



NATIONAL RESEARCH UNIVERSITY
HIGHER SCHOOL OF ECONOMICS

Andrey Klimenko, Alexander Kalgin

STRATEGIC PLANNING IN THE RUSSIAN FEDERAL GOVERNMENT: IMPLEMENTATION, COSTS, AND CONDITIONS OF EFFECTIVENESS

BASIC RESEARCH PROGRAM

WORKING PAPERS

SERIES: PUBLIC AND SOCIAL POLICY
WP BRP 17/PSP/2018

Andrey Klimenko¹, Alexander Kalgin²

STRATEGIC PLANNING IN THE RUSSIAN FEDERAL GOVERNMENT: IMPLEMENTATION, COSTS, AND CONDITIONS OF EFFECTIVENESS

A vital aspect of improving governance involves spearheading its strategic dimension and making current policy activities more closely aligned with the goals and objectives of sustainable growth. At the same time, implementation of strategic management is associated with considerable costs for the drafting, cross-cutting coordination and monitoring of strategic planning documents. These costs are often not taken into account. This article aims at showing that the costs of developing strategic plans can be significant. This is confirmed by survey data that allowed for estimating costs of drafting strategic planning documents in Russia.

JEL Classification: D73, H83

Keywords: Strategic planning, governance, institutional changes, administrative cost, accountability, incentives, stakeholder's involvement.

¹ National Research University Higher School of Economics, School of Public Administration, Head, Professor; Institute of Public Administration and Governance, Director, E-mail: aklimenko@hse.ru

² National Research University Higher School of Economics, School of Public Administration, Associate professor, E-mail: akalgin@hse.ru

Introduction

This paper contributes to the literature on strategic planning (SP) in the public sector by considering the operational costs of strategic planning and summarizing lessons for successful implementation of SP drawn from authors' experience. Operational costs are often overlooked in the literature on strategic planning that focuses on higher-level benefits of SP. For instance, Berry (2007) attributes to SP the benefits of mission formulation and steering organizational change. However, little attention is paid to mundane costs of such an endeavour, this is illustrative of the literature on the subject. We emphasize that SP is an administrative exercise performed by the staff of government bureaus. This exercise requires resources: time and attention of the staff at various levels of bureaucratic hierarchies. The proliferation of strategic planning documents puts a significant burden on public sector employees that need to engage in cycles of strategic planning, monitoring and revision of plans. These costs may be estimated via surveys of public sector employees. In this paper, we report some results of a survey of public sector employees conducted by the Higher School of Economics in 79 out of 85 Russian regional governments.

By focusing on the operational level of bureaus implementing strategic planning we draw attention to the fact that cost-benefit analysis of strategic planning often overlooks the strain that drafting and approval of strategic planning documents put on executive authorities. Drafting requires a lot of expertise, skill, time and money. It often involves extensive consultations and negotiations to balance interests of stakeholders. Without due attention to the administrative costs of strategic planning, this activity may blot the channels of communication and overload administrative staff with tasks related to strategic planning. These efforts may not yield sufficient benefit if they result in documents that are neither adhered to, nor taken seriously.

Ring and Perry (1985) enumerate several key characteristics that differentiate the public and the private sector in terms of the context of SP. One of these key characteristics is "shaky coalitions" between stakeholders of public agencies that require a lot of manoeuvring from bureaus and hamper policy implementation. We extend this argument by pointing to administrative costs of strategic planning associated with drafting and approval of strategic documents. The task of balancing views of stakeholders is not only politically demanding but is also plainly costly.

Finally, we base our conclusions on our experience with strategic planning in Russia. Existing literature on public sector strategic planning is mostly focused on Western Europe and North America (Berry & Wechsler, 1995; John M. Bryson, 2010; Theodore H. Poister & Streib,

2005). Eastern Europe is less studied. The adoption of SP in Russia proceeds in a context that is, in many respects, different from the Western world. Analysis of SP in this case also leads to a better understanding of the Russian system of government.

We draw on our experience with systems of strategic planning in Russia to formulate several lessons for effective implementation of strategic planning. Russian experience offers rich grounds for analysis of success factors of strategic planning – the practice of SP is varied across different regions. In some regions it has proved highly successful, in others – it did not deliver on its promises.

Our summary of success factors of strategic planning calls for further qualitative research that would closely examine cases in which strategic planning was or was not successful.

Strategic Planning as a political and bureaucratic process

Strategic planning may be defined in many ways. One definition that has become established is one given by John M. Bryson (2010): “[Strategic planning is] a deliberative, disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it”.

A distinctive feature of public sector SP is that it is embedded in the context of overlapping and sometimes conflicting interests that shape the public sphere. Public sector SP is, thus, an activity largely aimed at finding ways to achieve consensus goals that reflect the interests of the most important groups in society. Strategic planning that fails to consider the balance of interests creates a distorted picture of the future with misrepresented expectations, thereby directly harming the public and state.

