

## Redesigning the Strategic Management System in a Time of Fiscal Crisis in Lithuania

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***Abstract.** The aim of the article is to discuss different strategies of managing fiscal crisis and concomitant PM reforms to support austerity measures in Lithuania, underlining strategic management component in particular. The case study of Lithuania is presented and analysed seeking to distil some important conclusions and lessons learned. The Lithuanian government took the following approach to reform the strategic management system in a time of fiscal crisis: introduced effective mechanism to implement policy priorities, changed the way the budgets are allocated from appropriations to budgets based on results and priorities and attempted to enhance results based culture via reform of the civil service system. The Lithuanian government decided on a small handful of policy priorities and was relatively successful at establishing an effective mechanism for the formulation and implementation of these priorities, however, the efforts to introduce senior civil service as an important target group for advancing coordination and overcoming sectorial boundaries was not successful.*

**Keywords:** *public management reform, case study of Lithuania, fiscal crisis.*

**Raktažodžiai:** *viešojo valdymo reforma, Lietuvos atvejis, fiskalinė krizė.*

### Introduction

An economic crisis followed by fiscal crisis affected countries worldwide. Some countries in particular are facing severe problems. Although policies are primarily aimed at reducing public budget deficits they are increasingly shifting to focusing on more long-term solutions on how to achieve discipline for balanced budgets and economic growth. These solutions require reviewing and revising public management systems as well.

A lot of scientists and practitioners attention has recently focused on the origins of the current global economic and fiscal crisis and measures to deal with it (especially fiscal policy (austerity measures and consolidation strategies), regulatory and structural reforms). However the impact of the crisis on the public management

system has been analyzed less. Analysis of the current economic and social challenges often overlooks the issue of public management — its manifest weaknesses and its under-exploited potential [1]. The literature on cutback management provides public managers with some indications of the approach – strategic and long-term – to be adopted for a successful recovery and highlights some risks in terms of compromising future organizational capacity and the politicization of decision-making. The literature does not provide further indications on how to address the crisis and the linkage with of public management (PM) reforms [2]. In the situation when there is a lack of clear guidelines countries practice should be analyzed.

Public management reforms vary considerably in different countries due to the complexities of the political process, the legal and the organizational processes and the depth and precise nature of the crisis. As general ideas can profitably be shared but each government in each country needs to find its own strategy based on its own detailed diagnosis, prognosis and assessment of its self-reform capacity [3]. To understand most important success factors the fiscal and political context, linkages to budgeting, strategic planning, civil service system, the extent of political involvement and ownership of the approach need to be examined.

This paper explores the impact of the current crisis on the changes of public management system. The aim of the article is to discuss different strategies of managing fiscal crisis and concomitant PM reforms to support austerity measures, underlining strategic management component in particular. We emphasize some crucial questions – what is the most appropriate PM reform strategy during a time of crisis to address challenges raised by fiscal crisis? Is it rational and feasible to combine short-term austerity measures with long-term PM reform? The case study of Lithuania is presented and analysed in the research seeking to distil some important conclusions and lessons learned. The case study is focusing on reshuffling of strategic management system. This article focuses specifically on PM reform issues, since fiscal consolidation measures in Lithuania during the period 2008 – 2012 have been discussed in detail in several articles [4]. The article is based on the desk analysis and results of the COCOPS survey of senior public executives<sup>23</sup>. It also relies on first-hand experience from one of the authors<sup>24</sup>.

### **Public management reform strategies in a time of fiscal crisis**

Sometimes major management reforms are ad hoc or planned, but occurring without any advancing fiscal crisis; sometimes they are emergency measures,

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<sup>23</sup> The survey of Lithuanian senior civil servants was carried out in Lithuania in April-June, 2013, following the methodology of the Work package 3 of the international COCOPS project (see [www.cocops.eu](http://www.cocops.eu)) and was financed by Lithuanian Research Council under the programme of „Breakthrough ideas“ (project title „Monitoring of Public Sector Reforms“, agreement no. PRO-10/2012). Over 400 top civil servants have completed the survey, response rate was approx. 20%. The more detailed preliminary results are presented elsewhere [5].

