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How Rational is Strategy? Strategic Management in German Municipalities

Abstract

In this article, we analyze the adoption of strategic management in German Municipalities based on a simple model of cooperation between local councils and administrations in which a switch from garbage-can to strategic decision making becomes possible. With regard to empirical studies, it is shown that the implementation of strategic management can be understood as a trust-building process. While administrations have to offer critical information about

their performance, councils have to concentrate decision making on strategic goals. Because these processes seem to be successful only under very special conditions, we doubt that strategic management should be seen as a 'more rational' mode of decision making suitable for all municipalities.

Introduction

Reforms in Germany´s local governments have been mainly driven by the 'Neues Steuerungsmodell' (NSM), published by the KGSt, an association of local governments in 1993 (KGSt, 1993; Pollitt and Bouckaert, 2011: 280). The NSM is a special interpretation of selected ideas from New Public Management (NPM), strongly influenced by experiences of the Dutch city of Tilburg. It provided the most prominent blueprint for reforms in German municipalities for 20 years and was revised in 2013, resulting in the 'Kommunales Steuerungsmodell' (KSM, KGSt, 2013a).

Ideas from the NSM were at first voluntarily implemented by local governments, mostly under a regime of learning in networks (Weiß, 2013: 238 ff). In 2003 the ministries of interior of the federal states, which are responsible for legislation at the local level, decided to opt for a new 'DOPPIK' style of budgeting in local governments (Budäus and Hilgers, 2009). Beside the implementation of a double

entry bookkeeping, some aspects of the NSM became statutory for local governments in most states. For example, DOPPIK-style budgets have to be structured by 'Produkte' (products) for which goals and performance indicators should be defined. In addition to this change of the accounting style, the improvement of controlling and management in municipalities was a main goal of the reform (Ständige Konferenz der Innenminister und -senatoren der Länder, 2003: 2).

Interwoven with the well-known normative debate about NPM reforms, the success of NSM and budget law reforms has been controversially discussed in recent years (Bogumil et al., 2007; Reichard, 2011; Bogumil and Holtkamp, 2012; Fischer, 2012;). The main argument is about if the attempt to strengthen controlling and management, especially with regard to more budget discipline, has already failed or if local governments will develop superior forms of management and controlling in the coming years.

Since the main problem for local governments in Germany seems to be the implementation of 'modern' forms of management and controlling, the adoption of strategic management is an interesting indicator for the success of the reforms.[2] Strategic Management was not a central part of the original NSM concept, but

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[2] For an overview on strategic management in German governments Joyce (2015: 46 ff).

has been incorporated into the reform concepts since the early 2000s and has become a popular topic of reform discourse. (KGSt, 2000a; KGSt, 2000b; Heinz, 2000; Eichhorn and Wiechers, 2001; Schedler and Siegel, 2004). The recommended models of strategic management for German municipalities deal with the central question of interaction between the elected honorary members of the council and the administration´s professionals. Of course this interface is most relevant for an effective and efficient production of public services in municipalities.

As a consequence, we focused on the questions of if and how concepts of strategic management have been adopted by German municipalities. The mentioned blueprints are normative concepts that suggest implementing strategic management because it is a 'better' way for political decision-making and management as well as controlling of administrations. So, in a critical view, strategic management is part of what Stone (1988: 4) called 'the rationality project': 'the mission of rescuing public policy from the irrationalities and indignities of politics'.

We thus tried to build up a model in which we can distinguish strategic management from other forms of current decision-making and management. A simple definition of strategic management and a game model for its adoption will be outlined in section 2. We suggest understanding strategic management as an

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attempt to get out of 'garbage can'-dominated policy making and establish a 'more rational' mode. In the third section, we try to get an overview on the dissemination of strategic management in German municipalities. It will be shown that although a kind of strategic management seems to be 'en vogue', there are not too many serious approaches to implement a 'strong' strategic management, which we define by a systematic impact of strategic goals on administrative action (section 4). We analyze how municipalities have adopted 'strong' models of strategic management (section 5) and what their benefits are (section 6). At last, we want to draw some conclusions on the impact of strategic management on policy-making in German municipalities (section 7). In the final section, we draw some conclusions on different levels: about influences of the strategic management blueprints on municipalities, and on the probability and the preconditions of an implementation, its stability, and its 'rationality'.

