěno osm modelových strategií. Mezi ně patří strategie integrace, diferenciací služeb, snižování výdajů, využívání obecního majetku, stabilizace obyvatelstva obce, podpora podnikání, fundraising a soudržnost obyvatel s obcí. Nejčastěji uplatňovanou modelovou strategií je integrace, následována stabilizací obyvatelstva obce.

Introduction

Strategic management is a process that is aimed at ensuring long-term prosperity of managed subjects. The premise is based on the plan of project implementers (management, owners, key interest groups) to define strategic objectives and subsequently a strategy and the implementation of this strategy while utilizing resources in the most effective way and taking external factors into consideration as well. Although this approach is more commonly applied (especially from the historical point of view) to corporate management, its basic principles as well as the tools are also applicable to municipal management. The reason is, among other things, that, like businesses, municipalities and whole regions compete with each other, especially in raising funds for their development and in attracting individuals and corporations as potential employers and also as a source of income. From this perspective, we can speak, as in the case of enterprises, about competitive advantage, which is mainly influenced by structure of economic activity, level of innovation, regional infrastructure, and education attainment of the labor force (Skokan, 2004; Svatošová, 2005; Wright and Němec, 2003; MMR CR, 2013).

Due to the existence of various schools of strategic management (e.g. design and conception school, analytical positioning school, entrepreneurial school, etc. (Mintzberg, 1990)), it is possible to state a number of definitions for the key terms themselves, such as strategy, strategic analysis, etc. (Ansoff, 1986; Chandler, 1962; Hitt et al., 2002; Porter, 1998; Eisenhardt and Sull, 2001; Whittington, 2002). The principles of strategic management can be, similarly to the definition of basic concepts, expressed through a wide range of models, where a large part of them is designed as a sequence of steps<sup>1</sup>. The disadvantage of this approach **consists in only providing a static view of the process of strategic management**. These shortcomings are removed, for example, in the Integrated model of strategic management, which is designed on the principle of accumulation of individual activities (Figure 1).

Figure 1: Integrated model of strategic management process (Hron, Tichá and Dohnal, 2000)



<sup>1</sup> Example of such a model is the traditional model by Thompson and Strickland , model of strategic management process by Johnson and Scholes (Hron, Tichá and Dohnal, 2000).

Strategy can be seen as a certain way of achieving set goals. The explicit definition of the term is considerably complicated by the relatively large amount of theoretical approaches (Mintzberg, 1990). Quite often, literature offers following examples of strategy definition:

- ❖ resource allocation method, which is dependent on the decision of the management regarding the selection of activities and projects that will be supported (Porter, 2011);
- ❖ position and method of its formation and possibly its maintenance;
- ❖ resource allocation method, which depends on the decisions of managers;
- ❖ plan, behavior, concept of development (perspective), or a certain maneuver (Mintzberg, 1990).

The latter approach is, after adding strategy as a position, the basis of often referenced Mintzberg's "5Ps of Strategy" (Plan, Pattern, Position, Ploy, and Perspective) (Mintzberg, 1987). In terms of municipal management, we are especially interested in conditions for creating strategies based primarily on the understanding of strategy as a model of behavior, which are:

- ❖ strategy is a concept, abstraction in the minds of stakeholders;
- ❖ strategy is a perspective shared by members of stakeholder groups, understood as the union of thought and action.

## Materials and methods

The aim of this article is to identify model strategies used in the village development in the Czech Republic.

To draft the strategies, we studied literature concerning issues of strategic management (see the introduction and discussion). Based on the comparison of different strategy typologies, we selected and identified those applicable to the management of municipalities. The list of strategies was extended by modification of type strategies.

To determine whether a municipality uses a certain strategy, we carried out structured interviews with the mayors. We addressed the mayors based on the fact that, thanks to their decision-making powers, they, to a large extent, determine the development of their municipality. Mayors hold an elected office and should therefore represent widely shared ideas and values of inhabitants of their villages.

Structured interview, in addition to ascertaining implementation of a strategy that was proposed by the research team in advance, was extended to other areas related to strategic management. The aim was for the research team to be able to determine detailed behavior of the village management and, based on that, define model strategies that are actually used.

Rural communities were defined using a methodology developed by Faltova Leitmanova (Faltová Leitmanová et al., 2012). Twenty municipalities were randomly selected out of 100 municipalities, in which the survey was carried out. Structured

interviews were conducted in 2012 (Cudlínová, Rolínek, Faltová Leitmanová, Klufová and Jílek, 2013). The selected municipalities are shown in the following figure.

