

# PUBLIC SECTOR STRATEGY SET UP

Ion POPA  
Cosmin DOBRIN  
Alina PROFIROIU  
Ion VERBONCU

## Ion POPA

Associate Professor, Management Department,  
Faculty of Management,  
Academy of Economic Studies, Bucharest Romania  
Tel/Fax: 0040-21-3191967  
Email: popaion\_2000@yahoo.com

## Cosmin DOBRIN

Associate Professor, Management Department,  
Faculty of Management,  
Academy of Economic Studies, Bucharest, Romania  
Tel/Fax: 0040-21/3191967  
Email: cdobrin@yahoo.com

## Alina PROFIROIU

Professor, Administration and Public Management  
Department, Faculty of Management,  
Academy of Economic Studies, Bucharest, Romania  
Tel/Fax: 0040-21-3350253  
Email: profiroiualina@yahoo.com

## Ion VERBONCU

Professor, Management Department, Faculty of Management,  
Academy of Economic Studies, Bucharest, Romania  
Tel/Fax: 0040-21-2128619  
Email: iverboncu@yahoo.com

## Abstract

In order to be realistic, a strategy must be scientifically based. This requires the consideration of two main factors: strategy premises and modalities of strategy substantiation. The main premises of a strategic model are: to consider the life cycle phase of the organization, to consider the stakeholders, to assure the continuation of the strategic model elaboration and implementation, systemic approach of strategy elaboration and implementation, economic activities internationalization, international managerial know-how transfer. The following can be mentioned as modalities of strategy substantiation: diagnosis studies, forecast studies, market studies.



*Transylvanian Review  
of Administrative Sciences,  
25E/2009 pp. 82-91*

Strategic management permits a future projection of the institutional development according to the mission and the vision of the organization and, therefore, constitutes the mechanism for strategies implementation. Public organization specificity manifests itself by several important features (Popa, 2004):

- Existence of legislative elements limiting decisional autonomy of the organization;
- Externally competitive environment reduction, depending on the specific activities of the organization, as far as its elimination;
- External environment restructuring due to other criteria than completion;
- Semantic resize of supplier, customer and market concepts;
- Extensive use of static, linear and deterministic models of thinking.

Meaning a capitalization of forecasting at the organizational level, strategic “management represents for a company a complex process of shaping its future, its evolution, process based on strategy substantiation and formulation, implementation, evaluation and control mingle that complete each other, in a continuous, dynamic and iterative flux” (Popa, 2004). It presumes a coherent approach of both internal and external factors, which can or could influence the organization, can influence its performance and existence, and, as a starting point, they can begin to elaborate and implement explicit and rigorous strategies allowing the organization to face successfully the possible changes in its environment, to adapt in order to survive and develop.

Theoretically, every organization evolves between present and future on different possible courses and it is important to analyze and decide which the best course is. In other words, there are strategies that cannot be ignored unless the organization wants to pay a high price. The specificity of public administration resides in its structural and functional rigidity, and respectively, in a static and conservative institutional culture. The models of thinking used in public administration are usually static, linear and dynamic. These are the major obstacles, not just in strategy elaboration, but also in its implementation, especially if the strategy requires some structural and managerial changes within the organization (Verboncu and Zalman, 2005).

The development and the implementation of strategic management in the Romanian public administration is a necessity, but its transformation in reality is still a serious problem. We need more intelligence and creativity for policies and strategies elaboration that would contribute to an actual strategic change of the public administration.

Within the substantiation of the strategic model, it is necessary to display two kinds of aspects:

**I. The premises** of the strategic management model. The specialists recommend the consideration of the following premises (Nicolescu and Verboncu, 2004):

- Identification of the life cycle stage of the organization (initiation, growth, maturity, decline);
- Relieving the main stakeholders interested in the organizational efficiency (employees, shareholders, managers, unions, clients, suppliers, state, local administration, banks etc.);

- Assurance of the continuity of the strategic process;
- Systemic vision on the organization and its environment;
- Strategic process flexibility assurance;
- National economies internationalization and the trends in this area;
- International transfer of managerial know-how;
- Multidimensional global strategy set up.

