



ORIGINAL PAPER

**Strategic Management in the Local Public
Administration Institutions.
Case study: Application of the Balanced Scorecard
instrument in the Zalău City Hall**

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Abstract:

This article, which aims analyzing the strategic management system in the local public administration, consists of three research directions. First, there is an outline of the main aspects which characterize organizational management and strategic planning, and afterwards we sketched the most important elements of the local public administration in Romania, including various planning methods which have been used at this level. The second direction, is the theoretical presentation of the Balanced Scorecard instrument as a method of strategic planning. In the first two sections of this article, the presentation is a theoretical one, based on the analysis of social documents (legislation, books, articles). The fourth direction is an empirical one, and it presents the methodology used for institutional assessment and strategic planning in the Zalău City Hall, by using the Balanced Scorecard instrument. At the end of this article there is an emphasis on the main action channels assumed by the City Hall.

Keywords: *Balanced Scorecard; strategic management; local public administration; Romania; Zalău City Hall.*

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The local public administration system in Romania and the application of strategic management

In order to adapt to the continuously changing environment and face competitiveness and daily challenges, each organization/ institution must make structural changes. They require strategic planning initiated by the manager of the institution, so as to bring about positive changes and set the organization on the path towards the desirable state of things (Baba, Cherecheș, Țiclău and Mora, 2009, 33; Porumbescu, 2018: 42). Most of the times, when the manager wants their organization to change, they tend to plan this process, by choosing one of the classical models: "debate-synthesis, life cycle, goal setting or evolutionary" (Van de Ven and Poole, 1995: 510-540).

Chandler defined strategy as "setting the long-term purposes and objectives of the organization, adopting policies and allotting the resources which are necessary in order to reach these objectives" (Chandler, 1962: 9).

Strategic planning requires the ability to effectively intervene in all organizational sectors, and this ability "can be developed by knowing each of the existing field of activity of the institution or of the organization, of the external environment, by identifying the positive and the negative aspects, by stimulating performance" (Neamțu, 1997: 97). efficiency generates the ability to know how and in which field to intervene, in order to generate the change which is necessary of the development of the organization.

Olsen and Eadie defined strategic planning as "a deliberative, disciplined approach to producing fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why" (Olsen and Eadie, 1982 : 4).

The simplest draft of strategic management is based on three key elements which Bryson and Alston call "the ABC of strategic planning" and it starts from three essential questions: "A- Where we are?", "B-Where we want to be? ", "C- How to get there?" (Bryson and Alston, 2005: 3). For a coherent strategic planning, the manager must have an overall vision and determine the best way to interweave the three elements (A, B and C), because, in order to get from A to B they must make a clear statement of the organizational mission and purposes, in order to get from A to C they must determine the necessary strategy, and in order to get from B to C they must implement the respective strategy (Bryson, 2011: 10-11).

In view of a strategic planning, in order to generate a positive change, it is usually necessary to start from an organizational diagnosis. Research in the field of organizational diagnosis, regardless of their instrument of choice (Beldiman and Stepan, 2017: 60; Șerban, 2013: 55; Petcu, 2013: 143) (measuring performances, audits, surveys) provides the managers with the information they need in order to draw an effective management plan (Baba, Cherecheș, Țiclău and Mora, 2009: 33).

Bryson identified different approaches to management strategy, such as: strategic planning systems; approaches based on strategic negotiations; participant management; strategic issues management; competitive analysis and logical incrementalism (Bryson, 2011).

The doctrine emphasizes the difference between strategic management and strategic planning, the former being a more advanced form, which encompasses and extends the characteristics of strategic planning, "the difference between the two terms is that strategic planning focuses on making the best strategic decisions, whereas strategic management focuses on obtaining strategic results" (Ansoff, 1988: 235).

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After giving ample examples of definitions of strategic management from the specialized literature, Burduş Eugen and Popa Ion define it themselves as "the process which involves setting strategic objectives and options while taking into consideration the existing internal and external constraints, making the necessary changes of strategic management and adopting the necessary decisions" (Burduş and Popa, 2013: 277). The authors determine the main steps of strategic management: defining the mission and the existing fields of activity; setting the strategic objectives as targeted performance levels; formulating a strategy enabling the organization to reach their performance levels; implementing and executing the strategic objectives, assessing performance and/or redefining different elements of the strategy (Burduş and Popa, 2013: 277-278).

