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## How to improve strategic planning of municipal organizations in Czech Republic?

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### Abstract

The paper discusses strategic planning of different municipalities and common plans of the association of municipalities within the micro-regions of South Bohemia in Czech Republic, which were posted on their websites. Based on a content analysis of these documents and their comparison recommendations were suggested to improve the strategic plan, identify gaps and to use strategic tools, e.g. Balanced Scorecard, benchmarking, project and process management. Absolute majority of the analysed strategic plan does not meet the criteria of complexity and thus cannot use this important tool of strategic management to effectively contribute to the future development of the municipalities or micro-regions.

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*Keywords:* Strategic planning; municipality; SWOT analysis; implementation; complexity.

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### 1. Introduction

In some municipalities (mostly urban) and micro-regions of the area, strategic plans for future development of the territory do exist or are still processed and updated to help the regional management seek assistance in the strategy (optimal path) to address social, technical, economic, environmental, and other topical issues. The Strategic Plan is one of the basic tools of strategic management. It is a written document that is based on the knowledge of a village or area of the micro-region; it summarizes internal and external sources of the community and seeks balanced development in the long-time horizon.

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In the Czech Republic (CR), a binding and uniform methodology and content of the strategic plans of municipalities or micro-regions has not been approved yet. Their design is purely an individual matter for each strategic management of local government. The process of strategic management of municipalities and micro-regions is mostly carried out in three consecutive successive phases and their results will form the final strategic plan - analytical, strategic and implementation part. The fourth phase should then be a phase of control (monitoring), by means of which assess the fulfilment of the strategic plan. It is rarely a part of this document.

In all the EU countries, regional development is supported and controlled by the individual states and regional institutions. This process is managed and planned. There is a significant shift in the paradigms of regional politics concerning increased importance of, for example, learning regions, creating innovative environment, or the support of networks and clusters (Bednářová, 2005). In the light of this new approach, the regional development goals are based on increasing competitive advantage and utilizing proactive, planned, and strategic manner of their implementation (Skokan, 2004).

Strategic management in non-profit organizations is characterized by varied purposes and expectations of various groups, multi-source financing, and influence of donors, high proportion of resources from government or sponsors and also the fact that receivers of services do not necessarily have to contribute (Johnson and Scholes, 2000). Strategic management can be interpreted as a set of managerial decisions and actions of an organization that can be used to facilitate competitive advantage and long-run superior performance over other organizations (Powell, 2001, Wheelen and Hunger, 2011). Strategic management is a continuous complex process of managerial activities that determines the company's targets and a strategic course to reach these specified targets, it participates on their realization and fulfilment (Tichá and Hron, 2010). Strategic management presents the collection of methods and approaches that are applicable to the regulation of regional development. The basic requirement of this process is to increase competitive advantage of the regions (Rolínek and Řehoř, 2008).

The importance of strategic management is increasing also due to necessity to gain external sources for financing development of regions (Wright and Nemeč, 2003, Rolínek and Řehoř, 2006). To gain financial sources for EU funds the municipalities must set their strategic plans, which should contribute to creation of better municipality's competitiveness when solving particular developmental projects that will allow economical and territorial development (Řehoř, 2010). Quality improvement of municipal environment can be achieved through correct implementation of local strategies and application of new approaches and municipal managerial tools aiming for regional development (Balanced Scorecard, benchmarking, CAF model) (Řehoř, 2011).

Strategic planning is a backbone of strategic management (Steiner, 1979). It provides systematic techniques and cohesion of organizational activities and on the other hand it defines future of the organization (Poister, 2010). Strategic management and strategic planning are not one-shot approaches. Instead, they are ongoing and fluid (Taneja and Pryor, 2013).