A strategy is not a plan in the bureaucratic sense. It normally focuses on institutional change (Berry, 2007) and provides a rationale for new organisational forms, rules and regulations. Partly forgotten but an important understanding of strategic planning as an organizational learning process offers guidelines for effective organizational change management (Bunning, 1992). In a sense, a strategy should provide for changes in the government itself. It is a process by which governance itself is re-designed: “[g]overnance as strategy, or “governancing,” is the design, creation, and adaptation of governance systems” (Levi-Faur, 2012). Strategic planning should and can have a positive impact on the organizational performance of public institutions (Andrews, Boyne, & Walker, 2006; Boyne & Gould-Williams, 2003).

Unlike operational plans that mainly focus on choosing an optimal scenario in the context of outlined priorities and resource limitations within a familiar institutional environment, a strategy is largely political in its very nature. For this reason, an expert substantiation of a strategy based on optimisation, regulatory and balance models is insufficient. A broader social and political context should be considered (Noveck, 2015). Hence, strategic management is regarded as an area for government decision-making by consensus and cooperation with civil society (J. M. Bryson, Berry, & Yang, 2010). This imposes additional requirements on methodological support and organisation of strategic planning as opposed to operational plans and other routine activities of the executive authorities.

Strategic planning systems complement the public choice mechanisms, helping to make this choice more informed and conscious. They link the political choice with specific governance tools and measures of governments and their executive authorities.

In terms of their content, strategic planning documents normally extend beyond the traditional functions of the government and powers of its agencies. They include not only the action plan for executive authorities, an assessment of costs and benefits for the public and businesses, the impacts on various social groups and economic agents, but also estimate the potential contribution from NGO stakeholders toward the achievement of common goals in the form of co-production, self-regulation and public-private partnership. In this sense, among the responsibilities of the centre of government is the task to mobilise actors inside and outside government and involve them in setting vision around key outcomes, as well as in its implementation (OECD, 2016a).

Note that the need for monitoring the activities of NGO stakeholders and interest groups increases with the degree to which strategies are aimed at achieving socially significant results. One could say that the closer is the formulation of a goal to the end-result as viewed from the standpoint of public benefit, the harder it is to guarantee the accomplishment of this goal exclusively through the efforts of the executive authorities and bureaucracy.

At the same time, being largely implemented within the framework of bureaucracy, these mechanisms cannot replace the public choice mechanism. In other words, management decisions formulated within the framework of strategic governance should have transparent linkages with the requirements of laws and political commitments. This calls for broad participation of the legislature and civil society organisations in the definition (discussion) of the strategic goals. Otherwise, this would lead to the effect of a “budget-maximising bureaucrat” who uses the informational asymmetry conditions for his own benefit, with strategic governance tools used not

so much to generate the most socio-economic benefits but rather to secure maximum budget allocations for specific executive authorities and related organisations.

The comprehensive nature of goals requires balancing the interests of society and government agencies and factoring in multiple resource limitations. Inter-agency coordination mechanisms and scaling-up procedures across levels of government and jurisdictions need to be very effective and flexible. This is especially important in times of crisis (OECD, 2015, p. 26).

Note that resource limitations for a strategy are not as stringent as they are for short-term operational plans. Indeed, one of the goals of strategies is finding ways to mitigate or eliminate resource limitations. For example, new technologies allow mobilising resources that, while being of a lesser quality, are available on a mass scale. A growing efficiency of utilisation of resources and a lower percentage of losses allows reducing the rate of consumption of resources per unit of the output. Finally, in the case of renewable resources, ways to renew the resources at a faster rate may be found. An important role of a strategy is choosing (or facilitating the search for) a method of overcoming resource limitations.

A value of the strategy is in the novelty of the goal set and the solution proposed. One of its tasks involves finding future competitive advantages and new information for decision-making. It should suggest new solutions, new markets, new technologies. Otherwise, it would be unnecessary because an existing vision could be used instead. For this very reason, the strategy planning methods are mainly of the expert kind. This is what makes them different from operational planning methods that are based on balance calculations, specific ratios and resource limitations. The existing or easily predictable trends do not always make it possible to formulate strategic goals and, even less so, solutions, or finding areas of growths. Note that even when a strategy employs best practices and advanced solutions from other countries this does not always prove effective, as it does not guarantee that approaches will not change and that they can be effectively adapted to local conditions.

The unavoidable shortage of information about the future, the subjective nature of expert assessments inevitably raises the question as to whether certain strategic documents are needed and about the rational horizon of strategic planning. In the face of rapid social, economic and technology changes, the uncertainty of growth increases and the horizon of reasonable prediction and strategic planning narrows down. At the same time, ever more frequent updates to the adopted documents become necessary, which translates into the rising cost of planning.

The question as to the rational forms and horizon of strategic planning becomes particularly relevant during periods of volatility when the established trends and rules change while risks and uncertainties grow. The spread of predictions of the future becomes too wide to

allow reasonable goal-setting for the long term. Under such conditions, risks are mounting in connection with changes in the external environment, in the behaviour of external agents or due to the misgauged effectiveness of managerial decisions. As a result, overly detailed or excessively long-term planning can, in fact, mislead and become a “road to serfdom”. For this reason, most countries adopt strategic planning documents for the foreseeable and not too long-term periods. The OECD has surveyed 27 countries on the issue of strategic planning (OECD, 2014) and found that 'of the responding countries, twenty-one (77 percent) had a strategic vision document. In most cases, that document outlined a vision for the next one to five years. However, in one case, the vision extended beyond twenty years, with seven countries looking beyond six years' (Khoury & Abouchakra, 2015, p. 27).

