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T06P07 - Do Regions really matter? Regionalization strategies as a field of investigation and a challenge for critical analysis (6/26/2015)

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## **Strategic Management in German Municipalities**

### **Introduction**

The process of modernization in Germany's local governments has been mainly driven by the so-called 'Neues Steuerungsmodell' (NSM), published by the KGSt, an association of local governments in 1993 (cf. KGSt, 1993; Pollitt and Bouckaert, 2011, 280). Strategic Management was not a central part of the original NSM concept but was added in the late 1990s. While, in combination with some renewals in budgeting, certain topics of the NSM became statutory for local governments, strategic management is still an optional instrument.

The success of NSM reforms has been controversial in the last years (cf. Bogumil et al., 2007; Bogumil et al., 2011; Bogumil et al., 2012; Bogumil and Holtkamp, 2012; Burth and Hilgers, 2012; Fischer, 2012; Holtkamp, 2008; Reichard, 2011). Since the main problem for local governments in Germany seems to be the implementation of 'modern' forms of management and controlling, the adoption of a strategic management is an interesting indicator for the success of modernization.<sup>2</sup>

With interest in the influences of strategic management on policy making we will analyze the dissemination of strategic management, its implementation and its practical use in German municipalities. In section one, a simple definition of strategic management and a game model for its adoption will be sketched. We analyze the dissemination of strategic management with these instruments in the third section. Effects of strategic management and its benefits will

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<sup>2</sup> For an overview on strategic management in German governments cf. Joyce (2015, 46 ff).

be discussed with regard to some examples of strategic management implemented in German municipalities. Finally, we will discuss the impacts of strategic management on policy making and possible contributions of a theory of strategic management for the study of policy making.

### **Implementation of strategic management as a problem of cooperation**

With regard to popular models for local governments in Germany (cf. Heinz, 2000; KGSt, 2000; Eichhorn and Wiechers, 2001; Schedler and Siegel, 2004; KGSt, 2013a; KGSt, 2014) strategic management, in a narrow sense, can be understood as a formal concept with three main elements:<sup>3</sup>

1. Strategic management demands an explicit formulation of strategic goals or even a general orientation for future development. The strategic goals should be formulated by the council.
2. Strategic goals or orientations are linked to the actions and resources of administrations. This means that substantial effects of strategies in administrative action can be found. Obviously most benefits that strategic management promises cannot be realized without driving strategy 'through budgeting, measurement, and performance management process' (Poister and Streib, 2005, 46 f).
3. The benefits of strategic management should lie in a concentration of actions and resources on crucial and long term developments and a new coherence of administrative action caused by minimizing erratic and opportunistic policy-making (cf. Poister and Streib, 1999, 308; Joyce, 2015, 12 ff). Rent-seeking of small groups which try to maximize their own benefit in highly competitive environments (cf. Olson, 1977, 22 ff) may be restricted by a strategic 'discipline' which binds all actors to common goals.<sup>4</sup>

As a result we are using a simple and quite formal 3-step model that provides an initial views of the dissemination of strategic management in German municipalities.<sup>5</sup> Thereby we assume that actors in

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<sup>3</sup> There are not many differences to the basics in common definitions as by Poister and Streib (2005). For an overview on schools of strategic management cf. Ferlie and Ongaro . We first focus on formal aspects of strategic management, mainly strategic planning (cf. Joyce 2015, 6) and controlling, and will later move on to informal and cultural issues.

<sup>4</sup> Obviously it is very difficult to measure these benefits, and usually evaluations are based on the estimations of managers or politicians in municipalities which are already practicing strategic management (cf. Poister and Streib 2005, 51 f).

<sup>5</sup> A similar model is used by Kwon et al. (2014, 165).

councils or administrations try to implement strategic management to realize their own goals. Since strategy in this sense should be defined by the elected, mainly honorary, members of the local council to control the administration, the implementation of strategic management (cf. Bogumil, 2002) requires a cooperative solution of the dilemma described in figure 1.

