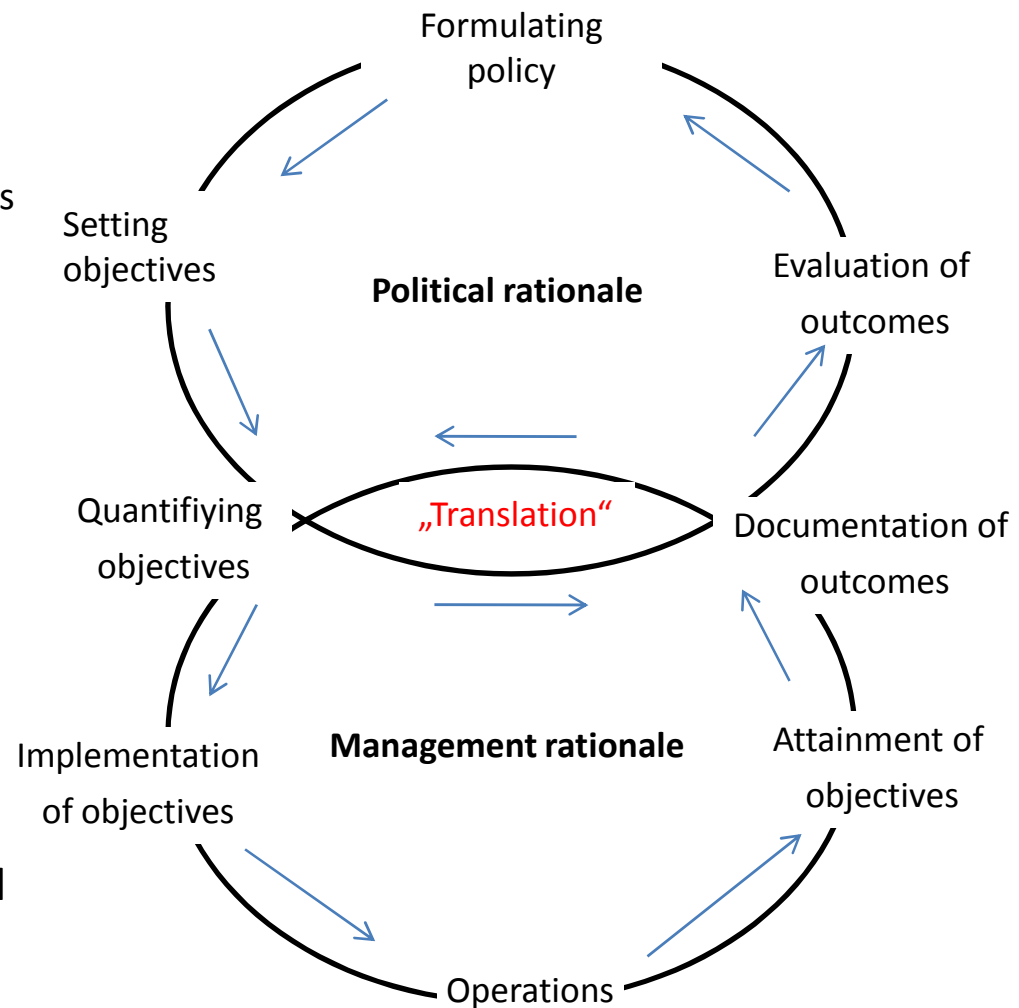# STRATEGIC MANAGEMENT IN THE PUBLIC SECTOR

The strategic triangle as a new concept presented within a relevant case study

By: Luke McBain, MBA General Management
luke.mcbain@web.de
Dr. Jonathan Smith, Chartered FCIPD, Senior Lecturer

Concepts and theories impacting public management

- The challenge today:
  - Growing complexity of social problems
  - The growing demands of citizens
  - Acceleration of social change
- Solution of 80ies: „New Public Management"
  - Private sector principles and tools
- Enrichment in 90ies: Perspective of „Governance"
  - Shaping and optimizing of the interdependencies between actors in a society which cooperatively attempt to produce public value
- Today: Public administration a partner of politicians in the definition of what value should be created in what way

Formulating policy

Setting objectives

Political rationale

Evaluation of outcomes

„Translation"

Quantifiying objectives

Documentation of outcomes

Implementation of objectives

Management rationale

Attainment of objectives

Operations

Concepts and theories impacting public management

e rational planning model seems to be unrealistic in the face of complex social interaction

hat is actually happening in public management?