One of the essential tasks of strategic governance is securing trust in strategic planning documents. Without this, strategic planning activities become largely meaningless and incapable of influencing the behaviour of citizens and businesses. The matter of trust is concerned with the responsibility of mainly the executive authorities for implementing the activities outlined in the policy. This responsibility usually proves insufficient. Bureaucratic organisations are known for their opportunistic behaviour, minimisation of efforts combined with maximisation of budgets, substitution of policy goals and activities, and avoidance of responsibility through changes in the leadership. Opportunities for obtaining cheaper mechanisms for achieving strategic goals of the budget, utilising reserves, private initiative, etc. are outside the scope of their interests unless appropriate incentives are in place. However, as unfulfilled expectations accumulate, this undermines the potential of strategic governance, its capability to coordinate and direct nationwide efforts toward the accomplishment of the goals chosen.

In the context of strategies being implemented, efforts toward the accomplishment of goals may use tools similar to regulatory impact assessment, which are successfully employed in the field of regulation. Such assessment is vital when it comes to not just future strategies but also those already in place. 'The strategic policy cycle must embrace ex-post evaluation and learning with a focus on multidimensional impact and distribution across social groups' (OECD, 2016a). A significant role in assessing the implementation of a strategy is to be played by the national Supreme Audit Institutions. This assessment focuses on the efficiency of achieving strategic goals (OECD, 2016b, p. 13). Auditors should pay some attention to administrative costs of operation of the strategic planning system.

Evolution of the Russian Strategic Planning System

This section outlines the historical development and modern setup of the strategic planning system in the Russian public sector.

It is well known that Russia (former USSR) has the largest experience of nationwide economic planning which started in the 1920s. Notwithstanding the transition to the market economy and reduction of the share of the public sector in the economy, the culture of planning is still embedded in the Russian governance style and any planning initiatives are easily accepted among Russian civil servants.

In 2014, Russia passed the Federal Law *On Strategic Planning in the Russian Federation*, which consolidates the organisational and methodological innovations that have appeared in this area in recent years. Not all experts and public officials have responded to this law with enthusiasm. To some of them, the multi-level strategic planning system outlined in the law reminded the cumbersome socialist planning system with its unresolved problems of inadequate goal-setting and ineffectiveness. For others, this law established additional duties, more accountability and paperwork.

The author of the law—the Russian Ministry of Economic Development, supported by the government—viewed one of the primary goals of this law as creating the institutional conditions favouring the coordination and balancing of the multitude of strategic planning documents already used in the practice of governance at various levels.

The fact of the matter is that new formats of strategic planning documents for national and municipal governance started appearing in Russia beginning in the 2000s as part of the administrative reform and implementation of results-based management.

In June 2004, the Russian Government passed a decree *On Measures to Improve the Effectiveness of Budget Spending*, which included a provision on so-called Reports on Results and Main Activities of Budget Planning Entities (RRMAs). RRMAs played a key role in the development of results-based budgeting and an expansion of the budgeting horizon to 3 years, which created the preconditions for implementing target-based methods of governance. The first three-year federal budget (partly linked with the results outlined in RRMAs) was adopted for 2008-2010.

By and large, however, implementation of RRMAs failed to accomplish the task of tying in the planned results of operations with budgetary allocations. RRMAs came to be viewed as indicative plans of sorts of the executive authorities and not as a budgeting tool or an instrument for justifying the need for budget resources. The non-binding nature of such “plans”, the absence

of a performance evaluation system, the lack of responsibility and incentives devalued the original idea (for an evaluation or the RRMA experience see Kalgin (2012)).

In November 2008, the Russian Government passed a decree approving the *Concept for Long-Term Socio-Economic Development of the Russian Federation up to 2020* and the *Key Directions of Government Activity* as nationwide strategic documents. They included separate drafts and, later on, government programmes.

The key directions of government activity (KDGAs) in turn outlined the main challenges and medium-term priorities. The first version of KDGAs defined 60 nationwide projects that included indicators of anticipated results. Every project was subdivided into tasks, with specific measures outlined toward their accomplishment. Process owners were designated for every project in general and for each task within the project. So-called “project maps” were created to answer the question as to what changes will occur in the economy, society and socio-economic relations, how much it would cost to achieve the end result, or what would happen to the target indicators following changes in funding, etc.

Work on project maps of KDGAs in 2008-2010 relegated RRMA to the background but did not revoke them. This doubled the workload for agencies in drafting the planning documents. And yet there is little in the way of convincing evidence that implementation of KDGA projects enhanced coordination between agency policies. As with RRMA, result-oriented budgeting was not implemented in this case as well, although the “project maps” were originally developed with the intention of determining the amounts of budget allocations and budget performance indicators for each project.

As to the relevance and quality of the strategic vision reflected in the Long-Term Development Concept and KDGAs, it stands to mention that these documents were adopted right before the global financial crisis broke out and, as such, failed to factor in its consequences. This circumstance considerably devalued the role of these strategic documents.