A cooperative solution is possible if administration delivers all relevant information to the council that defines strategic goals and abandons incremental policy-making.<sup>6</sup> Because incremental policy-making is a predominant instrument, especially for winning voters with bounded rationalities or even incomplete information, not using it is a clear disadvantage for the members of the council. On the other hand, by taking option 'S', the administration loses the possibility of carrying out micro-policies and following its own goals.

		council	
		S	I
administration	S	(1, 1)	(-1, 2)
	M	(2, -1)	(0, 0)

**S:** strategic management; administration delivers all relevant information, council defines strategic goals and administration tries to reach optimal results for these goals

**I:** council does not define strategic goals but tries to control administration by incremental decision-making

**M:** micro-policy by administration; due to asymmetric information, administration can pursue its own goals

Figure 1: Payoffs for 'controlling game' between administration and local councils, based on Weiß (2013, 234).

Since the 'controlling game' has the structure of a prisoner's dilemma, a cooperative solution is possible but not easy (cf. Coleman, 1990, 203 ff. and Scharpf, 1997, 87 ff). Either credibly sanctioned and or self-enforcing rules or trust can help to stabilize cooperation (cf. Axelrod, 2006, 50 ff; Ostrom, 1990, 15 f).

<sup>6</sup> An incrementalistic policy in this way is understood as an erratic and inconsistent practice of day-to-day decision making with a strong competitive attitude and a will to exploit weaknesses of others in an opportunistic way.

As a consequence we expected to find that strategic management would be implemented only in municipalities with a special relationship between council and administration,<sup>7</sup> and we tried to work out how such a relationship had been developed.

### **Diffusion of ideas about strategic management in German municipalities**

We started with simple online research using Google, Bing and Yahoo.<sup>8</sup> With basic keywords, a lot of local strategies can easily be found. For 50 municipalities of varying size we analyzed strategies in detail.<sup>9</sup> Nearly all of these strategies don't offer strategic goals corresponding, for example, to the SMART criteria (cf. Poister, 2003, 63). Some are only enumerations of up to ten or more topics with relevance for local development. Some of the bigger cities such as Mannheim<sup>10</sup> or Essen<sup>11</sup> do have elaborate concepts with strategic orientations and operational goals that have a character more similar to city marketing instruments.

Figure 2 shows the example of strategic goals for the city of Kempten. In addition to the five strategic goals, Kempten defined 28 operational topics, including strategic projects.

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<sup>7</sup> Poister and Streib (2005, 47) indicated that 44% of 512 responding municipalities in the USA had implemented strategic management. Kwon et al. (2014, 163) see "little evidence that its use has actually increased much over time". We expected values for German municipalities to be lower.

<sup>8</sup> Research was mainly conducted in 2014. Some municipalities may have made progress with their strategic management since then.

<sup>9</sup> Referring to the Statistisches Bundesamt (2015) there were 295 rural districts and 6810 independent local governments (excluding the city states Berlin, Hamburg, Bremen) in March 2015. With the 50 cases, we only tried to get initial qualitative evidence.

<sup>10</sup> Cf. [https://www.mannheim.de/sites/default/files/page/16/strategische\\_ziele\\_stadt\\_mannheim\\_2012-2013.pdf](https://www.mannheim.de/sites/default/files/page/16/strategische_ziele_stadt_mannheim_2012-2013.pdf) and Pröller in Ferlie and Ongaro (2015, 39 ff).

<sup>11</sup> Cf. [https://media.essen.de/media/wwwessende/aemter/0115\\_1/2030/Broschuere\\_Essen2030.pdf](https://media.essen.de/media/wwwessende/aemter/0115_1/2030/Broschuere_Essen2030.pdf)



Figure 2: Strategic goals of the City of Kempten, Source: <http://www.kempten.de/de/strategische-ziele-2020-1.php>. The five goals are: Strengthen the Economy, Train the Youth, Manage Demographic Change, Protect Climate, Reduce Debt.