"Satisfying"
(Mayhew, 1974; Bogumil & Jann 2009)

"Management of muddling through"
(Lindblom, 1959)

"Logical incrementalism"
(Quinn, 1980; Quinn & Voyer 1994)

ded rationality"
/ehlmann, 2003)

Characteristics of the public sector shaping strategic management

authorizing environment and the interdependent actors can be considered the
ual market of the public organization, further factors impact strategic management:

Environmental factors
- Influence of the political level
- Legal mandates

Transactional factors
- Coerciveness
- Scope of impact
- Public scrutiny, accountability
- Collective ownership
- Management must include societal values such as fairness, openness, inclusiveness, honesty

Factors in the organization
- Goal setting processes are conflicted
- Measuring performance complex and difficult

Characteristics of the public sector shaping strategic management

act on the models available to strategic management :

– Strategy as positioning or scope:

The more public an organization is, the more it will have to position itself within the authorizing environment as its "market" in terms of producing outcome and adjusting its scope.

– Strategy as setting long-term direction:

Due to the turbulent nature of the authorizing environment a core unit of the state will have more difficulty in setting long-term direction than a more peripheral one which delivers concrete products and services.

– Strategic fit …

…can be seen here by maximizing public value while at the same time attracting a maximum of permission and resources. This might lead to trade-offs between what is perceived valuable and acceptable to the political environment.

– Strategy as stretching competencies:

Not only must the public manger use internal capabilities but rather rally support from co-producers and external actors, which means that the organizations strategy must be attractive
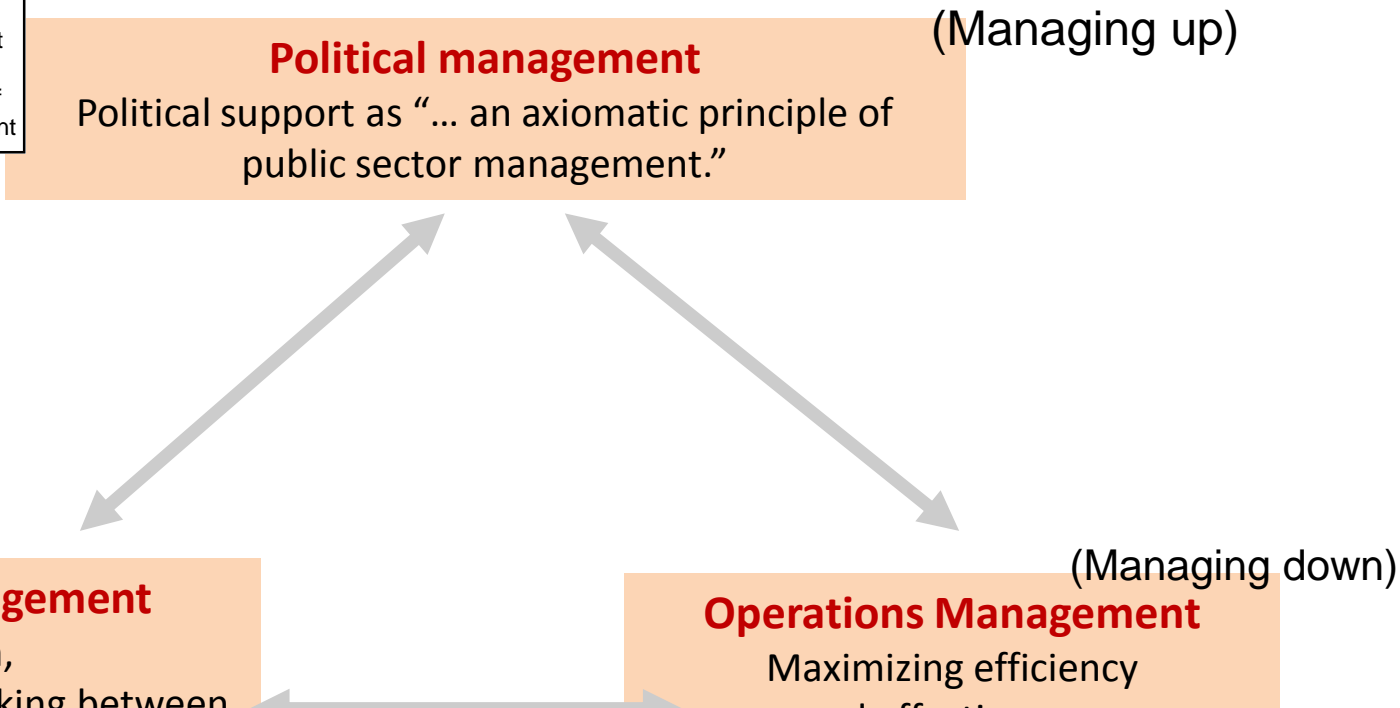
The strategic triangle

