

Strategy development of public organizations

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***Abstract.** Nowadays, a number of studies are published on how organizational strategy is developed, what management tools and methods top managers use for formulating organizational strategy. However, these studies have focus mainly on the companies of the private sector. In many cases, even the representatives of the public sector emphasize that the approaches, tools and methods used in the private sector cannot be applied in the public sector. In this paper, using the example of a university faculty, we present that the methods used in strategy development can successfully be transferred from the private sector to the public sector.*

***Keywords:** strategy development; tools and methods; vision and mission statement; balanced scorecard; benchmarking; customer relationship management; Hungary.*

University of Pannonia, Faculty of Business and Economics

The University of Pannonia is a significant university in Hungary. The educational and research activities are carried out in several cities in a unique matrix organization structure. The university was founded in 1949. In the beginning its operation was characterized by engineering, primarily chemical engineering education and research. After the transition, first the teacher education, then the business and economics, and information technology became important. With the integration of the Georgikon in Keszthely, as an independent agricultural faculty, the University has become a University with five faculties.

The University of Pannonia began its business and economic programs in the 1970's with the Engineering in Industrial Chemistry program and it continued with the Engineering and Management program from 1993 - the latter was the first of its kind in the country.

The university founded the Institute of Economics in 2000, which became the Independent Institute of Economics in 2001. The Institute was

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responsible for the economic programs within the Faculty of Engineering until September 2003, when the Faculty of Economics was established. In 2012, in accordance with the double profile the name has been officially altered to Faculty of Business and Economics.

The primary objective of the Faculty of Business and Economics is the education of businessman, economists, engineering managers and the further education and retraining of executives. The aim is to produce professionals who are capable of creating, managing and leading systems of enterprise and national importance.

The Faculty of Business and Economics of the University of Pannonia is recognized as a constantly growing and important intellectual center in the Transdanubia region and contributes to the functioning and improvement of the public and civil society with its high quality education, research and development. In cooperation with the companies of the Central Transdanubian and Western Pannonian regions, the Faculty promotes the realization of regional and cross-border education research and development programs.

Organizations of the private and the public sectors

These days the leaders of public sector organizations often ask the following question: How are their organizations different from the private sector organizations? The difference, of course, is that the primary goal of private sector companies is to operate for profit maximization, while public sector organizations serve the public good. However, today these differences appear rather in terms of the philosophy of organizations and the purpose of their foundation. Using the example of the Faculty of Business and Economics, University of Pannonia we present that a public organization has the same basic characteristic as a private sector organization has.

Competition

Organizations are competing with products and services they offer in a given market. A higher education institution in the educational market competes with the products and services of the other higher education institutions. The products and services in this case are certain academic programs, courses, trainings and research results, i.e. publications, research

reports, innovations, patents. As in many fields of business, in Hungary as well, the trend shows that the government decreasingly finances academic programs, which thus has to be financed through private sources. The same is true for academic and applied research. The competition of business schools thus is not only symbolic, but it is also a real competition the same way as it is among the organizations of the business sector.

Profit maximization

Based on the previously discussed topic it follows that to operate successfully on the long-term the higher education institutions have to reduce their costs and increase their income. The cost savings can be achieved by internal rationalization, structural and other changes. Attracting new students, the acquisition of corporate research, sponsor involvement and increasing tender projects can increase the income.

Customer orientation

It is important for a higher education institution to identify its customers. From the primary customers the students, the companies and organizations employing graduate students, and the high schools educating prospective students should be highlighted. Besides the traditional educational programs, talent management platforms provide an opportunity for these two stakeholders to build close collaboration with the involvement of the business school.

Willingness to change

One of the greatest challenges of the Faculty is to adapt quickly to the changes of market conditions. The introduction of the Bologna system, the changes in the financing system, in the higher education law, and in the technical progress are changes that the Faculty needs to respond to. This can only be achieved by flexible and adaptive structure.