There is clear evidence that many German municipalities are working on some kind of strategic management defined by step1 as described above. We didn't conduct a serious quantitative analysis on this level, but with regard to the mentioned results, we estimate that approximately a fifth of German municipalities are dealing with some kind of strategic management. This approximation is underpinned by the quantitative results presented in the next chapter. In surveys conducted by (Bogumil et al., 2007, 64 ff) and by (KGSt, 2010, 96) approximately 15% of German municipalities have been found to deal with strategic management. So possibly the popularity of strategic management has risen in the last years, probably as a consequence of the reform of the law on local government budgets which has been drawn new attention on controlling and planning (cf. Weiß, 2013, 241 ff).

Having strategic orientations or goals may indicate a 'nominal' engagement in strategic thinking (Poister, 2010, S247). But in some cases, no or only vague ideas about strategic management could be found. Notably, a lot of 'strategies' are unspecific and unfocussed and we seriously doubt their impact on daily administration or policy-making. Beside the fact that strategy seems to be 'en vogue', it must be considered that a lot of approaches that can be found fail to meet even minimal criteria for a serious strategic management. A more intense research was necessary to find serious approaches that include operational targeting based on strategic orientations.

## The effect of strategic orientations on administrative action

To evaluate the effects of strategic orientations on administrative action, the budget plans of local governments were analyzed in two steps. At first, we tried to find references to the strategic goals in 50 selected budget plans. After the reform of local government's budgeting law, most of the municipalities in Germany have to use the 'DOPPIK' style of budgeting, a form of double entry bookkeeping (cf. Budäus and Hilgers, 2009; Fudalla et al., 2011). A DOPPIK-structured budget is organized in 'Produkten' (products). In the context of German strategic management concepts, these products should be the instruments for planning and controlling. So we tried to find links between the strategic orientations and these product.<sup>12</sup>

Only 27 of the examined 50 municipalities mentioned formulated strategies in a systematic way in their budget plans. In 22 cases we found linkages between strategies and products in the budgets.

In a second step, 663 local budget plans for the year 2014, which were available as electronic files on the platform [www.haushaltssteuerung.de](http://www.haushaltssteuerung.de),<sup>13</sup> were analyzed. We tried to find strategic goals or orientations and studied the linkage to budget planning, controlling and products. For the assessment of these linkages, different criteria were used. Our first search was for strategic goals or orientations. After that we tried to evaluate the links to operational work; we especially looked for defined performance indicators, projects or goals on the product level. Finally, activities of reporting were analyzed as much as possible.

Table 1 gives an overview of our results. For states with 8% or more of local budget plans available online, we found a percentage between 1% up to 18% of municipalities which mention their strategic orientations or goals in the budget plans. The average percentage is approximately 10%. Not all of them have established a systematic link between strategy and budget plan. This leads to the finding that not even a half of the municipalities which have defined strategic goals or orientations have established a real link to budget planning and controlling.<sup>14</sup>

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<sup>12</sup> Of course, strategies can also be implemented through projects, as in the case of the City of Kempten, which still has a cameralistic budget. These projects need not be mentioned in the budget. Since we mainly analyzed municipalities with DOPPIK-style budgets, linkage to the products seems to be a relevant criterion.

<sup>13</sup> The platform [www.haushaltssteuerung.de](http://www.haushaltssteuerung.de) is operated by public management scientist Andreas Burth. Amongst other information, it offers links to DOPPIK-style budgets which are available online from municipalities. See <http://www.haushaltssteuerung.de/doppische-haushaltsplaene-2014.html>.

<sup>14</sup> With regard to allocation of available budget plans (see column 4 in Table 1) there is a conjecturable bias with an overrepresentation of municipalities with longer experience with the DOPPIK. Perhaps the percentage is thus somewhat overstated.

