A TRANSITION FROM SOVIET CENTRAL PLANNING TO STRATEGIC MANAGEMENT: DEVELOPMENT EFFORTS IN TBILISI, GEORGIA

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After the fall of the Soviet Union, almost all post-Soviet countries started a transition from a socialist centralized command system to a market economy. Most post-Soviet countries opened economic borders for the free flow of capital, labor, goods and services, and actively engaged in the activities of the global market economy. The central planning system of the Soviet Union was dismantled, and local national economies had the responsibility of creating their own policies for development. The new realities of the market economy, however, highlighted the limitations of a totalitarian central planning system and exposed the old economic practices to be insufficient to propel the new government economies forward. Central planning was associated with the inefficiencies and the collapse of the Soviet economy (Imam, 1992). Nevertheless, there was no other relevant locally driven planning experience for a new developing market economy. The need for a transition, for decentralization, the introduction of free market institutions, and support of private ownership were lacking (Aslund, 2011). The transformation of the remains of the disconnected post-Soviet production factors[1] to a new type of market economy was the present challenge. Furthermore, there was no experience in the transformation of a necroeconomy, the so called dead part of the economy, with countries directly linked to the heritage of the old Soviet production system (Papava, 2001). For example, as noted by Papava (2010), "After the collapse

1 Agglomeration economies were one of the dominating forms of local economic development in the Soviet Union. Gigantic soviet factories and material provision and product distribution channels spread all over the union created a huge system which was supposed to function as a whole but had little chance to continue with dissolution. Accordingly, after the collapse of the union, most of the factories were closed (Papava 2008).

of the command economy, with rare exceptions (in particular, some facilities for generating hydroelectric power, oil and gas production, and primary processing of raw materials), all of the goods produced in the postcommunist countries were incompatible with international standards and could not compete due to low quality and/or high price (p.38)." The lack of experience with the transition of a necroeconomy led the post-Soviet countries to develop unrealistic expectations from policies of liberalization. Measures of privatization did not transform the whole economy but merely the healthy sectors (Papava, 2009; Ismailov & Papava, 2008).

With this in mind, the first section of the article briefly explains the centralized totalitarian planning process used in the Soviet Union, the pros and cons of the system and specific negative effects on local development in its cities. Next we elaborate on the transition from a central planning government run economy to the implementation of strategic planning. At this point, we discuss the advantages and disadvantages and challenges of strategic management used in western countries, specifically the United States. We next describe the transition process of strategic management in Tbilisi, the capital city of the country of Georgia and generally refer to the strategic experience of other self-governing Georgian cities. Finally, we provide some recommendations that may promote the local development process via strategic management in the city of Tbilisi as well as in other post-Soviet cities experiencing similar transition difficulties.

Centralized Totalitarian Planning System in the Soviet Union

Administration and planning in the Soviet economy was a centralized (top-down approach) based on a branch or sectorial principle developed from Stalin's policies soon after the 1917 revolution. During the 1920s and early 1930s, central ministries managed the sectors and economic linkages were driven by vertical control tools. The government managed investments as well as the means of production and market relations played a residual economic role (Shaw, 1985). The outline for development policy was based on socialist ideology and the leadership of the Central Communist Party. In essence, the process was realized through two central government planning institutions called Gosplan or (planirovanie) for economic development and Gosstroi or (planirovka) for construction. Each was responsible for their ministries and both institutions "had branches in the Soviet republics, and at the city level" (Van Assche, et al. 2010, 379). Vertical as well as horizontal linkages inside ministries. Almost no room was left for local initiative, and the bottom-up approach to planning was used as minimally as possible (Shaw, 1985). Thus, the Soviet strategic planning system was mainly based on top-down initiatives led by Gosplan and Gosstroi.

At the local level, each branch ministry produced goods and services in compliance with the plan received from the central planning office which were more often than not direct orders. Local or enterprise managers as they were sometimes called had no freedom for innovation. The number and type of inputs and outputs were strictly limited, and the managers' main duty was to meet the production quality and quantity goals as indicated in the plan. In other words, output goals were determined not by consumers, the market, or price mechanisms, but by central planners (Perkins, 1963).