Improvement of internal processes

The improvement of the efficiency of internal operations is a key point for the success of every organization. In recent years the Faculty has developed the basis of distance learning and e-learning. In order to increase the internal cohesion the organizational structure of the Faculty has been reformed, and the separated departments have been integrated into institutes. The

Centre of Marketing and International Relations has been established to communicate better with the external stakeholders.

Quality awareness

In 2008, the Faculty of Business and Economics, University of Pannonia was the first to win the Hungarian Higher Education Quality Award in the country, and since then only one Faculty in the country has been able to reach such a high level of performance. A professional jury of national experts based on strict valuation criteria awards this prize. This means that the Faculty was found the best in the country in the complex evaluation of education, research performance, value creating processes, as well as the services provided for the customers such as students, partner organizations and companies. The Faculty also decided to achieve more challenging goals instead of trying to win this award again. By introducing the AACSB standards the leadership of the Faculty is working on acquiring an international accreditation being among the first faculties in Central and Eastern Europe.

Strategy development: vision – mission – strategic goals

There are several approaches to create a strategy (Hunger and Wheelen, 2011, p. 3). However, they all share a common feature that the foundation of a successful strategy is the analysis of internal conditions and the external environment. During the analysis of internal conditions the strengths are collected and the weaknesses are faced, then an attempt is made to adjust these to the market opportunities and threats. The best solution in analyzing the external environment is to have an integrated approach to analyze the different environmental segments (legal, economic, political, cultural, and geographical). As the result of these analyses a decision can be made upon those business areas on which the operation has to focus in the future (Luthans and Doh, 2012, p. 280).

The next step is the formulation of the vision and the mission statement. The vision describes the desired future state of the organization. The vision does not contain numerical values to be obtained, however it outlines those conditions the organization will endeavor to achieve in the coming period. The mission is the formation of the guideline of the core

of the organizational strategy and values which is a guiding principle for managers and employees.

The statement of the vision and mission is essential because during the development of the strategic goals, the determination of the operational and action plans, the development of the control system, and the future management decisions the achievement of the goals and objective defined in the vision and mission has to be taken into consideration.

The organizational goals, compared to the mission, are more specifically defined. They are the core elements of the organizational management system (Luthans and Doh, 2012, pp. 283-284). The quantitative determination should be kept in mind when they are formed. The path toward the goals is built up as a series of strategic programs which are divided into specific, short-term operational plans.

The mission statement of the Faculty of Business and Economics is formulated as follows:

MISSION OF THE FACULTY OF BUSINESS AND ECONOMICS

The Faculty of Business and Economics is to contribute to the socio-economic development of the Central and Western Transdanubian Region as well as Hungary through state-of-the-art education, research and services based on the stakeholders' demand.

The Faculty of Business and Economics improves and develops its operation according to the following stakeholders' expectations: current and future students, alumni, employers of its graduates, the University community, the public and private sectors including regional businesses and non-profit organizations, and the Hungarian and international academic community. The Faculty of Business and Economics aims to provide its current and future students with high-quality, up-to-date portfolio of educational programs that includes business skills and ethical and value-based competencies for undergraduate students. It strives to ensure distinctive professional development for Master's degree students to enable them to meet the requirements of competitive and challenging economic development, guide and prepare doctoral students for an academic career, and provide iterative professional development, corporate network and services for the alumni. The Faculty of Business

and Economics has a major stake in contributing to the enhancement of the international academic prestige of the University and to finding solutions to the complex economic problems affecting the University. The Faculty of Business and Economics meets the requirements of the public and private sectors through the availability of competent undergraduate and graduate students and through direct access to the research-based know-how residing with the members of the Faculty of Business and Economics. As one of the most significant higher educational and research institutions of the Central Western Transdanubian Region, the Faculty aims to strengthen its social responsibility.