Strategic planning is defined as a disciplined effort to make fundamental decisions and take actions that are guidelines for an organization; what it is, what it does and why it does it (Osborne and Gaebler, 1992). It is a social process through which local communities cope with external and internal challenges (Healey and Khakee, 1997). Various authors provide sundry division of strategic planning process. Although these divisions are often quite dissimilar, principal phases that are common for most approaches can be identified. Literature (Berman, 1999, Dobrucká and Coplák, 2007). often mentions the first phase as preparatory, and above mentioned authors denote it a critical point of the whole process of strategic planning. The first phase is building partnerships. Among other phases are: analyses, common vision, strategic framework, implementation and monitoring, and evaluation and feedback (Haccou, 2007).

Munive–Hernandez, et al. (2004) presents four phases of strategic planning: setting objectives, revising situation, formation of strategy and allocating resources and monitoring. Plant (2010) mentions 5 primary components that strategic plan should have: monitoring of environment, setting clear visions, defining ultimate state, setting benchmarks and selecting route to reach success.

Strategic management activities are focused on reducing weaknesses of an organization and taking advantage of their strengths, in advance they should anticipate future problems and possible opportunities (Sedláčková and Buchta, 2006). Aims of development, created and realized, within strategic management bring comparative effect (Lednický, 2006) or competitive advantage to organizations (Vodáček and Vodáčková, 2009).

## 2. Material and Methods

The aim of the paper is discusses strategic planning of different municipalities and common plans of the association of municipalities within the micro-regions of South Bohemia in Czech Republic and based on a content analysis of these documents and their comparison recommendations were suggested to improve the strategic plan.

Methodical progress of the paper consisted mainly of the successive steps:

1. collection of secondary sources - to find all websites of municipalities in the region through online sites Towns and Micro-region, through the pages of the Regional Information System. On these pages we searched for further strategic documents of municipalities (own) or common plans of the micro-region (association of municipalities);
2. author's subjective determination of evaluation criteria to perform content analysis of published strategic plans,
3. identification of deficiencies in strategic plans according to their comparison, writing of conclusions and recommendations.

It was used for univariate analysis and qualitative analysis of the dependence of characters, including a test to determine the strength and independence of dependence. For testing the depending categorical variables Statistica linear model was used in where the explained variable has a multinomial distribution. Logit was applied as a linking function. If there are two possibilities of the answer (yes, no), the Probit function was applied as a binomic function. The VP type 3 test was chosen as a likelihood test [25]. The type of community (rural and town) was used as an explanatory factor in the linear model most commonly. For selected issues, gender of the mayor (male, female) and their education (primary, secondary, tertiary) was also assessed. Null hypothesis  $H_0$  most often states that differences in responses according to the type of municipalities are insignificant. If the calculated p-value less than the probability of error for one kind of  $\alpha$  (0.05), then we reject the null hypothesis and we can say that the answers of the mayors differ significantly.

## 3. Results and discussion

Only 38 (6.1%) of the total of 622 municipalities has published its own strategic plan which is 38% of towns and 3% of the rural area only. Most rural areas (86%) and urban areas (62%) have drawn a plan together in the association of municipalities. Regarding the publication of the plan published on a website, the micro-regions have achieved the best results. From a total of 57 micro-regions, more than a half (51%) published the plan on its website. Common or an own strategic plan was not designed by 62 municipalities (11%; no town included. In paper, 67 plans which were available on the Internet in the Region of South Bohemia were analysed (of which 30% of the plans of towns, 27% of rural areas and 43% of the micro-regions).

First, testing was performed using the statistical significance testing the null hypothesis and for municipalities that have some type of strategic plan. A linear model with binomial distribution was chosen from the statistical offer of advanced models due to two variants of the type of plan (yes - own, no - common). The table 1 shows that the calculated p value is less than 0.05; we can therefore reject the null hypothesis. Between the size of the village (rural and town) and the type of strategic plan statistically highly significant correlation was proved. We can therefore conclude that the incidence own strategic plan for the municipality increases with the size of the village and is mostly common in towns. This is confirmed by the results of the questionnaire survey. Rural municipalities rather employ common strategic plans of the micro-regions.

