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Strategic Management Planning as a Tool in Advanced Local Governments

Zvonko Brnjas¹, Dejan Erić, Ivan Stošić²

ABSTRACT – *The challenges the local governments (LGs) are facing in contemporary developed societies are getting larger and more complex. LGs have to deal with tasks relating to fulfillment of certain parts (in certain cases of a whole) of some of the key public functions which are arranging the life in local communities: land use of urban planning, organization and management of public services (like local water supply system, solid waste disposal, waste water treatment, public cleaning, maintaining and managing of city green areas, organizing distant heating system, etc.) along with some of conventional local governmental (administrative) functions. In the recent years, one of the LG functions, which is certainly becoming one of the most important one, is – an active role in economic development initiating through attracting the foreign investors, encouraging the self-employment process, SMEs development, etc. In such conditions, the strategic management planning becomes an essential tool that “managers” of local governments are using in order to provide efficient use of local governments resources and their long-term prosperity.*

KEY WORDS: *local governments’ competencies, SMEs development, local economic development, environment strategic analysis, strategic goals, strategy, strategic management and planning*

Introduction

The strategic planning as a management tool has been developed in the sixties of the last century, first of all within the corporative business environment. Later on, its development encompassed other organizations and institutions out of business sector, characterized by complexity and dynamics. In some countries, the local governments’ foundation and development make them complex, with heterogeneous organizational structure, with variety of competencies that is realized on respectable geographical area with big population. Thus, the local governments are similar to big, complex corporations.

The local governments (municipalities) in Serbia are characterized by organizational and economical sustainability: their population varies from 10 to 100 thousand and the budget estimates from several thousand to 20 million euros. Due to reforms, initiated in 2002, the Law on Local Governments, and a number of related laws, (especially Law on Budget System), and other legislation, - the local community competencies in Serbia are considerably enlarged, with increased budget resources.

The only local community that is the exception is the City of Belgrade, with population of almost 2 million, and the budget of over 600 million euros. Belgrade consists of 17 city municipalities.

Such organized local governments present the environment where the strategic planning and management got very important role and implementation.

Definition & importance

The strategic planning in local governments’ specific environment could be defined as a systematic process in which, the local authority, together with local economic subjects from other society seg-

¹ Zvonko Brnjas, PhD, Belgrade Banking Academy, Belgrade, Serbia

² Dejan Erić, PhD, Ivan Stošić, PhD, Institute of Economic Sciences, Belgrade, Serbia

ments, and citizens – define important issues and make real goals, tasks and strategies for their realization. The strategic planning is a mighty tool in local economic development planning, especially in one of its segments and its most important part – capital investments defining and realization. This is just the domain where the strategic planning can be used also as a management tool in setting the key issues in many local governments in Serbia. The authority system organization in Serbia, in this domain, enables local governments (municipalities) in Serbia relatively great competencies and obligations.

Assumptions for successful strategic planning process in local governments

The strategic management and planning process is very complex and demanding both, in respect to its technical characteristics (methods, techniques, information base, etc.) and its internal and external political characteristics (relations among participants in the process). 1. The strategic planning process in local governments comprises the expectations, aspirations and interests of various authorities' levels of different functions and in countries in transitions such Serbia, this refers to interests of different political options on public scene, on local level, and complete political scene.

Thus, it is necessary (to make planning process successful) to fulfill some basic pre-conditions. They will differ in some details among certain local governments depending on their characteristics. The heads of planning process at local level have to be flexible in solving some problems because as a process result some changed issues can occur, based on different interests of participants. So, it is necessary to adjust the process to a local level in all crucial aspects: technical, political and cultural. This especially refers to the following factors:

Technical Capacities – Beside the expert knowledge of the problems, the knowledge of all local participants about their role and position in a planning process is essential. The current planning models comprise the inclusion of a number of subjects into the process, and if they are not ready to do it on adequate way, in spite of made efforts, the results could be very weak. Therefore, they should begin with trivial things, such as the presentation of elementary concepts and techniques, along with strategic planning terminology to process participants.