The Soviet strategic plans, as introduced by Stalin, were mainly developed for five years and only later were they increased to ten and fifteen year spans. However, ten and fifteen-year planning projections proved to be more elusive as the information needed for its development was inadequate. Unexpected changes due to growth in the complexity of the Soviet economy and unrealistic statistics resulted in frequent corrections to the five-year strategic plans (Shaw, 1985). It was especially obvious during the last decade of the existence of the Soviet Union. Official statistics did not present the real picture. The Soviet bribery system, called "Tolkachi," [1]supported the report of unrealistic figures, as if the production of goods and services was done in accordance with the official plans.

After the disintegration of the Soviet Union, most of the connections in the system were lost and privatization of public property and businesses was speculative in most cases. There was no experience in doing business in a free market economy, a regulative framework was undeveloped, and a huge portion of the economy logically moved to a shadow market (Asatiani 2009). In addition, civil and separatist wars in two regions of Abkhazia and Tskhinvali in Georgia, as well as other conflict in the Central Caucasus region (Chechnya in Russia, and the Karabakh conflict between Azerbaijan and Armenia), negatively affected the development effort, and it took some time to start the stabilization process of economic development.

1 The "Tolkachi" system was a huge bribery machine where all the main stakeholders (politicians or party members, administrators, suppliers, producers, distributors and influential consumers) were in covert agreement. They were serving their own interests and not the publics. They covered the misconduct of their partners in the process, and supported red tape and bribery.

Central strategic planning had advantages as well as disadvantages. As Shaw (1985) noted, the main advantage in theory was the ability to administer regional problems. A disadvantage was that most socialist system planners simply developed schemes about what, where, when, and how much of a particular product was desired versus the actual need based on community assessments or market mechanisms. Additionally, the location of key economic infrastructure was guided more by politics and ideology versus a rational plan with respect to what made economic sense for the region and country. The necessary information to make the right economic decision for the placement of a factory, for instance, was not always driven rationally. In practice, it was found that industries were not able to avoid inefficiencies and plan resource distribution adequately because vital information was kept by branch offices. Branches did not cooperate with each other due to tight time limited plans and a lack of trust. They tried to bring the whole production process within their sector, avoiding dependence on services or products provided by other branches. However, this behavior promoted duplication and growth of complexity in terms of size and scope of branch activities (Nove, 1977).

Imam (1992) noted that the soviet command-bureaucratic machinery and extreme ideological controls, as well as high military spending during the cold war period (excessive allocation of resources for the arms race), brought the Soviet Union to a crisis in terms of economic performance and democratic norms and practices. Problems arose on various levels: (1) policymaking – resources were unevenly redistributed for production in favor of military spending without considering the real economic and community needs; (2) management – corruption and cover-up existed in almost every chain of the economic system involving almost all officials and party members through the "Tolkachi" system; and (3) meeting the growing consumer demands – shops were empty or providing a very limited number and types of products, showing a disconnect between demand and production and discrimination of access to quality products (Imam, 1992). Furthermore, planning production (supply) was disconnected from the demand of the consumer market. The huge bureaucratic mechanism of planning, with its vertical chains of command, was not responding to the rapidly changing market needs for the provision of goods and services and some products appearing on the market had no demand. In addition, adoption of new technologies was complicated due to the lack of expertise in the field. As the Soviet Union imported advanced western machineries, for instance, no foreign consultants were used to brief local factories on how to use the new technologies. This lack of interest from the central planning system as well as local managers was connected with time transaction costs when they had to comply with plans for the production of goods and services (Perkins, 1963). Soviet style planning was not the best tool to respond to consumer needs, and using central planning in a free market economy did not result in a positive transition. During the transition process, it was found that development was less likely to be achieved without some type of planning.

The practice in Georgia showed that the introduction of Shock Therapy did not assist the economy of the country, but made the situation worse (Asatiani, 2009). The lack of proper planning and understanding of local economic conditions in the country resulted in mass privatization of soviet enterprises. Policies for attracting additional investments for renovation technologies related to production as well as marketing and sales to raise their competitiveness in the global market were absent. Accordingly, the following outcomes were found: the closure of industries; long-term high unemployment; the waste of local resources and business connections with supply and consumer markets inside the Union; and ruining the agglomeration economies without creating incentives for transformation.