A new approach to strategic management in the public sector:
  The strategic triangle (adapted from Moore, 1995)
  Three three main **management dimensions**

Key person: Head of department responsible for all three dimensions of strategic management

Political management

Political support as "… an axiomatic principle of public sector management."

(Managing up)

(Managing outward)

Operation management

Collaboration,
...ction and networking between

(Managing down)

Operations Management

Maximizing efficiency

The Case: The Training Centre for Development Cooperation (V-EZ)

V-EZ, the department 8 of InWEnt –Capacity Building International:

uman resource and capacity building institution in the
eld of development cooperation

ublic utility limited liability company financed by the
ederal Ministry of Economic Cooperation (BMZ)

ffers training courses in the areas of:

- Intercultural competencies and country specific orientations
- Development policy
- Consulting and management competencies
- Language
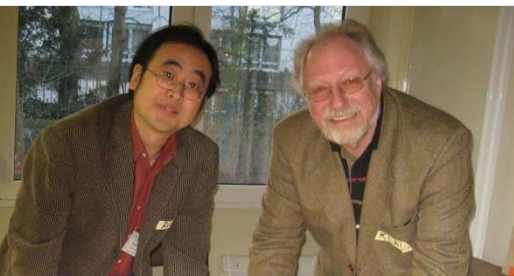- Specific training for partners and spouses of ex-pats

