

The Utilization of Benchmarking for Strategic and Project Management of Municipalities in the Czech Republic

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Abstract

In the public sector there is a significant aversion to strategic management (we defined it in our research as an everyday effort to reach long term and measurable goals) and particularly to benchmarking (structured comparison in order to find good practices) as well. The main aim of this article is to introduce the result of two studies focused on Czech cities: 1) The benchmarking of project management and management of drawing of EU funds for municipal development, 2) The benchmarking of integrated approaches to city development and its utilization by strategic management. The results are as follows: 1) the utilization of benchmarking was approved 2) several recommendations for cities were established, which were, in particular cases, implemented into practice 3) possible weak strategic orientation is very often connected with lack of interest of the responsible political representation in strategic management.

Keywords: Benchmarking, strategic management, EU Funds, municipalities

JEL Classification: H00, H70

1. Introduction

In the Czech Republic, modern methods of management were implemented only in the last century in connection with New Public Management Reforms (Nemec, 2012). These reforms were not only made in the Czech Republic but in a whole range of eastern and central European countries (Bouckaert, Nemec, Nakrosis et. al., 2008), (Nõmm, Randma-Liiv, 2012). The crucial weak point of this reform is the fact that most of them were not implemented properly, without a feasibility analysis and without the desired skills and competence (Nemec, Ochрана, Šumpíková, 2008), (Tonnison, Wilson, 2007).

1.1. Strategic management

NPM reforms triggered the start of requirements in the public sector for changing the orientation of management in the public sector: formal focus on structures, processes and inputs were replaced by strategic orientation in outputs and outcomes. Very important is an emphasis on better mission statement and establishing main goals of organization and higher performance measurement in public sector. These trends were described by many authors Schick (Shick, 1996), Kettl (Kettl, 2000), Hințea (Hintea, 2008), in Czech or Slovak condition e.g. Nemec, Ochрана, and Šumpíková. Main aim of strategic management (sometimes “strategic approach”, “strategic process”) is generally to reach long time goal oriented organization behavior (Cepiku, Mititelu, 2010).

Typical for strategic management in the public sector is the necessity to respect bureaucratic administration and political influence, it does not mean that strategic management should be neglected. The whole process of strategic management is strongly determined by current legislation, which creates the formal framework, formalizes procedures of planning approval, and establishes basic values of public sector activities. Legislative framework could require components of strategic management (e.g. plans) in particular areas of public sector activities.

In legislative framework or above the legislative framework, the community is engaged in strategic management processes and the information is published openly (Skok, 1989), (Bryson, 2003). Strategic management is not at the centre of interest of the central authorities in the Czech Republic.

The strategy of implementing Smart Administration in the period 2007-2015, which was approved by the government in the summer of 2007 considers the following as crucial problems in local government : disunited system of strategic planning and it's connection to financial management and strategic management and a lack of qualification and competence of the management. Issues of strategic management in conditions of the Czech Republic's public sector are dedicated to such works such as Afonina (Afonina, 2012), Sobotka (Sobotka, 2012), Půček (Půček, Hájek, Novosák et. al., 2012) , Špaček (Špaček, 2010). On the issue of strategic management is focused in the article of Daňo and Hanuláková (Daňo, Hanuláková, 2004), Ježek (Ježek, 2011) .

1.2. Benchmarking

The concept of benchmarking has several definitions, however the author agrees that benchmarking is a structured comparison, which should help to introduce the best practice in an organization (Knutson, Ramberg, Tagesson, 2012), (Meričková, Šumpíková, Rousek, 2009). One form of benchmarking typology is strategic benchmarking, which is the aim of this article. Benchmarking in the public sector can be utilized for the objective measurement of processes, methods and systems by production of public goods or services financed fully or partially from public resources (Nemec, Mericková, Ochrana, 2008). These methods can help to evaluate the quality of public delivered services especially in the framework with an absence of defined quality standards [26]. In the Czech Republic there was a special project to support local government organizations in the Visegrad countries supported by a Canadian government agency CIDA (Široký, 2004), on the basis of this project several benchmarking initiatives were created . As is shown in many studies e.g. Široký (Široký, 2004), Pavel (Pavel, 2007), related to optimization of cities e.g. Janáček (Janáček, Linda, Ritschelová, 2010), Kostelecký and Patočková (Kostelecký, Patočková, 2006) benchmarking is an established tool of quality improvement on the municipal level.

2. Objectives

The main goals of this article are the following: to introduce the results of two studies regarding Czech cities 1) Benchmarking to project management and the utilization of EU funds for municipal development, 2) Benchmarking to integrated approaches to municipal development and it's utilization in strategic management. In order to fulfil the paper's objectives, we used a mix of normative and non-normative methodologies and corresponding research methods. Positive methodology was applied in analysing and describing the problem, studying the resources, analysing the data and reviewing international experiences.

