

## **Changes in the Strategic Management of Municipal Development in Czech Republic**

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**Abstract:** *Municipalities in South Bohemia have better or worse conditions for development. Whether they flourish or decline is mostly a reflection of the strategic management's approach of municipalities. Activity, awareness, ingenuity mayors and interest groups to create a team that wants a competitive community, are the major developing powers. The outputs from the realized survey among 488 mayors in region of South Bohemia in the Czech Republic confirmed different levels of access to the strategic management of development in villages and towns. Over 10 years, a possibility to obtain employment deteriorated in the municipalities of the region, and the area of infrastructure improved the most. The area is also reported by the mayors mostly as an activity that has been achieved. The area of infrastructure is also reported as an activity that has failed to be implemented.*

**Keywords:** *Strategic management, municipality, changes, development, Czech Republic.*

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### **1. INTRODUCTION**

After the Czech Republic entered the European Union in 2004, and after the reform of public administration strategic planning is needed to be used by mayors in municipalities. The mayor as the highest representative of a municipality should apply the same tools of strategic management as any top manager of a private organization. Indeed, the village is actually also a company where the mayor's colleagues and subordinates not only the employees in the office, but also the residents of the municipality, businesses and other interest groups. In the Czech Republic the settlement structure has specific format, which is characterized by a large number of small municipalities. Each municipality is an original set of problems, needs and interests of the population, as well as history, resources, and potential for further development. Municipalities can be managed as a business, or similar tools, and applications in the application management functions that are commonly used in the management of private enterprises [1].

When uncertainty and change are continuous, organizational leaders must be open to changing goals and activities in light of shifting circumstances within the internal or external environments. Therefore, a process is needed to monitor, review, and continuously provide feedback to organizational leaders. Strategic management and strategic planning are not one-shot approaches. Instead, they are ongoing and fluid [2]. It is important to understand how organizations survive in the dynamic environment which poses the many challenges and opportunities in the global marketplace [3].

At present time, as environment for conducting business and for private enterprise is highly competitive and since external and internal conditions for managing and economising change dynamically, it is crucial that every region has clearly defined conception of their future. They define this conception by clear and proper strategy [4].

Current knowledge regarding management on local and regional development do not offer exhaustive nor unambiguous directions or methods how to start or focus process of development on local and regional level. It rather presents an aggregate of findings that can serve as a starting point for managers active in local and regional development [5]. The strategic management of the organization is both a process and a way of thinking about specific elements of an organization such as stakeholders, short-term/long-term perspectives, organizational goals/objectives, and the delineation

between effectiveness and efficiency [6]. Strategic management is a continuous complex process of managerial activities that determines the company's targets and a strategic course to reach these specified targets, it participates on their realization and fulfilment [7]. Strategic management can be interpreted as a set of managerial decisions and actions of an organization that can be used to facilitate competitive advantage and long-run superior performance over other organizations [8, 9].

Strategic management activities are focused on reducing weaknesses of an organization and taking advantage of their strengths, in advance they should anticipate future problems and possible opportunities [10]. Aims of development, created and realized, within strategic management bring comparative effect [11] or competitive advantage to organizations [12]. Strategic management in non-profit organizations is characterized by varied purposes and expectations of various groups, multi-source financing, influence of donors, high proportion of resources from government or sponsors and also the fact that receivers of services do not necessarily have to contribute [13]. A non-profit private sector is described in literature [14, 15, 16] as a sector resting between the state and the market, sector of non-governmental organizations, voluntary or civic.

The importance of strategic management for the development of regions is growing, together with the effort of the regional representatives to increase the performance and competitive advantage of their regions. Individual countries, regions, cities, and towns compete among each other especially in the acquisition of economic subjects, which create and stabilize new jobs, thereby influencing prosperity and the standard of living of their residents [17, 18]. The importance of strategic management is increasing also due to necessity to gain external sources for financing development of regions [19, 20]. To gain financial sources for EU funds the municipalities must set their strategic plans, which should contribute to creation of better municipality's competitiveness when solving particular developmental projects that will allow economical and territorial development [21].