Transition from Central Planning to Strategic Planning

At the start of the transition period, the preferred method used by post-Soviet countries was a type of “Shock Therapy.” This rapid change, in most cases, did not consider the peculiarities of local development factors for successful transformation of the domestic economy. Shock Therapy meant the “lifting of price controls, rapid price and foreign trade liberalization on the basis of free pricing, denationalization of property and creation of private property, and the minimization of the state’s economic role” (Asatiani, 2009, 81). The transition from a socialist regime to market economy was a rather new phenomenon, and there were no developed models to base a transformation. In essence, it was a dismantling of one system by various means with no efforts to develop the country’s production potential. Shock Therapy turned out to be ineffectual and various countries started using alternative methods for the development of their national and local economies (Asatiani, 2009).

Most post-Soviet countries turned to the western practice of strategic management as one of the local development instruments better suited to the market economy. In these countries, the only experience that existed was related to the central planning system, dominated by a top-down approach to planning and very little if any of a bottom-up approach for development. The "planning machinery" in place was rather weak and undeveloped in the various local cities and regions. Previously these organizations fulfilled the directives of the Soviet central planning structure and were now less likely to plan development on their own (Shaw, 1985). The capacity for local planning was insufficient, and if there was some, it was related to the soviet experience of a closed economy and dominated by public ownership, rather than a free market economy and private ownership.[1] This was especially true for the cities and municipalities having an under developed capacity and nonexistent economic agenda.

In Western Europe and, especially, in the United States, the bottom-up approach to planning was preferred and has brought concrete results.[2] At the end of the twentieth century, strategic management became a trendy direction in the management practices of public organizations in the United States (Poister and Streib, 2005). In 1993 the United States introduced legislation – the Government Performance and Results Act, requiring government agencies to develop strategies tightly linked to performance measures and budgets. The federal initiative was supported by a number of state governments, and strategic management became obligatory for a large number of cities and state and federal agencies (Melkers and Willoughby, 1998). However, not all U.S. cities use strategic management as the preferred tool for development. In some cases, it is used to meet the obligations set by legislatures and is less likely to link development efforts together. [3]

1 In a closed economy, we can refer to the Soviet Union's special restrictive policies on the mobility of resources and its closed borders, which resulted in a lack of free movement of capital and goods/services inside and outside the Union. The Union strictly regulated all transactions associated with import-export as well as migration of the population inside the union (Perkins 1963). Furthermore, population migration outside the union was limited to very few people (politicians, artists, and other groups with special positions in the union) and strictly forbidden for the rest of the citizens of the Soviet Union.

2 In a top-down approach, we refer to the development that comes from the center as higher level of government,

while in a bottom-up approach, we emphasize development driven by a local community through direct or

representative democratic participation in the political decision-making process.

3 According to Poister and Streib (2005), only 44% of 512 municipal man-

Positive results of strategic management in developed countries have been widely recognized by various scholars and applied as a tool for public organizations to use at various levels of government (Eadie, 1987; Denhadrdt, 1985; Dodge and Douglas,1982; Sorkin, 1984; Steiss,1985; Streib,1992; Swanstrom, 1987). Numerous consultancy firms, think tanks, and other university based research groups were also actively involved in the process. Simultaneously, international organizations vigorously encouraged the development of special guidelines for strategic management as an instrument and knowledge base to transfer to developing countries. For example, the World Bank developed special guidelines to support cities in preparing local economic development strategies. In active cooperation with several programs, Cities Alliance along with various partnerships and international organizations, such as the World Bank (WB), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the Swedish International Development Cooperation Agency (SIDA), and others have dedicated special funds and efforts for strategic planning in developing countries. These efforts have played important roles in engaging governments on the local as well as national and regional level. For instance, in Georgia, the World Bank brought a group of experts and financed a local economic development (LED) strategy as well as a city development strategy (CDS) in Tbilisi. The United Nations Development Programme was in charge of developing a LED strategy in Rustavi, Batumi, and many other cities and municipalities around Georgia. The European Commission, GIZ, UNDP, Polska Pomoc and other partners also supported the development of the regional development strategy for Georgia.