3. Material and Methods

The main aim of this produced research was a description of the current situation in the following issues: 1) Project management and utilization of EU funds, 2)The integrated approaches to municipal development and it's utilization in strategic management. As the focus group cities with more than 20 thousands inhabitants were chosen, of which the responsible authorities are in charge of versatile local development. It total, 22 cities were included in this project, placed in all regions of the Czech Republic except Prague. In the first case the sample was 16% of the aggregate, whereas the second case, the sample was 50% of the aggregate. The sample for case number 1 contained the following cities: Valašské Meziříčí, Uherské Hradiště, Strakonice, Kopřivnice, Třebíč, Karlovy Vary, Liberec, Mladá Boleslav, Vyškov, Jičín. The cities were grouped according to the success of drawing EU funds. The sample for case number 2 contained the following cities: Ústí nad Labem, Mladá Boleslav, Karlovi Vary, Hradec Králové, Brno, Kladno, Most, Chomutov, Olomouc, Ostrava, Plzeň, Pardubice.

The sources for the primarily data were a questionnaire survey and structured interviews. Qualitative and quantitative research methods were utilized. The obtained data were therefore: financial data, process descriptions, and the subjective evaluation from officials and politicians. The quantitative research instrument was an electronic questionnaire, it was used to obtain financial data. The target respondents were the responsible officials of the city. The questionnaire aimed at city officials was also a part of qualitative research. Another method which was used were structured interviews, which were attended by both officials and political representatives.

The structured interviews were based on pre-defined open-ended questions, which was followed by a number of complementary questions. The time of interview ranged from 60 to 90 minutes. Qualitative data were collected in 2012. At the beginning of 2013, the cities were notified of the results of the research. Based on informal discussions with the responsible officials, who were in charge of these areas in cities tested positive feedback for carried out benchmarking.

For more than half of the city benchmarking resulted to the preparation of projects to implement the recommendations. The research was organized by MEPCO Ltd. (a subsidiary of the Association of Towns and Municipalities), together with GRANTIKA České spořitelny with two authors of this article being employees of MEPCO Ltd and main authors of this research.

4. Results

4.1. Project management and the utilization of EU funds

Cities deem subsidy policy as a contribution to their development. There is a demand for grant programs focused on the following areas:

- Construction and reconstruction of infrastructure,
- Transport solutions
- Revitalization and renovation of public spaces,
- Insulation of public buildings

Cities therefore prefer investment projects. The negatives of subsidies are mainly the higher time consumption of project administration, disunity of methodologies and interpretations and which are too narrowly and strictly focused subject of subsidies.

The process of selecting subsidies for investments is determined by the strategic plans of cities and according to them, storages of investment projects are managed. For decisions about the selection of a particular type of subsidy, the financial situation of the City is often more important than the real needs of cities. According to the results of an online questionnaire outsourcing is used for the preparation and organization of the projects in 33% of cases, 44% use the existing employee capacity and the last 23% create new jobs. In most cases, the city does project activities in house. For this purpose project teams are formed led by a project manager. In a deeper analysis in a structured interview which focused on project management the following problems were identified:

- Due to the lack of formal anchoring of the project team in the organizational structure, the projects are ad hoc shifted between particular departments, thus creating significant time loss and leading to dilution of responsibility
- The position of Project Manager is not clearly defined and there is no link between performance and remuneration
- Bureaucrats perceive their work on the project administration as extra work above their job duties
- The project managers are not subject to the higher qualification requirements than other employees, employers weigh experience heavily regarding project managers.

Despite the existence of a project team about 80% of the subjects used some form of outsourcing in the process of administration. The most common reasons for outsourcing was the lack of their own capabilities, lack of expertise and savings.

The questionnaire survey also focused on process analysis and project administration. In the case of investment projects, administrative processes occupied 45% of the total consumed time, a public tender 17% of the time consumption and the actual implementation of the project takes 38% of the time. For non-investment projects, the situation is very similar. Administration of the project takes 43% of the time, tenders 14% of the project and 43% the finalization of the project. It is clear that the largest time requirement represents the administration of the project. Using structured interviews we identified the following possible reasons for this:

- Over-formalized system of grants
- A lack of qualification of workers of municipalities and grant providers
- Delays during inspections of monitoring reports and delivery of payment requests
- High formal requirements for the administration process, projects often have different methodologies and forms

- Greater emphasis on formal aspects than to substantive
- In the process of project administration the following activities were evaluated as being the most problematic : the preparation of the logical framework of activities, feasibility study, and an analysis of the need for the project

4.2 Integrated approaches to urban development and their use in strategic management

All the observed have prepared a strategic development plan, and also realize the importance of strategic planning and the necessity of linking its strategic plans with the higher levels at the national and international level. The main motives for the preparation of the strategic plan are as follows:

- Long-term development concept
- Formal requirements of higher authorities, the necessary condition of drawing subsidies
- Initiatives by city employees
- Efforts to improve the city's image

The relatively surprising finding is that 58% of the cities answered that the change of political leadership does not change strategic priorities. The influence of the political cycle (Sedmíhradská, Kubík, Haas, 2011) was not confirmed. What is problematic, however, is that the 50% of the monitored cities had not established the objective set of performance indicators in order to measure how successfully strategy was being implemented and only 33% of the cities had assigned responsibility for the implementation of the objectives and priorities of the individual members of the local government.