## 2. METHODS

This paper aims to evaluate the strategic management of municipalities of the Czech Republic and to propose recommendations and methodologies to improve the process of strategic management and development of communities. Partial aim is to realize a sociological survey, whose respondents are mayors (strategic management). All is designed to identify and assess the current approaches of strategic management of municipalities towards local development - implementation of the strategic development management.

Due to obtain relevant and comparable data, a questionnaire was designed, which includes not only the characteristics of the respondents but also seven thematic areas of management (strategic management development, strategic planning, decision making, organizing, communications, control, quality management tools). The questionnaire was distributed in person or electronically via e-mail to the strategic management of municipalities in the region by students of University of South Bohemia in the Ceske Budejovice. Data were processed using statistical methods suitable for the analysis of categorical data, which are part of the Statistical program. Statistical evaluation of the survey results employed programming environment that provides a simple tabulation, graphs and procedures for data analysis. It was used for univariate analysis and qualitative analysis of the dependence of characters, including a test to determine the strength and independence of dependence. For testing the depending categorical variables Statistical linear model was used in where the explained variable has a multinomial distribution. Logit was applied as a linking function. The VP type 3 test was chosen as a likelihood test [22]. The type of community (rural and town) was used as an explanatory factor in the linear model most commonly. For selected issues, gender of the mayor (male, female) and their education (primary, secondary, tertiary) was also assessed. Null hypothesis  $H_0$  most often states that differences in responses according to the type of municipalities are insignificant. If the calculated p-value less than the probability of error for one kind of  $\alpha$  (0.05), then we reject the null hypothesis and we can say that the answers of the mayors differ significantly.

## 3. RESULTS AND DISCUSSION

Overall, the sample of respondents includes 488 municipalities in the region (it is almost 80%). Of the 569 rural municipalities, 77% participated in the study; 94% of town municipalities. Strategic management is better applied in towns. Mayors increasingly involved in development of businesses, support their functioning, dealing with monitoring the changes in the external environment, they are members of various unions; they have a separate department dealing with the development. They also

use a satisfaction survey carried out by residents. They know and use some tools of quality management. On the contrary, the rural area has more vision, goals and strategic plan drawn up (usually in within the micro-region).

Lack of funds is the biggest problem in the process of strategic management development that is addressed every day by more than half the mayors (by about 8 percentage points more in towns compared to the rural area). Good cooperation with municipalities is reported as the key factor in the development nearly 90% of rural mayors. The mayors in towns reported the activities of associations. Public is not interested in further development of the community by 2/5 of rural areas and 1/5 of towns interested.

Beautiful countryside near the municipality is reported as an advantage of rural areas (28%). In towns, good amenities (46%) are mentioned. Lack of funds is reported as the weakness by the majority of municipalities. The mayors cited the possibility of obtaining subsidies as the most common way to eliminate weaknesses. Development priority is mostly in the municipalities of infrastructure and housing construction. A lack of interest of state or region in municipalities was reported as the biggest threat presents by about 25% of the mayors.

### **3.1. How do you Assess the Level of These Areas in the Municipality at Present, And 10 Years Ago?**

In this question, the mayors should assess selected areas of municipalities and cities on a scale from 1 (very good quality) to 5 (very poor quality) in 2001 and 2011. Average rating is revealed in the following table.

In 2001, transport services (2.53) and cleanliness and appearance of municipalities (2.79) were reported (see table 1) as the area marked for the best average by mayors of rural areas. Although, the values achieved are approaching 3, i.e. a good level. The worst rating (up to 4) was reported for the area transport and health and social services (3.57) and a possibility to obtain employment (3.55). Mayors in urban areas reported health and social services (2.11) and public transport (2.24) as the year's best. The worst rating (only 3) was reported in the area of infrastructure.