The vision of the Faculty contains the following:

VISION OF THE FACULTY OF BUSINESS AND ECONOMICS

1. The Faculty is a recognized and defining participant in the higher education for business and economics in the Central and Western Transdanubian Region.
2. Its role and position are based on its educational programs in compliance with the international norms.
3. The Faculty's scientific research centers, furthermore the research and innovation achievements exceptionally serve the community and the development of the economy.
4. Its organizational culture supports the increase of the colleagues' and the students' willingness to improve and the international competitiveness.

By fulfilling the vision, the Faculty of Business and Economics, University of Pannonia will strengthen its position amongst the leading Hungarian higher educational institutions.

Management methods and tools

Several management methods and tools can be used during the process presented in the previous chapter.

Since 1993, Bain and Company has surveyed executives around the world about the management tools they use and how effectively those tools have performed. They focus on 25 tools and refine the list each year. The tools included in the survey must be topical and measurable, and they need to

be relevant to senior management. With the Bain and Company 14th Management Tools and Trends survey, they have now compiled a database of more than 12,000 respondents, which enables us to systematically track the effectiveness of management tools over any given time period (Bain and Company, 2013, p. 12).

Based on the survey the following table contains the ranking of the 25 most important tools.

Table 1. Top 10 most used management tools (Management Tools and Trends, Bain and Company, 2013, p. 9)

| | Global | North America | EMEA | APAC | Latin America |
|--|--------|---------------|--------|--------|---------------|
| Strategic Planning | 1 (t) | 2 (t) | 5 (t) | 9 | 2 |
| Customer Relationship Management | 1 (t) | 4 (t) | 2 (t) | 1 | 7 (t) |
| Employee Engagement Surveys | 1 (t) | 1 | 7 | 6 | 10 (t) |
| Benchmarking | 4 | 2 (t) | 2 (t) | 13 (t) | 19 |
| Balanced Scorecard | 5 | 6 (t) | 1 | 7 (t) | 16 (t) |
| Core Competencies | 6 (t) | 10 | 9 | 3 | 5 |
| Outsourcing | 6 (t) | 6 (t) | 5 (t) | 4 (t) | 22 |
| Change Management Programs | 8 | 8 (t) | 4 | 20 | 7 (t) |
| Supply Chain Management | 9 | 8 (t) | 14 (t) | 4 (t) | 13 (t) |
| Mission and Vision Statements | 10 | 14 (t) | 10 | 16 | 20 |
| Customer Segmentation | 11 (t) | - | 8 | - | 4 |
| Total Quality Management | 13 | - | - | 2 | - |
| Satisfaction and Loyalty Management | 16 | - | - | 7 (t) | 10 (t) |
| Business Process Reengineering | 11 (t) | - | - | 10 | 1 |
| Strategic Alliances | 14 (t) | - | - | - | 3 |
| Big Data Analytics | 17 | - | - | - | 7 (t) |
| Open Innovation | 22 | - | - | - | 6 |
| Note: (t)=tied | | | | | |

Balanced Scorecard

A Balanced Scorecard defines what management means by “performance” and measures whether management is achieving desired results. The Balanced Scorecard translates Mission and Vision Statements into a comprehensive set of objectives and performance measures that can be quantified and appraised (www.bain.com).

The balanced scorecard supplemented traditional financial measures with criteria that measured performance from three additional perspectives—those of customers, internal business processes, and learning and growth. It therefore enabled companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth. The scorecard wasn’t a replacement for financial measures; it was their complement (Kaplan and Norton, 2007, p. 2).