<sup>24</sup> Dr. Jurgita Šiugždinienė was the head of Strategic management department at the Office of Prime Minister in 2008-2012.

designed to avoid or push away crisis, real or anticipated and therefore are clearly originated in such crisis [6, p. 26, 149]. For example, New Public Management reforms were driven by a combination of economic, social, political and technological factors, however, the experience of economic and fiscal crises triggered the quest for efficiency and for ways to cut the cost of delivering public services. Thus the wave of NPM-style reforms was actually the response to the 1970s oil-price crisis, although supplemented by the ascendancy of neoliberal ideas from the late 1970s and the development of information technology in developed countries and the growth and use of international management consultants as advisors on reforms in developing countries [7].

There is rarely much social demand for public management reform; while citizens are often dissatisfied with public-sector inefficiency or the quality of public services, the issue of “internal” changes in the public management system usually tends to be of low political salience [8]. Ordinarily, politicians face few incentives to examine public sector budgets for waste and inefficiency. Yet, in a time of fiscal crisis politicians are forced to think not only about the content of public policy but to pay attention to its implementation system. The challenge of how best to achieve public sector efficiency becomes an important topic in the political discourses of democratic societies, and all the more so when public finances are under pressure and budgetary restraint assumes a higher priority [9]. This may strengthen political will to make changes to an existing system of public management.

Research on PM reform suggests that fiscal crises can create significant opportunities for development and reform [10] both by demonstrating serious weaknesses in public management and regulatory structures and the unsustainability of the status quo, and by disrupting the interest coalitions that have previously resisted reform [11, p. 31]. The crisis can make the need for public management modernisation more urgent, as citizens have turned to the government in search of quick solutions to complex problems. Given this context, recessions should be viewed as presenting opportunities to strengthen the public sector and invest in talent and capital projects with lower costs than the average over the economic cycle [10]. However, real and substantial gains in effectiveness are often associated with innovations in management approach [6, p. 144].

The difficulties in civil service reforms emerge because of several reasons. Firstly, public management reforms confront policy makers with the problem of “reforming the reformer”, since the public administration must, in effect, design and implement its own reform, imposing measures on itself that many officials may dislike [8]. Secondly, in order for innovative solutions to be found, the civil service needs to understand and share the ultimate objective of reform and be motivated to find and implement solutions. The problem is that this effort is taking place in parallel with cost cutting. From a management perspective, it is challenging to promote an agenda of innovation and reform to a workforce affected by wage freezes, enforced redundancies, workload increases due to non-replacement of staff, and so on [1].

Analysis of OECD countries experience shows that reform processes share some common traits such as: it is important to have an electoral mandate for reform;

effective communication is essential; policy design must be underpinned by solid research and analysis; appropriate institutions are needed to make the transition from decision to implementation; successful reforms take time; leadership is critical [8]. However only some of them are present in the time of crisis thus distinguishing crisis time reforms from others. These traits will be elaborated further.

*Fiscal austerity management strategies.* Generally the rapid transformation and growing complexity of societies, and the increasingly uncertain context in which they evolve fundamentally challenge traditional decision-making processes. The fiscal crisis has added to the challenge, pressuring governments to act quickly in order to reduce the public debt, to identify very quickly cuts to the public sector and public services (both operational and programme expenditure) in support of this, and relegating the long-term view to second place, or even crowding it out [12].

C. Pollitt describes three broad strategies for managing fiscal austerity by making savings that range from uniform cuts to prioritized cuts [3]. They all can lead to public management reforms, but in different ways. Each strategy requires a more sophisticated information base, and a more advanced management capacity.

Sometimes fiscal crises are managed with straight ‘cutback management’, but no fundamental system reforms [6, p. 27]. This can be justified by the fact that, many countries have experienced considerable and persistent difficulties in trying to establish close links between the performance of programmes and their budget allocations [6, p. 81]. Thus the first reaction to expenditure pressures may be to ‘cheese slice’, that means to cut equally all budget programmes without considering important policy priorities and programme performance.

