THE ECOLOGY OF STRATEGIC MANAGEMENT IN SMALL LOCAL GOVERNMENTS

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INTRODUCTION

Strategic management, a concept developed almost exclusively in the private sector, is gathering broader acceptance in the public and nonprofit arenas. This has occurred despite the claims of early critics who discounted the possibility of success on the part of efforts to make this transition. While the "fit" is far from being a perfect one, nevertheless elements associated with the various processes of strategic management are proving useful and effective in improving approaches to management in the public sector. It may be assumed that where strategic management efforts have found their greatest successes have been in those public organizations whose structure, management information systems, staffing and recruiting procedures, and other basic organizational elements most closely resemble their counterparts in the private sector.

Despite the best wishes of many to the contrary, such public organizations remain in the minority. It is perhaps for this reason that the "nay sayers" continue to outnumber those who feel that a full scale implementation of strategic management in the public sector is both advisable and possible.

If we choose implementation, where may we expect our greatest successes or where may we anticipate failure? Logic would indicate that larger, well financed organizations would have the greatest chance to succeed. If this were true, then might we assume that successful implementation would be increasingly more difficult as we approached the other end of the spectrum occupied by the small, financially strapped organizations?

This article will examine some approaches to the conduct of strategic management and will attempt to describe the environment

at the level of small (largely rural) local governments which awaits implementation efforts. In addition, a discussion of the impediments to strategic management efforts at the local level is included. If, in fact, it is deemed that wholesale implementation of strategic management is desired at this level, then the article will offer a preliminary prescription for approaching this task.

CLUES FROM THE LITERATURE

It is of little surprise that the bulk of strategic management research is to be found in the private sector. The "for profit" environment does much to focus attention on the necessity for making strategic decisions and for developing the processes that would ensure the replication of successful decisions. Clear measures of success such as increased net returns or increased stockholder dividends virtually demand that strategies be developed toward those ends.

The goals of governmental units, however, are rarely as clear, nor does failure to reach them have the drastic implications that would apply to a similar lack of success in the private sector. This is not so much a limitation as a caution flag in the literature review effort. Given the somewhat narrow focus of this work, the task is one of extracting those private sector ideas that have potential applicability in the public sector but then going a step further in determining which of these could be applied in the environment of the small, often rural local government.

The content versus process dichotomy that is evident in various pieces of strategic management research (Fahey and Christensen, 1986; Huff and Reger, 1987) offers some immediate relief for this problem. This allows us to bracket for further reference the notion of content as it focuses on linking specific decisions to performance outcomes (Huff and Reger, 1987) in favor of a concentration on the process side of the dichotomy.

Process research, according to Huff and Reger (1987) may be defined as research focused on the actions that lead to and support strategy. Research in this area includes prescriptive and descriptive work on such things as planning methods, decision-making, and the impacts of individual and group characteristics and organization structure on the formation and implementation of strategic decisions (*Ibid.*). Smaller, less sophisticated governmental units may be well advised to concentrate on strategic management processes before

being concerned about result-oriented content of decisions.

The strategic planning process is one that should be particularly attractive to small governmental units. Accurate planning and good planning procedures utilized in both programmatic and human resource management are significant elements in improving productivity in public organizations (Jensen, 1982). Jensen describes planning as the "cornerstone of the management process" in that it establishes the direction, limits, and outcomes to be achieved. He delineates a six-step process that is fairly representative of other work in this area. These steps are: a review and redefinition of the core mission, a description of current condition, environmental analysis, description of improved condition, expected key accomplishments (what is really going to happen to achieve the improved condition), and key decisions.

Jensen (1982) performs an additional and very important role for the purposes of this article in that he discusses the difficulties associated with implementing the planning process. It is important to point out that Jensen's work took place within the context of a public sector agency, thus the bottom line ingredient of "positive net return" was not a factor in lowering staff resistance to the planning process.

This gap between the perceived mission of those in the private sector and those in the public sector poses some very real problems for the planning process and indeed for effective management in general. Kenneth Gold (1982) conducted research in which he compares successful management in the public and private sectors. Public and private entities find a great deal of common ground in that organizations in both emphasize the necessity for well established, clearly articulated organizational objectives (*Ibid.*) which are analogous to the "core mission" of Jensen (1982).

Gold, however, points out that public agencies do not appear to possess a kind of clear and consistent mission that managers in the successful private sector organizations are able to articulate. According to Gold (1982:569), "Public officials tend to perceive their mission or product in less precise terms, such as providing high quality services to their constituencies in the most efficient and effective manner." If articulation of organization mission is difficult for those public entities which have been identified as "successful," then this difficulty is magnified for small local governments uninitiated in the planning process.