In the context of this article, public administration, and especially the City Hall, are of the utmost interest. Local public administration is the whole of the general or special competence authorities, which are meant to satisfy the requirements and general interests of the population of a territorial-administrative unit (county, village, city). Article 121, Paragraph 1 of the Romanian Constitution indicates the fact that: The public administration authorities, ensuring local autonomy in villages and cities, are the elected local councils and mayors, as provided by law (Romanian Constitution, Art. 121, Para. 1). The mayor is an eligible public institution and it has a one-person structure (Gîrleşteanu, 2008: 232). In Romania, the framework Law of the local public administration is Law 215/2001, updated, and article 77 of this law provides that "The mayor, the vice-mayor(s), the secretary of the village, city or territorial-administrative subdivision of a municipality, along with the specialized staff of the local council constitute a permanent functional structure called the Village Hall or City Hall, which implements the decisions of the Local Council and the mayor's dispositions to solve the current issues of the local community" (Law 215, 2001, Art. 91).

Considering our choice of analyzing the management of a public institution, it seems relevant to clarify the concept of public management: Public management is the whole of the management processes and relationships between the components of the administrative system, which implement laws, plan, organize, coordinate, manage and control the activities undertaken in order to organize and provide public services which fulfill the general interest (Marinescu, 2001: 15).

The theory of municipal management, as a separate administrative system, has developed since the second half of the 20th century. Depending on the object, there have been emphasized two sub-systems: municipal administration, the municipality being responsible for its development, and the municipal services, including the organizations and companies located in the respective territory, which make use of the resources thereof, and which are on a state property, privately owned or non-patrimonial property. In its relationship with these components, local administration can only use indirect and contractual influence (Coşerin, 2013: 43; Pricină, 2016: 276). In practical terms, local management imposes both political and managerial control upon all of these organisms (Hinţea, Hudrea and Balica, 2011: 116; Sorescu, 2015: 367).

Until recently, public administration has shown little concern with the various aspects of strategic planning. The new management philosophy, on the other hand, focuses on public institutions, on setting long-term strategies and distinctive objectives and purposes, so as to enable managers to overcome potentially problematic situations (Nutt and Backoff, 1992: 45). Within this context, the institutions of public administration, as well as other private institutions and organizations, should design strategies, objectives and priorities as part of their management activity, and strategic

management mostly refers to top and middle management clerks. Thus, Hințea and Mora consider that "strategic management refers to that specific part of the activity of a public manager which consists of broadening their immediate perspective in order to create a wider vision of the activity of the respective entity, with some major aspects: defining the objectives, strategies, structures and functioning principles of the entity and measuring the time and space impact of an important measure" (Hințea and Mora, 2003: 25).

In the field of the strategic management used in the public institutions, Wechleser and Backoff identified four types of strategies: the development, change, protection and political strategy (Wechleser and Backoff, 1986: 321).

On the other hand, it is worth mentioning the fact that the doctrine makes ever more frequent references to the concept of "New Public Management", with principles and instruments which can apply to the central, as well as the local administration. However, the local management faces more challenges than the central management, given the fact that it has to adapt and provide the citizens with timely responses to their needs, with legislation and bureaucracy being the most significant obstacles (Bačlija, 2012: 25).

The performance of each organization greatly depends on the manager, and on the methods and techniques they use in order to exercise their functions. Thus, improving organizational performance involves a reassessment and renewal of the management and execution methods and techniques at all levels (Marinescu, 2001: 3). In the specialized literature there are numerous examples of management methods and techniques and models of strategic planning, the most widely used classical ones being: Benchmarking; Management by objectives (MBO); Budget Management (BM); Management by projects (MBP); Product Management (Pr M); (Marinescu, 2001: 31-46), but there are also some other models, such as: Six Sigma; the LEAN model; the Kaizen model; Management by exceptions (MBE); Participatory Management (PM); the Balanced Scorecard model (BSC).

Generally, the purpose of a reforming local strategy is to create administrations which prove able to fulfill their functions in such a way as to set the basic conditions for economic, social and organizational development in a given location (Mureșan, 2012: 69).