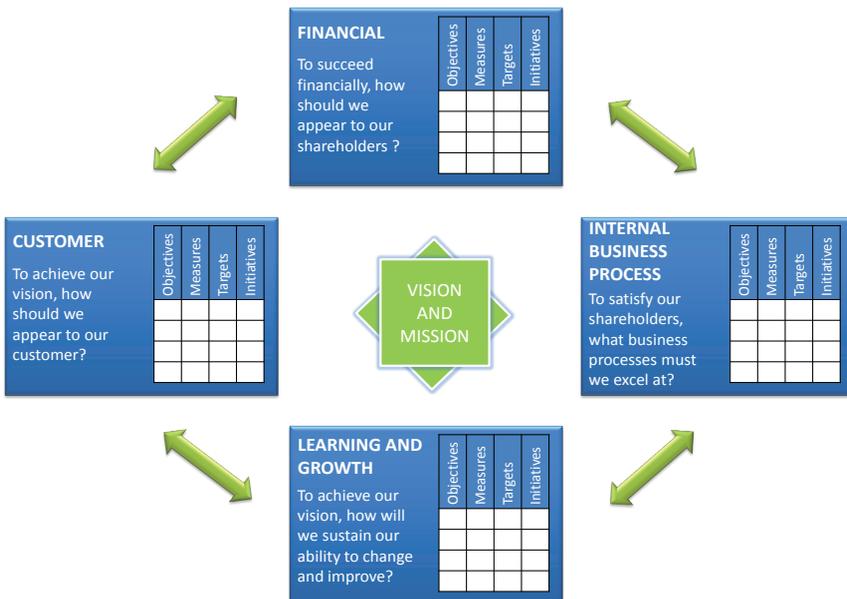


Figure 1. Balanced Scorecard: the four perspectives (Kaplan and Norton, 2007, p. 4)

The Faculty of Business and Economics used the Balanced Scorecard to determine its strategic goals. The original scorecard has been re-interpreted, taking into consideration the most important features of the Faculty's operation. The four key perspectives received new interpretations as well, and were determined from the Faculty's mission and vision.

Education

Education belongs to the fundamental issues of the Faculty. On undergraduate level higher-level vocational trainings, on the graduate level bachelor and master programs are offered to our students. With the aim of knowledge renewal, extension and deepening we recommend our short-time programs, trainings and 1-2 year-long postgraduate specialist training courses adjusted to the market needs providing a wide range of possibilities of lifelong learning. The Doctoral School in Management Sciences and Business Administration opens up dimensions to become immersed in sciences to those who are interested in academic career.

Research – Development – Innovation

The research – development – innovation defines the scientific potential of our Faculty. The researches cover the fields of economics, business and management. In the matter of development and innovation, the process, organization and marketing innovations are the key factors in our Faculty's life. Besides the academic and research R+D+I, student talent management plays a defining role in our Faculty's life.

Brand building

We are extending our reputation, national and international recognition on the basis of accumulated knowledge, operational model, external affairs and especially graduate students at our Faculty. The way we do it enhances the prestige and the reputation of the Faculty of Business and Economics, University of Pannonia.

Learning organization

As a learning organization, the Faculty improves its problem-solving and renewal skills. Making the organizational processes more effective and establishing and operating knowledge transfer platforms are the tools of that.

At our Faculty, organizational learning is a process in which our colleagues manage the culture of the organization and not the organizational culture manages the people. It definitely relies on the awareness of all the levels of the organization, especially the awareness and the guide of the faculty leadership.