Post-Soviet cities in Georgia with the support of international organizations are currently engaged in transferring Western European and US type strategic planning as they adopt new policy planning tools for their local context (Gelashvili &Darsavelidze, 2009; Darsavelidze, 2011). In order to better understand the local economic development peculiarities and enable an

agers who participated in the survey use strategic management on a city-wide basis. The longevity and institutional memory of the strategic management process in municipalities varied. Only 23% of the municipalities with interest in strategic management noted that they had completed a plan. Therefore, the link between strategic management and performance measurement and a budgeting process was weak. Thirty-three percent of strategic management efforts had been tied to budgets, and only 22 % to performance measures.

improved application process of the accumulated experience in a post-Soviet country such as Georgia; it is important to explore the transition process from a central Soviet planning structure to strategic management model. It would be advantageous to identify challenges and enumerate possible recommendations to overcome the difficulties associated with the process.

Strategic Management – Advantages and Disadvantages

At the beginning of the 21st century, strategic planning was introduced in Georgia as a mechanism to help local authorities plan their economies. With the support of international organizations, local governments engaged in strategic management practices as a substitute for the old soviet style central planning system. Strategic management as an advanced tool of development is widely recognized and used in many cities around the world (Blackly & Bradshaw, 2002). Today, it is widely deployed in private as well as in the public sector including non-profit and non-governmental organizations, local, regional, state, and the federal government. In spite of its active use, there are still various definitions for strategic management, and sometimes there is confusion about certain terms. For example, strategic planning, in most cases, is used to mean strategic management, when it is part of the management process itself.

According to Steiss (1985) "Strategic management is concerned with deciding in advance what an organization will do in the future (planning), determining who will do it and how it will be done (resource management), and monitoring and enhancing ongoing activities and operations (control and evaluation)" (9). Strategic management is the process of planning, implementation, evaluation, and update. The scope of the strategic planning process has been well developed by several authors including Koteen (1989), Nutt and Backoff (1992), and Bryson (1995). According to this literature, the tenants of strategic planning have been identified as: 1) the clarification of a mission and values, 2) the development of a vision for the future, 3) the assessment of internal weaknesses and strengths, 4) the analysis of external challenges and opportunities, 5) the development of strategic goals and objectives, 6) the identification of strategic themes, 7) the development and evaluation of alternative strategies, and 8) the development of action plans.

Strategic management is a comprehensive instrument for development. It is a tool for management to use judiciously and at its discretion for the advancement of the organization. The main challenge is to deploy it in such a way that leverages maximum success from the given conditions of the locality. Strategic management requires certain sets of skills, knowledge, and dedication in order to achieve satisfactory results when contrasted with the efforts made with regards to its implementation. Strategic management is useful, but it is not a universal tool to be employed in all settings as it has advantages and disadvantages, and both should be weighed appropriately before it is applied. Local politics and administrations, stakeholders' willingness, local expertise, and funding opportunities for strategic planning are important factors to consider for the success of strategic management. Various authors have actively discussed the advantages and disadvantages of the strategic management process (Cohen et al. 2008; Meck, 2007; Poister and Streib, 2005; Poister, 2003; Spee & Jarzabkowski, 2011). A short list of their observations is summarized in Table 1. This compilation by no means is comprehensive but is offered as a reference to better gage the rewards, shortcomings, and difficulties associate with this management technique. The usefulness of strategic planning depends on many factors, and can be viewed through different lenses, such as politics, administration, and financial terms. As noted in the table, it is a slow and deliberate process, and puts the local authority in a position that may not be very comfortable for all key participants.

Table 1 About Here

For instance, politicians may find it unnecessary or difficult to understand, or have disagreements as the process puts the whole economic development strategy under one frame of reference. Others may feel it curtails their freedom to act or change their mind to satisfy constituents. Still others claim that it may become less beneficial for claiming credit for certain projects brought to their city or completed. If politicians know the benefits of strategic planning, they may find it to be the tool to pursue incremental changes and create an institutional setting that promotes their development course for the long-term. In addition, the period of time between elections and the turnover in local politics may be crucial for strategic planning. From a management perspective city administrations may favor strategic management as it provides a better framework for planning. For instance, in terms of the development process you can assess local capacity, develop a vision and plan for the future in advance, develop better linkages for resource allocation and development, plan gradual changes, and identify needs and expected challenges of the community. However, a managers' knowledge and the institutional capacity of the government, scale, and financial strength, need to be considered before applying it to development. Finally, strategic planning in monetary terms needs careful consideration. Strategic planning usually requires considerable time and effort from public employees, and it should be backed with financial resources. Unfunded work is usually unfinished or brings unsatisfactory results, and if there will be no financial benefits expected from additional work, the planning process may become a nightmare rather than a tool for development. All stages of strategic management – planning, implementation, evaluation and update – should be carefully analyzed to identify what resources are necessary and if they will be secured. Only afterwards may strategic management bring the expected positive results.