Implementation of strategic management as a problem of cooperation

With regard to popular blueprints for local governments in Germany (Heinz, 2000; KGSt, 2000; Eichhorn and Wiechers, 2001; Schedler and Siegel, 2004; KGSt, 2013a; KGSt, 2013b; KGSt, 2014; KGSt, 2015) strategic management, in

a narrow sense, can be understood as a formal concept with three main elements:[3]

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.

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.

As a result, we are using a simple and quite formal 3-step model for an initial view on the dissemination of strategic management in German municipalities:[4]

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[3] There are not many differences from common definitions as by Poister and Streib (2005). For an overview on schools of strategic management Ferlie and Ongaro (2015). We first focus on formal aspects of strategic management, mainly strategic planning (Joyce 2015: 6) and controlling, and will later move on to informal and cultural issues.

[4] A similar model is used by Kwon et al. (2014: 165).

Of course strategic goals or orientations are a basic but formal precondition for strategic management. But the main benefits that strategic management promises cannot be realized without driving strategy 'through budgeting, measurement, and performance management process' (Poister and Streib, 2005: 46 f). This means that a systematic influence of strategic goals in budget planning and administrative action must be established. A 'strong' model of strategic management is indicated by a plausible link between strategy and administrative action. Explanations of the benefits of strategic management are often vague. As Poister and Streib (1999: 308) pointed out, strategic management should strengthen 'the long-term viability and effectiveness of public sector organizations in terms of both substantive policy and management capacity'. Therefore future developments are analyzed and resources are shifted to the derivated strategic goals. Focusing resources on strategic goals means that expenses for non-strategic issues will be reduced. In this way strategic management shrinks options for decision making since non-strategic actions become excluded.[5]

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[5] In the last year, this view became prominent for German municipalities, especially with regard to the potentials of strategic management for the consolidation of budgets (Weiß, 2014). For the relevance of strategic management for budget management Jimenez (2012).

In the following model, we assume that 'normal' decision making in local councils takes place in a mode similar to garbage can processes (Cohen et al., 1972) characterized by four assumptions:[6] First, preferences are inconsistent in parties and in the council as a whole. Second, technologies for producing social impact are unclear and from the view of the council it is doubtful if administration can be forced to produce a defined output. Therefore, politicians try to control inputs. Third, resources for solution-finding and decision making are scarce and since not all possible problems can be identified and not all solutions are known, the rationality of decision making is bounded. And fourth, capabilities of local governments are smaller than the expectation of their citizens, mainly because citizens are continuously developing new desires. As a consequence a considerable number of people will always be disappointed by the policy outputs.

In this mode, decision-making is not mainly driven by problems and their relevance for the community, but by chances and opportunities. The order in which problems occur, and the availability of convenient solutions and solution solving resources, as well as the engagement of relevant political actors, are more im-

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[6] The original model by Cohen et al. (1972) is slightly aligned to the special topic of local decision making in our context.

portant for decision making than the gravity of the problems. It is not even assured that politics works on relevant problems if no solution is available (Cohen et al., 1972: 9 ff; March and Olsen, 1983: 746; Eisenhardt and Zbaracki, 1992: 27 f; Zahariadis, 2014: 28 ff). Obviously, policy making in a garbage-can mode can be erratic and inconsistent.

On the other hand, this situation brings broad possibilities for individual or collective actors to influence decision making. While in 'multiple streams' approaches, these actors are understood as policy entrepreneurs (Kingdon and Thurber, 1984: 122 ff; Mintrom and Norman, 2009; Zahariadis, 2014: 35 f), traditional rational choice theory points out the rent-seeking character of the action of interest groups (Olson, 1971; Olson, 1985: 36 ff; Hilman, 2015). Of course, as resources are scarce, every expenditure for the goals of a group decreases resources for the rest of the community. However, for politicians, garbage-can situations are a good environment to produce small benefits for their patronage and ensure success in elections. But if expenditures are not selected by priority or relevance of problems to be solved, but by the power of individual and collective actors, or just by accident, it might be understood as 'not rational'.