While this lack of sophistication might lead one to believe that small local governments represent an abundance of opportunities for

initiating strategic planning and other strategic management related activities, the reality is that certain prerequisites must obtain before implementation of strategic management efforts. Eadie and Steinbacher (1985) delineate several factors that enhance an organization's capability to implement strategic management functions. There must be executive and management understanding of and commitment to strategic management. An organization's past and present planning practices should be effective and fairly sophisticated. The "basic managerial infrastructure" or operational management systems must work at a minimum level, including financial, personnel, and inventory management. Thus, in many cases small local governments would be well served if they were advised in the development of managerial infrastructure before launching into the implementation of strategic management activities.

A consultant or facilitator would do well to heed certain prescriptions for implementing strategic management in an unusual environment. As has already been pointed out, public sector organizatins must function without the competitive and entrepreneurial decisions which steer a private sector organization toward its objectives (Ansoff, 1979; Montanari and Bracker, 1986). Not-for-profit, environment serving organizations (ESOs) have a mandate from society to provide services necessary for the maintenance of the social infrastructure that are typically not provided by the private sector (Ansoff, 1979; Mantanari and Bracker, 1986).

As such, public sector organizations have been historically characterized by specialized, simple, and stable environments where thinking and acting strategically were unnecessary and indeed often discouraged (Lawrence and Lorsch, 1967; Ansoff, 1979; Roberts, 1982; Montanari and Bracker, 1986). This offers a clue to the level of felt need to incorporate strategic management that one may expect at the level of small local governments.

Introduction of strategic management techniques into a virtually unknown environment requires that some heed be paid to matters related to the adoption and diffusion of innovations. Damanpour and Evan (1984) examined this in terms of the "organizational lag" model which holds that a discrepancy exists between the rates of adoption of technical and administrative innovations. Technical innovations are changes in the methods by which a product or service is produced. Administrative innovations pertain to those that occur in the social system of the organization. An administrative innovation can be the implementation of a new way to recruit personnel, allocate

resources, and structure tasks, authority, and rewards (Evan, 1966; Damanpour and Evan, (1984).

Damanpour and Evan (1984) found in their study of 85 public libraries that, in general, technical innovations are adopted at a faster rate than administrative innovations, that administrative and technical innovation have a higher correlation in high-performance organizations than in low-performance organizations, and that the adoption of administrative innovations tends to trigger the adoption of technical innovations more readily than the reverse. It may be speculated that these conditions would be even more pronounced in the world of small local governments given the unique interface these units of government have with their environment.

Before proceeding with a review of problems to be expected in implementing strategic management at the local level and some possible solutions to those problems, it should be helpful to examine some ideas related to the matter of governance at that level. An organization may become quite complicated when viewed in terms of its environment.

According to Eulau and Prewitt (1973:16), "Governing is more than making decisions, mobilizing and allocating resources, articulating interests and satisfying claims, adopting policies, planning for the future ..." Governing is mediating or intervening between man and his environment. A governmental unit is related to its environment through governing and it comes to terms with that environment by adjusting to it or controlling it. Thus, analysis becomes important at the unit-in-environment interface (*Ibid.*).

This scenario represents a clear difference in public and private sector management. For local governments, management decisions and processes are evaluated in terms of how they further or impede the pursuit of environmental needs, regardles of the obvious efficiency and effectiveness that they represent. One municipal practitioner has stated tha there is a very real cost incurred in the delivery of local democracy. For constituents of a community, government is seen as their vehicle for the preservation of that which they deem desirable about where they choose to live.

If this means resistance to the efficiencies documented in a particular inter-local consolidation effort in the name of community sovereignty, then the environment has very clearly played a role in the management process. It still holds that any action may be analyzed in terms of the functions it fulfills for the system to which it is related (Deutsch, 1964).

Halachmi (1986) discusses the functional relationships of stake-holders as they differ in the public sector from those in the private sector. He states that, in the public sector, the functional relationships of the stakeholders who participate in the development of strategic goals and plans are different from the functional relationships of those who are likely to be involved in the private sector.