Table 1 Linear model with binomial distribution

Size of village	Chi - kvadrát	p value
Town, rural	52,11746	0,000315

Methodical processing procedure is similar for almost all of the strategic plans of municipalities and micro-regions. There are three stages of the process of strategic management with different proportions and different naming. Most often, the following individual parts are included:

1. the analytical phase: Comprehensive situation analysis of the municipality, SWOT analysis of the municipality;
2. the strategic (design) phase: determining a vision, strategic priorities (problem areas), setting long-term goals and activities (measures);
3. the implementation phase: formulation of specific projects, the action plan.

Participation of interest groups in the development of the strategic document analysed by a content analysis is relatively high (61%). Interest group involvement is mentioned in nearly 45% of plans for rural and 59% of micro-regional plans. Outside the towns, the involvement of interest groups was significantly greater - 80% of the plans. In 21% of plans surveyed municipalities cannot identify whether the groups were involved in its creation. Most often in the strategic plans, the area of tourism emerged as a strategic priority (up 88% in plans). Around 84% of plans mentions transport links, infrastructure and economic development and entrepreneurship. Other priorities such the quality of life (housing, social, health and education) and the environment are mentioned in 74%. Rural areas also address accessibility (83%). In towns, tourism (95% of the plans) is discussed. In all micro-regional plans, a main priority is determined by economic development (business). Only 1/3 of strategic plans include an operative action plan which is mostly feasible within one year. This plan is the implementation of strategies and their control system further characterized. In fact, there are more specified individual development projects together with their financial evaluation, and implementation of time scales to achieve them. Also here are the possible sources of drawing money from EU funds, the Czech Republic and the region. In 2/3 part of the micro-regional and municipal plans an action plan is not contained. In rural areas, the situation is even more alarming - there is no action plan in up to 94% of the documents.

In about 45% of the assessed strategic plans their financial statements is not present in the projects (activities), in particular regarding the absolute majority of micro-plans (52%). In towns and rural areas the situation is better; around 60% of plans include financial (cost) terms of expected individual projects or activities and an overview of potential funding sources. The finding that about 86% of the assessed plans do not include the measures of achieving the objectives, especially in rural areas, is alarming. In micro-regions, it did not occur in 97% of plans. As a result, the management of local government cannot control whether and how the strategic goals have been met. In cities, the situation is somewhat better, here about 60% of the plan indicators not addressed nor given desired values. Only about 10% of urban plans have a complete set of indicators.

Categorization gives meaning in what terms should be at optimum implement development projects (activities), or should be backed up before their implementation and which later. The main reason is that the financial capacities of municipalities do not allow the implementation of all projects (activities) immediately and in the required width. To about 85% of strategic plans of cities, 94% of plans of rural and 97% of micro plans have established order of significance (i.e. the importance and urgency) in achievement and implementation of individual projects or activities.

If the strategic plans include the most important stages and are a part of a complex character, the plans cover all the significant areas for future development of a village, including a specific destination, how and with what amount of funding will be possible. Unfortunately, most strategic documents do not fulfil these criteria. The effectiveness of such plans is then lower in practice because it can show that it cannot be fully realized in terms of financial and human resources of the municipality and also the lack of time.

Complexity of the strategic plans is not met for almost 70% of all documents considered and by 95% of the rural plans. Strategic plans of towns (55%) are best treated in terms of complexity. Usually, they fall short on one condition - the order or determination of materiality standards. Most plans do not order as individual goals or projects (for rural micro and about 95% of plans), and setting benchmarks to fulfil them (this applies to all provincial plans). Around 90% of the rural plans have not determined the person responsible for implementing projects. Town and micro-regional plans best meet the conditions of the SWOT analysis. It is not contained in less than 7% of these documents.