Government programmes became the principal strategic planning tool in 2010 and remain the basis on which the executive authorities plan their activities and develop the programme budget. State programs at the federal level in the Russian Federation are currently subdivided into five thematic sections: a new quality of life, innovative development and modernisation of the economy, effective government, balanced regional growth and national security. They establish close to 2,000 target indicators. More than one half of the federal budget is allocated according to government programmes.

At the federal level, one ministry (or one agency in the case of some programmes) is designated as the process owner in respect of each programme. Alongside the process owners, there are also process co-owners and participants of the programme. Process co-owners are responsible for individual sub-programmes, and participants – for individual activities as part of sub-programmes. A ministry can be a process owner under several programmes.

Every national programme is accompanied by a financial and economic rationale and an assessment of the effectiveness of its implementation. In the context of the financial rationale, the national programme is fully aligned with the federal law on the state budget and factors in the budget laws of the constituent entities of the Russian Federation and local government bodies. A forecast is also made in respect of regional budget funds and extra-budgetary sources.

National programmes are supplemented by a programme implementation plan for 2 or 3 years to come. It lists the milestones and timeframes for achieving them, the volume of financial resources allocated out of the federal budget, consolidated regional budgets, extra-budgetary funds and private sources toward achievement of the milestones. Plans are published on agency websites. Indicators and schedules reflecting the milestone achievement time frames often serve as a basis for setting KPIs for agency leadership. An action plan implementation progress report is the principal reporting document of the ministry; it is based on progress reports on the implementation of national programmes.

In addition, the goals and objectives of the ministry are outlined in the annual public declaration. The draft of the public declaration undergoes the process of public discussion and expert support. The public declaration outlines the short-term priority goals and objectives of the agency, which are formulated taking into account current status, trends and risks (economic, foreign political and other conditions), as well as anticipated results.

The goals and objectives of the public declaration are updated annually to reflect the actual results achieved over the past year and, if necessary, can be a source of and basis for updating strategic planning documents and the relevant national programmes.

It is worth noting that the functional tasks of strategic planning in Russia will be implemented (and some of them are already carried out) using the nation-wide public automated system “*Governance*” (rus. “Upravlenie”). It will maintain a joint register of strategic planning documents, perform analytical and calculation functions and arrange public discussions of proposed drafts of documents. The system operator is the Federal Treasury, which ensures continuity and interconnection with the *Electronic Budget* system and will ultimately allow tying in the strategic planning documents with the budget.

Quite recently, in June 2016, the Russian President issued a decree establishing the Council on Strategic Development and Priority Projects. Listed among the Council's main tasks is drafting of proposals for the Russian President regarding the development, implementation and updating of goals relating to the key aspects of Russia's strategic growth. The Council will also define the key parameters of the priority projects. The Council is tasked with coordinating the efforts of federal and regional authorities, the expert and entrepreneurial communities aimed at implementing the priority projects, and also with analysing and assessing the progress of these projects. Note that this has been a second attempt at introducing a mega-project management system in Russia. The first attempt was made back in 2005 and was not overly successful, primarily in terms of implementation effectiveness.

To sum up, a fairly large number of strategic governance tools have been developed and implemented in the Russian Federation over the past decade. But so far this has not had an obvious effect on the quality of public governance and has not delivered a higher success rate in accomplishing the goals, finding innovative solutions or making the country's economy more competitive. Worse still, many innovative strategic aspects have been overlooked, such as those dealing with alternative energy sources, environmental protection, development of the financial sector, small and medium business, retirement plans, or creating a more competitive and stable structure of the economy. This fact highlights the limitations of bureaucratic models of strategic management. Traditional bureaus such as central ministries are likely to work within the scope of tightly defined mandates. In such bureaus, low tolerance for risk crowds out innovation and entrepreneurial behaviour (Ferlie & Ongaro, 2015, p. 4).

International experience with a bureaucratic approach to strategic planning also fails to demonstrate positive results. While the number of planning documents and performance assessment systems is on the rise, creating an appearance of solutions for problems, this often does not translate into real changes. There are many cases when public sector strategies have little impact on economic development or are not actually strategies at all (Driver, 2014). Quite often, strategy exists “on the paper” and achieve little (Nartisa, Putans, & Muravska, 2012, p. 247). “Most problematic is the implicit assumption that strategic planning will lead to performance improvements without testing whether the argument has empirical support” (Theodore H Poister, Pitts, & Hamilton Edwards, 2010, p. 540).

At the same time, the costs of strategic planning are tangible and need to be considered carefully. The following section attempts to highlight such costs.

Estimating the cost of drafting strategic documents

The operation of strategic planning systems is a costly process. For the assessment of administrative costs, Standard Cost Model (SCM) approach is often used³. However, this model is mainly used for estimating expenses of business and citizens, induced by government regulations. The same approach can be used for assessing the cost of administrative procedures for the government.

These costs can be subdivided into the cost of drafting strategic documents (direct cost) and accompanying (supporting) expenses. Direct costs can be calculated based on labour costs and other expenses of the strategic planning process participants associated with drafting and updating strategic planning documents. These costs can be calculated more or less accurately based on the allocation of powers and functions within the executive authorities and their labour intensity.

In addition to direct costs, there are also indirect costs associated with expenses of NGOs, individual experts and professionals involved in the drafting and discussion of strategic planning documents. Indirect costs also include expenses for approval, monitoring and control of the implementation of strategic planning documents.