In 2011, the cleanliness and appearance both in rural (1.73) and town (1.82) areas was reported as the best area. In rural areas, the infrastructure followed (2.26). Urban areas reported culture and sports as the second best area (1.87). A possibility to obtain employment was assessed as the worst both in rural areas (3.91) and in towns (3.01). In rural areas, the area of health and social services was reported as quite poor (3.67). In towns, all other areas were reported up to 2.

**Table1.** Average rating of different areas in South Bohemia in 2001 and 2011

Answers	Size of village	n	2001	n	2011	Difference 2011-2001
Infrastructure (water, gas, sewerage)	Rural	403	3,40	414	2,26	+1,14
	Town	44	3,00	45	1,98	+1,02
	Total	447	3,36	459	2,24	+1,12
Transport service	Rural	403	2,53	419	2,68	-0,15
	Town	45	2,24	46	2,17	+0,07
	Total	448	2,50	465	2,63	-0,13
Cleanliness, appearance of the municipality	Rural	402	2,79	418	1,73	+1,06
	Town	45	2,82	46	1,82	+1
	Total	447	2,79	464	1,74	+1,05
Services (shops, post offices)	Rural	391	3,25	403	3,31	-0,06
	Town	44	2,43	45	2,02	+0,41
	Total	435	3,17	448	3,18	-0,01
Cultural and sports activities	Rural	399	3,15	412	2,55	+0,6
	Town	45	2,51	46	1,87	+0,64
	Total	444	3,08	458	2,48	+0,6
Obtaining employment (jobs)	Rural	397	3,55	409	3,91	-0,36
	Town	45	2,73	46	3,09	-0,36
	Total	442	3,47	455	3,82	-0,35
Health and social services	Rural	369	3,57	380	3,67	-0,1
	Town	44	2,11	45	2,07	+0,04
	Total	413	3,42	425	3,50	-0,08

Source: *author*

If we focus on the development of evaluation of individual areas, the areas of infrastructure and the appearance and cleanliness improved the most by more than 1 point in the rating and further the area of culture and sports by 0.6 point. Conversely a downgrade was reached by the area of possible employment for municipalities by 0.36 points of the rating. A similar situation occurred in public transport and health and social services in both years.

### 3.2. What Do You Consider?

Every strategic management of the municipality wants to do their best most, some of it is managed well and some not. Mayors should try to implement those activities that are beneficial to the community and their fellow citizens - those of them then decided in the next municipal elections. Most often, mayors in the region succeeded to improve infrastructure – such as construction or reconstruction of water supply, gas, and sewerage or sewage treatment plant. The second place according to the frequency of responses fell into building refurbishment - e.g. municipal offices, libraries, community centres and other public places. In third place, according to the table 2, was reported for repairs of local roads, including sidewalks. Urban areas also reported building sports complexes (multi-purpose sports grounds) or improving schools and swimming pools, such as various repairs, insulation, purchase of equipment, as well as their construction.

The area of housing such as the preparation of building plots, technical equipment, construction of flats and houses, purchase of land) and (development of social life, support clubs, cultural events, build bicycle paths) are reported as the last in the table, so we can assume that the mayors did not assign great importance of the required levels of satisfaction within the activities achieved in these two areas.

**Table2.** *The most important activities that have been achieved in villages of South Bohemia*

Answers	Rural, n = 406	Town, n = 45	Total, n=451
Infrastructure	236	19	255
Building refurbishment	126	16	142
Repairs of local roads	130	4	134
Building sports complexes	83	9	92
Education	53	9	62
The area of housing	55	4	59
Tourism	41	3	44

Source: *author*

In this question, we cannot reject the null hypothesis. The calculated p-value (0.08) is greater than 0.05 (see table 3). Thus, it was shown that the response of mayors of cities and rural areas are the same.