In this sense, strategic management may be seen as a mode of decision making which is 'more rational' since most relevant problems should be identified and solved first, based on an analytical approach (Jimenez, 2012: 583). Furthermore,

the definition of strategic goals or strategic orientations decreases the scope of possible decisions. Expenses are concentrated on impacts with strategic relevance and the potentials for the realization of special interests and the generation of patronage benefits shrinks.

If we assume that actors in councils and administrations try to realize their own goals, the shift from garbage can mode to a strategic mode of decision making requires a cooperative solution of the dilemma described in figure 1. The council could choose between the garbage can mode (G) and the strategic mode (S) of decision making. While G allows patronage benefits to produced, S is 'more rational' with regard to the main and long-term problems of the community. Especially if the public can observe the 'irrationality' of garbage-can decision making, councils are better off with a shift to S even if the production of extra benefits for special interests becomes much more difficult. On the other hand, administrations must deliver all available information relevant for strategic decision making. Obviously, information about public problems, organizational capabilities and processes for the production of public goods and services are distributed very

asymmetrically between administrations and honorary politicians.[7] Usually administrations have many possibilities to pursue their own goals due to this asymmetric information. These possibilities are given up if the administration delivers detailed information about inputs, efforts and impacts of its work. But administrations can be better off if the council chooses to execute a strategic management with long-term goals because inefficiency can be reduced and predictability of political decisions may reduce futile works. As a consequence, administrations are better off when they hide information (H) in garbage can situations, because they could maintain possibilities for realizing their own micro-policies. An incentive to offer all available information (O) which is useful for decision making lies only in a possible chance to implement strategic management. But even if councils try to establish strategic management there are incentives to defect. Since this 'controlling game' is analogous to a prisoner´s dilemma, a cooperative solution is possible but not easy (Coleman, 1990: 203 ff; Scharpf, 1997: 87 ff). Either credibly sanctioned or self-enforcing rules, or even trust between the actors, can help to establish and stabilize cooperation (Axelrod, 2006: 50 ff; Ostrom, 1990: 15 f).

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[7] Therefore, the problem of cooperation between administrations and councils could as well be discussed as a principal-agent problem (Jensen and Meckling, 1976: 5 ff).

	council		
		S	**G**
administration	**O**	(1, 1)	(-1, 2)
	H	(2, -1)	(0, 0)

S: strategic management; council defines strategic goals and resigns from production of benefits for patronage
G: garbage-can decision making with broad possibilities to produce benefits for groups with special interests
O: administrations offers all available information which is relevant for strategic management
H: administration hides information to retain possibilities for reaching its own goals (micro-policy)

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

As a first consequence, we expected to find that strategic management would be implemented only in municipalities with a special, trusting relationship between their councils and administrations and with necessary resources for the development of a strategic management. For the USA, Poister and Streib (2005:

47) indicated that 44% of the municipalities participating in their survey had implemented strategic management. Kwon et al. (2014: 163) see "little evidence that its use has actually increased much over time", even (Jimenez, 2012) reported 63% of municipalities in a survey with a response rate of 26% to have strategic management. Since in the USA, strategic management has mainly been implemented in municipalities with a council-manager form of government (Kwon et al., 2014: 165 f) which does not exist in Germany, we expected the implementation of strategic management in Germany to be much lower. In fact we supposed conditions for building up a strong strategic management in German municipalities to be unfavorable, at least with regard to the partially strong competition between parties in the councils.[8]

Secondly, we were interested in the development of this special relationship between administrations and councils expected in municipalities with strategic management. Obviously strategic management does not only require a trusting relation between the two collective players. Broad information about capabilities of the administration and future developments of the municipality and its sur-

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[8] This aspect is not discussed in this paper because we did not conduct empirical research on it. The problem of cooperation in the council can be modelled as another prisoner´s dilemma.

rounding conditions must be available, preferences must be clarified and stabilized, and the technologies of the administration to reach strategic goals must be known. During the implementation of strategic management these preconditions must be developed.