	<b>Number of budget plans analysed</b>	<b>Appx. percentage of budget plans analysed per state</b>	<b>Number of budgets with at least an approach to linking strategic management to budget plans</b>	<b>Appx. percentage of municipalities with at least an approach to linking strategic management to budget plans,.</b>
Schleswig-Holstein (SH)	41	16%	4	10%
Lower Saxony (LS)	105	16%	13	12%
North Rhine-Westphalia (NW)	233	32%	25	11%
Hesse (HE)	96	14%	1	1%
Rhineland-Palatinate (RP)	36	10%	1	3%
Baden-Württemberg (BW)	77	9%	11	14%
Bavaria* (BV)	18	<1%	3	17%
Saarland (SL)	10	12%	0	0%
Brandenburg (BB)	28	8%	5	18%
Mecklenburg-West Pomerania* (MW)	10	5%	0	0%
Saxony* (SX)	3	<1%	0	0%
Saxony-Anhalt** (SA)	3	1%	0	0%
Thuringia* (TH)	3	<1%	0	0%
total	663	9%	63	10%

Table 1: Results for Analysis of 663 DOPPIK-styled budget-plans available on <http://www.haushaltssteuerung.de/doppische-haushaltsplaene-2014.html>, based on research by author and Stefan Kroke, differences in available budget plans are also due to different requirements in state budget laws (Appx.: Approximate).

\* not enough budgets available for relevant conclusions

\*\* similar findings in Weiß (2014, 38).

Table 2 gives an overview of selected municipalities with relevant examples for a systematic linkage between strategies and budgets. For these municipalities it seems to be logical that the defined strategy has an impact on budget planning and administrative action.

Name	State	Appx. Inhabitants	Reference
Göppingen	BW	55,500	(KGSt, 2013b)
Kempten	BV	66,000	(Stadt Kempten, 2010)
Laatzen	LS	39,500	(Stadt Laatzen)
Lemgo	NW	40,700	(Tolkemitt, 2014)
Mannheim	BW	296,700	(Färber et al., 2014)
Soest	NW	46,700	(Stadt Soest, 2011)
Landkreis Ebersberg*	BV	133,000	(Keller, 2014)
Landkreis Lörrach*	BW	221,900	(Kientz, 2012)
Landkreis Potsdam-Mittelmark*	BB	205,500	(Landkreis Potsdam-Mittelmark)
Kreis Soest	NW	303,688	(Kreis Soest, 2014)

Table 2: Municipalities with systematic linkage between strategy and budget plan, selected for further research.

\* Kreis or Landkreis is a county

\*\* For abbreviations see Table 1

Even if the number of cases is too small for quantitative conclusions, the high portion of participating counties is noticeable. As counties represent a number of local municipalities they have some supervisory functions, for example with regard to budget planning, and some additional functions, for example for social security, health and emergency management. The higher rate of adoption may be an indicator for the tendency that larger municipalities are more likely to implement strategic management (cf. Kwon et al., 2014, 170 f).

For example ‘strong’ concepts as in the city of Mannheim and the Landkreis Lörrach are characterized by a detailed implementation of conceptual blueprints in the NSM tradition. The model of Landkreis Lörrach consists of five strategic points (‘Schwerpunkte’) which are agreed on by the council. ‘Key products’ for strategic development have been identified and indicators for them will be controlled with special attention. For every product, impacts on the strategic fields have been identified and indicators for these impacts can be found in the budget plan. Controlling and reporting follow an annual cycle (cf. Landkreis Lörrach, 2013, 11 ff).

Based on a detailed SWOT analysis the city of Mannheim has formulated seven strategic goals. Key indicators have been identified for every goal (cf. Stadt Mannheim, 2013, V5 f; Proeller in Ferlie and Ongaro, 2015, 39 f). For every product performance targets have

been defined. The existing controlling system with goals and indicators on every level of administrative action is still in a process of further development.<sup>15</sup>

### **How do German municipalities adopt strong concepts of strategic management?**

The special conditions under which strategic management has been implemented were analyzed in more detail with interviews in six of the above-mentioned municipalities. In most cases it was possible to conduct interviews with some members of the council and three or more administrative officers. Some municipalities did not permit interviews about their strategic management. In every case where we were able to perform further examinations, the following points could be identified:

1. All municipalities had a history of 10 or more years of discussions about management and controlling in their councils and administrations. In all cases these discussions were influenced by the NSM. As a result, key players in the administration and in the council have been familiar with concepts of strategic controlling and strategic management long before their formal implementation.
2. In all cases, the implementation of strategic management and persuasion of the council to adopt it were driven and managed by the administration. Often council members were less interested or very skeptical at the beginning of the process. The elected heads of the administrations – mayors or heads of county ('Landrat') – were in most but not in all cases main drivers of these processes.
3. General aspects of the strategies were first developed by the administrations and then attuned with the council. In some cases, explicit strategies grew out of 'patterns' (Mintzberg, 2007, 1 f) which were an implicit orientation for administrative action right before the implementation of a formal strategic management.

