

Critically Analyze the Use of Strategic Management in The Public Sector

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Abstract: The application of strategic management theory is lacking in the public sector. Relative to the public sector, the private sector has implemented strategic management approaches with great success. This study uses case studies of individual organizations to explain the definition and characteristics of strategic management theory, as well as the problems and crises that can arise. The study shows that the external environment of the public sector is complex and unstable. The government and the corresponding organizations should adapt quickly to the actual situation so that the capabilities of the members of public organizations can be improved.

Keywords: Public organization, Strategic management.

1. Introduction

In the 1980s, the public sector introduced strategic management theories from the private sector and achieved great success (Lynch, 2018). Strategic management has dramatically improved the efficiency of public sector management (Ansoff et al, 2018). However, because public sector management theory differs from that of the private sector, there are still many shortcomings and an urgent need for programmes to address them (Pederzini, 2016). This paper analyses and discusses the implementation of strategic management theory in the public sector through a case study approach. Firstly, the paper will explain what strategic management is and what strategic management in the public sector is. It will analyse the reasons for its selection, characteristics, and possible barriers to its use. Finally, the essay discusses how strategic management is used in the public sector using L Zone Business District, Zhejiang Province, China as an example and draws conclusions.

2. Concept

2.1. Definition and Characteristics

Strategic management refers to a longer-term, holistic approach and strategy for a company or social organisation at different stages of its development (Lynch, 2018). The implementation of a strategy is a dynamic process. Strategic management in the public sector is a new practice model in public sector management (especially in the government) and a new research paradigm (Cândido and Santos, 2018). Strategic management comes from the private sector, which exists to help the private sector pursue its best interests in line with its objectives (Henry, 2021). The government and public sector consider more issues such as the legal and political environment, jurisdictional competence (Gascó, 2017). Strategic management in the public sector is divided into four main stages: strategic analysis, selection, implementation and evaluation (Abosedo et al, 2016). Strategic analysis refers to analysing critical factors that affect the sector, such as long-term goal setting and internal and external environmental factors (Anokhina et al, 2019). Strategy selection refers to identifying the future orientation of public sector behaviour

(Lieder and Griffiths, 2017). Strategy implementation refers to translating the strategic choices made into concrete actions in public administration (Tawse and Tabesh, 2021). Strategy evaluation is the process of assessing the scientific validity and effectiveness of public sector strategies through specific modelling methods to evaluate results (Punt et al, 2016).

Zunnunova (2019) suggests Strategic management in the public sector is characterised by the following features: 1. Foresight. Strategy defines an organisation's future direction and objectives, and strategic management in the public sector has a future orientation (Honcharenko, 2015). 2. Systematic. Strategic management in the public sector can be divided into four stages: strategy design, selection, implementation and evaluation (Tjønndal, 2016). Strategic design is the prerequisite foundation, strategy implementation is the core key, and strategy evaluation is an important guarantee (Tjønndal, 2016). 3. Dynamic. Strategic management is seeking development opportunities and identifying threats in the public sector (Dagnino et al, 2017). The government and the organisation need to pay close attention to the internal and external environment changes and make targeted adjustments (Dagnino et al, 2017). 4. Relative stability. In management practice, strategy guides to behaviour over time, and changing it frequently will significantly impact government management (Karna et al, 2016). From this perspective, government strategic management must be relatively stable to adapt quickly to changes in all aspects of the situation (Karna et al, 2016).

2.2. Reasons for choosing strategic management and the limitations of strategic management

There are many reasons why the public sector uses strategic management as an important tool. 1. A more complex and uncertain environment. The environment in which the public sector operates in modern society is constantly changing, and strategic management enables an excellent strategic fit between the public sector and the environment (Joyce, 2015). The public sector can align its internal structures and grow with its strategic choices while matching the organisation's capabilities to the requirements of the environment (Joyce, 2015). 2. Trends in the internationalisation of the world.