**II. The main types of information used in the strategic process.** In fact, these come from forecasting studies, diagnosis and marketing studies.

### **1. The public sector strategy premises**

In order to formulate a realistic, coherent and explicit strategy, generating substantial economic effects, the knowledge and the consideration of an essential set of factors is necessary, summarized as premises as follows:

#### **a. Considering the life cycle stage of the organization**

As the products and the economic goods have in general a life cycle that can be differentiated in distinct stages, an organization as well covers during its existence various temporal periods, during it experience of significantly different management and execution process evolutions. During its evolution, the correspondence with the requirements and the demands of the national and international environment gets significantly different valences.

As it is known, every organization suffers, although not necessary linear, four important life cycle phases – *initiation, growth, maturity and decline* – during these phases the problems it faces are different, and the decisional and the operational solutions, on long, medium and short terms, must be different as well. Considering their peculiarities, the risk involved generates various strategic approaches.

#### **b. Considering stakeholders**

The stakeholders are persons or groups with an interest or a direct or emotional personal involvement in a certain organization and its performances. This category includes: managers, employees, unions, customers, suppliers, banks etc.

**The managers** consider that the organization as a fertile terrain that guarantees growing wages and allows them to prove both their professional and managerial competence.

**The employees** demand growing wages, qualification opportunities and social protection.

Being the employees' representatives, **the unions** demands consist in solving the social problems, social protection for their members, simultaneously with a more distinct intervention in the organization's evolution.

**The customers** expect qualitative services along with their continuous development.

**The suppliers** are interested in the organization's consolidation and development, as a premise for an increasing demand of goods.

**The State (public administration)** sees in every organization a contributor to the budget, a source of jobs, a condition for the economic development and eventually, an exporter.

**The local authorities** consider the organizations as job suppliers, the environment's protectors and the sponsors of various social, cultural and sports activities. They are interested in profit of the organizations as a source for the local budgets.

**The commercial banks**, in the long-term run, are interested in the consolidation of the organizations, as a premise for a growing financial flux of credits etc.

**The public administration** targets the fulfillment of the general interest. Citizens require from the public administration an adequate service provision for which they are paying contributions and taxes. The main principles of the public services, such as equal access, continuity and adaptation must be translated into public policies targeting the fulfillment of the citizens' changing needs. The administration must concentrate its limited resources on the fulfillment of the general interest.

Because strategy projects the future of the organization, it is necessary to increase the consideration of the main stakeholders, their problems and objectives as an important premise of harmonization of different interests, as follows (Cârstea *et al.*, 2001):

- for the managers, regardless of their level, to fully fit their decisions and actions within established strategy and to have a clear perception of the integration of their role in the holistic effort of strategy implementation;
- for the employees, to a better awareness of their expected performance and, therefore, their required efforts;
- for the external stakeholders (providers, customers, etc) to form a clear image upon the organization's activities, its perspective assessment and opportunities identification determined by its evolution;
- for potential newcomers on the specific market of the organization who need to understand its major orientations and the main competition weapons;
- for the labor force interested in the organization's employment possibilities, to evaluate the professional development and the career accession perspectives.

### ***c. Assuring the continuation of the strategy elaboration and implementation in the public sector***

The complex process of elaboration and implementation of strategies in the public sector must not be an isolated action, but a continuous step, generated by several main reasons, as follows:

- Socio-cultural and organizational evolutions, inducing significant changes to its functional and dimensional features, new attitudes, values and behaviors, new requirements regarding the decisional act;
- The need to emphasize the complexity and the unforeseeableness of the environment, as well as the necessity for changing the capacity to adapt.

The rational process of analysis and reflection "a priori" is not and will not be exactly performed because the intuition and the ideas emerge in a seemingly elusive confusion, and requires unanticipated retouches and consolidations. Strategy must shape, hence, in a gradual state, a progressive shape, in a continuous flow of actions. Some of them are scheduled, some are "emergent" and respond to unscheduled events, which the organization had to respond to. The whole strategic-tactic process must have a continuous adequacy, the projection of strategic and tactic future has a scientific

and permanent character, considering the unforeseeable changes in the environment, as well as the cultural and organizational changes.