**Table3.** *Likelihood test type 3 distribution: multinomial, linked function: Logit*

Factor	Chi-square	p - value
Town, rural	11,37443	0,077471

Source: *author*

### 3.3. What Kinds of Activities Were Not Possible to be Realised?

Some activities are possible to be realised manages to realize, some are not. A cause may be not only a lack of time, finance, as well as possible errors in the work of Strategic Management (poor use of strategic tools, non-recovery of subsidies, hasty decision). Errors, however, are valuable as the lessons from them means getting a new experience. Frequent misbehaviour may lead to the fall of the mayor. In this open-end question, the mayors should have described what they were not able to realize in their municipality. The area of infrastructure is also prioritized (as previously in the area of successes).

The table 4 clearly shows that they also failed to repair local roads and reconstruct the building. Construction of sports venues and non-recovery of subsidies as well as mayors mentioned ongoing problem, which in the future will have to deal with otherwise. On the last two points table placed falling activity in housing and education. Even in these strategic management did not fulfil their expectations.

**Table4.** *The kinds of activities that were not possible to be realised in villages of South Bohemia*

Answers	Rural, n = 344	Town, n = 39	Total, n=383
Infrastructure	152	7	159
Repairs of local roads	59	4	63
Building refurbishment	34	6	40
Building sports complexes	29	2	31
Lack of finance	26	4	30
The area of housing	24	4	28
Education	24	1	25

Source: *author*

In this issue we have not proved the dependence of response ( $p = 0.2$ ) according to the type of mayors of municipalities – see table 5.

**Table5.** *Likelihood test type 3 distribution: multinomial, linked function: Logit*

Factor	Chi-square	p-value
Town, rural	8,537963	0,201278

Source: *author*

#### 4. CONCLUSION

Strategic management of tools deals with a wide range of tasks, but two of them are the most important: to mobilize territorial development potential of the municipality and thereby increase local competitiveness and to seek to ensure that citizens (as well as other key interest groups) of the municipality were completely satisfied. The success of these efforts depends not only on internal and external sources of municipalities, but also on the quality of strategic management of municipalities (i.e. people) and use the right tools of strategic management process. Effective strategic management of municipalities is an important prerequisite for ensuring the development and strengthening of competitiveness of municipalities. Such procedure is the economical use of resources, higher quality services and implementation strategies based on the implementation of internal and external environment analysis.

Any entity, a company or municipality, should constantly try to improve itself. The essence of the development of the municipality is a qualitative change in the life of the population, and if possible to make it better. It is a constantly ongoing process because changing internal and external conditions that affect municipalities. The development often depends chiefly on the strategic management on the willingness of interest groups to actively promote changes that often go beyond the immediate responsibility of the municipality, on the willingness to implement development projects and take responsibility for them. If, in the village of quality infrastructure and good amenities, increase interest in living in this community and will therefore ensure stabilization of population.

The situation in towns and small municipalities is noticeably different, and these differences are a reflection of what is obvious in cities such as its own strategic plan and the knowledge and application of quality management tools (especially the ISO standards), not used in small communities. In the towns, mayors and city management manage the municipality as professionals. In the countryside, many small municipalities' mayors have another major occupation. It follows them less time for strategic management of the municipality; the mayor must perform his duties in free time or at the weekends.

They are aware of the key issues but due to the lack of mainly financial resources the problems are not removed completely or are removed only partially. The lack of funds is seen as a substantial general-purpose problem projected onto all parts of municipality existence. A possible solution of less than ideal economic situation could be found in the association and cooperation between municipalities. In this way, within the merged entity, each part retains its basic decision-making power, but the newly merged entity has a better and easier access to grants and other finance and also stronger in discussions and more economical overall. Municipalities exchange experiences and plan joint projects. The most common objective of these projects was to attract young families back to the municipalities for better living conditions, including civic amenities, sports and cultural activities and of course employment.

Proper foundation for the operation and strategic management of knowledge also creates opportunities and conditions for municipalities (such as resources, liabilities, property a relation, the current position is also important in communication and public involvement in decision making). But the key is to solve what is interested for interest groups and what is good for the municipality development and increasing its local competitiveness.

#### **ACKNOWLEDGEMENTS**

The paper is based on data from research grant project GAJU 039/2013/S called: "Human Resource Management of small and medium-sized enterprises".

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