Realistic Approach – Starting from the local community characteristics, especially available resources, the expected results of the process should be realistic and achievable. If the expectations are great, and expected goals above real achievement, very soon, the complete process can become a failure, so beside wrongly spent resources, the fact that the strategic planning concept will be put away as unnecessary and useless innovation (bid'at) is even worse.

Connection with other Management Processes – The strategic planning process in a local community should be incorporated into other planned processes, that is, its result (strategic plan) must be a real base for all other plans, especially budget one, then capital investments plan, certain functions development plan (culture, education, etc.).

Strategic planning manageable model in local governments

Strategic management and planning techniques are part of management practice of many local communities in developed Western countries. Its practical implementation, of course, differ in certain details, depending on a community characteristics such as their size, legal frame, that is, competencies division among various governmental levels, community dynamics, (prosperous vs. community in decline), subjective behavior of authorities and decision makers (aspiration level, personal; management style, etc.).

In the following lines the strategic planning manageable model in local communities, based on some of these experiences – is analyzed. It represents one of the possible approaches. In methodological sense, this model could be implemented through four main groups of activities, that is, four following phases:

Current state analysis

Future development trends defining

Strategic alternatives formulating
Implementation of the formulated strategies

Current state analysis

The main goal and expected result of this planning phase is to set the state of development (the starting point of the planning process), and specially the available resources of the local community. Based on the result of such an analysis decisions on future development priorities of a local community could be made. In is common situation that the ambitions and expectations of stakeholders (authorities, decision makers and citizens) are bigger than real possibilities. Very often the goals in the field of large number of areas of social and economic life are set as priorities. The good analysis of current state goal should be reduced on selecting limited number of areas of local community future development r, which can be controlled and managed. Having in mind the size and economic power of Serbian municipalities, this number should be three, and no more than 5 priority areas of development. In general, this approach should be based on market demands, raw materials location, expert staff and other resources, which most of Serbian local governments has an access to.

Focusing on several key development fields, in which the local community has comparative development chances, energy and resources concentration are provided and chances for realization of planned goals are greater. Anyway, this policy should be carried out carefully in order to escape the other extremity – the community future attachment to one or two fields. Some municipalities in Serbia often attach their development to one industry, that is, one company. During the prosperity period of these companies, the governments also flourished, but in critical periods of companies, the communities found themselves in heavy crisis.

The current state analysis should be realized in the following three logical steps:

a) Analysis of current natural, economic human and other resources

This phase requires the establishment of ever-possible qualitative data base which will illustrate the available resources in local community. The base is expected to be enough broad to encompass the information about all resources and, concise enough to make the analysis efficient so it can offer the relevant information. The information that should be gathered and organized in one unique base, accessible and suitable for analytical analysis are: settlements populations, age, birthrate/mortality, net migrations, school enrollment data, employment (total number of labor active inhabitants, qualification structure, employment by sectors, unemployment, average earnings by sector,), economic indicators (data on business activities of large and small enterprises, entrepreneurs , agriculture) etc. This information are for specific time that is the empirical rule- the time range of historical analysis should correspond to the projection period. If that period is ten years then historical analysis should encompass that period.

b) Local community unfulfilled requirements analysis

In this phase, it is necessary to make some kind of local community requirements inventory, which is usually done through structural communication process with subjects that are holders of services in certain activities and service users. Thus, the community urban development requirements (completion level of urban documentation, lack of certain types of local infrastructure etc.) will be defined through communication with institutions in charge for servicing in this domain and their users (potential investors, construction firms and finally the citizens). The local community requirements in the field of education will be defined through the communication with schools and other educational institutions such as education centers, private schools, etc.) and, of course, the service users, that is, students and their parents. All aspects of social life: culture, public health, sport, recreation etc. should be analyzed in a similar way. The analysts have an access to many techniques and methods from survey organization, interviews, to public discussions in which the citizens can express their attitudes and opinions on concrete issues regarding local governments.

c) Collected data analysis and final evaluation of local community current state

Upon collected data on available resources, requirements identification and specific preferences of local subjects, follows the phase of their analyzing as an essential preparation for local community long term development trends defining. If we want to think about future development trends, we have to understand the data on local community current state –its advantages, weakness, chances and threats. For this type of analysis, the analysts can rely on so-called SWOT analysis. It is the strategic analysis on external and internal weak and strong points in local community position. Nowadays the methodological frame of this analysis is mostly used as a technique in strategic management and planning. It helps to identify the current and future chances and threats from the surroundings (external factors) on one side and advantages and weaknesses (internal factors) on the other side. The vision, mission and goals are defined according to confrontation of internal advantages and weaknesses and chances and threats.