Figure 2: Selection of municipalities for structured interviews



## Results

Based on the typology of strategies reported in literature (see the introduction and discussion to this paper), the research team prepared a draft of **possible strategies proposed by the research team** for village development. Structured interviews with mayors revealed preferential level for their end strategies.

To provide qualitative analysis of the findings from structured interviews with mayors and assuming that strategy is the behavior of an entity (see strategy definition in the introduction), the research team identified the following list of **model strategies** that are in reality used by municipalities of rural character.

### Possible strategies proposed by the research team

Individual mayors assigned points from 1 to 5, depending on the degree of conformity between the model behavior (real strategy) and the strategy proposed by the research team. The larger point value meant that the strategy in question was applied more.

The proposed strategies included:

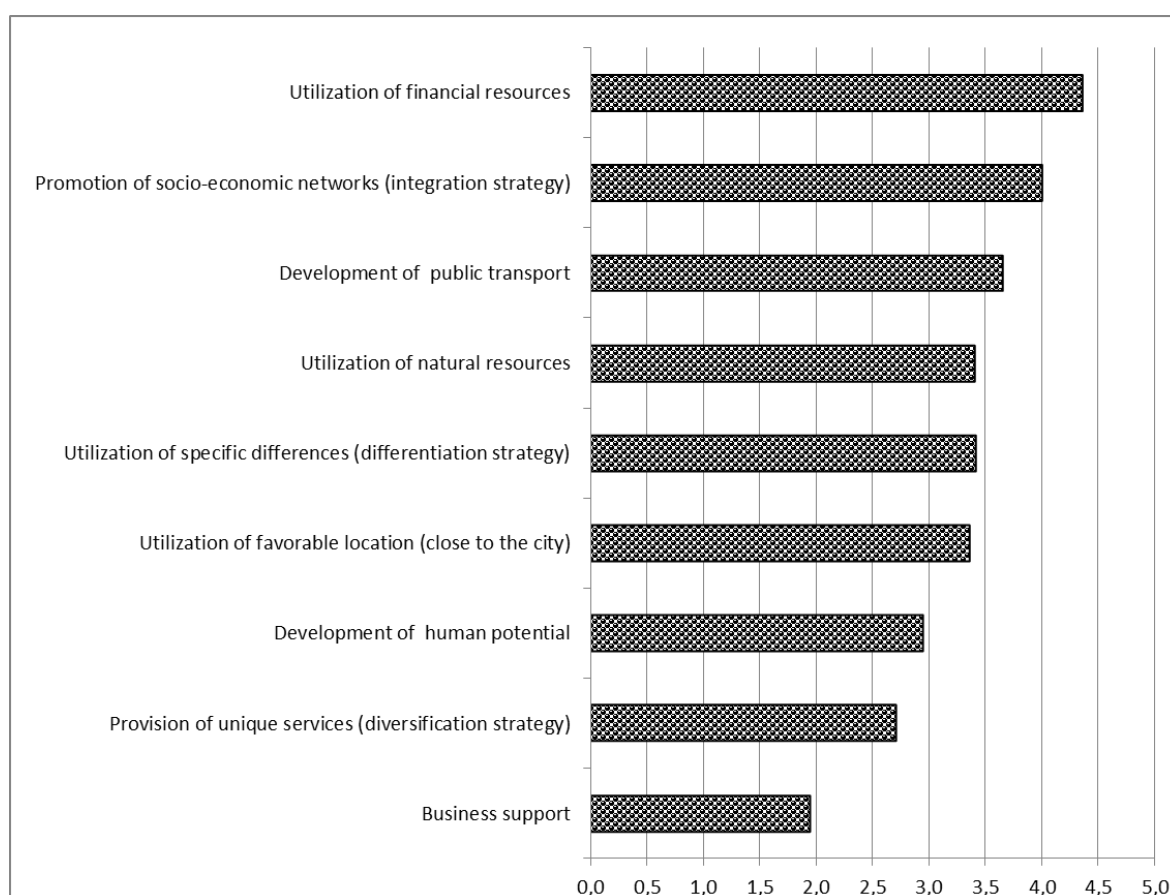
- Provision of unique services (diversification strategy);
- Development of human potential;
- Development of public transport;
- Promotion of socio-economic networks (integration strategy);
- Business support;
- Utilization of financial resources;
- Utilization of natural resources;

- Utilization of specific differences (differentiation strategy);
- Utilization of favorable location (close to the city)<sup>2</sup>.