Each of these methods could be presented in this article, but it does not seem appropriate to do so, as the main objective of this material is to investigate the application of one of these methods, namely the Balanced Scorecard. Why is it necessary to apply organizational assessment? Because research must look into the reality of various sectors, identify the deficiencies thereof and find solutions to the respective issues. In this case it is necessary to implement a reformation of administration (either public or private), whether it is a level one, level two or level three reform, as classified by Halligan, but it definitely involves a change of strategy at the management level (Șandor and Tripon, 2008: 101). The new management models of the public system in general and of the local public administration in particular have three very important elements in common: 1. assessment of the managers' opinions; 2. assessment of the citizen's opinion, in order to ensure transparency, accessibility and a prompt reaction to the public's demands (Baba, Cherecheș, Mora and Țiclău, 2009: 6) and 3. adaptation to the new changes by an effective use of information and communication technology (ICT) (Tripon and Urs, 2009: 251). These and maybe other requirements can be met by using the Balanced Scorecard model, therefore the Zalău

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City Hall has decided to use it for organizational assessment and for a new strategy of the institution.

An innovative system for strategic planning: the Balanced Scorecard

In 1992, for the first time, Robert Kaplan and David Norton, published an article in Harvard Business Review, called "The Balanced Scorecard- Measures that drive performance", in which they described a new instrument for measuring performance, by means of a set of innovative markers, as compared to those in the classical models. The new instrument enabled the firm to implement and control its strategies (Kaplan and Norton, 1992: 71-79). In its initial form, the Balanced Scorecard model assessed four sectors (finance, the market/the clients, the internal processes and the development/training aspect), by means of a set of markers (Ștefănescu and Silivestru, 2012: 7).



Source: Kaplan and Norton

The same authors published 4 articles and one book in 1993, 1996 and 2000, in which they improve the Balanced Scorecard system, thus making it a model of strategic management (Kaplan and Norton, 1996a: 75-86) and setting an example of translating the strategy into concrete actions (Kaplan and Norton, 1996b; Kaplan and Norton, 2000: 167-176). The authors have other books published in the following years, in which they enlarge upon the concept at hand: "Strategy maps. Converting intangible assets into tangible outcomes"(2004), "Alignment. Using the balanced scorecard to create corporate synergies" (2006), "The execution premium. Linking strategy to operations for competitive advantage" (2008). Ever since its appearance, the concept has raised unprecedented attention, with academic research and the mass press approaching it and public and private institutions applying it (Zelman, Pink and Matthias, 2003: 1).

The Balanced Scorecard instrument is designed to enable the managers to assess the activity of their institution from the four perspectives mentioned above, thus creating a general picture and increasing the likelihood of finding a solution to the identified organizational issues and deficits (Chen et. al, 2010: 1297). As compared to the classical assessment systems, which focus on the financial perspective, the BSC emphasized the non-financial markers, which are important in "assessing the level of general satisfaction of the clients and employees, process duration and the quality of the results" (Ștefănescu and Silivestru, 2012: 8).

There are various methods of analysis and analyzed elements, depending on the type of the institution in which this instrument is used. For a financial analysis it can be observed whether or not investments have proved profitable or whether the assets or the profit have increased (Chen et. al, 2010: 1298), or what the structure of costs and expenses is. The market/client analysis, or the client satisfaction analysis, targets aspects such as: client/beneficiary satisfaction in relation with the quality and functionality of the provided products or services; institutional reputation and favorable image (Ellingson and Wambsganss, 2001: 103-120), as well as institution/firm/ brand awareness (Gumbus and Lyons, 2002: 45-49). The internal processes are measured by analyzing the management system in relation with the clients (by analyzing the way clients are selected, attracted and kept), operation management (by analyzing the process in terms of viability and quality) and innovation (by analyzing the identified opportunities and how promptly they are applied) (Chen et. al, 2010: 1299). The development/ training aspect is analyzed by identifying the ability and expertise of the human capital, by identifying the potential of valuing staff's knowledge and of imposing the shared visions and values within the organization capital and by identifying how accessible the management information and knowledge is in the field of the information capital (Chen et. al, 2010: 1299).