A growing number of strategic planning documents exerts upward pressure on direct and indirect costs. Presumably, if direct costs are directly proportional to the number of documents that get drafted, indirect costs of approvals increase on a much more progressive scale.

Also note that a growing number of strategic planning documents (concepts, strategies, plans, programmes, roadmaps, etc.) used in public governance normally results in accumulation of excessive and contradictory information. The law of propagation of errors starts to apply, whereby the growing number of strategic documents increases the risk of conflicts among the primary and secondary goals, objectives and indicators outlined in them. Such a redundant strategic governance system tends to erode not only trust but also any serious professional attitude from staff members.

The strategic planning law, for example, passed in the Russian Federation in 2014 calls for drafting 175 federal-level documents and 2,295 regional-level documents (based on the number of regions of the Russian Federation) and close to 95,000 municipal level documents (based on the number of municipalities).

³ Basic model is simple: C (for cost) = Tariff x Time - http://ec.europa.eu/smart-regulation/guidelines/tool_53_en.htm

Considering the number of strategic planning documents, the frequency with which they have to be drafted and the labour-intensity of this process⁴, as well as the level of average remuneration for the relevant professionals, it is possible to roughly estimate the direct cost of work. Based on these assumptions the direct costs of drafting and updating strategic planning documents at the federal, regional and municipal levels in Russia could amount to some 1.5 billion US dollars annually.

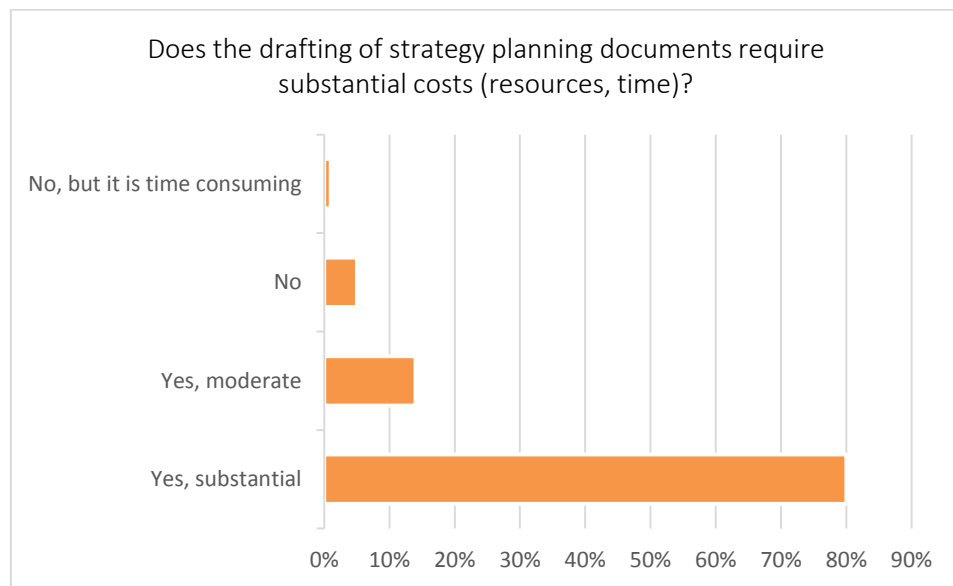
This estimate does not factor in the cost of coordination, approval and implementation of planning documents, which can be considerable in a multi-level and multi-link system. Such vertical coordination and approval (from the federal level to the regional and municipal level) and horizontal coordination (between neighbouring regions and municipalities) is one of the key preconditions for elaboration and adopting realistic strategies. Approval and coordination costs can be reduced partly by using modern information systems. However, first, coordination and approval of strategic documents do not come down merely to ensuring the uniformity of the information database. The key aspect of this process involves collisions between competitive positions of participants and a search for the middle ground and a balance of interests. Second, an information system is another potential cost driver.

For the qualitative confirmation of the significance of direct expenses related to strategic planning, Institute for Public administration and governance of National Research University Higher School of Economics with the support of the Ministry of Economic Development conducted a survey of Russian regional administrations⁵. The survey proved the high cost of planning. 80% of regional administrations confirmed the high cost of drafting and updating strategic planning documents.

⁴ Time spent on preparation of strategic planning documents was obtained from a survey of regional administrations, in which they were asked to indicate the amount of man-months spent. Survey conducted by the National Research University Higher School of Economics in 2014 covering 79 out of 85 regions of Russian Federation (Klimenko, Korolev, Dvinskikh, Rychkova, & Slastikhina, 2016). The survey was distributed by the Ministry of economic development to all 85 regions. The survey was sent to regional administrations with a cover letter from the Ministry that requested the head of regional administration to arrange for the survey to be completed. 79 responses were received. The position of people who filled in the questionnaire varied across regions.

⁵ Two waves of the survey were conducted. The first wave was conducted in 2014 (Klimenko et al., 2016), the second – in 2016 (Klimenko et al, forthcoming).

Figure 1. Assessment of direct cost of drafting and updating strategic planning documents by regional administrations of the Russian Federation



Note that costs usually increase by an order of magnitude with the addition of each new strategic planning document. For this exact reason, it would be advisable to follow the “one in – one out” rule, at a minimum, when developing the strategic planning system. The introduction of new documents into the strategic planning should be justified, at the very least, by a substantiation the need for this document from the viewpoint of governance, and their complete methodological and organisational readiness and approval.