While in the private sector clients may participate in the goal setting process in an advisory capacity if the organization so desires, in the public sector clients may often, by law, take an active part in defining goals. Halachmi, in citing the work of John Preble (1983: 140)), states, "Decisions concerning goals in the public sector are largely a political process involving various branches of government, public interest groups, political parties, and constituents."
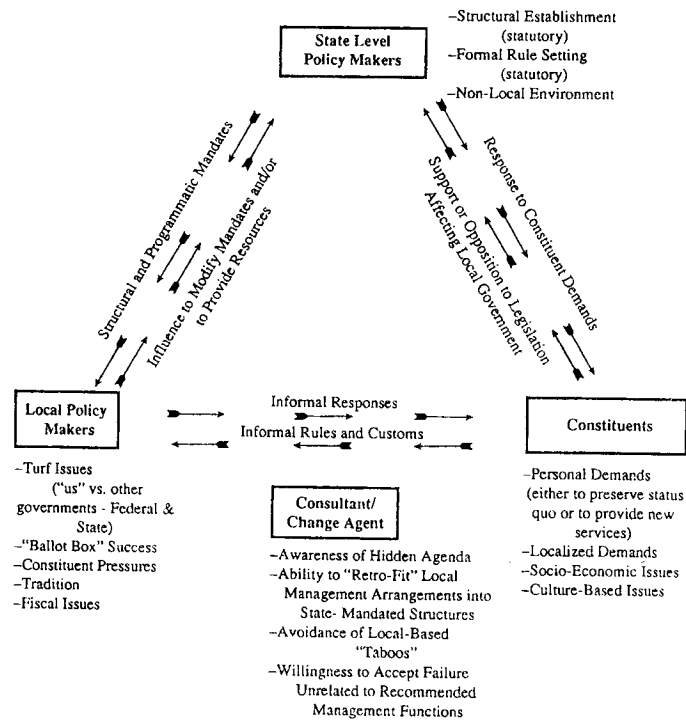
In the private sector, the environment is one variable among several that impacts the implementation and operation of strategic management processes and, in fact, may be considered as the controlling influence in the process itself. How then may we find our way out of this dilemma when the real strategies seem beyond the control of local government bodies? In the following sections, the problems are illuminated and some solutions offered.

DIFFICULTIES OF TRANSFERENCE

While the foregoing array of research may paint a somewhat bleak picture for those who would pursue implementation of strategic management at the level of small local governments, there do appear to be opportunities to bring about change for those willing to forego quick successes. These local governments often operate in an environment controlled solely by constituent response. Louise White (1982) documented the lament of city councilpersons who had little time for planning and determining the cities' futures because of the constant necessity to respond to community issues in an ad hoc fashion. Some accurately label this form of government "pothole politics" (*Ibid.*). This is a very appropriate characterization of a local government environment which is not very conducive to the implementation of strategic management but, by the same token, one which could benefit greatly from the application of strategic management techniques.

Since a great deal has been said about environment, both in the public and private sector literature, it should be helpful to examine this environment and its actors. A conceptual model of the actors

FIGURE 1
MODEL OF ACTORS AND AGENDAS COMPOSING
THE ENVIRONMENT OF SMALL LOCAL GOVERNMENTS

State Level Policy Makers

–Structural Establishment (statutory)
–Formal Rule Setting (statutory)
–Non-Local Environment

Structural and Programmatic Mandates

Influence to Modify Mandates and/or to Provide Resources

Response to Constituent Demands

Support or Opposition to Legislation Affecting Local Government

Local Policy Makers

Informal Responses

Informal Rules and Customs

Constituents

–Turf Issues ("us" vs. other governments - Federal & State)
–"Ballot Box" Success
–Constituent Pressures
–Tradition
–Fiscal Issues

Consultant/ Change Agent

–Awareness of Hidden Agenda
–Ability to "Retro-Fit" Local Management Arrangements into State- Mandated Structures
–Avoidance of Local-Based "Taboos"
–Willingness to Accept Failure Unrelated to Recommended Management Functions

–Personal Demands (either to preserve status quo or to provide new services)
–Localized Demands
–Socio-Economic Issues
–Culture-Based Issues

and their agendas which impact small local governments is shown in Figure 1.

The primary actors in this model are State Level Policy Makers, Local Policy Makers, and Constituents. The Consultant or Change Agent is often a necessary ingredient in situations like that being discussed here, but he or she is removed from the decision process and therefore is shown as an "observer." State Level Policy Makers do a great deal to specify the conditions under which local governments may operate. They may loosen or constrict the statutory requirements relating to structure and form of county and municipal governments and they also have the power to specify modes of internal management. Often such action is taken based on state level political considerations and is viewed as contrary to local political desires.

Local Policy Makers are under pressure to cope with state programmatic mandates and structural mandates as well. This becomes difficult in the face of contradictory constituent pressures. The informal rules emanating from the "face-to-face" relationships between local policy makers and constituents have been in place for years. They are powerful in that they are based on culture, tradition, and constituent notions of the appropriate level of government responsiveness.