As a third point, the benefits of strategic management are of great interest. Since a stable cooperation is necessary for strategic management, benefits must be evident for both parties. On the other hand, measurable impacts on social and economic development would be expected to lead to fast dissemination of strategic management in German municipalities. The attention of third parties, e.g. citizens or state ministries, may also have a stabilizing effect on strategic management.

Diffusion of ideas about strategic management in German municipalities

We started with simple online research using the platforms Google, Bing and Yahoo.[9] With basic keywords,[10] a lot of municipalities with what they themselves describe as a strategy or strategic goals can easily be found. For 50 municipalities of varying size we analyzed these strategies in detail.[11] Nearly all of these strategies did not offer strategic goals corresponding, for example, to the SMART criteria (Poister, 2003: 63). Some were only enumerations of up to ten or more topics with relevance for local development. Some of the larger cities such as Mannheim (Stadt Mannheim, 2012) or Essen (Stadt Essen, 2014) do have elaborate concepts with strategic orientations and operational goals that have a character more similar to city marketing instruments.

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[9] Research was mainly conducted in 2014. Some municipalities may have made progress with their strategic management since then.

[10] For example we use combination like 'strategi*' and 'stadt' (city) or 'gemeinde' (municipality).

[11] Referring to the Statistisches Bundesamt (2015) there were 295 rural districts and 6,810 independent local governments (excluding the city states Berlin, Hamburg, Bremen) in March 2015. With these 50 cases, we only tried to get initial qualitative evidence.

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, which should help to realize strategic goals.

Figure 2: Strategic goals of the City of Kempten, Source: (Stadt Kempten, 2010). 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 step 1 as described above. We did not 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, even in very different ways.

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 drawn new attention to controlling and planning (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 the impact of strategic management on operative action 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 strategic management in the mentioned blueprints.

The effect of strategic orientations on administrative action

To evaluate the effects of strategic orientations on administrative action (step 2 above), budget plans of local governments were analyzed by using two approaches.

At first, we tried to locate references to the strategic goals in 50 selected budget plans found during our internet research. Of the examined 50 municipalities, 27 mentioned formulated strategies in their budget plans. Since the above-mentioned products should be the items for planning and controlling, we tried to find links between the strategic orientations and these products,[12] which could be found in 22 cases. As a consequence, we believe that only around half of municipalities in which some kind of strategic management is discussed are trying to implement a 'strong' model.

In a second step, 663 DOPPIK-style local budget plans for the year 2014, which were available as electronic files on the platform www.haushaltsteuerung.de, were analyzed. Our first search was for strategic goals or orientations in the budget plans. If we found any, we evaluated the links to operational work; we especially looked for explicit links between strategic goals and products, defined performance indicators, projects, or goals on the product level. Finally, activities of reporting were analyzed as much as possible.

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[12] 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.

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% and 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 half of the municipalities which have mentioned strategic goals or orientations in their budget plans have established a real link to budget planning and controlling.[13] Based on these results, as well as content found in magazines for public servants and politicians, public management awards, etc., we tried to identify 'best practices' for strategic management in German municipalities.

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[13] 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.

	Number of budget plans analysed	Appx. percentage of budget plans analysed per state	Number of budgets with at least an approach to linking strategic management to budget plans	Appx. percentage of municipalities with at least an approach to include aspects of strategic management in budget plans
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 budget-plans. For these municipalities it seems to be logical that the defined strategy has an impact on budget planning and administrative action.

Name	State	Appx. Inhabit-ants	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 counties in this sample is noticeable. As counties represent a number of local municipalities, they have some supervisory functions, for example with regard to budget planning, as well as some additional functions, such as those regarding 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 also stated by Kwon et al. (2014: 170 f) for municipalities in the USA.

'Strong' concepts, as in the city of Mannheim and the Landkreis Lör-rach, 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, impact on the strategic fields has been identified and indicators for these impacts can be found in the budget plan. Controlling and reporting follow an annual cycle (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 (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.[14]

How do German municipalities adopt strong concepts of strategic management?

The special conditions under which strategic management have been implemented were analyzed in more detail, based on interviews in six

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[14] Interviews in Mannheim were conducted in January 2015.

of the above-mentioned municipalities and additional documentations. 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 ten 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. In many cases interviewed politicians reported a rise in their belief in the controllability of administration.