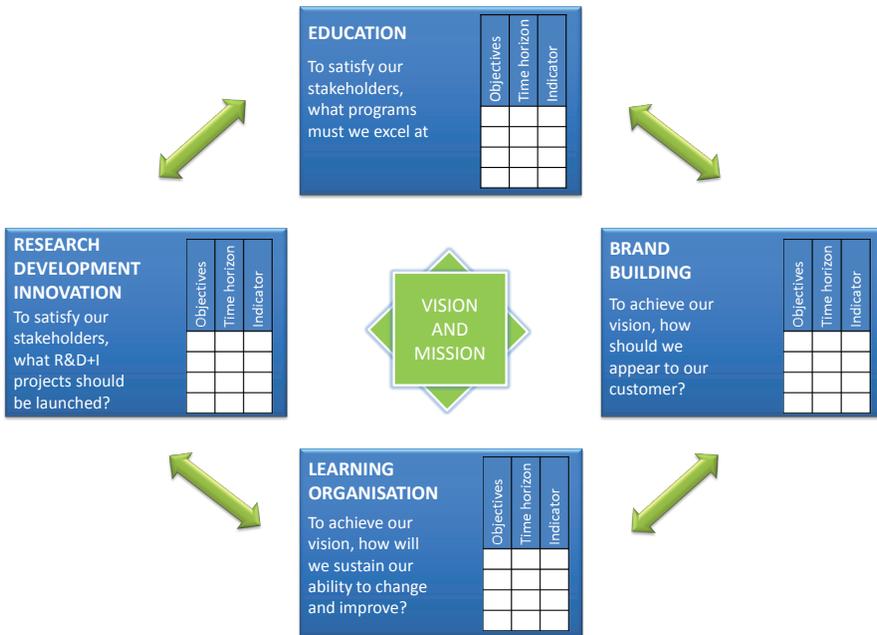


Figure 2. FBE Scorecard

Education

| OBJECTIVE | TIME HORIZON | INDICATOR |
|--|-------------------------|---|
| ✓ Programs and subjects in foreign languages | 5 years – continuous | The number of subjects in a foreign language must exceed 50 |
| | 3 years | To launch a new program in English |
| ✓ Hosting foreign students | 5 years - continuous | 10 foreign students / term |
| ✓ Hosting native academics | 5 years – continuous | At least 3 native guest lecturers must declare a subject yearly |
| | feasible within 5 years | A Fulbright Scholarship lecturer within 5 years |
| ✓ Supply of national and international open courses and trainings | 2 years | To deliver the first open training |
| | 2-5 years - continuous | To deliver at least 1 open training yearly |
| ✓ To launch consulting activity | 1 year | To sign the first consulting order |
| | 1-5 years - continuous | To sign an order every two years |
| ✓ To clean the educational portfolio, curriculum development (competence-based curricula, more powerful market orientation, internal rationalization) | 1 year | Competence-based BA program curricula |
| | 2 years | Competence-based MA program curricula |
| | 1 year | Request a permission to launch BA in Commerce and Marketing |
| | 3 years | Request a permission to launch MA in Marketing |
| ✓ Academic training development | 5 years – continuous | Support trainings (professional, methodological, pedagogical, linguistic) |

Research-Development-Innovation

| OBJECTIVE | TIME HORIZON | INDICATOR |
|--|----------------------|---|
| ✓ Nationally and internationally recognized researches and research centers | 3 years | Research centre <ul style="list-style-type: none"> • At least 1 professor • At least 3 staff members of Doctoral School • At least 2 research projects • At least 3 national and 1 international A-D categorized publication every year |
| ✓ To publish in national and international peer-reviewed journals | 5 years | Each qualified colleague must publish 1 national and 1 international A-D categorized publication within 5 years |
| ✓ Support of scientific progress | 5 years - continuous | Support (financial and professional) |
| ✓ Talent management | 5 years | PhD students (The ratio of obtained degree/admitted, obtained final certificate/admitted must grow to 20%) |
| | 5 years | Scientific Student Research Projects belonging to at least group 2 on the grounds of participants and place winners |
| | 5 years | Harsányi Youth Hostel (accreditation, János Harsányi Conference, bridge-role, secondary school talent management) |
| | 5 years | Case Study Club and competitions |
| | 5 years | Business Lab |
| | 5 years | Hungarian Economic Association Veszprém County Organization Youth Committee |
| | 5 years | PENGE (Genius Club, University of Pannonia, Nagykanizsa) |