2008:
Over 1.700 participants trained
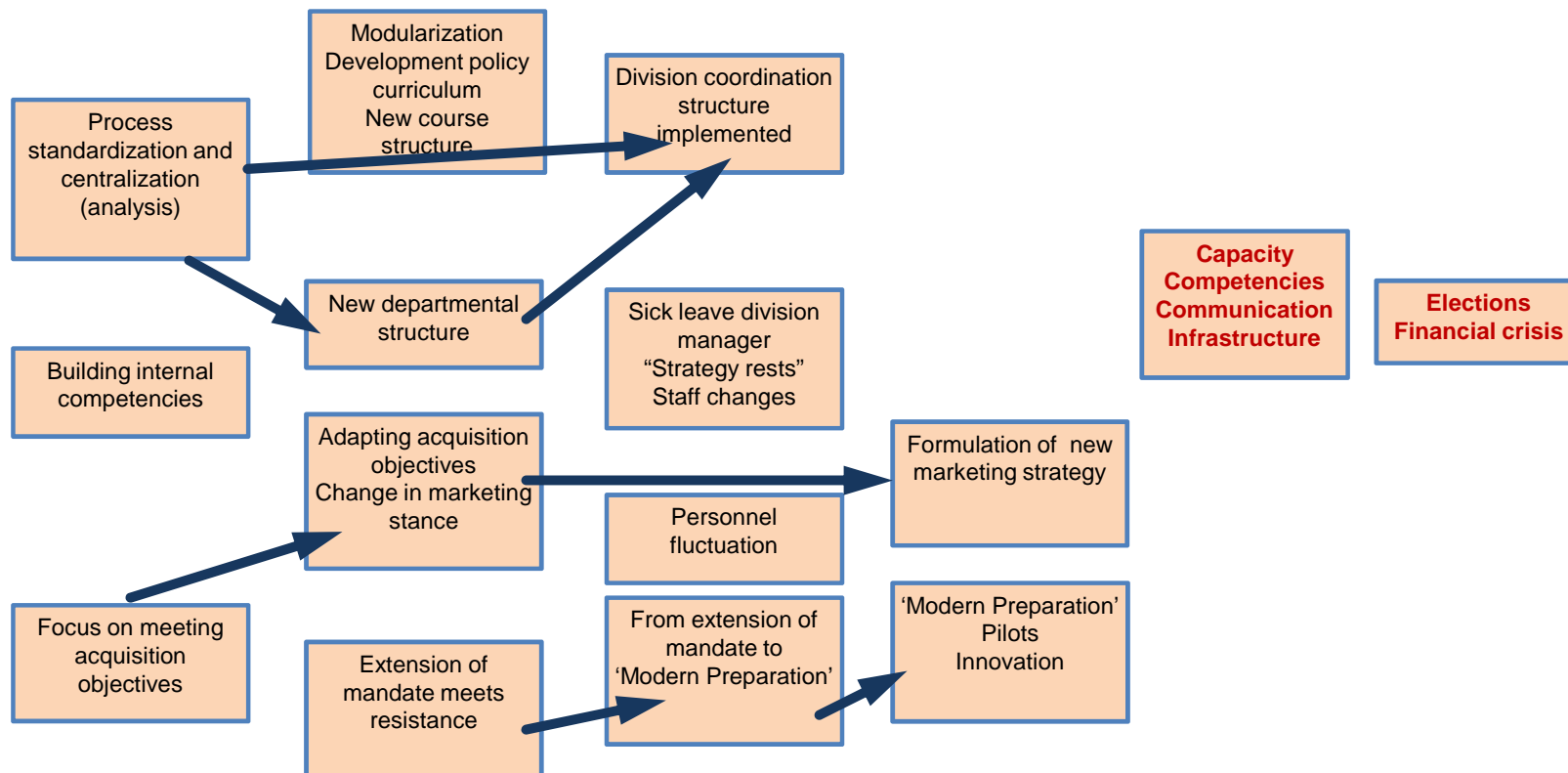Budget of 3.9 m Euro
Current mandate: "Preparation and training for international deployment of experts in development cooperation".

<u>**Since 2005 the V-EZ has given itself new strategic aims:**</u>

The Case: The Training Centre for Development Cooperation (V-EZ)

Chronology of events in a tactical time line

Modularization
Development policy curriculum
New course structure

Division coordination structure implemented

Process standardization and centralization (analysis)

New departmental structure

Building internal competencies

Sick leave division manager
"Strategy rests"
Staff changes

Capacity
Competencies
Communication
Infrastructure

Elections
Financial crisis

on

Adapting acquisition objectives
Change in marketing stance

Formulation of new marketing strategy

Personnel fluctuation

Focus on meeting acquisition objectives

Extension of mandate meets resistance

From extension of mandate to 'Modern Preparation'

'Modern Preparation'
Pilots
Innovation

The Case: The Training Centre for Development Cooperation (V-EZ)

Main finding 1

V-E-Z managed strategically very close to Quinn's concept of "logical incrementalism" , blending intended and emerging strategy

The organizations' focus is on key themes or thrusts "Broad initiatives that can be flexibly guided in any of several possible desirable directions. " (Quinn & Voyer 1998):