The city of Kempten<sup>16</sup> is a good example for an emergent strategy, according to (Mintzberg, 2000, 23 ff and 2007, 4). An implicit consensus on the most relevant issues for the development of the city emerged between the leading administration officers around the year 2000. Some main decisions were made in the following years. The underlying strategic goals were explicitly formulated for the first time in 2008 and revised in a workshop with all members of the

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<sup>15</sup> Interviews in Mannheim were conducted in January 2015.

<sup>16</sup> Beside the interviews in Kempten in fall 2014 it was possible to observe the strategic workshop of the council in spring 2015.

council in April 2015. At that time, most of the members in the council seemed to be confident about the positive impacts of strategic management for the development of the city.

In most of the cases under review, interview partners reported a cooperative relationship between administration and council. In their own opinions, this relationship stands in clear contrast to situations in other municipalities which have more antagonistic relations between administration and council. The process of trust building had mostly begun before the implementation of strategic management but was conspicuously deepened through this process in some cases.

In the Landkreis Ebersberg<sup>17</sup> a special project group with members of the council and the administration was established for the implementation and operation of a strategic controlling (cf. Keller, 2014, 27). The council's satisfaction about increasing transparency about budget plans and administrative action – a critical point in quite a lot of German municipalities – is documented by periodic surveys (cf. Keller, 2014, 44 f).

In two cases we found clear evidence that implemented systems of strategic management were continued by newly elected mayors or county commissioners. In both cases the development of the system was pushed forward by the new heads of administration. On the other hand, we found a number of cases in which strategic management has been reduced or disposed of by newly elected leaders which were skeptical of its benefits.

### **The benefits of strategic management**

In all municipalities in where further analysis was possible, we found that key players in the council and the administration judge strategic management as useful for management and controlling. Three arguments have shown to be important for the heads of administrations and their staff:

1. In most cases, strategic management linked with the DOPPIK-style budget-plan has opened new possibilities to manage and control administrative action more efficiently. As a consequence, structures and processes of operative controlling have been optimized.

2. Some municipalities established principle decisions ('Eckwertbeschlüsse') that direct the annual allocation of resources to main action fields. These are made by the council before detailed planning and are linked to the strategic goals. Dilemma problems in budget

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<sup>17</sup> Interviews in the Landkreis Ebersberg were conducted in spring 2014.

negotiations have been minimized and more budget discipline has been realized by this approach.

3. Councils have been 'gently forced' to open their discussions to long-term problems and decision making. In some cases councils have begun to further develop strategies which had originally been formulated by their administrations.

Measurable effects of strategic management were able to be observed. For example, in three municipalities, the quota of young people leaving school without examination were able to be significantly reduced after problems of youth unemployment were identified as strategic challenges. The city of Lemgo enacted a strategic process of budget consolidation with slightly growing expenditures for strategic actions and sharp cuts in fields which were identified as non-strategic (cf. Tolkemitt, 2014).

Of course we have also found critics of strategic management in all municipalities. Usually they argue that the 'results' of strategic management could and would also have been obtained without it. Additionally, effort for systematic strategic management, especially for targeting and controlling products, was criticized in many municipalities. Indeed, the attribution of benefits to strategic management sometimes seems to be a question of fundamental attitudes more than of empirical evidence. The implementation of strategic management changes resources and power in administrations. So affirmation or refusal may be better explained by these consequences than with evidence of potential impact on public welfare.

