Chapter XI
The Collective Process and Memory of Strategic Management

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ABSTRACT

This study analyses how strategic management is integrated with budgeting in the cities using the Balanced Scorecard approach, which provides a general framework to communicate and implement strategies. The approach is useful in accomplishing the strategic objectives, measures, and targets decided by city councils. It is important to align the strategic plans of various units at the different organizational levels of the city and link them together in the budgeting process, which is the main management system in most public sector organizations. The study shows how the electronic collaborative technologies can support strategic planning, implementation, and preservation of organizational knowledge. The management information system provides a platform to integrate organizational knowledge and development to facilitate strategic management.

INTRODUCTION

Cities, like many other public sector organizations typically emphasize the strategy of focusing attention and resources on the most promising fields to create economic growth and welfare for their residents. Another typical strategy features the operations excellence theme. The public sector organizations take their mission as given and try to reduce their costs, improve quality and do so more efficiently using their fixed annual budgets. The cost-efficiency strategy means that the organization delivers a combination of costs and quality that is recognized by the taxpayers. These strategies have been presented in a generic form by Porter (1990, 1996).

There are numerous variations regarding the focus and cost-efficiency strategies, because they

are unique to the organization and its environment. Managing cities in complex and changing environments is a demanding task. The effective implementation of strategies should affect the behavior of people in the organization. Skilled managers try to process information from a large number of indicators to manage their organization. There is a need for rational measures of accountability and effectiveness in the public sector.

Budgeting is the primary management system in most public organizations. The financial objectives of an organization should be aligned and linked together with the other objectives of strategic planning, because financial objectives are critical in achieving non-financial objectives. If financial resources remain remote from the other objectives, the organization will not function in a consistent and coherent way to achieve the desired outcomes. In most cases the financial objectives can be achieved by allocating the existing funding in a new way.

The Balanced Scorecard approach was developed by Kaplan and Norton (1992, 1993, 1996). It is a representation of the organization's shared vision and strategy. The Balanced Scorecard helps the organization to define its strategic objectives and measures which communicate the direction of the organization to the desired future state and translate the strategy into action. The strategy must be communicated and understood before it can be implemented.

A city is a complex federation of quasi-independent entities with varying levels of discretion right down to the "street-level bureaucrat" endowing individuals with considerable amounts of power. The Balanced Scorecard enables the cities to bridge a major gap between the strategy and its implementation. It enables the management of the cities to establish and communicate the direction to the future both at the citywide and lower organizational levels. The decision-makers should achieve a consensus among themselves about what their vision and strategy mean. An important barrier to the implementation of the strategy is that the organization cannot translate the strategy into action if it cannot be understood by those persons who are going to implement it.

It is important to develop organization memory to promote strategic management. Organization memory is stored information from the organization's history that can be brought to bear on present decisions (Walsh and Ungson, 1991). The storage or information in organization memory is influenced by the environmental matters and internal social construction of meanings. It is obvious that the stored information about the past events and plans influences the creation of the new strategic plan. An agreement within an organization about past success is a challenge to bring innovative aspects, but if the environment changes new directions must be taken.

The purpose of this study is to show how strategic management can be integrated with the traditional budgeting in the cities at the various organizational levels. The study presents the case of the City of Turku, which is located in Southwest Finland in the middle of the Baltic Sea Region. The City Council has decided in its strategy to improve its competitive advantage and the sustainable development of the region. It also emphasizes the welfare and quality of life. In addition it wants to emphasize the role of education, knowledge creation and entrepreneurship as driving forces for a better future.

The study presents more details of the case of the Turku University of Applied Sciences, which has planned and implemented a management information system tailored to utilize its various information systems and meet the requirements of the management process. The data warehouse transforms various source data and provides reliable information to users of the portal. This system supports managers in their program monitoring and planning tasks. However, the system is more than a traditional management scorecard. It is an electronic platform which effectively supports the integration of strategic planning, continuous improvement and the building of organizational

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