Balanced Scorecard is an effective method used for translating a strategy into a set of objectives that are relevant to each of the four sectors, and the level of meeting these objectives can be measured by using a set of performance markers (Bose and Thomas, 2007: 656). In applying the Balanced Scorecard instrument, some institutions have gone to another level, which has led to the definition of four processes in the new strategic management: transposing vision; communicating and establishing connections; planning actions, business and feedback, and learning (Bose and Thomson, 2007: 656; Motoi, 2017: 176).

Things are slightly different when Balanced Scorecard is applied in public administration. The most significant difference between the public and the private sector is the fact that the financial aspect is not relevant to the public sector in other ways than for making expenses fit into the allotted budget (Kaplan, 1999: 4). For public organizations it is essential to identify the main objectives of the strategy of each structure for the near future by interviewing the managers of the institution. Public organizations must fulfill three missions: "create value, at a minimal cost and constantly support the financing authority. Starting from these missions, the public organization will have to identify the objectives of the internal processes in terms of development and learning" (Kaplan, 1999: 4). Thus, once the main objectives have been identified, the public organization applies the process to all the existing departments.

Case study: Application of the Balanced Scorecard instrument in the Zalău City Hall

The organizational assessment of the Zalău City Hall, by using the Balanced Scorecard method, was conducted between April and June 2014 in several steps, at the headquarters of the institution.

The first step consisted of the application of a questionnaire to assess the efficiency of the management system used in the Zalău City Hall. This was the basic element for the application of the Balanced Scorecard method. There followed an assessment of all the relevant sectors: finance, the market/the clients, the internal processes and the innovation/training aspect. The final result was the identification of

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the main objectives which must be taken into account by the management of the Zalău city hall and an outline of the strategy to be used in the near future.

Self-assessment of the management system maturity in the Zalău City Hall

A self-assessment questionnaire regarding the management system maturity and efficiency was used in order to assess the current situation of the Zalău City Hall, so as to correctly apply the Balanced Scorecard method. This questionnaire was applied to the top and middle management of the institution, which enabled a general view of the current state of affairs in the city hall.

The part of the questionnaire related to the management system maturity and efficiency in the Zalău City Hall consisted of 28 questions, incorporated in matrix-like sections and grouped according to the aspects they encompass.

The purpose was to identify the perception of the people in top and middle management positions, regarding the level of implementation of all the steps in the strategy of the Zalău City Hall: definition of the strategy; transposition of the strategy; organizational alignment; operational integration; assessment and education; revision and test of the strategy.

Several aspects were tested for each of these sectors (between 4 and 6 aspects). The purpose was to identify the efficiency and maturity level of the management system of the organization. Four values were used for the questions: Definitely not = 0 points; Rather not = 1 point; Possibly (uncertainly) = 2 points; Rather yes = 3 points; Definitely yes = 4 points; non-answers were excluded.

According to the resulting number of points, the conclusions could be: *a mature management system*, for values adding to between 84 and 112 points; *maturing strategic management system*, for values between 70 and 80 points; and *immature or nonexistent strategic management system*, for scores of up to 69 points.

Thus, after calculating the number of points awarded for the 6 sectors of the management strategy, resulting from the answers of the people in management positions, there resulted a total number of 72.93 points, which makes the management strategy of the Zalău city hall fit the description of a *maturing strategic management system*. The conclusion was that the management system of the City Hall was incomplete in terms of processes and structure, which led to deficiencies in strategic execution and organizational change. After having identified the level of management maturity of the Zalău City Hall, there followed a review of the weakest strategic aspects, enabling the management to identify faults and to design an improvement plan to rectify those faults. It was also necessary to perform a full audit in order to identify all the deficiencies and causes of the current situation.

Financial assessment

The institutional financial assessment was conducted in two stages:

The first stage consisted of a comparative analysis of the financial indicators for the years 2011, 2012 and 2013. The analysis was based on the financial reports provided by the specialized compartments of the Zalău City Hall.

The second stage consisted of an analysis of the people employed in the Zalău City Hall, in the Zalău Community Social Work Directorate and the Zalău Local Police Department, which are structures of the city hall. This analysis was based on the structured sociological interview of the people who have financial responsibilities (accountants, human resource managers, heads of departments, the mayor, the vice-

mayors etc.). The interviews were conducted in the form of meetings and dialogues during which the relevant information was collected. The sample consisted of 102 people.