#### ***d. The systemic approach to strategy elaboration and implementation***

The strategic process must be a systemic one; namely in its development there are several distinctive, but still interrelated stages. This approach is based on two main aspects. In the first place, it is based on the approach of the organization as an open system, representing “a system, a complex reality in a permanent exchange with the environment by multiple decisional, search, reception and information transmitting processes” (Porter, 1990).

Secondly, we assist to an amplification of connections between the organization and its environment, both national and international, composed of an extensive and diverse set of exogenous variables – economic, managerial, technical and technological, socio-cultural, demographic, ecologic, political and juridical; the action of these variables condition the establishment of the economic and managerial behavior of the organization.

On the other hand, accordingly to the systems theory, the whole action of an element toward another can determine a reaction of the latter, and the organization, as an open system facing its environment, can develop (and it actually does) a bilateral relation with its every subsystem, allowing to understand, forecast, adapt and survive. It is influenced by and influences its environment.

#### ***e. Flexibility of the strategy***

Dynamic and unforeseeable, the organizational environment experienced, especially in the last couple of decades, some significant changes: complexity and discontinuity being two of the growing characteristics of today’s organizational environments.

The science of mastering and capitalizing change, mobilizing and adapting its internal potential, its whole capability – reflected and influenced by the resources conversion process, on one hand, and by the organizational culture and the power relations inside it, on the other hand – becomes a major problem of the modern organization, decisively conditioning its success and performance, its fulfillment of roles and purposes in an pluralist society, not only economically and socially, but in terms of creativity and advancement as well.

In this context, it is necessary to elaborate flexible strategies, reflecting major events – both internal and external – emerging during a process, which cannot be forecasted at the moment of formulation of the basic strategic options.

The most recent expression of scheduling flexibility is the so-called gliding scheduling or forecasting, consisting of continuous elaboration of long or medium term plans, their permanent update considering new elements emerged, concomitantly with considering of new forecasting horizons, and constantly maintaining the forecasting horizon.

#### ***f. Economic activities internationalization***

Being an extremely complex and comprehensive process in steady intensification, the internationalization affects all kinds of organizations. Multiplication of the

connections with national and especially international environment, supported by the amplification of the open, adaptive feature of organization, demands complex strategies, able to identify these connections and to drive them toward efficiency.

The trend toward globalization, accompanied by a dynamic development of social systems, locates national states in a complete new position, in which the institutions and the administrative systems must be adapted. Any intervention in the public administration reform implies changes of the major components, including central administration, local administration and public services. Meanwhile, the strengthening of democracy requires a new relation between citizens and administration, based on strengthening the local authorities' role and reconsidering the partnership with the civil society.

Confronted with this international environment, significantly different in dimensions and features from the national environment, organizations must elaborate adequate strategies, based on reevaluation of their capability in international environment.

Such an approach conditions in an increasing manner the realism of the decisions made, by designing and preparing the future of the organization and by assuring the achievement of services provision in an efficient way.

### ***g. International managerial knowledge transfer***

The trend toward globalization, internationalization and increasing mondialization of economies requires a permanent informational exchange with other foreign organizations and agencies, aimed at obtaining the managerial knowledge for competitiveness and efficiency.

From this point of view, several extra important issues can be emphasized (Porter, 1990):

- The capitalization of theoretical and pragmatic achievements from other countries in organizational management area, focusing on managerial tools;
- The development of informatics systems designed in an international vision, especially data warehouse specialized on international domains, providing information that can be used by units from several countries.

All these evolutions were intensified significantly after Romania's admission to the European Union, displaying a trend to accelerate simultaneously with the convergence of the Romanian economic, judicial, educational, scientific and cultural systems towards the European ones.

Hence, we assist to the increasing utilization of comparative management approaches, based on the factors differentiating management processes in different countries. It is the main facilitator to the fructification of competitive advantages, superior use of resources, important information acquiring and organizational performances gaining. Managerial knowledge transfer, referring mostly to the European Union good practices, is the main mission of the comparative management. Hence, the necessity to add a deep international dimension to the organizational management as an important premise towards a professional substantiation of strategy is emphasized.