Setting efficiency targets and driving savings across the government may be the second approach used in a time of crisis. Cuts in government consumption may become a driver of improved efficiency, since public organizations are forced to do the same job on unchanged or reduced budgets. However the intention to achieve public sector efficiency in a time of fiscal crisis is ambitious, since achieving increased efficiencies and greater effectiveness is particularly difficult in an environment of severe fiscal restraint [9]. Governments are usually facing challenge of obtaining reliable evidence based information from government institutions and therefore there is a need to invest more in monitoring and controlling outputs [13].

The centralized priority setting strategy requires a stricter prioritization of expenditure programmes, so that only the top priorities would continue to be funded at previous levels and the lower priorities would receive reduced funding or would be terminated. Such a prioritization might well require a new approach – new decision-making procedures, the application of new calculative techniques. Applying such an approach there is a danger that political decision-makers can prioritize on the grounds of political popularity and the decisions become not evidence based.

In practice it very often all three approaches are combined and implemented. However, policy responses to the crisis continue to appear fragmented, timid, and sometimes incoherent [1]. Thus in some cases it may even be better just to apply the traditional ‘cheese slicer’ rather than attempt complex reforms which, if they go off

the rails, may (at least for a time) reduce efficiency and effectiveness rather than increase them [3].

*Possible PM reforms supporting fiscal austerity measures.* PM reforms that support fiscal austerity measures are taking place under difficult conditions as there is little time for decision-making and debate, and governments are experiencing significant public (as public distrust and social unrest) and external (from international organizations such as EU, OECD, WB) pressure.

Governments are facing a dual challenge: they should make rapid short-term adjustments in order to control and, in the long-term, reduce major budget deficits while at the same time to maintain long-term policy goals and “credible commitment” by improving policy formulation and implementation mechanism so that it can meet its complex and rising obligations. This requires substantial changes in the system of public management – greater integration of different public management sub-systems. Instead of the former situation, in which budgeting was mainly the process by which annual financial allocations were incrementally adjusted, legalized, and made accountable to legislatures, budgeting has become more intimately linked with other processes – planning, operational management, and performance measurement [6, p. 78]. Based on various countries analysis [6, 8] it can be stated that fiscal crisis has strengthened the need for more deep integration of these sub-systems. Thus the deployment of the strategic management approach, introduction of performance budgeting and changes in civil service system are the key elements of public management reform in time of fiscal crisis.

*Strategic management approach.* The pressures on the decision-making processes in times of financial crisis are certainly intense. The need to pursue a more strategic approach to policy formulation and implementation is recognized. Improving strategic policy co-ordination requires action across several inter-related dimensions:

- ensuring that the government’s deliberations on strategic priorities take place with the benefit of a robust assessment of the overall economic, political and social situation and approaching pressures;
- linking the budget preparation process with strategic priorities;
- harmonising strategic priorities with other strategic documents of the government, such as key policy and reform strategies;
- verifying that ministry work plans reflect the government’s strategic priorities [14].

The importance of clear strategy and well-coordinated actions of the government in a time of fiscal crisis are emphasized. The role of centres of government is crucial in managing often conflicting demands from markets, social partners, government agencies, citizens and the international community [15]. The main tasks for Centres of Government are to mobilize comprehensive and timely empirical information, build consensus and obtain buy-in so that political leaders can take appropriate and rapid action [1].

*Performance budgeting.* The crisis has changed the budget process well as the methodology of budget formation. Crisis budgeting alters four linked features of conventional budgeting. First, special procedures that override the embedded routines

of budgeting are improvised to expedite action. Second, effective budget power typically migrates from ministries to others, typically specialized power holders who manage the process or guard their particular interests to political leaders who have a broader portfolio of policy concerns. Third, crisis budgeting deviates from incremental patterns and generates significantly larger changes in revenue or spending outcome than would ensure from regular budget practices [16].

The fiscal crisis encourages governments to emphasize performance issues in budget negotiations. The urge for quick responses it is a great occasion to promote evidence-based decision-making [1]. The essential purpose of measuring performance and identifying results is to question whether the government is spending money on the right things and in the right ways.