> **"From training to HR development" & "From national to international"**

- These themes are communicated again and again and are well reflected in the answers given by respondents
- A setback in extending the mandate was offset by focusing of innovation and establishing international cooperations

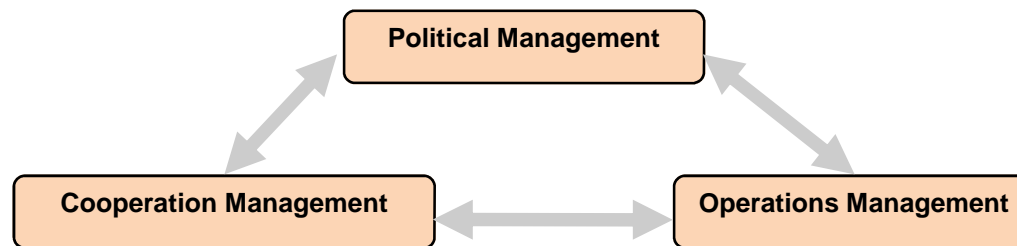"Tactical shifts and partial solutions" (Quinn & Voyer)

- internal reform, quality management, process optimization, restructuring and standardization can be seen as a series of tactical adjustments to create organizational readiness

"Experimentation (that) can occur with minimized risk" (Quinn & Voyer)