The main advantages of organizational management internationalization regard the technological transfer made in better conditions, easy access to certain raw

materials and components, better capitalization of resources, easy access to important information and the rise of organizational efficiency.

#### ***h. Multidimensional global strategy set up***

This premise regards the fact that, in strategy substantiation it is necessary to consider different economic, technical, managerial, social, law issues, in various proportions reflecting their contribution to the functionality of every organization.

Based on the organizational features as a system, it is obvious that such parameters cannot be ignored in global strategy substantiation.

**As an economic-social system**, the organization means groups of employees developing work processes generating goods - products, services etc. - fulfilling market requirements. Its role in the economic activity of any country is decisive, hence the necessity to respect this dimension in global strategy.

**As a technical-material system**, with many material factors interlinked, the organization has a technological addiction, more or less intense, between its structural and functional components, reflected in the technical and functional aspects of the strategy.

**As a managerial system** composed of four important subsystems - decisional, informational, organizational and methodological, strongly interlinked - the organization has features mandatory to be found in strategic projections. Similarly can be found characterization elements of the organizations influencing the global strategy type, its components – mission, objectives, growth vectors, resources, periods and competitive advantages – and its substantiation, elaboration and implementation process as well.

## **2. Modalities of strategy substantiation**

Capitalization of the premises allows the accentuation of the main elements of the substantiation stage of strategy elaboration.

### ***a. Identification and consideration of scientific, financial, managerial forecasts regarding the environment of the organization***

A realistic strategy cannot be elaborated without an ample use of global and macroeconomic forecasts information, both global and on domains (scientific, financial, managerial, human resources etc.) regarding national and international organization's environment. Its lack or inadequacy determines a reduced degree of substantiation of the strategies and, in time, a decrease of performance.

Forecasts are long-term predictions of trends in different areas, of tendencies from typology and pressure mechanism of exogenous variables and permanently “feed” strategic projections, regardless of the type and domain. Forecasts - as instruments of knowledge and investigation in time of future trends of economic, managerial processes - constitute the logistic support of needs, possibilities and future evolution of the organization.

Hence, in the strategic management process an important role is played by forecasting. Forecasting allows long-term shaping of various hypotheses, as different

possible or probable development directions constitute future scenarios. Based on a global vision of sets of phenomena and especially the link between them, forecasting allows a definition of general situations with a certain degree of certitude. It must use a deep analysis of factors and relations without privileging the traditional methods as analogies or extrapolation. Forecasting is based on the idea that future is multiple and unsure, but is the reason of being for the present.

Delphi method is the most well known method, which is used to imagine various possible scenarios in a given situation. Its base is a systematic selection of various experts' opinions. They must never meet in order to exclude influencing each other and have to formulate in writing their opinion about a given situation. The answers are then collected and analyzed in order to detect convergence and divergence points and, based on these, new questions emerge which will be addressed to the same experts and again their answers are analyzed. Successive cycles of questions allow shaping several scenarios. A variation of the method allows the experts to meet and to debate the questions before individual work. Delphi method is less utilized by certain experts due to the influence of some experts upon others.

### ***b. Setting up of complex diagnosis and SWOT analysis***

In the literature, there are numerous definitions of diagnosis. All converge toward the same defining elements: causal identification of the main strengths and weaknesses and formulation of recommendations in order to amplify the company's potential.

Nicolescu and Verboncu (2004) considers that "diagnosis is the method used by managers, based on a multidisciplinary team, including both managers and employees, that is designed to identify the main strengths and weaknesses of the investigated domain, the generating causes, and to propose corrective or development recommendations".

This analysis allows a causal identification of strengths and weakness in the organization's activities and/or its environment and leads to strategic-tactic recommendations, used in strategy and policy substantiation.

If the forecasts regard the future, the diagnosis focuses mainly on the past and present, offering to management the main strengths and weaknesses of the organization and environment, which can be capitalized or eliminated by strategic projections.

