

Effective strategic planning in public transit systems

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Abstract

This paper identifies the characteristics of strategic planning systems of transit agencies that enhance these agencies' abilities to respond effectively to federal legislative requirements and mandates, and have positive community impacts. These characteristics are, each unit or division must develop its own action plan to be combined into a system-wide strategic plan, strategic planning should receive more than lip service from top and unit or division level managers, and it requires the involvement and commitment of top-level management. Additional characteristics are, strategic planning should be designed to have an external orientation, to focus on an organization's responsiveness to the demands of its customers, and it should focus on identifying and exploiting areas of future growth opportunities. Furthermore, it requires involvement of employees, and it must fit the management and decision-making styles of top-level managers.

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1. Introduction

The success of strategic planning in some private sector firms as well as interests of governments looking to tie their budgets to performance measures have spurred its use in public sector organizations as a tool of strategic management. An example of this interest is the Government Performance and Results Act (GPRA) of 1993, which mandates strategic planning for federal agencies. However, mixed evidence about the relationship between strategic planning and organizational performance makes the debate about its effectiveness as a tool of strategic management an ongoing one. Mintzberg (1991), for example, argued that in a turbulent environment strategic planning is a constraint on the flexibility of an organization to adapt to its rapidly changing and uncertain environment. Roney (2003) and Akhter (2003) have argued that it is environmental uncertainty that

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makes strategic planning an imperative for organizations that operate in turbulent and uncertain environments. Agreeing with the latter argument, [Backoff et al. \(1993\)](#), and [Vinzant and Vinzant \(1996a\)](#) argue that local government agencies are prime candidates for strategic planning because they, too, face turbulent, ever-changing and politically charged environments, and highly publicized resource allocation problems. Additionally, as [Poister and Van Slyke \(2002\)](#) note, transportation departments (including transit agencies) have experiences with planning, data gathering and analysis, and “using this information to allocate resources and manage programs”, thus making them good candidates for strategic planning.

These arguments notwithstanding, many researchers seem to agree that strategic planning is an effective tool of strategic management. [Miller and Cardinal \(1994\)](#) found positive relationships between strategic planning and organizational effectiveness and performance and argued that methodological problems could explain the inconsistencies in past research results. [Husey \(1974\)](#) pointed to design and process flaws as possible explanations of failure of strategic planning in many cases. He argued that, the fact that an organization practices strategic planning does not mean that it is done well. The question therefore, is what characteristics of strategic planning are related to its effectiveness. According to [Ramanujam et al. \(1986\)](#), these characteristics are the organizational environment in which strategic planning is applied (contextual), and how strategic planning is designed and implemented. [Ugboro \(1985, 1991\)](#) adds top management leadership involvement in and commitment to strategic planning, and the strategic planning process itself to the characteristics of effective strategic planning.

The objective of this paper is to identify the characteristics of strategic planning systems that enhance a public transit agency’s ability to respond effectively to federal legislative requirements, and still have positive impacts on their communities. This requires determining the relationships between strategic planning characteristics and strategic planning effectiveness. To do so, this paper develops measures of internal organizational success of strategic planning, federal legislative requirements, community impacts of strategic planning, and strategic planning characteristics. These characteristics are measured by the organizational contextual, design, process, top-management leadership involvement and commitment dimensions of strategic planning systems of public transit agencies and are treated as variables. Then, using structural and measurement equations, the paper develops relationships between the measures, strategic planning characteristics, and internal organizational success of strategic planning, federal legislative requirements and community impacts. Those measures with positive coefficients are used as the characteristics of effective strategic planning.

The rest of the paper is divided into six parts. Section 2 presents a survey of the relevant literature on strategic planning and strategic management particularly in the public sector. It is followed in Sections 3 and 4 by hypotheses and methodology, respectively and in Section 5 by tests of hypotheses. Sections 6 and 7, deal with the characteristics of effective strategic planning and conclusion, respectively.

2. Literature review

Strategic planning is defined as the process of diagnosing an organization’s external and internal environments, deciding on a vision and mission, developing overall goals, creating and selecting general strategies to be pursued, and allocating resources to achieve the organization’s goals ([Hellriegel et al., 2005](#)). The objective of strategic planning is to align an organization’s activities with its environment, thereby providing for its continuing survival and effectiveness. It requires an organization to monitor its internal and external environments constantly for changes that may require modifying existing strategic and tactical plans or developing different ones altogether.

At the federal level, the GPRA requires agencies to prepare three strategic planning documents. The first is a strategic plan covering a period of five years and reviewed every three years. As required by the act, this plan must have a comprehensive mission statement, goals and objectives, how the goals and objectives are to be achieved, identification of external factors that could affect the achievement of the goals and objectives, and a description of program evaluations to be used to revise the goals and objectives. The second document is an annual performance plan for each program activity. It requires agencies to establish quantifiable and measurable performance goals, provide a description of the resources needed to meet the goals, and performance indicators. The third document is a program performance report that compares the performance indicators established by each agency with its actual performance to assess strategic planning’s failures and

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