Key factors for the success of Strategic Planning

To justify the cost of operating the system of strategic planning it is necessary to ensure its good performance. The performance of strategic planning cannot be described by quantitative indicators. In this case, the presence or absence of certain conditions is important. The authors’ familiarity with strategic planning systems in Russia has made it possible to identify the key preconditions for its effectiveness. These preconditions are summarized in this section.

The effectiveness and efficiency of strategic planning depend on the availability of skilled human resources, organisational and methodological readiness of the planning agencies and their units. **Organisational readiness** implies that there are government agencies or their units responsible for the strategic planning process, and a procedure and schedule for drafting, updating and approving the strategic documents are in place. The availability of a joint database, principles and methods of developing strategic planning documents can be considered a part of **methodological readiness**. In other words, organisational and methodological readiness mean

that process owners (planners) understand their workflows and procedure for preparation of draft documents and are also familiar with the logic, development methods and data available.

These purposes can be served by regulation of the strategic planning process, the availability of a unified information system and databases, portals with reference information, unified requirements for strategic planning documents, criteria and methods of evaluation of their implementation, openness and availability of information to all stakeholders.

Organisational and methodological readiness and unity also implies the congruence of strategic planning documents adopted and implemented at various levels of government: national, regional and local. This precondition is ensured by **vertical integration** of strategic governance.

Horizontal integration needs to be ensured. This implies coordination of regional strategic planning documents, development of inter-regional cooperation, finding strategic paths toward resolution of conflicts and contradictions at every level of public governance.

Organisational and methodological readiness ensures the comparability of strategic planning documents, makes it possible to coordinate the strategies across multiple levels of governance. Conversely, the absence of such readiness causes conflicts and contradictions in strategic documents of various levels and different agency subordination, makes strategies useless and ultimately undermines the quality of public governance.

As for **human resources**, it is important to develop competencies for public officials dealing with strategies, which can be acquired through the available training programmes. Sometimes authorities make up for the shortage of competencies by using external specialists on a voluntary basis or under consultancy contracts. This outsourcing practice is commonplace at all levels of governance in Russia.

An essential component of success for strategic planning is the **readiness of the principal stakeholders to participate and contribute in strategy planning**.

Strategies should mainly focus on cooperation and co-production, thereby creating the multiplier effect, and also facilitate and expand the involvement of NGOs and businesses in national programmes. In this way, strategic planning documents will contribute to ensuring inclusive growth, which implies the involvement in the development projects of all citizens from different walks of life, irrespective of their financial status, age, gender, physical condition or religious beliefs.

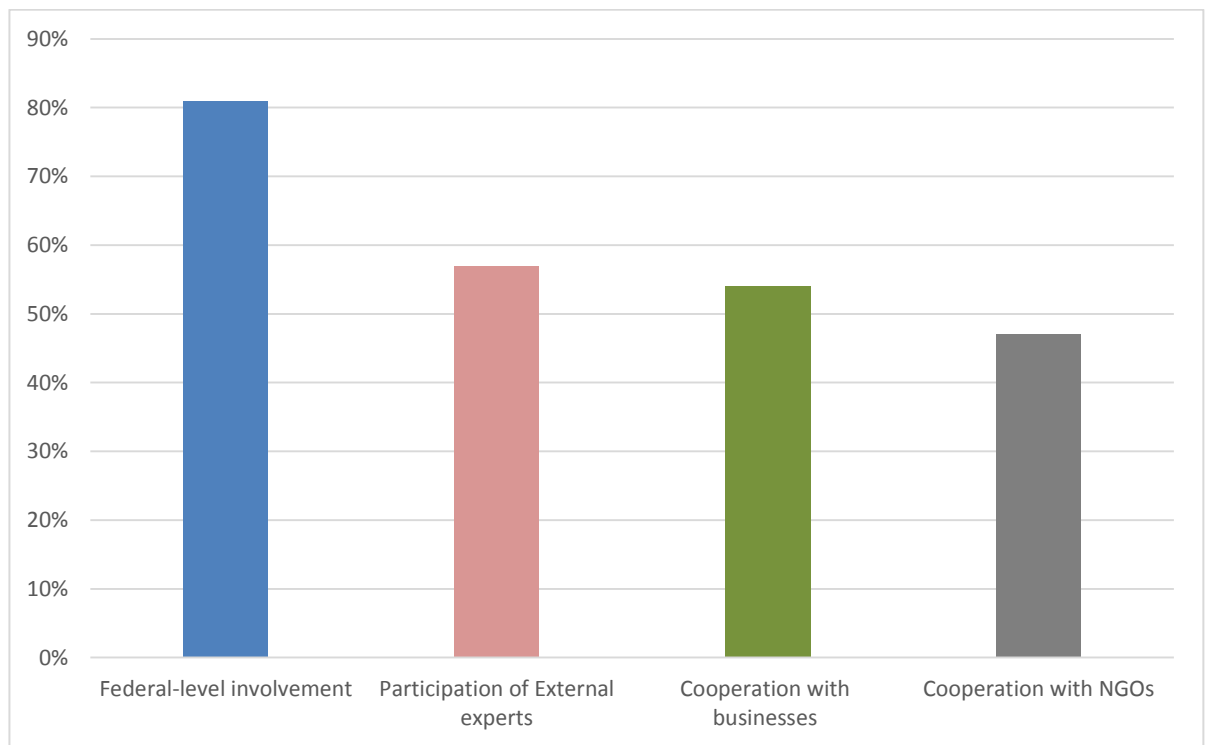
Involvement of all stakeholders in the strategy elaboration and implementation process allows overcoming the political-administrative dichotomy (that is harmful in this case) and the monopoly of bureaucracy over socially important decisions. It is obvious that the core enterprises, small and medium businesses and non-profit organisations are the primary drivers of socio-economic growth in the country and in regions. Indeed, the recognition of views and positions of key stakeholders is one of the main aims of strategic planning (Berry, 2007).