Public interest in strategies and strategic management has been limited in all municipalities. A video with the mayor of Mannheim, Dr Peter Kurz, was available on youtube.com for more than two years and did not reach a thousand views by the more than 296,000 inhabitants of the city. No municipality has reported public discussions about strategic goals or single aspects of strategic management.<sup>18</sup>

### **The impact of strategic management on policy making**

Strategic management, understood as a normative approach for better policy making in the sense of NSM, should have an impact on policy making. A concentration of political decision making on strategic issues is particularly expected. During our empirical research we had the opportunity to conduct some interviews in the small municipalities of Wohlen and Moosseedorf in Switzerland which had

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<sup>18</sup> Jimenez (2014, 188) and Kwon et al. (2014, 176) reported similar findings for the USA.

started to adopt elements of strategic management in the 1990s. As a quantitative indicator for a change in policy making, we found that the number of council sessions had been significantly reduced due to a decline in necessary decisions. For example, in Wohlen (Kanton Bern) the number of sessions and decisions of the council had been cut by half (cf. Sauter and Peter, 2013, 314 f).

We did not find such strong evidence in the selected German municipalities. Some administrations have established a routine to evaluate the strategic impact of every council decision. Furthermore, at least a slight increase of discussions about strategic developments in the councils has been reported. On the other hand, councils have still been mainly engaged in discussions about non-strategic issues and did not abstain from some incrementalistic decision making. Tendencies for incrementalistic behavior increased in election campaigns, as reported in some cases.

As an attempt to reduce incrementalistic policy making, the implementation of strategic management by German local administrations seems to be partially successful. Assumed that incrementalistic decision making takes place especially in garbage can situations marked by time pressure, ambiguous preferences and partially unknown consequences (cf. Cohen et al., 1972, 1; Zahariadis, 2014, 27), strategic management seems to be an attempt to render decision making more 'rational' through a type of meta-agenda setting. Due to the extremely asymmetric distribution of information between the administration and honorary politicians, a strategic shrinking of leeway in decision-making by the administration may seem feasible. On the other hand, most of the analyzed municipalities have not conducted expansive research, such as SWOT techniques or competitor analysis (cf. Porter, 2004, 47 ff; Joyce, 2015, 106 ff). Only in single cases, data about relevant socio-economic developments or special know-how has been systematically considered in strategy formulation.<sup>19</sup>

As a consequence, it is clear that with the implementation of strategic management, administrations and their elected heads primarily follow their own goals. Because council members are at any time able to defect in the 'controlling game', a benefit of strategic management must therefore be observable for them. So it is a quite evident finding that, vice versa, the implementation of strategic management often fails because of a 'lack of support from elected officials' (Kwon et al., 2014, 175 f).

With regard to our findings it seems probable that strategic management has three effects in the selected municipalities:

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<sup>19</sup> The most extensive process of analysis seems to have taken place in the city of Mannheim (cf. Stadt Mannheim, 2014, 8 ff).

1. An increased attention to long-term trends in administration and councils. Since a lot of trends which are critical for the development of a municipality are only controllable, or even manageable, in the long term, this may lead to a somewhat better decision-making.
2. An increase in the efficiency of government action caused by a reduction of incrementalistic decision making and rent-seeking.
3. An increase in the efficiency of administration by better controlling due to a clarification and prioritization of goals.

Of course these considerations are debatable and should be examined further. In our view, it can be doubted for methodological reasons that an objective analysis of the impact of strategic management is possible, especially with respect to the fact that strategies which are 'good' in a formal view could fail because the future is uncertain.

### **The contribution of strategic management for an analysis of policy making**

The main issue presented in our results seems to be that it is quite challenging for a local government to develop a strategic management. With regard to our finding that municipalities that have implemented a strategic management have a long history of modernization and a cooperative culture between administration and council, we get at last to the informal and cultural side of strategic management. As pointed out by many authors, strategic management is not only planning and controlling but includes cultural aspects of common values and shared mental models in an organization (cf. Osborne and Gaebler, 1992, 234; Johnson, 1992; Poister and Streib, 1999, 310 ff; Mintzberg, 2000, 144 f; Ferlie and Ongaro, 2015, 38 ff). If strategic planning is not based on a broad acceptance by the agents that have to reach established goals, it will fail.