Assessment of the beneficiary satisfaction

A number of 200 questionnaires were applied for the beneficiary satisfaction survey, using the Likert scale. The respondents were chosen randomly, among the direct beneficiaries of six departments in the institution. The distribution of the questionnaires to the various offices/departments depended of the general flow of the beneficiaries who use the respective services. Thus, 30% of the questionnaires were applied to the beneficiaries of the Public Relations Office, whereas 25% were directed to the clients of the Directorate for Personal Records. Also, 15% of the questionnaires were filled in by the beneficiaries of the Social Work Directorate, while 40% of the questionnaires were directed to the following offices: Tax Collection, Real Estates Service, Rural Land Registry and the Local Police Department, each with 10% of the sample.

Assessment of the internal processes

The internal processes were assessed in order to investigate the actions taken by the City Hall and to identify those which require more work from the city hall employees in order to achieve higher beneficiary satisfaction.

Three types of instruments were used for this assessment:

- Structured interviews – with employees in the field of quality management.

The interview was applied to 22 people;

- A Likert scale sociological questionnaire (the answers were valued between 1 and 5 points) – applied to the City Hall employees which aimed to identify the level of employee satisfaction, their relationship with their superiors and their colleagues, as well as with their beneficiaries. The study was conducted by means of a self-administered opinion survey.

Two types of questionnaires were designed in order to achieve the objectives of the study: a questionnaire consisting of 53 questions with preset answers and four social and demographic questions. The main purpose was to investigate the organizational efficiency of the Zalău City Hall, by applying the questionnaire to representative panel of 65 people, and another questionnaire, consisting of 57 questions with preset answers and four social and demographic questions, which was administered to a representative panel of 66 people. The purpose of this questionnaire was to investigate the level of organizational culture within the Zalău City Hall.

- The observation sheet – which was administered to 20 randomly chosen people at their workplace within the City Hall.

Assessment of innovation and internal development

The process of assessing innovation and internal development aimed at identifying the skills and abilities of the people who are employed within the city hall and the way in which they are able to improve or make their own work more efficient. For this assessment it was used the 360 degree feedback tool in every department of the city hall. The questionnaire enabled the observation of the organizational climate, of the employee attitude, and of their opinion on the values of the institution and on their own colleagues etc.

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On the other hand, the organizational communication and behavior was assessed as well, by administering a questionnaire consisting of 60 questions, which allowed the identification of the types of communication and behavior of each employee (assertive, aggressive, manipulative and non-assertive). The purpose was to create a matrix to be used by the people in management positions to improve organizational communication.

Moreover, another type of questionnaire was applied to identify the knowledge of foreign languages among the employees, as well as their computer skills. The questionnaire was based on the opinion survey method and it was either administered by specialized people or self-administered. It consisted of both preset and free answers aiming at collecting customer related information.

The questionnaires based on the 360 degree feedback method assessing employee attitude, the one related to their communication and behavior, and the one which aimed at identifying their training needs were applied to 267 employees.

Formulation of a strategy

The analysis reports comprehensively detailed the financial results, the beneficiary satisfaction, the internal processes, innovation and development, in a systemic approach, by applying the Balanced Scorecard. An outline of the Zalău City Hall strategy could thus be drawn.

The Zalău City Hall management strategy identified by the application of the Balanced Scorecard method	
Finances	<p>Strategic objectives</p> <ol style="list-style-type: none"> 1. Increasing local revenue; 2. Increasing the efficiency of the ratio between acquisitions, costs and benefits; 3. Improving economic and financial knowledge; 4. Increasing the professionalism of the people employed in the economic field; 5. Acquiring further knowledge on the efficient use of the budget.
	<p>Initiatives</p> <ol style="list-style-type: none"> 1.1. Attracting investors whose activity may widen the tax basis for building, transport, income or other types of taxes; 2.1. Constantly monitoring the ratio between acquisitions, costs and benefits; 2.2. Setting an efficiency threshold for this ratio; 2.3. Fitting into the relevant standards and frequently increasing them; 3.1. Assessing individual professional performances; 3.2. Meeting the training needs identified after the assessment of the employees' professional performances, generated by the constantly changing legislation, or by changes in their job description; 3.3. Providing internal training in order to improve efficiency in various specialties or departments. The training sessions shall be held four times a year by the head of the department and the results will be certified after completion of a test; 3.4. Attending courses related to the practical aspects of the activities in the City Hall; 3.5. Participating to conferences, seminars and other similar events, either home or abroad, in various fields included in their job description; 4.1. Assessing individual professional performances; 4.2. Organizing training sessions related to the fiscal policy; 5.1. Organizing courses related to: <ol style="list-style-type: none"> I. Preventive financial control; II. Patrimony and investments.
	<p>Performance indicators (Measures/targets)</p> <ol style="list-style-type: none"> 1. Increasing the tax collection rate; 2. Attracting investors; 3. Obtaining a positive ratio between acquisitions, costs and benefits;