*Civil service.* The sustainability of efficiency measures (strategic approach and the introduction of performance budgeting) require enhancing the results based culture that in most cases can only be done by reforming the civil service. Therefore, reforming civil service systems can be named as crucial component of PM reform agenda. However civil service reforms seldom came first on the reform agenda. It was much more common for them to follow – sometimes at a considerable distance – innovations in financial management, organizational structures, and management techniques [6, p. 89]. Fiscal crisis highlights two main directions of civil service system development. Firstly, different skills and capacities for all civil servants, not just the senior ranks are required. These include communications skills, the ability to co-operate across different organizational boundaries and levels and thinking “out of the box”. This should have implications for recruitment and training. Secondly, performance information should be extensively used in the civil service system seeking to better link promotion to results and responsiveness, often by embodying the required results in an annual agreement or quasi-contracts, containing specified individual targets and priorities [6, p. 92], and to introduce the system backed up by some form of performance-related pay especially in the appointment of top officials (fixed-term performance related contracts). Bargain categories - employment contracts and the introduction of performance-related pay – are usually applied to senior civil servants – those who actually interact with political leaders [6, p. 95].

Experience reveals that there is a need for serious PM reform agenda to be implemented to insure the sustainability of fiscal austerity measures. As discussed above, in some cases it might be necessary to implement a comprehensive PM reform agenda and review entire model of PM in the country. However, feasibility of such a reform during a time of crisis can be under serious question.

### **Redesigning the strategic management system in a time of fiscal crisis in Lithuania**

Back in 2008 Lithuania was among the most severely hit economies together with Estonia and Latvia in the world. Real GDP fell 14.8% in 2009 and unemployment

reached 13.7% in 2009 and 17.8% in 2010<sup>25</sup>. Public sector revenue fell by 14.1% in 2009 compared with 2008<sup>26</sup>, general government deficit increased from 1% of GDP in 2007 to 3.3% in 2008 to 9.4% in 2009, while general government gross debt increased from 15.5% of GDP in 2008 to 29.3% GDP in 2009 and to 37.9% GDP in 2010<sup>27</sup>. Relatedly, the overall number of occupied incumbencies within the area of Government responsibility was cut by 12.4% and salary fund was reduced by 17% between 2008 and 2012 [17].

At the end of 2008, in the face of the fiscal crisis, a new coalition government came into power and was faced with a huge challenge to react very quickly to the worsening economic and financial situation. The newly sworn-in right wing coalition government announced an ambitious four year government programme outlining not only a short-term anti-crisis agenda but also a determined list of required long-term structural reforms in the areas of education, health, social protection, energy and public administration. As mentioned in introduction, we will focus on the component of public management reform, which called for introduction of results based management culture [18]. This component was extremely important for successful implementation of other structural reforms envisaged by the government.

The economic crisis became a huge challenge for the Lithuanian economy and people, however, at the same time it was seen by the new government as opening important windows of opportunity to reform the system of public administration, including strategic management practices. As discussed in the first section, it is evident that a sense of crisis can make it easier to consider radical options and more fundamental changes than would otherwise be considered feasible.

It was obvious at the beginning of 2009 that public administration institutions were very rigid and slow in responding to emergency situations and a fast changing environment. They demonstrated limited capacities in finding solutions to resolve “complex” or “wicked problems” such as rising unemployment, improving the business environment or fighting the shadow economy, which requires strong coordination and collaboration to provide an adequate and effective response. Having very limited resources at hand and under severe time pressure it was indispensable to shock the steady bureaucratic apparatus and to make it move after almost eight years of stability and prosperity.

It was very evident that there was a need to reshuffle the system of strategic management to establish an effective policy implementation mechanism which would facilitate operative implementation of vital political priorities with the limited resources available. Based on I. Greener [19] the standard managerial model which is

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<sup>25</sup> Ministry of social security and labour, <http://www.socmin.lt/index.php?-870652840> [19/07/2013]

<sup>26</sup> Statistics Lithuania. General government sector income and expenditure (annual), <http://osp.stat.gov.lt/temines-lenteles41> [19/07/2013]

<sup>27</sup> Statistics Lithuania. General government deficit and debt (consolidated data), [http://osp.stat.gov.lt/documents/10180/217809/Deficit\\_debt\\_04\\_2012.pdf/4bfb0d59-d314-488a-90ea-4c0c181868b0](http://osp.stat.gov.lt/documents/10180/217809/Deficit_debt_04_2012.pdf/4bfb0d59-d314-488a-90ea-4c0c181868b0) [22/07/2013]

based on setting goals, making plans and implementing them does not work in an uncertain environment full of paradoxes.