2. In all cases, the implementation of strategic management and persuasion of the council to adopt it were driven and managed by the administration´s officers. Generally, council members were less interested or very skeptical at the beginning of the process. Elected mayors or heads of counties – who are, based on legal definition, part of the administration – were in most but not 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[15] is a good example for an emergent strategy, according to Mintzberg (2000: 23 ff, 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 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, these relationships stand 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. Asked for the reasons for the implementation of a formal and explicit strategic management, interview partners often described the situation before the implementation as a kind of garbage-can decision

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[15] Beside the interviews in Kempten in fall 2014, it was possible to observe the strategic workshop of the council in spring 2015.

making. In the view of administrations, the main reason for adopting strategic management was the desire for a 'better' political decision-making and a better controlling of administrative action.

In all cases the implementation of strategic management was interwoven with processes in which administrations improved the availability of performance information. The rising transparency of administrative performance was a main factor for trust building in these cases.

In the Landkreis Ebersberg[16] a special project group with members of the council and the administration was established for the implementation and operation of a strategic controlling (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 (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 was reduced or disposed of by newly elected leaders who were skeptical of its benefits.

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[16] Interviews in the Landkreis Ebersberg were conducted in spring 2014.

The benefits of strategic management

In all municipalities with a 'strong' strategic management in which further analysis was possible, we found that key players in the council and the administration judge strategic management as useful for a cooperative 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 strategic goals. Dilemma problems in budget 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.

Some 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 (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.[17] Interest of

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[17] Jimenez (2014: 188) and Kwon et al. (2014: 176) reported similar findings for the USA.

responsible ministries and inspecting authorities was reported to be weak too.

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 pretest interviews in the small municipalities of Wohlen and Moosseedorf in Switzerland which had 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 (Sauter and Peter, 2013: 314 f).

We did not find such strong evidence for impacts on policy making 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 had still been mainly engaged in discussions about non-strategic issues and did not abstain from some incon-

sistent or opportunistic decision making. Tendencies for non-strategic expenses increased in election campaigns, as reported in some cases.

Altogether, in the view of the analyzed municipalities, the implementation of strategic management led to a better decision making. Impacts of strategic management are traceable. Strategic management in German municipalities seems to be an attempt to render decision making more 'rational', mainly driven by the administration. Benefits are generated mainly through a consideration of long- and mid-term developments and by focusing attention and resources on the most relevant questions. As administration is usually much better informed about expected developments and problems, as well as its own performance and capabilities, it seems to be acceptable that the strategic shrinking of leeway in decision making is mainly driven by the administration itself. On the other hand, it must be stated that most of the analyzed municipalities have not conducted a broader research, for example with a detailed SWOT analysis or other methods that are usually used in the context of a strategic management (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.[18]

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[18] The most extensive process of analysis seems to have taken place in the city of Mannheim (Stadt Mannheim, 2014: 8 ff).

As a consequence, it is clear that with the implementation of strategic management, administrations and their elected leaders primarily try to realize their goal to make political decisions 'more rational', as many interview partners stated. 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.[19] After all, it seems that members of councils in most of the analyzed cases developed a similar view: that strategic management is a more 'rational', easier and efficient form of cooperation between administration and council.

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

1. An increased attention to long-term trends in administrations 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 inconsistent decision making and production of benefits for special interest groups.

3. An increase in the efficiency of administration caused by a better controlling due to a clarification and prioritization of goals.

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[19] Kwon et al. (2014: 175 f) reported for the USA that a 'lack of support from elected officials' is a typical reason why the implementation of strategic management in municipalities fails.

Of course these considerations 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 at all, especially with respect to the fact that strategies which are 'good' in a formal view could fail because the future is uncertain. But we should state that in the interviewed municipalities main actors interpret strategic management as a more 'rational' way of decision making.

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 an organization such as common values and shared mental models (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.