Relevancy of the strategic triangle observed in the case

finding 2

Management dimensions
of the strategic triangle
are interdependent

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                    ┌─────────────────────┐
                    │ Political Management │
                    └─────────────────────┘
                      ↗                 ↘
┌─────────────────────────┐        ┌──────────────────────┐
│ Cooperation Management  │ ←───→  │ Operations Management│
└─────────────────────────┘        └──────────────────────┘
```

finding 3

**nce in the dimensions impacting the formulation of strategy, the implementation and the adaption
strategy.**

rmulation phase political management is dominant:

ategy was formulated in alignment to international political developments, Millennium Development Goals in 2000
d the Paris Declaration in 2005
 the value we are producing significant enough to secure the future in light of internationalization of development
operation?"
rding off threat of a further merger for InWEnt and the V-EZ (in 2010 imminent)
ture needs and interests of the existing cooperation partners were anticipated by the organization.
wever: German cooperating partners were not as supportive of these new strategic aims

Relevancy of the strategic triangle observed in the case

Political Management

Cooperation Management   **Operations Management**

<u>n finding 3</u>

ementation phase focuses on cooperation and on operations:

erman cooperating partners were not as supportive of new strategic aims

hift towards international cooperation partners

trategy was also adapted to the cooperation partners needs, which were nticipated or not

ncreased flexibility and new and higher quality services

ompetencies were seen not being matched with acquisition objectives, but also ot with strategic aims.

urprising little adaption in implementation is due to political factors

– The political landscape and the environment have not changed drastically since 2005.
– Most respondents still see "securing the future" as one of the main themes to be dealt with strategically.
– The division manager respondent to this topic: "When everything is going in a good way, we
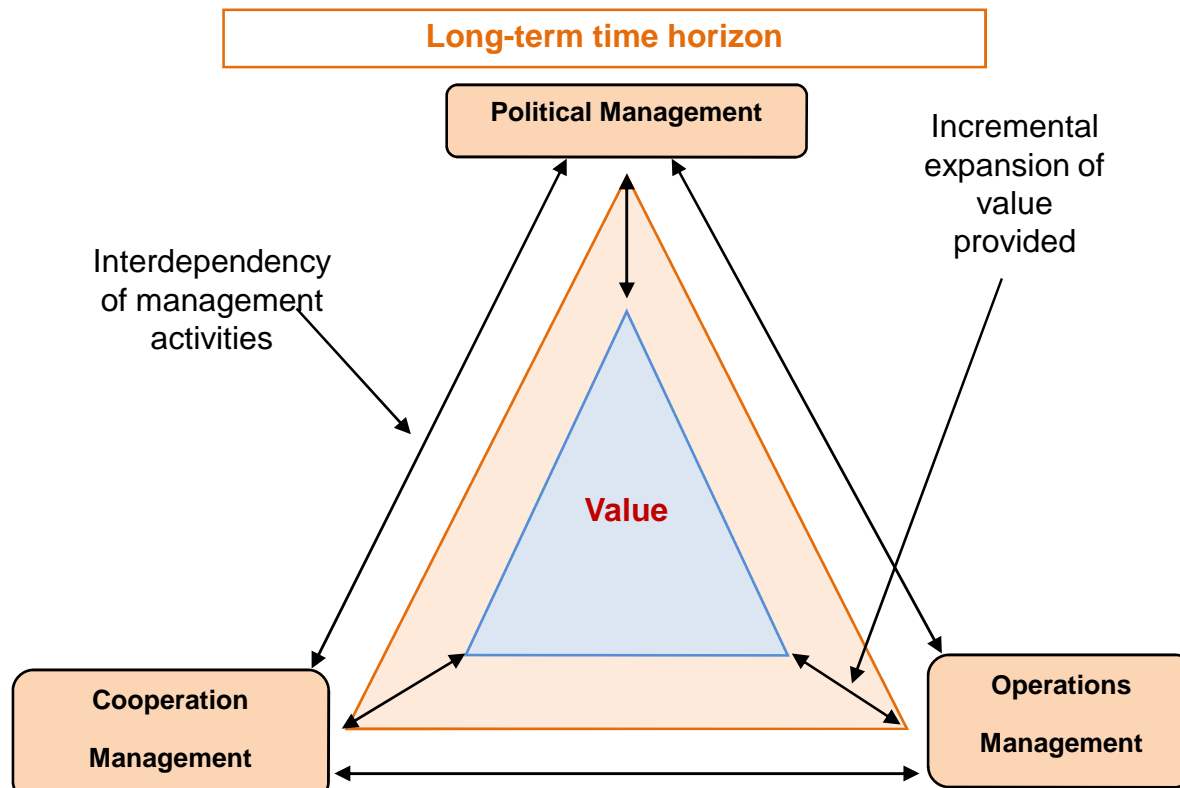
Summary from case findings

The management dimensions "political" and "cooperation" were dominant during planning