Having briefly discussed the advantages and disadvantages it may be argued that strategic management is a challenging process that does not always yield positive outcomes. However, if applied by strong leadership and realistic expectations, it can play a catalytic role in knowledge management, critical assessment of the development process, evasion of risks, and implementation of action plans for sustainable development. Each locality has its peculiarities, so before proceeding through to the strategic management process, the locality should weigh its capacity and readiness to undertake the responsibility that is on-going and the long-term effort needed to achieve positive results. The transition from central planning to local strategic management in Tbilisi, the capital city of Georgia, has taken more than ten years, and it is one of the more interesting examples of strategic management in post-Soviet cities.

Strategic Management in Georgia: The Case of Tbilisi

The country of Georgia was one of the fifteen union republics of the Soviet Union that regained its independence in 1991after the fall of the Soviet Union. The capitol city of Tbilisi has a territory of 500 sq. km, a population of 1.17 million (more than 25 percent of the total population of Georgia) and local economic activity of more than ¼ of the country's economy. Accordingly, it is the largest city in the country of Georgia. It represents the political and economic center of the country and historically has been considered the geopolitical center of the Central Caucasus region. Tbilisi, with its geographical location, is in the center of the so-called Central Caucasus Transportation-energy Hub. It strategically connects east and west as well as north and south transportation routes creating a convenient corridor for the transportation of energy resources and other goods and services (Papava, et. al. 2011). Tbilisi was one of the main segments of an important ancient trade route called the

"Silk Road," connecting Europe and Asia. During the domination of the Soviet Union it was isolated from Europe; however, it retained its function as a socio-economic and political center of the Central Caucasus region. Today it holds an international economic distinction in the development of the region, especially in the development of a transit hub for the transportation of energy resources from the Caspian region to Europe (Ismailov and Papava 2008).

Therefore, the development of Tbilisi has always been in the interest of various stakeholders operating locally and regionally as well as globally. Tbilisi was always one of the best places to bring new experiences and spread them out regionally. As a result, the planning and strategic development of Tbilisi generally had the importance of reaching out into other city jurisdictions. As Van Assche et al. (2010) noted, the first Master Plan of Tbilisi was introduced in the Soviet Union in1930; then it was updated in 1953 and 1969. They were mainly physical development plans and usually had a five to twenty-year planning span. From 1969 to 2003, no major updates to the master plan were introduced. Minor changes were all linked to the previous Soviet central planning process which presented the narrow sectoral strategy mainly involving land use and the physical development of Tbilisi. They were less likely to address multi-sectoral, general city development strategy concepts or the local economic development initiatives introduced later when Tbilisi as a self-governing city started planning on its own.

Tbilisi was the first city to initiate modern strategic planning among local governments in Georgia. It left the older sectorial strategies behind and adopted a general strategic plan for the city which included an economic development planning component. The strategic management experience in Tbilisi started with the creation of a Strategic Development Division under the Economic Affairs Office in Tbilisi City Hall. From this point, this division made various efforts to develop its capacity to implement strategic planning in the city. For example, a forum was organized and dedicated to the strategic development of Tbilisi. A special multi-sectorial information package for strategic analyses was prepared and provided for forum attendees. All major stakeholders were identified and invited to the forum and engaged in developing a SWOT analyses and a long-term vision for the city. The results of the forum and the possible financial support of the World Bank facilitated a solid base for the city to proceed with the development of the city's strategic plan. However, the Rose Revolution in Georgia in 2003 delayed implementation. Considerable changes in the national as well as in local governments followed the revolution. The wide-sweeping reform movement affected the politics and administration of government. City governments were reorganized and reformed, and for two years the strategic planning process was put on hold. However, in 2005 strategic planning again received attention, and with the continued support of the World Bank the process began once again. The city hired international consultants to assist a local city development team that was formed in preparation of a local economic development strategy. After a year of joint work by the consultants and the local strategic planning team, the Local Economic Development (LED) Strategy was created (Local Economic Development Strategy of Tbilisi 2007).