Globalisation has led to increasingly complex governmental governance, while accelerating the pace of social change and making competition between countries more competitive (Rosenberg Hansen and Ferlie, 2016). The public sector needs to take a longer-term view and think strategically to improve its own national competitiveness to cope with the stresses of internationalisation (Rosenberg Hansen and Ferlie, 2016). 3. The challenge of the public interest. The public sector is the representative of the public interest (Ferlie and Ongaro, 2015). The public interest requires the public sector to balance the interests of the whole with the interests of the present (Ferlie and Ongaro, 2015). Therefore, public managers need to have a holistic and long-term view and build a long-term local development strategy to maintain sustainable prosperity (Ferlie and Ongaro, 2015).

Although strategic management has been developed in the public sector, it still lags behind the private sector (Bryson and George, 2020). There are still many limitations and difficulties in applying strategic management in the public sector (Johanson, 2021). Firstly, public sector leaders are usually tenured, and it is challenging to develop long-term strategic management within the relatively short political tenure of the sector (Jin et al, 2016). For example, in the Chinese public sector, the specific leadership position is for five years each, with a performance evaluation and turnover of managers at the end of each term (Hillman, 2018). However, many major strategic management approaches are implemented over a much more extended period than five years, and the impact of a change of manager on strategic management can be significant (Miao et al, 2018). Secondly, the country has not developed a systematic framework for strategic management in the public sector (Naschold, 2017). There is a growing body of research in this area (Naschold, 2017). However, there are no adequate theoretical or empirical answers to what strategic management in the public sector is, what the key elements are and how to demonstrate its effectiveness (Naschold, 2017). Finally, the work of public strategic planners is often difficult to justify due to social constraints on long-term strategic management budgets and short-term perceptions (Steiss, 2019).

2.3. Differences in strategic management between the public and private sectors

1. Differences in the nature of strategic management. The nature of strategic management differs between the private and public sectors, with one being self-interested and the other being public (Cabral et al, 2019). The private sector exists to maximise reasonable self-interest and is therefore self-interested (Cabral et al, 2019). On the other hand, the public sector exists to serve the public interest and create an ideology of public good and is therefore public (Cabral et al, 2019). 2. Differences in strategic management objectives. Profit is the focus of private sector attention and the ultimate goal of strategic management in the private sector (Küng, 2016). Compared to the private sector, strategic management objectives in the public sector are somewhat ambiguous (Küng, 2016). The political environment in which public organisations operate is relatively complex and diverse (Lasserre, 2017). At the same time, different interest groups are constantly influencing politics, and the objectives of the public sector are often in a state of flux (Lasserre, 2017). In addition, these different objectives and long-term strategic goals often conflict with each other (Lasserre, 2017). 3. Differences in strategy implementation. The public sector is

more constrained by policy, funding sources and political authority in the process of strategy development and implementation (Elbanna, 2016). These factors much less constrain the private sector (Elbanna, 2016).

3. Case Description and Analysis

3.1. Problems faced by Region L in strategic management

This paper examines the direction of strategic management in the public administration sector, taking as an example the change in urban strategy in the L region of Zhejiang Province, China, a significant urban area where commerce and trade are vital to developing an urban area (Zhu, 2019). However, due to the volatility of the national environment at this stage, the region's own commercial and trade activities have been greatly affected (Zhou et al, 2019). The public authorities have organised meetings and call for a structural transformation of the industry, and the strategies previously developed in the L district have had to be transformed together. The main problems facing the urban management of the region are as follows (Zhu, 2019). 1. The commercial activity in the region is relatively well developed, but it presents itself in a relatively old state (Zhu, 2019). Although the total amount of commercial and trade activity in the L area is high, it has obvious problems (Zhu, 2019). Most commercial premises are small commodity markets and markets for household goods in which citizens participate, and the overall level of commercial activity is low (Roth, 2018). The market is a single-minded one (Roth, 2018). 2. The development of the area's commercial functions is slow (Zhu, 2019). Traditional handicrafts are still dominant in the area (Yang et al, 2019). Logistics services, financial services and information services have not kept pace with developed cities (Dybskaya, 2018). In addition, the total number of enterprises engaged in the service sector is relatively low, making it difficult to establish a brand name for oneself (Cusumano et al, 2015). Slow industrial transformation and upgrading efforts have led to a shrinking market space (Cusumano et al, 2015). 3. Although the trade area has a more developed economy, the city's image is relatively backward (Zhu, 2019). As the L area was previously a small-scale township, the lack of judgement in the public sector has led to a lack of planning in the development process of the trade area. There is much mixing between the commercial market and the residential areas and intermingling with the industrial areas. In addition, the lack of clarity in the government's orientation towards urban development has led to a relatively slow transformation and upgrading of the area's commercial trade and overall urban planning (Chen et al, 2016).