The dimensions "cooperation" and "operations" were dominant during implementation and adaptation
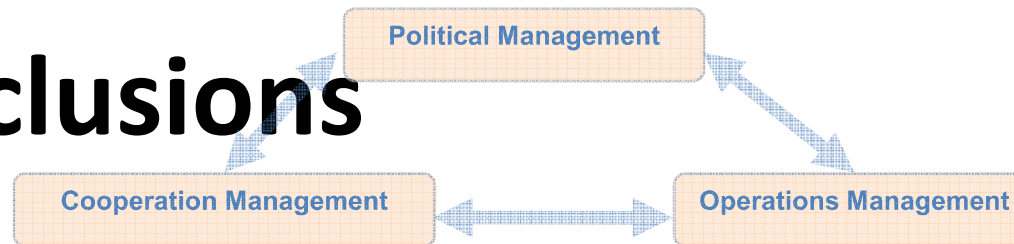
Looking into the long-term future, political factors dominate the strategy discourse

Cooperation and operations dominate the mid-term and

Overarching vision and strategic themes achieved by:

Long-term time horizon

Political Management

Incremental expansion of value provided

Interdependency of management activities

Value

Cooperation Management

Operations Management

Conclusions

Political Management

Cooperation Management   Operations Management

General conclusions

Building robust alliances internally and externally is the key to strategic success in the public sector

The public manager of today is constantly challenged to provide answers for the constant development and re-adaptation of what and how of the organization

Ownership of strategy by all levels adamant, since adaption of strategy will occur on a <u>tactical</u> level

Specific conclusions

The strategic triangle could serve as a consulting, teaching or research tool in the public sector

Benefits
- incremental flexibility
- reduction of complexity
- creates focus
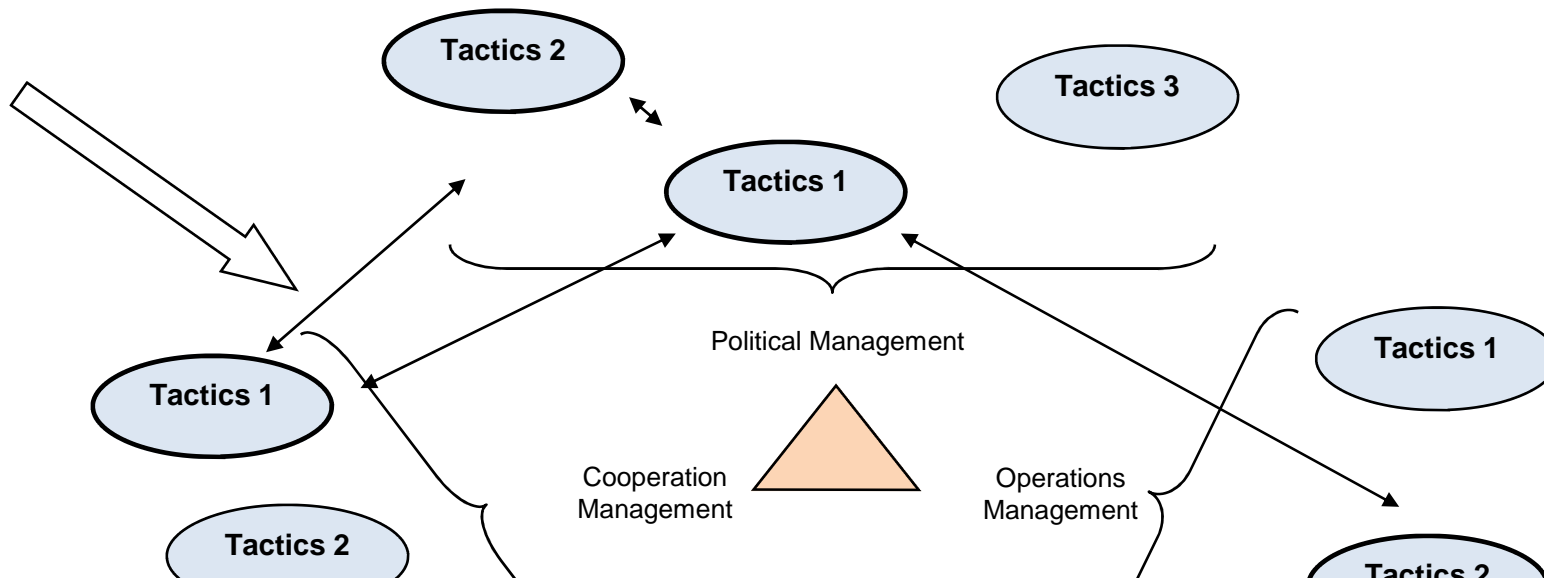- easily communicated and understood.

Drawbacks
- focus can shift over time
- complexity and breadth of operations is "underrepresented"

Additional planning tools, such as stakeholder mapping (Scholes, 1989), strategy maps (Kaplan & Norton 2005) or the adaptive matrix of Schedler and Siegel (2005) should be used to analyze preconditions and to plan strategy.

Tactical Mapping – the future?

al: "tactical mapping" as a planning
ommunicate to middle management
mental fashion in which strategy will
mented and adapted:

Overarching vision and strategic themes expressed by:
Tactical Mapping

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d

n
to

Tactics 2

Tactics 3

Tactics 1

Tactics 1

Tactics 1

Political Management

Tactics 2

Cooperation
Management

Operations
Management

Tactics 2

Many thanks to:

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The managers of the Training Center for Development Cooperation

 Dr. Bernd Krewer, the division manager

And to you – thank you for your attention!

Please contact me for further questions, research findings or planned use of the strategic triangle:

luke.mcbain@web.de