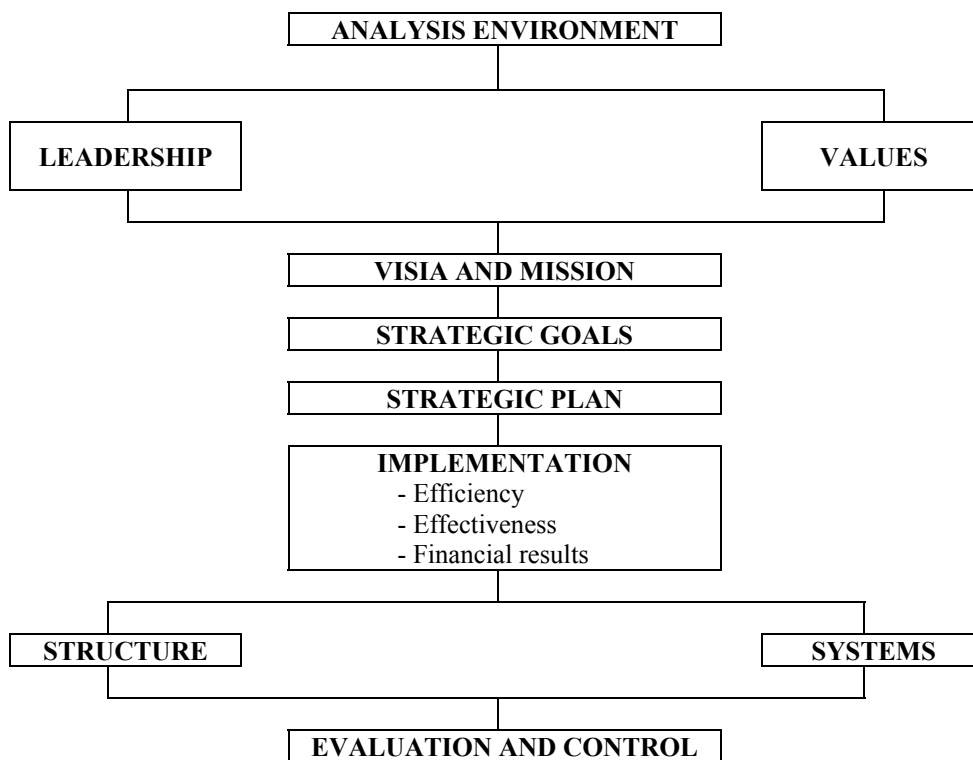
Defining of future development trends

The first phase of strategic planning encompasses the analysis of local community, its potentials, powers, weaknesses, chances and threats. The next phase of planned process refers to local community long-term development trends defining. This part could be realized in two steps:

a) Local Community Mission and Vision Formulation

The mission and vision are the factors, which define the local community existence and functioning as well as its image in 15, 20 or more years in future. Sometimes this step in strategic planning process can be critical although it seems simple. In practice, it often gets the characteristics of intellectual training where the local governments representatives, through “brain storming” exercise decide on best mission and vision formulation. The following steps in planning process (strategic and operational goals defining depend on the process implementation and that means the general trends of local community in the following long-term period.

Strategic Planning Manageable Model in Local Governments



b) Defining of strategic and operational goals coordinated with mission & vision

This step comprises the local community mission and vision, seen in six strategic goals. The main characteristics of well-formulated goals are: 1. Motivation so they initiate the subjects, which will later participate in their implementation, 2. Coordination-all objectives, should be directed towards the realization of exceptional mission and vision. 3. Time schedule- objects realization plan must be precisely scheduled. 4. Relevance – goals should initiate actions (strategies) which will lead to their realization (not any other goals). 5. Specificity and accuracy- goals must defined clearly and understandable to all planning process partners, 6. Accomplishment – The goals have to be realistic and attainable in defined time and space with available resources along with the efforts of working groups and citizens. The insubstantial goals could easily discredit the whole process and affect the key factors in local community to reject the strategic planning as a useless and expensive exercise.