The situation is very similar with issues of linkage of strategic planning with financial management and the use of management tools for control of the strategic plan. Only 17% of cities link strategic planning with the budgeting and 42% of the sample use modern management methods in order to manage strategy. This confirms the existence of common problems related to strategic management described in the literature (Aslani, 2009). The key outputs of structured interviews focused on the evaluation of importance of the strategic plan are:

- Cities would like to update the strategic plan with respect to the requirement of strategic continuity
- To update the plans, the respondents also intend to focus on performance indicators of the strategic plan, linking to the budgeting process and the definition of political responsibility
- Although cities have developed strategic plans, they do not work actively with it
- Plans are not regularly evaluated and the political representation are not involved with strategic planning
- There is no connection to the city's budget
- Strategic plans usually do not respect the financial capacity of municipalities
- Towns would appreciate more information about modern management tools

Very important is the finding that, 83% of cities surveyed responded that the strategic plan is used as a support tool for the city management. Most of the cities (92%) process some form of a report about the implementation of the strategic plan, the majority are regular or ad hoc reports that contain brief information about the description of the activities and status of individual projects. Evidence from structured interviews on this topic are as follows:

- Cities begin to prepare guidelines for the strategic management and form committees in order to evaluate strategic projects and analyze the risks
- Elected city officials are not involved in the process of strategic planning
- Cities do not use software applications for strategic management

Other issues in the electronic questionnaire focused on setting organizational structures in strategic management. 7 cities indicated that in the organizational structure exists a department, which is in charge only for the implementation and evaluation of the strategic plan, 3 cities aggregate management of specific projects and strategic management into one department. In two cities, no such department exists. If departments of strategic planning are not defined separately in the organizational structure, they are usually part of the finance department, the city architect, or Mayor's Office. The number of team members of the department for strategic planning ranges from 10 to 15 members. Most cities also states that the employees were trained in strategic management. The situation is worse in political representation, only 33% of cities, states, had a responsible politician who had been trained in the field of strategic management. Results of structured interviews are as follows:

- There are frequent conflicts between the department which is responsible for strategic planning, and the financial and investment departments
- Bureaucrats deem departments of strategic planning as departments with special and exclusive agendas
- Departments of strategic planning should ideally be divided into 2 departments, namely department of strategic planning and the department of project implementation

Except for two cities, the majority of those surveyed cities use for the preparation of the strategic plan external services. The main reasons are the lack of their own capacities, the lack of the necessary expertise and the pursuit of cost savings. Most outsourcing is used for public relations and data mining; the obtaining data through surveys and polls.

5. Conclusion and Discussion

The survey results confirmed the general conclusions that we know from existing theory and previous studies (Nemec, Ochrana, Šumpíková, 2008), (Plaček, 2012). Responsible officials recognize the importance of strategic management for the city's development and the importance of project management for the efficient use of EU funds. However, the effective use of these tools is limited by numerous implementation barriers.

In the field of project management in the use of EU funds, it is mainly a problem of setting the position of the project manager in the organizational structure and vague job descriptions regarding this position. These deficiencies imply that project managers perceive the administration of the project as something that is above the normal requirements of their job. In fact, this should be their main obligation. The public sector is also symptomatic of there being no link between performance and remuneration. For thoroughness, it should also be stressed that significant gaps also arise on the part of subsidies, there are significant deficiencies on the side of subsidy providers particularly the large bureaucracy, a lack of unity in methods and interpretations, and not to be left out, the long times for individual task completion.

If we focus on strategic management issues, we can consider the absence of the link between strategic planning and budgeting to be the most problematic. Strategic plans often do not respect the current financial situation and budget outlook. This situation implies a risk that a substantial proportion of the targets resulting from the strategic plan is not feasible due to the financial situation of the city. Another major weakness but not unknown in the public sector is the unclear assignment of responsibility for the implementation and results of the strategic plan and from this the resulting complicated formalization of the department of strategic management in the organizational structure of the office. Cities also have a lack information about modern strategic management tools, such as the Balanced Scorecard or Common Assessment Framework, although these concepts are in the theory adequately described and there are a large number of case studies describing the implementation of these tools in public administration in the Czech Republic. In contrast to previous conclusions, cities claim that the strategic plans are used as an instrument for city management. A very positive finding can be considered that due to political changes strategic priorities are not changed.

To improve the current situation, it would be more appropriate to apply benchmarking in order to identify good practices concerning the definition, and set up the agenda of project manager's position in the office and the optimal set of motivational tools and remunerations. In strategic planning, benchmarking should be done in the following areas: linking strategic planning with budgeting, setting up a strategic department in the organizational structure of the office, the use of appropriate indicators to measure the implementation of the plans.

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