As a managerial method, diagnosis has the following features (Verboncu and Zalman, 2005):

- *Post-operative feature* – In this case, the diagnosis is associated with the post-operative phase of a managerial process, with control and evaluation. The real results are compared with the forecasted ones for the same period of time or with the results from the previous year/s;
- *Forecasting feature* targets an amplification of managerial and economical viability, and it is based on the recommendations for finalizing the diagnosis;
- *Multidisciplinary feature*, which means that the diagnosis is the product of a team (engineers, economists etc.), both within and outside the organization;
- *Complexity feature*, given by the complexity of area investigated and its multiple aspects analyzed - economical, managerial, social etc.;

- *Causal feature* regards the identification of the causes of strengths and weaknesses, situation, which eventually allows solutions considering them.

Diagnosis has a strategic dimension: it is usually followed by a change in organizational priorities, structures and culture. Being oriented toward offering and implementing solutions, the diagnosis combines in an equilibrate manner the rational analysis (splitting the problem in its components and, simultaneously, describing their signification) with the intuition (which holistically re-integrates different components in a new, harmonious model, representing problem solution), and constitutes the most efficient organizational decision-making tool.

When they are based on rigorous methodological premises, the diagnosis studies indicate “symptomatology” on certain periods, and “etiology” of these symptoms. “Therapeutics” is based on these and is found in the recommendations, which constitute the support of various decisional and operational actions.

Based on the information offered by these complex analyses, the organization can reshape some of its activities or the entire managerial system.

Causal identification of strengths and weaknesses is a common consequence of organizational investigation and analysis. It uses specific tools, such as:

- Questionnaire, interview, evaluation sheet (self-evaluation), synthetic and analytical informational situations (balance sheet, administration report, income and expense budget, organizational chart, flux diagram etc.)
- Information analysis, using techniques of causal relationship, result analysis, comparison, assessment of factors intervention etc.

### ***c. Setting up of elaborate marketing studies***

A deeper knowledge of the customers needs cannot be achieved without marketing studies, and their results can be used in organizational strategy elaboration, both globally and partially.

In this respect, the necessity of a good communication with public administration “customers” arise, firstly to know the citizens’ needs and their expectations regarding public administration, and, secondly, to determine their reaction to change. The key to success in citizen-customer issue is a profound understanding of needs, expectations and attitudes. Simultaneously, the success is based on the availability to consider perfect relations with the customers as a part of marketing complex, leading to the creation of innovative services or higher standards, tested and then employed (or withdrawn) before a shift in customers’ desires and preferences.

Marketing must (Popa, 2004):

- choose features of service adapted to the targeted market segments;
- adapt the place and the time table to customers’ needs and preferences;
- develop communication programs to inform on service benefits and utilization.

Therefore, in growth vectors formulations, managers must analyze and consider both present and future threats and opportunities of the environment, and the organizational potential, the strengths and weaknesses of the organization, the possible competitive advantages facing competition. All of above-mentioned will

determine the organizational response, the adaptation and the action capabilities to the environmental challenges. Simultaneously, it must be considered that an event or an environmental change is usually associated with both opportunities and threats and, as a rule, no opportunity is risk free. Additionally, the competition can take over both perceived and non-perceived opportunities, and transform them into real opportunities. Hence, the organization and its managers must have the capacity to see and anticipate opportunities and threats, to compare risks and advantages associated to them and to try to take advantage of the opportunities as long as they are adequate, knowing that they are declining in time, as an outdated idea which does not represent a real opportunity. In the same time, attention must be paid to the strengths concentration and weaknesses elimination in order to rise organizational reaction and influence capacity against some events.

In fact, the “philosophy” of the strategic management regards the capability of organization to mobilize and to have a proactive and not just a reactive approach to changes in the environment that are shaping the future. It is mandatory to try to take advantage of the opportunities and threats and to transform them in opportunities in order to get a sustainable competitive advantage. This attitude allows organizational changes, influencing directly the environment and, therefore, exercising a stronger control upon its own destiny, building an opportunity and a sustainable advantage for itself and, simultaneously, a threat to the competition, forcing it to react. In this respect, the example of the American and Japanese companies, especially multinationals, is relevant

In conclusion, a successful strategy implies a very good creative thinking employed in its elaboration. A successful strategy requires an organization that accepts the change and contributes to its efficient implementation and, respectively, to its correct evaluation, which adequately assesses the costs and benefits. This conclusion is valid for every organization, both from the private or public sector.

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