Several specific challenges should be outlined clarifying the main preconditions for the strategic management reform. Firstly, the successful resolution of “complex” issues and the implementation of ambitious political agenda require very good inter-ministerial cooperation and coordination. Unfortunately, inter-ministerial cooperation could be considered as one the major challenges of the Lithuanian public administration. Sectorial thinking was still very dominant among civil servants and ministries in Lithuania and different government agencies and civil servants were not always willing to cooperate with each other. This problem was confirmed by the results of the COCOPS survey revealing that senior civil servants consider coordination and cooperation among different ministries being insufficient, and at the same time this important group of respondents certifies that collaboration and cooperation among different public sector actors was among the most important reform issues [5]. Thus, for better quality policy formulation and implementation, it was necessary to step out of ministerial “iron towers” and work hand in hand to urgently find relevant solutions.

Furthermore, Lithuania traditionally had coalition governments that may also have had an influence on inter-ministerial cooperation and policy coordination. Ministers representing different political parties in some situations might have been more interested in political dividends for their own political parties and individual image that “one government approach” simply would not have worked. The issue of coordination and cooperation might also have been influenced by a lack of mobility within the civil service and especially the absence of the principle of rotation among the highest level civil service positions within the Ministries.

Secondly, in order to implement the ambitious political agenda and resolve complex political priorities in the face of the economic crisis it was essential to revive the system of planning, especially priority setting and improve the performance of implementation. Even if World Bank study in 2006 rated Lithuania as one of the best performing countries in the area of strategic planning in the EU, the economic boom from 2003 to 2007 that lifted annual economic growth above 8% relieved some of the pressures for improvement. The government was too focused on classical planning process - implementation and monitoring of a high number of measures and indicators, and too little attention was paid to results. There were 260 different planning documents approved by the government in 2009. Therefore it was very difficult to single out the priority areas of the government. With the economic situation improving year after year the list of priorities increased, so that nearly all sectors were a priority. Therefore, the government had very limited opportunities to monitor the progress of achieving the most important results.

Thirdly, good quality information and evidence which was valid, reliable, and timely was necessary to monitor the achievement of government priorities. The analysis carried out in 2011 revealed that in more than a half of the ministries 50% of indicators were product oriented and little attention was paid to historical data and factual values of their achievement [20]. Back in 2008 there were no process



established to ensure the quality of data to monitor progress. Thus it was a challenge to negotiate with the ministries about setting up ambitious but realistic targets. Additionally, the lack of analytical capacities was on the table as well.

Finally, it was implicit that in order to instil a culture of cooperation and to focus the system of strategic management on results changes were required in the minds and consequently working culture of the civil service. Therefore, reform of civil service was considered as indispensable component for change. The Concept paper on Improvement of the Civil Service was developed and approved by the government [21] in 2010 outlining key areas of reform. Special attention in the reform process was planned to be paid to the senior civil service – as a possible lever of the reform, since they were the ones able to bring a new culture and thinking into the civil service. The senior civil service could also be seen as a tool to facilitate horizontal coordination and cooperation in the government [22, 23]. In sum, the thinking was built around the assumption that the role model of senior civil servants could be an important enabler for creating a results based culture across the government. If you held senior civil service accountable for results, they would in turn hold others under them accountable. In order to address the issues outlined above following inter-related components of the reform could be distinguished:

- Introduction of effective mechanism for development and implementation of policy priorities and enhancing the system of planning;
- Linking budget preparation process with priorities of the government and changing of budget conversation from appropriations towards results and priorities;
- Enhancing results based culture by reforming the civil service system.

*Effective mechanism to implement policy priorities.* The government in 2009 had a challenge with limited resources and time scale available to implement important structural reforms and resolve complex problems. Therefore, it was necessary to establish a mechanism which would effectively downcast priority tasks down the hierarchy securing the necessary resources. Centralized guidance and continuous monitoring was necessary to make the system move. Having this in mind the mechanism of annual policy priorities of the Government was introduced supported by strong leadership on the side of the Office of the Government (the OG) and the Prime Minister himself.