Since the benefit of cooperation in the controlling game is realized only through a trust-based partnership between the administration and council, it is not the formulation of a strategy that is crucial for success. Strategic goals that have been defined by the council but have not been accepted by the administration will fail. In this view, it is not the explicit strategy that may lead to better performance but the cooperative culture. And building up a cooperative culture for management seems to be the main problem for German municipalities.

For policy analysis, the cultural view of theory in strategic management shares the insight of rational choice institutionalism which

states that best policy outcomes for a group 'A' could only be realized if no smaller group inside of 'A' organizes to reach its own special interest. If administration and council try to reach their individual goals, we end up with rent seeking, incremental decision making and micropolicy. And non-cooperative situations in the council, which are very probable in German municipalities but not examined in this paper, will multiply such problems.

## **Conclusion**

The use of strategic management in German municipalities is much less than, for example, in the USA, where it has been adopted by approximately 40% of municipalities (cf. Poister and Streib, 2005, 47). But since in the USA strategic management has mainly been implemented in municipalities with a council-manager form of government (cf. Kwon et al., 2014, 165 f) which does not exist in Germany, this finding is not surprising. German municipalities present unfavorable conditions for building up a strong strategic management, especially due to the close but non-cooperative relationship between administrations and councils.<sup>20</sup>

Nevertheless a lot of German municipalities are obviously working on some kind of strategic orientation, which points out that the concept is – in some way – popular. 'Practices' of strategic management (cf. Bryson et al., 2010, 2 ff) are diverse not only due to differences in state law but mainly because every municipality is interpreting concepts of strategic management in its own way. The fact that a lot of municipalities are not drawing any strategic consequences for budget planning even five or more years after adopting the DOP-PIK is a significant failure of the reform of local budget law. But plainly, German municipalities do not feel a need for a 'strong' strategic management, even if public debt on the local level is a serious problem (cf. Weiß and Leeske, 2014, 95 ff).

We found slight evidence that larger municipalities are more likely to adopt a strategic management, especially in the case of county administrations. This may result on the fact that larger municipalities and counties have more strategic expertise and more resources for the development of management instruments.

Popular German concepts for strategic management deal very much with the its formal side, the formulation of goals and indicators, and less with the informal aspects of culture and trust. Therefore they are not very helpful for implementation. To demand a formulation of strategic goals by the council, an idea which is very popular in these

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<sup>20</sup> In this paper, we have not discussed the problem of consensus-building between different parties in the council. As mentioned before, this problem can be formalized as a second dilemma of cooperation.

concepts, is counterproductive. In general, the process of implementation begins with the administration first defining goals. If politicians develop trust in the working of strategic management, they become interested, but not before.<sup>21</sup> Considering the development in Kempton and other municipalities with an emergent strategic management, it seems to be possible that an intentional approach to implementation based on blueprints is inferior.

Cultural views on strategic management seem to offer an analytical approach to the study of policy making that is mainly compatible with institutional and even classical theories of policy making. If we see strategic management mainly as a problem of conflict and cooperation, the implementation of strategic management is an attempt to work out shared values and shared mental models (cf. Denzau and North, 1994; Jimenez, 2014, 187) or to work on a 'collective visioning' (Conteh, 2014, 207).

After all, most of the above-mentioned concepts of strategic management have a normative impetus insofar as they assume that strategic management is a better way of policy making. With institutional analysis it is possible to analyze the preconditions under which strategic management is likely to be implemented. But within this analysis, the assumed advantages of strategic management become questionable. If strategic management were a better kind of policy making, why is it not adopted by more municipalities? And in what way should it be superior? While strategic management may be the best way for decision making for some municipalities, at present, it may just not be adoptable for others.

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<sup>21</sup> As Kwon et al. (2014, 175 f) reports, a lack of interest in controlling by politicians is one of the important reasons for administrative managers not to adopt strategic management.



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