Around 10% of municipalities have not developed a strategic plan. Control of such communities is therefore carried out without prior sophisticated objectives and strategies without logical continuity and coordination. Autonomy of these communities is unaware of the importance of the strategic management and development of a strategic plan that would allow them and their future followers established the basic starting points to develop the

village.

Table 2 Deficiencies identified in the strategic plans of municipalities and micro-regions in %

Deficiencies	Rural, n=18	Town, n=20	Micro- regions, n=29	Total, n=67
order of significance is not specified	94,4	85,0	96,6	92,0
the measure is missing	100	60,0	96,6	85,5
person responsible for implementing projects is not determined	88,9	35,0	51,7	58,5
timeframe of implementation is not intended	44,4	30,0	41,4	38,6
specific projects are not expressed	44,4	15,0	31,0	30,1
SWOT analysis is missing	50,0	5,0	6,9	20,6
complexity is not expressed	94,4	45,0	69,0	69,5

Municipalities without a strategic plan only address current problems and forget it when planning their long-term future. Non-complex problem solving only for one parliamentary term in practice is actually a waste of financial resources of the municipality, which are mostly used as quick fixes to a problem. Furthermore, municipalities are limited by the possibility of obtaining grants, which is a strategic plan for the necessary formal basis. Without these grant funds will then be difficult to develop and implement expensive projects (e.g. infrastructure). In view of the complexity of the strategic documents may be recommended to the strategic management of the municipality has avoided the above-mentioned shortcomings in the creation of new documents.

The cause of poorly processed strategic plans (90% rural) may also be the fact that the government underestimates the key role of strategic management as a key process for achieving the development of the local community and increase competitiveness. For this reason, senior local government officials are recommended e.g. to further enhance their knowledge and understanding and learning and using appropriate management tools of strategic management in public administration in the context of lifelong learning. Within education, it is also possible to acquire new techniques and tools that will lead to the proper formation of a strategic plan for the effective implementation of the strategic priorities and developing their territory.

The strategic plan should contribute for creating a better local competitiveness in solving specific development projects, which will enable economic and territorial development and help improve the quality of life of its citizens. Involving the public, private sector and other institutions in the community to form partnerships and improving cooperation not only in the search for consensus on what is most important for the community in developing the strategy, but especially during the subsequent implementation of specific activities and projects of the strategic plan. All proposals for a strategic plan should go through the process of commenting, under which anyone can comment on the proposals. These suggestions and comments should be responsibly considered and in most cases also taken into account. This approach to the strategic plan will help to ensure that the strategy will be elaborated cover all the problems and needs of the population, local businesses and organizations, which are influenced by municipalities and set out measures for their best future solution. All proposed and agreed strategies offer possibilities for strategic management of municipalities on how best to proceed, that their actions should be in order, i.e. they should be

conceptual and they should bring greater local competitiveness.

When making plans for the new programming period of 2014 – 2020, the strategic management of municipalities and micro-regions should try to apply other appropriate managerial concepts and tools that can streamline the process of strategic management and define bottlenecks so they can be effectively eliminated. These are: balanced scorecard, benchmarking, project and process management, reporting and communication, analysis of interest groups, the model of CAF.

#### 4. Conclusion

Strategic management in municipalities and micro-regions has a number of long-term structural weaknesses. From the above content analysis and comparison of the strategic plans of municipalities and micro-regions published on the Internet, the following main conclusions have been found out:

1. in South Bohemia, there is little interest in strategic management of municipalities on a long-term strategy and in creating their own strategic plans. Occurrence of an own strategic plan increases with the size of municipalities (rural areas employ more common plans in within the micro-region);
2. most strategic plans miss one or two requirements to fulfil their complexity - in particular, the importance of setting priorities of individual projects, setting benchmarks in achieving goals, responsibility for implementing the project, timetable and financial statements of projects;
3. in terms of the complexity of the strategic plans of towns (55%) are best prepared, followed by micro-regions (31%). The worst plans are those of rural areas (6% only fulfils the criteria of complexity).

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