The monitoring system at the OG was strengthened to ensure coordination among ministries and the successful implementation of government priorities. The OG was made responsible for the coordination of the preparation of the annual government priority document containing the main activities to be implemented and key indicators. A series of discussions with different ministries and agencies were organized to clarify the priorities and agree on the main activities/projects and key indicators. The progress of implementation was to be assessed on a quarterly base. The OG would prepare a joint performance report focusing on results and unmet targets. The report for easy reference of politicians would be presented in the form of “traffic lights” highlighting the status of achievement and signalling the problems. Quarterly performance reports were discussed and analyzed by the government focusing on unmet targets. The report was made available to the public.

The introduction of annual government priorities established an opportunity for the government to direct attention and resources to the key areas, instead of trying to monitor a huge amount of information coming from different strategic planning reports. However, two serious challenges emerged. It was a challenge for ministers and especially their teams in the ministries to recognize that the area they were responsible for might not have fallen among the priorities of the government. The need to contribute to “someone’s” agenda is usually an extremely difficult task. Additionally, there were important questions related to the quality of the annual priority document. It was necessary to encourage staff of the ministries to focus only on key activities and outcome indicators ensuring that they were ambitious and realistic. Ministries were used to having a large number of indicators – half of the ministries would have 150 indicators and some would even have more than 200 [20]. It was also an issue of assuming ownership and leadership over implementation of important priorities of the government by the responsible ministries. The ministry leading implementation of some priorities would lack the culture of horizontal cooperation, capacities and experience to push for achievement of priority results. On the other hand the reluctance on the side of participating ministries to contribute to implementation of “outlandish” results was also evident. Thus, the lack of understanding of the importance of the “One Government” agenda and joint priorities as well as the prevailing sectorial thinking were the main factors influencing the shortcomings of the newly established annual priority mechanism.

*Changing of budget allocations from appropriations towards results and priorities.* The government introduced tripartite budget negotiations in early 2009. The budgeting process was reversed to focus discussions among the Prime Minister, the Minister of Finance and line minister on the policy priorities and performance results in sectorial areas rather than discussing money issues mainly. To prepare for negotiations, joint working groups from the OG and the Ministry of Finance budget department were established to review the strategic plans of each of the 14 line ministries and analyze the performance information available. The working groups would assess the alignment between the ministries’ proposals and government’s priorities, the quality and appropriateness of performance indicators and targets, and the financial feasibility of the plans. Only after the Prime Minister, the Minister of Finance and line minister would agree on the main results in the priority areas for the coming year, the Minister of Finance would set budget ceilings and ministries would be asked to update their strategic plans accordingly. Efforts were made that the agreement on the priorities between the Prime Minister and line minister would be a point of departure of the performance appraisal system and it would trickle down through the hierarchy chain and reach every civil servant via an individual performance appraisal scheme.

*Enhancing results based culture via reform of the civil service system.* As it was already discussed, if it is not possible to influence management culture and the value system of the civil service, all efforts to reform the strategic management system will go in vein. However, it is extremely difficult to reform the civil service during the times of crises when the civil service is affected by salary cuts, workload increases

due to non-replacement of staff, and so on. Still, a new Law on the Civil Service was developed introducing a results based performance appraisal system, suggesting decompression of the pay scale and the introduction of a more flexible civil service management system. Suggestions for introducing special provisions for the management of senior civil servants were also developed. However, there was a lack of political will at the level of Parliament to pass the entire package; therefore only minor changes to the law were introduced. It is important to note that the resistance on the side of civil servants at that time was quite remarkable. Having this situation in place the government decided to go step by step making the necessary changes where possible by revising secondary legislation (resolutions of the government). As a result, the performance appraisal system was improved linking the strategic goals/priorities of the government and institutions with the specific tasks and results of civil servants. This helped to bridge the priorities of the government with actual implementation. A new system of selection was also developed and started functioning as of July, 2013. Unfortunately the two most important components of the reform are still on the table waiting for further discussions – a remuneration system linked to performance results and special provisions for the senior civil service<sup>28</sup>. It can be concluded that civil service reform was implemented only to a very limited extent. This seriously inhibits the fully-fledged functioning of a results based strategic management system. The key elements of the reform are still missing. It is evident that four dimensions discussed in the first section are well reflected in the strategy of Lithuanian Government. However, public management reforms carried out by Lithuanian Government were mainly focused on effective policy implementation mechanism and installing the results based culture.