Conclusion

As expected, the use of strategic management in German municipalities seems to be much less than, for example, in the USA. Even if there are many municipalities which deal with strategic issues in one way or another, a 'strong' model of strategic management is rare. We did not focus on a quantitative analysis but based on our findings we would expect not more than 15% to 20% of municipalities to include aspects of strategic management in their budget planning. Of course this number may rise in the coming years since strategic management seems to be 'en vogue' and is still on the agendas of networks engaged in local government reforms. 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 in the fact that larger municipalities and counties have more strategic expertise and more resources for the development of management instruments. However, based on our results we doubt that 'strong' concepts of strategic management will become ubiquitous in the next 10 years.

The main reason for this perception is that, based on our research, the process of implementation seems to be very demanding. Versatile resources and different preconditions are necessary for implementation. Municipalities must not only have time and money to spend for

the development of a strategic management; the process of implementation demands serious knowledge about strategic management and distinct moderation skills. Implementing a strategic management is an attempt to work out shared values and shared mental models in administrations and councils (Denzau and North, 1994; Jimenez, 2014: 187) or, as Conteh (2014: 207) pointed out, to work on a 'collective visioning'.

However, leaders in the administration must be convinced about the benefits of strategic management before the start of implementation. With regard to our interviews – even in some municipalities that refused first attempts to implement a strategic management – it seems doubtable that heads of administrations can be convinced of strategic management by using arguments about possible economic benefits. Attitudes about strategic management seem to be strongly influenced by personal values and cannot easily be changed.

The mentioned blueprints deal very much with the formal aspects of strategic management, such as the formulation of goals and indicators, and less with the informal aspects of culture and trust. But to demand a formulation of strategic goals by the council in an early stage, an idea which is very popular in these concepts, could be 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 in it, but not before. Considering the development in Kempten and other municipalities with an emergent strategic management, it seems to

be possible that an intentional approach to implementation based on blueprints is inferior.

Even if 'strong' models are implemented, their stability is questionable as we saw in some cases, in which newly-elected leaders disposed of strategic management. As a consequence, stability of strategic management is a problem since neither citizens nor state authorities seem to be interested in whether or not municipalities use a strategic management.[20]

Regarding the fact that any engagement with any kind of strategic discussion or management is voluntary, it may seem surprising that a relatively large number of municipalities, even some which are very small, have begun to define general orientations or principles which they understand and label as a kind of strategic management. First it has to be stated that a voluntary adoption of reform concepts can be observed even if, and this is the second point, municipalities create new interpretations of these concepts. Of course, a strategic orientation without a systematic connection to budget plans or any projects lacks main aspects of the above-mentioned blueprints. Nevertheless, it is remarkable as an aspect of a trend in strategic discourse. Probably, strategy 'en vogue' is pushed by the DOPPIK reforms; however, DOPPIK did not initiate the implementation of 'strong' strategic management on a large scale. It is quite interesting, in this context, that

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[20] There are only weak hints that state authorities responsible for the supervision of municipalities recognize problems of management and controlling at all.

the 'strong' and advanced model of the city of Kempten still comes out with a cameralistic budget plan.

'Practices' of strategic management (Bryson et al., 2010: 2 ff) are obviously 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 DOPPIK 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 (Weiß and Leeske, 2014: 95 ff). At last, the question remains if strategic management is a 'more rational' way of political decision making, especially in municipalities. We found that in German municipalities ideas about what strategic management is are very different, just as actual 'practices' are. It seems to be highly probable that the concepts develop through the process of implementation and that they are strongly influenced by the values and experiences of the actors, and the history of reform discourses. If long-lasting processes of reform discussions, as they could be observed in our cases, finally lead to the implementation of strategic management seems to be very uncertain. Thinking about the question as to whether the implementation of strategic management is the outcome of an intentionally second-order strategic decision or a consequence of ambiguity, chance and complex interaction, we would prefer the second possibility. The view that implementation is

mainly an emergent process in which actors only think they have control seems plausible too.

With regard to our findings, it is clear that strategic management can only be implemented under special circumstances in long-lasting processes with a considerable risk of failure. While strategic management may be the best way for decision making for some municipalities, at present, it may just not be adoptable for others. The idea that strategic management is a mode of decision making which is more rational may have its place in normative discussion about what municipalities should do. But the key reason for a successful implementation of strategic management is not its 'rationality': organizational capabilities and a complex process of implementation are crucial.

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