The strategic planning process for LED involved various activities, such as active consultations and workshops with various key departments and officials in Tbilisi. Additionally, activities were held with representatives from the Department of Statistics of Georgia, universities, the Parliament of Georgia, other local and regional authorities of the metropolitan territory of Tbilisi, and a number of associations representing various interest groups within the city. To further incorporate a broader understanding of strategic planning a study tour to Poland was organized to learn about the successful strategic planning practices of Polish cities. At this point, progress reports began to be generated of experiences learned. For example, an analysis of the available statistics as well as other information provided by stakeholders was obtained and special research for the identification of promising clusters for development were initiated. This included, a brief study or self-assessment of the local economy. Finally, short training sessions for representatives of various local authorities on strategic planning issues was developed. In 2007, six LED reports were commissioned and completed and included: “Local Economy Assessment, Statistical and SWOT Analyses,” “Competitiveness Assessment Compared to Other Cities in the Country and the Region,” “Effective Strategy Implementation Methodologies” (strategy development, implementation and up-date), “Guidelines on Viable Economic Activities,” “The LED Strategic Draft,” and the “Action Plan for LED Strategy Implementation” (Local Economic Development Strategy of Tbilisi 2007). The methodology used for organizing the strategic plan was appropriate and the procedure covered all necessary components of the planning process. The LED of Tbilisi was more than a sectoral strategy for economic development. During its preparation the city also developed some components of a City Development Strategy (CDS) such as a vision, goals, programs, and projects (see Table 2).

Table 2 About Here

However, the continuation of the LED planning process and further development and implementation of the action plan was interrupted for a couple of reasons. First, there was a lack of institutional experience with the implementation of projects. Second, there was a low probability of realizing the projects listed in the plan. Additionally, the focus of the city shifted to the preparation of the general city development strategy. Accordingly, evaluation/monitoring and the update of the LED strategy became less important and there was no follow-up. Only some components of the strategy were implemented. For instance, the financial incentives for small and medium enterprises were adopted as was the workforce development training sessions. Nevertheless, the systematic processes presented in the overall plan were disregarded.

After completion of the LED strategic planning process and its lack of implementation, the city applied for a grant from City Alliances to launch a full scale Tbilisi City Development Strategy (CDS). The main direction identified in the CDS application had three components. First, the business development plan included a vision, programs, and prioritized projects for a capital investment plan. These were included to address the challenges the city had been facing, such as unemployment, poverty, the protection of cultural heritage, the environment, and linking the sectoral strategies in these directions. Second, a role for government to encourage participation of local citizens in governance. This tactic was included to facilitate better use of various local revenue streams from government, private, and non-profit organizations to fund the projects necessary for city development. Third, a physical development plan to create a framework to support improvement of the city's physical infrastructure was incorporated. This was especially true for urban transport and solid waste disposal, renewing the master plan and introducing a new map of Tbilisi with economic activities for public and private development. In order to promote and develop the CDS tight cooperation and financial support from the World Bank was secured. In addition, GIZ, the UNDP, the UNEP, and other city partners including international organizations provided their financial and general support for participation in the process. In 2010 the city received the City Alliances grant which included the expertise of international consultants. Once again, international assistance facilitated the planning and implementation process of the CDS in Tbilisi. International consultants provided a general assessment of the city's economy and developed a city profile (Tbilisi City Development Strategy et.al 2011, Vol. I).

They also facilitated various workshops and group discussions at Tbilisi city hall including the 5th Tbilisi Local Economic Development Forum in 2011, which included meetings with various stakeholders. Finally, the consultants conducted a number of training sessions for the local strategic planning team and study tours were organized in some leading European cities. The results of these efforts generated a universal strategic plan that was prepared for the city in 2011(Tbilisi City Development Strategy, et al. 2011, Vol. II). These steps were similar to the development of LED but had staying power. A look at Table 3 contains the vision and strategic objectives of the Tbilisi CDS. In addition, the Tbilisi CDS document briefly presented programs and capital investment projects and monitoring and evaluation guidelines, as well as some benchmarks for performance improvement and general timelines for implementation of the projects.