## **Conclusions**

1. The time of austerity opened a window of opportunity, but at the same time it was a difficult time for politicians as well as civil servants to make complicated decisions. Citizen's perceptions towards the government were increasingly negative as the economy declined. At the same time there was enormous pressure on decision makers for quick decisions, they were thinking about austerity, and not reform which would yield results in several years. It is important, that the government was able to think in a coherent manner and introduce a full package of reform revising the strategic management system and making it more strategic and results oriented in addition to short-term adjustments and efficiency measures.

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<sup>28</sup> Results of the COCOPS survey in Lithuania show that although the reform trend of focusing on outcomes and results is evident and the management by objectives and results is widespread in public sector organizations, and performance indicators are extensively used at individual level, but proper incentives for achieving and sanctions for not achieving the results of the organization are missing. As well, wider effects (such as improved policy effectiveness and cost and efficiency in a given policy area) of this reform trend are not acknowledged by senior civil servants [5].

2. The government was relatively successful at establishing an effective mechanism for the formulation and implementation of policy priorities and enhancing the system of planning. However, the most important components of the reform - introducing senior civil service reform and revising the remuneration system making it more transparent and linked to performance results were missing. This means that strategic management system is not able to function to its full capacity.

3. The issue of coordination and One-Government approach, which strongly influences more effective policy development, was tackled only to a limited extent. The process of formulation and monitoring of implementation of important policy priorities was centralized in the hands of the OG. This facilitated more effective and efficient process of policy coordination. However, the efforts to introduce senior civil service as an important target group for advancing coordination and overcoming sectorial boundaries was not successful.

4. Communication of the reform was insufficient. The government was rushing with the sensitive reform of the civil service, having very little time for communicating the purpose and meaning of the reform. Consequently, there was an insufficient critical mass to support the efforts of the reform established<sup>29</sup>. Perceptions of senior civil servants of the reforms during the fiscal crisis and just after it was negative, which was partly result of the mentality, reluctance to change and actual shortcomings in the implementation or design of reforms. It seems plausible that the average mind-set of civil servants even at senior positions was still closer to traditional public administration thinking and not NPM style thinking<sup>30</sup>.

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<sup>29</sup> The COCOPS survey revealed that there was not sufficient support for the reforms at this period among senior civil servants, many claimed the reforms were designed and implemented without public involvement, were driven by politicians, were mostly about cost-cutting and savings, were crisis and incident driven, but were not about service improvement [5]. They were also seen as being top down and too numerous.

<sup>30</sup> Senior executives in average prefer state provision, equity, quality, tax financed services, citizen orientation and following rules compared with more business-like components of the mind-set such as efficiency, achieving results, customer focus, market provision, user charges / fees [5].

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## **Lietuvos strateginio valdymo sistemos pertvarka fiskalinės krizės metu**

Anotacija

Straipsnyje analizuojama, kokiomis kryptimis buvo reformuojamas viešasis valdymas Lietuvoje fiskalinės krizės metu, akcentuojant strateginio valdymo aspektą. Lietuvos vyriausybė fiskalinės krizės metu siekė reformuoti strateginio valdymo sistemą įdiegdama efektyvesnį prioritetų įgyvendinimo mechanizmą, pakeisdama biudžeto paskirstymo būdą į paremtą rezultatais ir prioritetais bei bandydama sustiprinti į rezultatus orientuotą valdymo kultūrą, inicijuodama valstybės tarnybos sistemos reformą. Vyriausybė apsisprendė dėl nedidelio viešosios politikos prioritetų skaičiaus, kurių įgyvendinimo mechanizmas buvo gana efektyvus. Tačiau bandymas sustiprinti valdybės tarnybą, ir tokiu būdu užtikrinti geresnį koordinavimą tarp veiklos sričių, nebuvo sėkmingas.

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