	4. Providing training in the economic and financial field;
Beneficiaries	Strategic objectives 1. Maximizing beneficiary satisfaction in relation to the employees of the Zalău city hall; 2. Increasing beneficiary satisfaction in terms of institutional procedures; 3. Increasing beneficiary satisfaction related to communication.
	Initiatives 1.1. Monitoring beneficiary feed-back by constantly applying on-line surveys on the city hall website; 1.2. Regularly administering satisfaction survey instruments; 2.1. Simplifying those institutional procedures that are related to the beneficiaries, if legally possible; 2.2. Developing a user-friendly on-line platform; 3.1. Frequently monitoring the employee-beneficiary communication; 3.2. Organizing various committees specialized in examples of good practice in different relevant fields.
	Performance indicators (Measures/targets) 1. The number of users who take the on-line surveys; 2. Fewer institutional procedures (if legally possible); 3. An on-line platform.
Internal processes	Strategic objectives 1. Improving the work atmosphere; 2. Improving the professional relationship between the employees of the various departments and directorates within the Zalău City Hall; 3. Improving the communication between the management staff and the executive staff; 4. Motivating the employees of the Zalău City Hall.
	Initiatives 1.1. Organizing non-formal activities after work; 1.2. Regularly testing employee satisfaction related to the management of the institution 2.1. Appointing one person in each directorate responsible for improved information flow and better inter-departmental communication; 2.2. Regularly identifying inter-departmental cooperation deficiencies by having managers draw monthly reports on this topic. 3.1. Holding short weekly or monthly meetings in each department, during which employees would receive the work tasks from their own managers; 3.2. Encouraging directors, deputies etc., to communicate openly with their subordinates, by using the <i>open door</i> method and/or by providing them with detailed explanations of the objectives of their department; 4.1. Holding monthly contests, such as <i>Employee of the Month</i> , wherein the employee who achieved the highest number of objectives in the respective month would receive a non-financial reward. For their correlation with the most important objective, the department to which the best employee belongs votes the next winner; 4.2. Creating video proof of the institutional, even personal achievements.
	Performance indicators (Measures/targets) 1. Organizing more non-formal activities; 2. Holding more inter-departmental meetings; 3. Using non-financial rewarding methods to motivate the employees.
Innovation and development	Strategic objectives 1. Identifying different ways of obtaining employee feed-back; 2. Developing their ability to face challenges (legislative changes, economic phenomena etc.); 3. Increasing task competitiveness, personal and inter-personal efficiency; 4. Clearly balancing self description and peer description in terms of personal abilities.
	Initiatives

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	<ol style="list-style-type: none"> 1.1. Creating a mailing list for each service/department; 1.2. Creating a mailing list for the Zalău City Hall; 2.1. Providing professional training for the City Hall employees; 2.2. Organizing exchange meetings in public local institutions which are more developed than the Zalău City Hall, either home or abroad; 2.3 Illustrating relevant examples of good practice in the local meetings; 3.1. Praising efficient employees; 3.2. Encouraging and supporting the employees of the Zalău City Hall when discussing their work; 4.1. Regularly obtaining 360 degree feed-back; 4.2. Improving/illustrating the skills which are necessary to balance self assessment and assessment.
	<p>Performance indicators (Measures/targets)</p> <ol style="list-style-type: none"> 1. Improving the communication channels; 2. Providing more specialized training sessions; 3. Obtaining more 360 degree feedback.

By analyzing the above Strategic Map, it can be noticed that there are 16 Strategic Objectives, which could be met by applying 35 activities/actions, measured by means of the suggested performance indicators.

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