Table 3 About Here

The whole strategic planning process has brought a number of positive outcomes. Many institutions and the individuals involved in strategic planning developed their capacities in what is known as “learning by doing.” Active work with international experts supported the diffusion of knowledge and expertise in many ways. It enabled better networking and cooperation with external as well as internal stakeholders. It created a solid bases for knowledge transfer from other countries’ and successful experiences with strategic management. Furthermore, Tbilisi developed a vision for development and received knowledge that enabled the hosting of international events to bring various local as well as international stakeholders together for cooperation. Since 2007, Tbilisi has annually hosted an international Local Economic Development conference and forums. Tbilisi started to promote the city abroad by becoming an active member of international city networks such as EuroCities and Covenant of Mayors. It has participated in various international development conferences, forums, and trade-fairs promoting business opportunities in the city. It also gained experience in creating a structure for real estate clusters by developing a cooperative framework and programs with local developers. This intern has helped to overcome the financial crisis and boosted the reconstruction and rehabilitation of the old city. For instance, many construction projects frozen by the financial crisis of 2008 were restarted and the city attracted new investments.

However, after years of the new planning experience, the City Development Strategy with its strategic management component still remains in the development process. It needs to move to the next level, which is full implementation, an evaluation phase, and an update. This initial delay may be explained from a historical perspective when analyzing the Soviet central planning heritage. In Georgia, as in other post-Soviet cities, it became obvious that preconditions for development of strategic planning were different. The maturity of the self-governing cities to move towards a strategic management agenda was not in place. The post-Soviet experience for planning was driven from the center and not from the local level, so the “bottom-up” approach to development was practically nonexistent, while the “top-down” approach was the dominant paradigm. The capacity of localities to plan was lacking, and if there was some, it was not matched with strategic management driven by a “bottom-up” approach. The biggest center for strategic planning was in Tbilisi. However, as mentioned earlier, the master plan was more for land use and as a construction regulation plan, rather than an economic planning tool. This was again linked to the politics and ideology driven from the center and not from the bottom, with no direct participation of the local community (Van Assche et al.2010). In addition, the development patterns of Georgian self-governing cities as post-Soviet cities were different due to their property, ownership, and industrialization characteristics. These cities were interdependent and working as little cogs in the Soviet machinery. The production process was not linked to the free market economy, and 90 percent of all types of businesses were owned by the state (Asatiani 2009).

The initial LED strategy of Tbilisi was a well-prepared document although the programs and the projects were mostly general. It contained few commitments for funding or strong support from the key stakeholders to provide them and the action plan did not provide timeframes for the implementation of projects. Therefore, there was little said about benchmarks or expected measurable outcomes or impact. The outputs were the main measurements of the projects provided in the action plan. The projects provided in the document needed further feasibility studies and more active work to define their effectiveness and cost-efficiency before implementation (LED of Tbilisi, 2007). The strategic efforts mentioned above were an important step to bring the strategic planning experience to Tbilisi although further efforts are necessary to deploy the full benefits of the strategic management tool.

One of the reasons the LED of Tbilisi was not fully implemented was the lack of coordination and preparation by the team to understand the strategy and develop its working agenda accordingly. To realize the full potential of the CDS of Tbilisi, it must further develop a strategy and translate it into measurable action plans tightly linked with the city's budgeting process (commitment through funding) and performance indicators. In addition, developing a professional team dedicated to the whole process of strategic management (planning, implementation, evaluation and update of the strategy) is crucial to get the full benefits from strategic management. Finally, building the local team of experts and think tanks for strategic planning is very important while the process is in the initial phase. The local scientific groups' involvement in strategic management to develop an indigenous capacity for strategic planning and minimize expensive international consultants' presence and advice is another important step to be undertaken. Local economic, other sectoral, as well as general city development strategies demand a commitment of a considerable amount of resources. The impact is not very tangible in the short run, but a long-term perspective should be the goal.