In turn, a **precondition for involvement** is disclosure of information at all stages of preparation and discussion of drafts of strategic documents and assessment of the results of their implementation. Available information should not just be complete but also needs to be understandable to different participants with different levels of knowledge, competencies and experience. Only in this case will all participants be able to make a rational choice, while the risk of manipulations will be minimised. Only in this way can we determine the balance of interests, ensure feedback, avoid conflicts and antagonism. These purposes are served by parliamentary, public and expert discussions, consultations, public opinion polls and collection of public proposals relating to specific issues, including those conducted over the Internet.

Active and interested participation of civil society representatives in the discussion, development and monitoring of the implementation of strategic documents makes them legitimate and enforceable. An important result of participation is the ability to factor in the interests of various groups of influence and unique information possessed by specific recipients of public services. The principal stakeholders in the strategic planning process are businesses and NGOs. Whether or not the approved strategic goals can be achieved ultimately depends on their involvement in the process of shaping and implementing the strategies. Berry (1994) found that close cooperation of state agencies with businesses is, indeed, associated with the implementation of strategic planning in government agencies in the US.

However, the opinion of the business community so far is not prioritised in the process of drafting strategic documents in Russia. The survey has revealed that most of the regions agree that businesses, experts and NGOs need to be involved, and yet most of them do not believe their participation in the drafting of strategic documents to be a priority task for the regional authorities. Regional administrations attach far more importance to interaction with bureaucrats of a higher level – the federal executive authorities (see Figure 2).

Figure 2. Priorities of regional authorities in interacting with the principal stakeholders in matters of drafting strategic planning documents (% of the regions covered by the survey)



However, the majority of the business representatives surveyed expressed an interest in participating in the drafting of strategic planning documents of the government. However, they opted for the indirect remote participation over the Internet.

There is a need for **accountability mechanisms and incentives** to achieve the goals and objectives outlined in strategic planning documents. For example, one of the most effective mechanisms is tying in the strategic planning cycle with the electoral cycle(s), which ensures direct accountability of the elected leaders for the decisions previously proposed and approved by them. This is a vital precondition of the effectiveness of strategic governance and enforceability of strategic planning documents.

As for economic accountability, **tying in strategic planning documents with the budget** can play an important role (Shaw, 2016). A precondition for this tie-in is the implementation of the practice of multi-annual budgets and results-oriented budgeting.

There is also a need for other incentive systems incorporated into the implementation of strategies and focused at both private (tax breaks, conditional subsidies, grants, etc.) and government organisations (KPIs, government assignments, administrative rules, etc.). Administrative accountability within executive authorities is ensured by linking KPIs with the assessment of the performance of government agencies, their units, leaders and separate public

officials. This assessment is often considered when allocating funds, determining the level of remuneration and awarding career promotions.

Enforceability of strategies depends on whether strategies include accountability and incentive mechanisms. Devoid of these mechanisms, strategies turn into mere declarations of intent and good intentions, while the costs incurred in drafting them are largely unjustified.

When strategic planning documents incorporate political, economic and administrative components of accountability and incentives, they turn into **a kind of social contract** with clearly defined rules, obligations and benefits for the concerned parties.

It is advisable to **segregate strategic activities from other routine work**, form independent units such as project-specific units established for the duration of strategic planning. Once the strategy has been developed and approved, this unit can be disbanded until the next planning cycle. In this case, organisational segregation helps avoid conflicts between current and strategic activities, failing which such conflicts are most often resolved in favour of performing current assignments and tasks as having higher priority.

Strategies should mainly factor in the **upcoming changes and propose ways in which the management system can be adapted to them**. In this sense, unlike operational planning the strategic planning process should focus on implementing reforms, creating institutional conditions, stimulating effectiveness, unlocking reserves and implementing various initiatives on a competitive basis. A strategy is not so much a clearly defined roadmap as a programme of qualitative reforms in which solutions may be adjusted (updated) as progress toward the desired changes is made and also when new external circumstances and new opportunities appear.

Conclusion

In times of volatility and market turbulence, short-term planning appears to be more rational compared to long-term planning. Even traditionally long-term strategic documents may cover a shorter period than usual. The growing uncertainty of the external environment calls for more frequent strategy updates to factor in the movement trajectory and choose appropriate control mechanisms.