Brand building

| OBJECTIVE | TIME HORIZON | INDICATOR |
|--|----------------------|---|
| ✓ To earn faculty accreditation | 2 years | Full-time student quota/ full-time qualified lecturers' quota |
| ✓ To earn international accreditation | 1 year | AACSB membership |
| | 2 years | Successful AACSB monitoring |
| | 3 years | AACSB accreditation |
| ✓ To organize international conferences | 5 years - continuous | To organize 1 international conference annually |
| ✓ International peer-reviewed faculty journals | 5 years - continuous | Regular publication of Pannon Management Review |
| ✓ To participate in national and international professional organizations | 5 years - continuous | Each qualified faculty member must be a participant of at least 1 national or international organization |
| ✓ Client-centered marketing | 1 year | New faculty website (in Hungarian and English) |
| | 1 year | Faculty brochures <ul style="list-style-type: none"> • Introduction of the Faculty (PR brochure in Hungarian and English) • Brochure for companies in Hungarian (education, trainings, courses, studies, competences, references) • Introduction of BA, MA and postgraduate specialist training courses (in Hungarian and – in case of programs in English – in English) • Brochure to school foreign students (in English) |
| | 1 year | Style Guide |
| | 2 years | Short film presenting the Faculty (in Hungarian and English) |
| | 5 years - continuous | Cooperation agreements – at least 2 agreements every year |
| | 5 years - continuous | BA and MA schooling (at least 2 BA Open Days, at least 2 MA Open Days at the Faculty, reaching at least 30 secondary schools yearly) |

| | | |
|-----------------|-------------------------|--|
| ✓ ALUMNI | 5 years - continuous | Our stakeholder Gold – Silver – Bronze (criteria system) - referee's report - controlling internship - consultant - chairman of final exam committee - financial support |
| | 5 years - continuous | To inform the alumni about the opportunities at the Faculty (professional development and networking possibilities, advisory services) via the website (making an extra subpage). |
| | 5 years - continuous | At least 1 event involving alumni every year |

Learning organization

| OBJECTIVE | TIME HORIZON | INDICATOR |
|--|------------------------|--|
| ✓ To balance education – research – project work | 5 years-continuous | Each lecturer <ul style="list-style-type: none"> • To fulfill educational instructions • To meet research requirements • To participate in at least 1 project |
| ✓ To launch benchmarking system serving strategy realization | 1 year | To approve the new benchmark by the Faculty Board |
| | 1-5 years | Executive review of benchmarks, feedback |
| ✓ Rewarding prominent achievements | 1-5 years – continuous | To reward the top employees working in the new benchmarking system (in each category) |
| ✓ Student support (mentor program) | 1 year | At least 1 lecturer and at least (student quota/10) student per program |
| | 5 years - continuous | To run the teaching assistant program |
| ✓ Transparent and sustainable function and guidance | 5 years - continuous | To increase own revenue: The pace of the own-revenue increase must exceed the degree of state revenue reduction |
| | 1 year | To work out policies meeting the AACSB standard requirements |
| | 1-5 years - continuous | To announce the evaluation results based on strategic index system (1 evaluation day yearly) |
| | 1 year | To set up Faculty Advisory Board |
| | 5 years - continuous | To evaluate faculty leadership (once a year) |
| ✓ Effective working of Doctoral School in Management Sciences and Business Administration | 5 years - continuous | To increase the number of staff members with 1 person |
| ✓ To strengthen internal communication | 5 years - continuous | FBE circular e-mail (monthly in term-time) FBE staff member meeting (1 meeting/term) on-line internal access of submissions and resolutions |

Benchmarking

Benchmarking is the measurement of the quality of an organization's policies, products, programs, strategies, etc., and their comparison with standard measurements, or similar measurements of its peers.

The objectives of benchmarking are:

- to determine what and where improvements are called for;
- to analyze how other organizations achieve their high performance levels;
- to use this information to improve performance. (<http://www.businessdictionary.com>).

Benchmarking improves performance by identifying and applying best demonstrated practices to operations and sales. Managers compare the performance of their products or processes externally with those of competitors and best-in-class companies and internally with other operations within their own firms that perform similar activities. The objective of Benchmarking is to find examples of superior performance and to understand the processes and practices driving that performance. Companies then improve their performance by tailoring and incorporating these best practices into their own operations—not by imitating, but by innovating (www.bain.com).