Strategy formulation

The next step after defining the mission, vision and development goals of local community is to define strategies that will contribute to their realization and upon planned period, the local community will finally find itself in desired projected position.

The former two phases analyzed the local community possibilities, its advantages and weaknesses, offered ‘chances’ but also “threats” and risks. These analyses support identification of local community strategy and goals for that strategy realization. This is the crucial phase in planning process, which demonstrates most distinctly the changed position and role of local governments in modern societies, (especially in countries in transition), in new reformed authorities organization. In former periods, the local governments in these countries (Serbia still belongs to them), were more or less so called “administrative additional support” of central administration, which only carried out the political decisions on a local level. In modern, developed, democratic world, a local community main function is to fulfill the interests of its citizens.

This phase includes the following steps:

- Define the necessary resources for strategies realization
- Estimate the local community capacities necessary for strategic goals implementation
- Develop activities plan for goals realization.

Having in mind the history of local community, environment and available resources, the community decides on those strategies and strategic goals realization that proved to be adequate in analysis in order to carry out already defined mission and vision. The local community strategies defining which lead to goals realization in its mission, is the most important factor. The strategy should be precise and measurable in execution; it must refer to issues important for the local community, it should set up realistic challenges and finally its realization should be conducted in advanced time.

Strategy implementation

In this phase, all process components are activated and all resources (material, financial, human) are in the function of realizing the set up goals. Regarding the local community’s strategies, spending the budget resources for development is realized in this phase. Depending on how well the job was done in previous phases, the implementation should be efficient (with the lowest costs), and effective (with best possible results), that will provide the high level of services, good results and good financial results for the local community. The significant component of this phase is evaluation and strategy realization control that enables the planned implementation process. In case of any disagreements, the corrective measures will be undertaken.

Process sustainability

In the final phase of this very demanding process, the managers and participators face the greatest challenge- it is necessary to avoid the situation when the strategic planning process is only the theoretical exercise with no effects on real life, or just a simple trial, with no intention of future realization. In order to realize the main goals, the local community should establish a special operational group – team for strategic planning, composed of local organizations and institutions representatives as well as local administration managers (e.g. managers of municipality administration, urban planning, economic development, personnel development, public services etc.). Beside this team, the process sustainability depends on specific rules and some key elements and /or properties:

Process managers should insist on transparency – the public and media have to be informed about planning results

Process should be carried out according to, in advance, defined and clear procedures- all steps should be constantly monitored, so in future, it can be easily reconstructed and hand the experiences down.

Planning process is to be monitored and evaluated continually, experiences summed up, certain promotions proposed

Beside symbolic and verbal gestures, the local community should support the process by allocating the budget for planned process in order to keep the integrity and long-last planning and realize the expected goals.

Conclusion

With the ever-growing complexity of global environment and its constant turbulence, the modern societies face the problem of more responsible respect for future. The local governments deal with a number of problems: restructuring of activities requires the implementation of human knowledge and high technology (wherever it is possible), more flexible way of authorities' organization, greater innovations and citizens' participation in solving various issues.

The strategic management and planning is a modern management tool, which has become irreplaceable in complex systems and organizations. It is still being developed in big complex corporations, but its implementation and importance are also crucial in other environments and local governments. Furthermore, the implementation of advanced sophisticated management techniques has become one of the key assumptions of local governments' effective management in developed modern societies.

The strategic planning is a way to define the local community main priorities for the period longer than 10-15 years, and to provide that all resources (financial, human, etc.) are synchronized, defined and focused on unique development goals realization. We should have in mind both, "hard" goals realization, expressed through economic development indicators (economic growth level, employment, infrastructure, etc.) and "soft" side that refers to management of part of political process: coordination of interests and local community stakeholders needs, starting from those on top to every individual citizen.

The authority organization system in Serbia enables the local governments (municipalities) very significant role in people's life, starting from public services, some key public functions, and important role in local economic development. Such competence and responsibilities require from local authority organs to put their management capacity on a very high level, which will be in accordance with modern society's demands. The implementation of strategic management and planning is one of the most important elements of this process.

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