Strategic planning documents should substantively focus primarily on the **development of institutions**. This means that strategic planning documents are **reform programmes** providing for the implementation of new organisational forms, rules and regulations.

Their objectives also include finding ways to drastically mitigate or eliminate resource limitations by modifying the institutional environment.

The costs of strategic planning are considerable and should be taken into account when estimating the usefulness of such an administrative exercise. Without a proper cost assessment, strategic planning documents may degenerate into mere paperwork with little impact other than dissatisfaction and demotivation of staff.

References

- Andrews, R., Boyne, G. A., & Walker, R. M. (2006). Strategy content and organizational performance: An empirical analysis. *Public Administration Review*, 66(1), 52-63.
- Berry, F. S. (1994). Innovation in Public Management: The Adoption of Strategic Planning. *Public Administration Review*, 54(4), 322-330. doi:10.2307/977379
- Berry, F. S. (2007). Strategic planning as a tool for managing organizational change. *International Journal of Public Administration*, 30(3), 331-346.
- Berry, F. S., & Wechsler, B. (1995). State Agencies' Experience with Strategic Planning: Findings from a National Survey. *Public Administration Review*, 55(2), 159-168. doi:10.2307/977181
- Boyne, G., & Gould-Williams, J. (2003). Planning and Performance in Public Organizations an empirical analysis. *Public Management Review*, 5(1), 115-132.
- Bryson, J. M. (2010). The Future of Public and Nonprofit Strategic Planning in the United States. *Public Administration Review*, 70, S255-S267.
- Bryson, J. M., Berry, F. S., & Yang, K. F. (2010). The State of Public Strategic Management Research: A Selective Literature Review and Set of Future Directions. *American Review of Public Administration*, 40(5), 495-521. doi:10.1177/0275074010370361
- Bunning, C. R. (1992). Effective strategic planning in the public sector: some learnings. *International Journal of Public Sector Management*, 5(4).
- Driver, P. (2014). Why most public sector strategies are not actually strategies at all. *The Guardian*. Accessed 12 Dec 2016. Retrieved from <https://www.theguardian.com/public-leaders-network/2014/apr/08/public-sector-strategies-vague-aspirations>
- Ferlie, E., & Ongaro, E. (2015). *Strategic management in public services organizations: Concepts, schools and contemporary issues*: Routledge.
- Kalgin, A. (2012). Upravlenie po rezul'tatam: kontrol' ili rezul'tativnost'? [Performance management at the regional level: control or effectiveness?] (In Russian). [Управление по результатам на региональном уровне: контроль или результативность?]. *Public Administration Issues*(3), 35-60.
- Khoury, M., & Abouchakra, R. (2015). *Government For a New Age: the Transformation Agenda*. Oxford: Infinite Ideas Limited.
- Klimenko, A. V., Korolev, V. A., Dvinskikh, D. Y., Rychkova, N. A., & Slastikhina, I. Y. (2016). Napravleniya sovershenstvovaniya normativnoy pravovoy bazy v sfere strategicheskogo planirovaniya (Directions for the improvement of regulation in the sphere of strategic planning). *Working paper WP8/2016/03, Series WP8 Public administration, HSE*.
- Levi-Faur, D. (2012). *The Oxford handbook of governance*: Oxford University Press.
- Nartisa, I., Putans, R., & Muravska, T. (2012). Strategic planning and management in public and private sector organizations in europe: Comparative analysis and opportunities for improvement. *European integration studies*(6).

- Noveck, B. S. (2015). *Smart citizens, smarter state: The technologies of expertise and the future of governing*: Harvard University Press.
- OECD. (2014). *CENTRE STAGE: Driving Better Policies from the Centre of Government*. Paper presented at the 33rd meeting of Senior Officials from Centres of Government, Vienna, Austria.
- OECD. (2015). *The Changing Face of Strategic Crisis Management*. Paris: OECD Publishing.
- OECD. (2016a). *The Governance of Inclusive Growth: An Overview of Country Initiatives*. Paris: OECD Publishing.
- OECD. (2016b). *Supreme Audit Institutions and Good Governance: Oversight, Insight and Foresight*. Paris: OECD Publishing.
- Poister, T. H., Pitts, D. W., & Hamilton Edwards, L. (2010). Strategic management research in the public sector: A review, synthesis, and future directions. *The American Review of Public Administration*, 40(5), 522-545.
- Poister, T. H., & Streib, G. (2005). Elements of Strategic Planning and Management in Municipal Government: Status after Two Decades. *Public Administration Review*, 65(1), 45-56.
- Ring, P. S., & Perry, J. L. (1985). Strategic Management in Public and Private Organizations: Implications of Distinctive Contexts and Constraints. *The Academy of Management Review*, 10(2), 276-286. doi:10.2307/257969
- Shaw, T. (2016). Performance budgeting practices and procedures. *OECD Journal on Budgeting*, 15(3), 1D.

Contact details and disclaimer

Andrey Klimenko

Professor, School of Public Administration

Director, Institute of Public Administration and Governance

National Research University ‘Higher School of Economics’

Room 521, Myasnitskaya 11, Moscow 101001, Russia

aklimenko@hse.ru

Any opinions or claims contained in this Working Paper do not necessarily reflect the views of HSE.

© Klimenko, Kalgin, 2018