State level policies that would change this formula are met with significant resistance. A case in point would be the recent effort by one state's legislature to change the structure of county government to require that county commissioners be removed from all policy implementation activities and to require that a county administrator be hired to manage day-to-day operations. Also required in this legislation were a clearly defined purchasing and inventory control system and a basic personnel system. This legislation was an initial attempt to correct the fragmented approach to county government and to put in place some of the elements required to implement improved management practices.

The various pieces of legislation encountered massive resistance from the county commissioners association and rural citizens. Initial legislation was defeated in regular session and a weakened version finally passed in a special session. The successful bill required adoption of the new structure in a county by county referendum. Of the 82 counties, 46 voted for the changes and 36 rejected them. The changes were almost uniformly opposed by rural voters. County commissioners worked actively for the defeat of the referendum in

their respective counties.

Over the years, success at the "ballot box" was a direct result of personal constituent service on the part of county commissioners. Commissioners have been free to hire political supporters and their kin without interference from a formal personnel system. In short, informal rules of the environment had been superseded by statutory enactment at another level. There was and still is resistance of the type that would limit efforts to institute strategic management.

Constituents also play an active role in the environment. They support or oppose legislation at the state level at the same time that they are bringing pressure to bear on local policy makers. It is not unusual for constituents to demand that the state mandate structural or programmatic changes at the county or municipal level that were not forthcoming or that were statutorily prohibited when those demands were made directly to the local policy makers.

Meanwhile, the Consultant/Facilitator is an observer of the process. In the environment of small local governments, this person, more often than not, is cast in the role of change agent. Often also, the consultant must be willing to spend the time developing structural and administrative prerequisites before actually attempting such things as strategic planning.

Could a small government unit with no CAO, fragmented management, no personnel system, incremental budgeting, and little in the way of purchasing and inventory controls implement the strategic planning process? But, if a government got its administrative and structural "house in order," then strategic planning may be a worthwhile endeavor. The consultant must be aware of hidden agendas and "taboos" to avoid limiting his/her credibility early in the relationship. In addition, the consultant must be willing to accept failure based on political considerations unrelated to anything he or she has done or recommended. This fact simply goes with the territory.

Many (though certainly not all) of the impediments to the implementation of strategic management at the level of small local governments may be categorized under two headings: Institutional Impediments and Environmental Impediments.

The following discussion constitutes a brief summary of the Institutional Impediments.

1. **Structural Inadequacies**. Many small local governments are characterized by policy makers who are also involved in policy implementation. This leads to "turf protecting: and ultimately to

fragmentation in the approach to management of government services. Budgeting, for example, is incremental and based more on the need to satisfy constituents of political subdivisions than to reflect government-wide programmatic and operational priorities. In addition, there may be statutory prohibitions against certain types of consolidations and agreements which are otherwise considered innovative management tools.

2. **Professional and Staff Inadequacies**. Small local governments often do not provide for a chief administrative officer or other central figure responsible for day-to-day management. Implementing strategic management practices in a small municipality under a "weak mayor" form of government, with no CAO, can pose significant problems. Also, if there is no adequate, merit based personnel system staff, employees may lack the skills necessary to understand and implement management practices formulated in accordance with organization objectives.

3. **Limitations of "In House" Technology**. Many small local governments continue to have little or no data processing capability. In addition to the obvious limitations that this situation places on productivity, it also limits the type and volume of decision-making information available. Often these small governments which do have some computing capability tend to orient this process toward basic record keeping and generation of reports required by law. Little is done in the way of data base management aimed at generating the required reports and also reaggregating data for purposes of analysis.

Environmental impediments impact institutional impediments and vice versa. When these impediments are in place, they may forestall efforts at change in the institutional area. Major environmental impediments are summarized below.

1. **Intergovernmental Disagreement**. When programs or structural changes are mandated from the state level and local officials oppose them, these officials often behave in a way that would contribute to local failure of the state mandated activity. Conversely, state resistance to requests for more varied revenue options or broadened governing authority for local levels restrict the range of management decisions available at the local level.

2. **Impediments of Local Political Culture**. Innovative change invariably produces alterations in the modes of service delivery. Such alterations may produce opposition in varying degrees. If a constituent who is accustomed to having his/her road maintained as a result

of a call to his/her county commissioner or city councilman is told that maintenance will be performed according to a schedule based on priorities set by the new transportation department that constituent gives little thought to the notions of efficiency or effectiveness. Such a change represents a departure from that with which the constituent is familiar. He or she feels that change is unnecessary and that he or she has lost the ability to exact a response from the elected representative.