The evaluation of the proposed strategies shows (Figure 3) that individual villages employ the most a strategy focused on financial management (acquisition and use of funds). Other strategies chosen in terms of their importance are the promotion of socio-economic networks (for example establishment of association of municipalities with the subsequent request for support) and providing transportation services. The first two strategies are closely connected and intertwined because participation in social networks such as MAS and municipal associations is the prevalent means of raising money in the form of grants. Transport services strategy promotes employment and keeping people in the village when there are no job opportunities, and most people are forced to commute to work.

Three additional strategies (utilization of natural resources, specific differences and favorable location) were given about the same average rating.

Figure 3: Proposed strategies (average rating)



<sup>2</sup> Utilization of favourable location does not really belong among strategies. It is rather a positive asset that can help village development.

### Model strategies

The model strategies determined from structured interviews include:

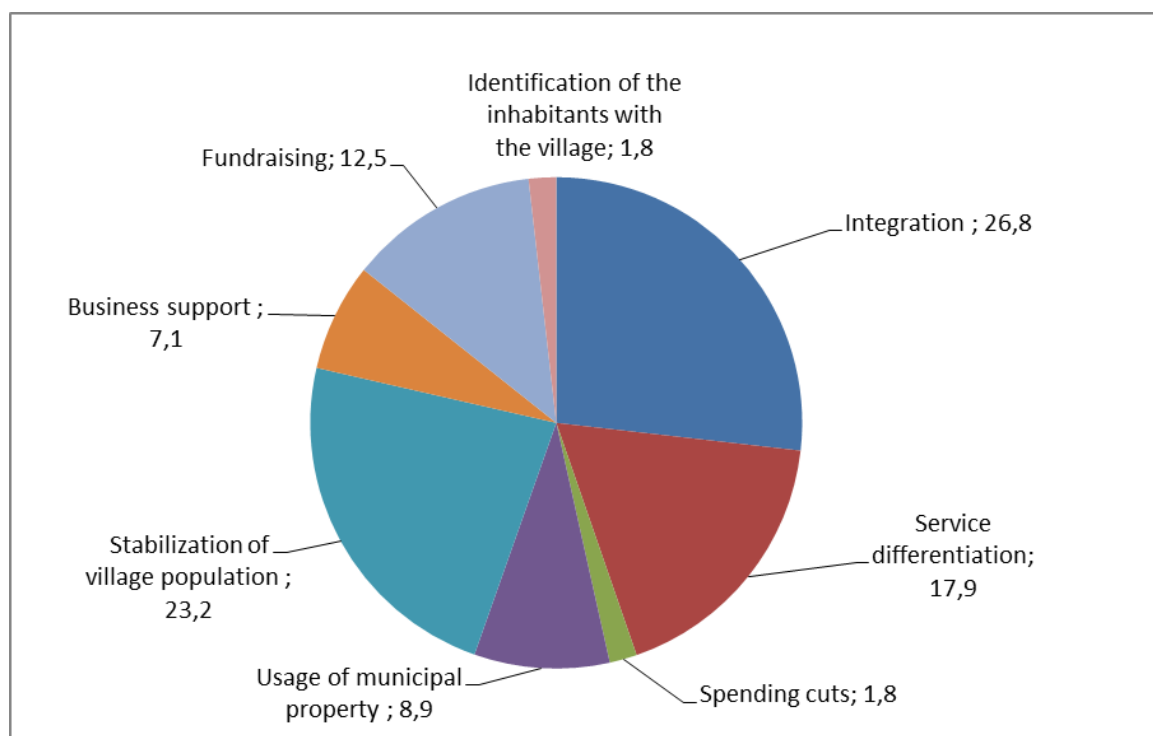
- **Integration** - association of municipalities in cooperatives (MAS , micro regions, etc.);
- **Service differentiation** - raising awareness of cultural, social, and sporting activities by using marketing tools (advertising, websites), focused for example on tourism, and improving existing services as well as offering new ones with the aim of differentiating the village;
- **Spending cuts** - saving measures and effective management of financial resources;
- **Usage of municipal property** – for example, sale of assets in order to raise funds, renting property, or use of natural resources;
- **Stabilization of village population** - providing housing, creating and selling building plots, expanding civil and technical facilities of the village, improving transportation;
- **Business support** - creating positive conditions for business activities with the aim of generating jobs and attracting investors;
- **Fundraising** – raising finances, for example from EU funds;
- **Identification of the inhabitants with the village** - promoting harmonious interpersonal relationships and creating and using synergy effect of the community.