3.2. Changes to local public sector strategic management in Zhejiang Province

3.2.1. Shift in strategy

The L district previously used a compromise strategy (Zhu, 2019). The public sector had to consider traditional cultural and social contexts and harmonise stakeholder relations while adapting industrial upgrading and strategic urban planning (Christensen et al, 2020). Therefore, when the sector encountered some problems, it used compromise solutions. Based on the analysis of strategic management theories, the different sectors must cooperate and build a unified strategic coordination unit when adopting the development strategy of integrated planning (Lebedeva et al, 2016). The Zhejiang

government requires the local public sector to develop strategies that consider the specific circumstances, opportunities, and development challenges (Zhu, 2019). It is crucial to identify its strengths and weaknesses to develop a more appropriate strategic positioning (Porter, 2015). Secondly, the government requires the public sector to analyse the specific resource situation in formulating strategies to ensure that resources are optimally allocated (Zhu, 2019). The public sector should plan the city according to the allocation of resources to ensure that the city's resources are used to maximum effect (Di Cataldo and Mastrococco, 2021). The government requires the public sector to pay attention to regional tensions in developing the strategy and ensure that the different stakeholders (e.g., residents, business owners, Etc.) get along and compensate those who suffer accordingly (Warner and Sullivan, 2017). Finally, the government requires the public sector to consider the pattern and future development opportunities of the business district in developing the strategy (Ritz et al, 2016). The public sector should ensure that the city's development strategy is well-positioned (Billingham and White, 2017). However, it should also ensure a closer link between the old and new industries and that they are developed more efficiently.

3.2.2. Restructuring, optimising and upgrading of the L-zone business sector

Firstly, the public sector should strengthen the construction of specialised markets, exhibition centres and logistics centres to ensure that the image of the L district itself is steadily improved (Zhu, 2019). The government further guides the consumption patterns of residents to ensure that they can be steadily transformed (Liu et al, 2018). In addition, the local authorities will be able to transform the existing markets and shopping streets. For example, the government will optimise the facilities and create a trade centre with a variety of functions, such as information and transport, in order to improve the development of the trade industry in the L district (Zhu, 2019). Finally, the government has chosen to relocate the current markets to a specialised park to ensure that the trade industry can be centralised and resources shared.

The government and the public sector have analysed the strategic management factors and used the Strategic Transformation Process model to ensure that the L-zone can effectively address the issues and achieve better development in the region (Zhu, 2019). At this stage, many cities in various countries are experiencing similar problems in strategic management to those in the L-region (Lasserre, 2017). The volatile social environment in which the public sector develops its strategies requires a thorough understanding of the difficulties posed by changes in the marketplace (Elliott, 2020). The public sector must ensure that the city's industrial structure is transformed and upgraded through accurate strategic development (Kumar et al, 2020).

4. Conclusion

The public sector is faced with a more complex and uncertain external environment than the private sector. Unpredictable changes can occur throughout society at any time. In the event of fluctuations in the social environment, governments and the public sector should develop strategies and change the orientation of their goals in accordance with the actual situation. This paper focuses on the strategic management of government and the public sector through theoretical analysis. Because the empirical analysis is only

based on the example of the L district business district, it lacks empirical evidence and has shortcomings. The direction that future researchers need to focus on and develop should be the further optimisation of the government's strategic management performance assessment system. While promoting the optimisation of management, scholars should carry out empirical research and testing. In addition to this, the analysis and research of strategic management indicators and credibility issues will focus on the subsequent research.

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