Benchmarking plays a significant role in the practice of the Faculty. In the following few examples are listed:

BCG matrix. This matrix is a simple 2x2 matrix that crosses market share (relative to competitors) and market growth to yield four quadrants. Each of the firm's products is plotted into one of the cells of the matrix identified as stars (high share/high growth), question marks (low share/high growth), cash cows (high share/low growth), and dogs (low share/low growth). Different strategies are designated for each quadrant based on the combination of market share and market growth. It is a strategic allocation model that shows how money can be transferred from areas of strategic weakness to opportunity. Based on these classifications, the firm then assesses the health of its portfolio. The goal is to continuously generate

future cash cows. Money earned from cash cows is invested into question marks with the intent of turning them into stars. As the market matures, stars will degenerate into cash cows and the process is repeated. New cash cows give the firm a steady source of funds to pursue future avenues of growth. The path to success is not foolproof as the firm can also follow paths to failure. The matrix can also be used to project the firm's trajectory. The Faculty of Business and Economics regularly performs analyses using BCG matrix to develop the Faculty's educational programs. With the BCG matrix the market position of the educational programs compared to the most significant competitors' academic education programs are examined.

Workshops on business topics. The Faculty often organizes workshops with the participation of national and international experts. The workshops are designed to present best practices, mainly focusing on subjects as business communication, project management, supply chain management, tourism and hospitality management.

International and national conferences. The Faculty organizes national and international conferences to present the achieved results and best practices of research, development and innovation, to support the exchange of knowledge, experience. The main topics are strategic management, production management, maintenance management, human resource management, knowledge management, tourism management, regional development.

Customer Relationship Management

Customer Relationship Management (CRM) is a process companies use to understand their customer groups and respond quickly—and at times, instantly—to shifting customer desires. CRM technology allows firms to collect and manage large amounts of customer data and then carry out strategies based on that information. Data collected through focused CRM initiatives help firms solve specific problems throughout their customer relationship cycle—the chain of activities from the initial targeting of customers to efforts to win them back for more. CRM data also provide companies with important new insights into customers' needs and behaviors, allowing them to tailor products to targeted customer segments. Information gathered through CRM programs often generates

solutions to problems outside a company's marketing functions, such as supply chain management and new product development (www.bain.com).

The Faculty of Business and Economics places great emphasis on regular contact with clients, on the recognition of customer needs and on the effective responds to these. Key clients are the students, the companies and organizations employing graduate students, and the high schools educating prospective students. Accordingly, the most important CRM platforms are as follows.

Student evaluation on teacher's performance. The opinion and needs of the student as the most important client is of high priority. A survey is carried out among the students of the Faculty for all courses at the end of every semester with a questionnaire developed with the help of the Student Union. In this questionnaire the students can share their opinion on the course and the instructor (teacher) of the course. After evaluating all the results the experiences are integrated into the teaching-methodology as well as into the curriculum development programs.

Consultation with the Chamber. The Faculty regularly consults with the regional leaders of the Chamber of Commerce and Industry. The participants review the key labor market trends and demands, which are also integrated into the Faculty's training development program.

Consultation with CEOs and CFOs. Every business program ends with a final exam. During the final exam the students demonstrate what knowledge and competencies they have acquired during their studies. The chairs of the final exams are the CEOs and the CFOs. The chairs share their experience with the program directors after the final exam through oral interviews and questionnaires. These experiences are also integrated into the development plans of the programs.

Consultation with high school directors. Regular connection with high schools from where the most students and the students with the highest

points are admitted to the Faculty is of high importance in the life of the Faculty. Thus the Faculty signs a corporation agreement with these high schools with the principals of which there are regular consultations and the students of which are offered to participate in academic programs.

Survey of HR Managers. The Faculty regularly conducts surveys among the HR managers of those companies and organizations that employ graduate students of the Faculty. The purpose of the survey is to learn about the expectations and needs of the companies, organizations regarding the graduate students' skills and competences. The results are integrated into the development plans of the programs.

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