Frequency of these strategies was evaluated while assuming that the individual villages might, and in most cases did, use more than just one model strategy.

The most commonly applied strategy for the studied communities is **integration** (15 occurrences); it mostly occurred in the form of the participation of municipalities in associations MAS (Figure 4).

The second most frequently used strategy was the **stabilization of village population** (13 occurrences), which was implemented most often by purchasing land, bringing in utilities and subsequently selling it. We evaluated this strategy independently because it is not economically advantageous (compared, for example, to the sale of other municipal properties) and is used for long-term development and stabilization of the village. The third most widely used strategy is **service differentiation**, which is implemented through the development and introduction of new village activities (competitions, exhibits, festivals, events for tourists). Compared to the prepared list of strategies, the frequency of the strategy aimed at increasing **identification of the inhabitants with the village** was surprising. Although the evidence shows only one occurrence, it can be assumed that this is a key strategy in terms of rural development (the mayors did not report it because they probably see it as obvious).

Figure 4: Model strategies of rural communities ( % of the total number of answers)



## Discussion

The knowledge acquired from literature (Ansoff, 1986; Chandler, 1962; Hitt et al., 2002; Porter, 1998; Eisenhardt and Sull, 2001; Whittington, 2002) that deals with these issues was used for the determination of model village strategies and also for applying the principles of strategic management to village development.

To facilitate generation of strategies, many strategy typologies have been created by various authors, mainly to be used for business management in the commercial sector. The major ones include the Ansoff Matrix (Ansoff, 1986), which is based on a comparison of a novelty of products (either a new product is introduced to the market or there is an increase in sales of an existing product) and a novelty of markets (products are offered to existing or new markets). Based on the taxonomy, the author defined four main types of strategies - market penetration, product development, market development and diversification. This approach is applicable to the management of municipalities only partially, for example in the case of expansion of services in areas such as tourism or in the economic activities of the municipality concerning its assets (use of natural resources).

Another frequently cited typology is called Porter's Generic Strategies (Porter, 1998). Its rationale is that a business uses, in its implementation of products or services, either **cost leadership** (producing goods or services cheaper than the competition), or principle of **differentiation** (differentiating oneself from other competitors). In addition to these two types, the author also introduces **focus strategy** (products are



offered in a chosen market segment). Generic strategies are applicable in the development of villages in a similar way as the previous Ansoff Matrix.

Despite the diversity of additional typologies reported in literature, by combining them, it is possible to generate approximately thirteen basic strategies (Tichá and Hron, 2002), which are used in business management. These include **integration** (This strategy can be divided into three types. It deals with the issue of establishing cooperation between businesses or their takeover), **market penetration**, **market development**, **product development**, **diversification** (these are the four basic Ansoff strategies; the diversification strategy can be further divided into three sub-strategies), **joint venture**, and the remaining three bankruptcy strategies such as **cost reduction**, **disposal and liquidation of property**.

These typologies have, due to their specification, only limited use for village development. To verify the fundamental approaches of strategic management and to find model strategies for villages in the Czech Republic that are not described in available literature, we used structured interviews with the mayors. Twenty villages were randomly selected out of a larger set of communities where a survey was carried out among their inhabitants. Interviews were structured in a way to reflect the basic elements of Integrated model of strategic management (Hron, Tichá and Dohnal, 2000; Rolínek and Řehoř, 2008) and to emphasize the main premise of strategic management. The mayors evaluated presented visions of community development, assessed chief positives and negatives of their communities in order to complete situational analysis of their municipalities, estimated levels of activity of their inhabitants, and rated strategies, proposed by the research team, which they apply in their village management. In addition to these areas, the interview was supplemented by a number of open questions, in which the mayors could express the essence of their goal in village management. Based on the information gathered, the research team generated model strategies, which were used in the sample villages.

Based on the qualitative analysis of the structured interview summaries, eight model strategies were identified. These include **integration strategy**, **service differentiation**, **spending cuts**, **usage of municipal property**, **stabilization of village population**, **business support**, **fundraising**, and **identification of the inhabitants with the village**. The most commonly applied model strategy is integration, followed by stabilization of village population.

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