3. **Goal Disagreement Among Actors.** Local policy makers perform a balancing act. State policy makers are interested in furthering state policy objectives through the use of local governments. Constituents demand that the accustomed services continue, that others be added, that all services be improved, and that taxes remain the same. When, however, the state mandates consolidation of several rural schools in order to increase management effectiveness, resistance is predictably significant. Constituent goals of localized service clash with state goals of a more effective local educational system and local policy makers must manage in the middle. The goals of efficiency and effectiveness become secondary to other issues.

If goals differ then so too must measures of success differ. Is effective strategic management possible in the presence of so many factors unrelated to results? It may still be maintained that certain elements of the strategic management process are worthy of consideration for local implementation.

A DELINEATION OF STRATEGIES

Upon review of strategic management research, one becomes immediately aware of the comprehensiveness described by the majority of these pieces. In the case of the specialized world of small local governments, one would perhaps be well served if such approaches were avoided. Instead, efforts at implementing the practice of strategic management at this level should be pursued incrementally. This will allow for concomitant development of the government unit's support structure. The author offers here a general summary of strategies which may prove helpful in implementing strategic management in small local governments.

First, concentrate on capacity building and "capability" building. Let us remember here Eadie and Steinbacher's (1985) list of required factors that includes a knowledgeable and committed executive and a minimum state of development of the basic managerial

infrastructure. These and other structural factors must be developed to some degree before an effort to implement strategic management practices would be worthwhile. This can usually be accomplished in the process of solving a problem situation. For example, a noticeable drop in productivity may often be traced to outdated departmental arrangements and thus an opportunity for restructuring is available.

Once structural prerequisites have been established, then cautious implementation of elements of strategic management process may be attempted. It is important to remember to concentrate on processes without yet looking for results. Formulation of problem statements and the definition of organizational goals are acceptable activities in this regard. Strategic planning may be undertaken here in a limited way. Montanari and Bracker (1986), in discussing strategic planning, advocate substituting SWAA analysis (strength, weakness, advocate, adversary) for SWOT (strength, weakness, opportunity, threat) analysis. The use of advocates and adversaries more appropriately characterize the actors in this unique environment. Even if the results of the planning process are not immediately implemented, the time given to considering the future direction of the governmental unit has been well spent.

Allow time for incrementalism and for the evolution of an approach to strategic management. It is important to remember that the whole notion of strategic management should be considered as an innovation at the level of the small local governments.

As such, an understanding of the concept of adoption and diffusion of innovations will be helpful. In the context of Damanpour and Evan (1984), a degree of organizational lag will be present in that basic technical innovations (*i.e.*, new ways of handling work orders or the purchase system) will be implemented more quickly than administrative innovations. The potential for significant progress will exist once the rate of adoption of administrative innovations gains momentum.

Finally, we may allow for the introduction of content analysis as it relates to strategic management. The penchant of small local governments to rely on the familiar and the repetition of those things that have worked before may pay dividends. Once certain major decisions are made, the successes and reasons for them and the procedures that were followed to reach those decisions should be analyzed as a means of reinforcement. Decisions to enter into interlocal cooperation agreements, the composition of multi-jurisdictional service districts, city/county consolidation, and similar decisions

may have been undertaken in response to specific problems yet they may be examined in terms of the strategies employed in their making. Theses then become tangible evidence of results of strategic management efforts,

CONCLUSIONS

Small local governments have expressed a growing uneasiness over their ability to manage their affairs in the face of programmatic and operational demands from other levels of government. These concerns are not without merit. The days of categorical grants and general revenue sharing are gone and their passing has left local governments alone to fend for themselves. Smaller local governments are the least able to cope with the perils evident in such a scenario. Virtually the only option available to them is to strengthen their ability to manage their own affairs. Knowledge of the strengths, weaknesses, advocates, and adversaries of these governments would be invaluable in their efforts to plot the strategies necessary to insure their continued viability. Recognition of this fact by local policy makers is a logical prerequisite to any consideration given the implementation of strategic management processes at the local level.

In reality, policy makers in small local governments think strategically and make strategic decisions in reaction to the government environment on a daily basis. The key to this activity is the term "reaction." These policy makers are often making strategic decisions as a matter of reaction rather than as an effort to determine the destiny of the county or municipality in whose governments they serve.

A tremendous challenge lies in the channeling of strategic thinking of these local policy makers in the direction of proactive decision-making. Given the existence of adequate managerial infrastructure, the goal of any change agent participating in this process should be the adoption of these management innovations. Once this takes place, the adaptive behavior of the local policy makers should insure that the practice of strategic management becomes institutionalized and thus a vital element in the government unit's effort to adjust to and control its environment.

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