The strategic management of Tbilisi is interesting compared to the other five self-governing Georgian cities and evaluated in the context of Georgia. In Georgia, all self-governing cities have been involved in strategic planning. For instance, the strategy of development for the city of Rustavi in 2009 or the city of Batumi's development strategy in this same year were each limited to only the strategic planning phase, and in most cases it was found to be weaker than in Tbilisi. In each self-governing city, strategic management was compromised in the first planning phase for various reasons. For instance, there was the lack of local funding opportunities and local expertise to initiate and realize the projects. Additionally, there was insufficient dedication to the strategic plans and no institutional memory of strategic management which created a deadlock for developing detailed action plans and moving towards the strategy implementation phase. Furthermore, according to a brief review of the budgets of self-governing cities, the strategic plans were not connected to the actual budgets or performance measures, so it was almost impossible to realize the strategies.

Assessment of Strategic Management in Georgia.

Although much progress has been made, a full introduction to strategic management for enabling a sustainable management system in the development process is not yet realized. A short timeline and limited efforts for transferring the knowledge and experience (training sessions, workshops and study visits abroad) by the financial institutions or other international organizations was not enough to develop local stakeholders' awareness or the capacity for strategic management with a strong bottom-up planning approach. Furthermore, there were not enough local resources committed to the strategic management efforts, especially for the follow up phases of strategic planning such as implementation, evaluation, and update. As a consequence, the strategic effort in Tbilisi as well as in other Georgian cities, was not connected to the detailed action plans and not aligned with budgeting processes and performance measurement indicators. In addition, the community member's direct participation in local strategic management was insufficient. Van Assche et al. (2010) noted that "people still expect the government to take care of many things, and they expect the free market to take care of others. Few people understand that their own expectations will have to be adjusted, and their own rather passive role will have to be revised in order to achieve the kind of society dreamed of" (391).

Thus, the education of local community members for active direct participation in the planning effort to build better communities is still an issue to be addressed. Engagement in strategic planning by self-governing cities in Georgia is more fashion driven with weak commitment, rather than a response to the need for planning future development. This statement may be easily assessed as there is no single local authority in Georgia that has implemented its local strategic plan or committed considerable effort for community involvement in the strategic planning process. If we evaluate their budgets, it is hard to find the strategic goals in the budget planning process or the budget documents themselves. There is only an indirect connection between the strategic goals and the budgeting priorities and no direct linkage, measurement, benchmarks or other tools to achieve the goals. All self-governing cities in Georgia have developed some sort of general or sectoral strategic plans; however, they are not integrated in their budgets and remain as separate policy documents with no implementation or follow-up.

A brief analyses of the strategic planning experience in self-governing cities showed that the greatest effort in strategic planning was found in the capital city. This fact may be logically explained as Tbilisi is the economic and political center of Georgia, and its capacity considerably exceeds that of other cities in the country. Tbilisi is usually considered a place to bring a particular practice first, and then share it with other municipalities. Thus, the development of the strategic management capacity of Tbilisi may create a good base to transfer good practices to other cities in the country.

For the successful implementation of the CDS in Tbilisi some additional work is necessary. The benchmarks and timelines need more elaboration and detailed description. Providing a percentage improvement of performance indicators and not indicating the timeframes and baselines for comparison makes planning outcomes unclear. The same applies to the general timeline for projects in the strategy on a monthly bases. They do not include project activities and workload measures and again create need for further clarification.

Minimization of the disadvantages connected with the strategic management process (see table 1) always plays a critical role in overall success of the effort. Tbilisi faced difficulties such as: additional use of limited resources; slow and time consuming process to transfer the strategic planning experience; developing institutional memory; additional needs in the planning effort; insufficient dedication from key stakeholders to realize the plan; developing local planning capacity (think tanks, consultancy groups); difficulty in linking strategic plans with local financing – the budgeting process, as well as developing benchmarking tools to measure achievements.

Conclusion

Transition from Soviet central planning to strategic management practices is a challenging process. The case study showed that strategic management is one of the most desirable development practices and a useful tool for local communities. Each locality has its unique characteristics with respect to resources and allocation needs. Therefore strategic management capitalizes on limited resources and enables democratic governance through bottom-up driven initiatives of the local communities. It also assures that stakeholders play an important role in planning their own fate with respect to development. Strategic management should be seen as a tool that confronts various generic issues in a systemic way and finds consensus to link its unique local development agenda to the national development priorities. One of the reasons the Soviet Union collapsed was its use of excessive top-down central planning, and a lack of bottom-up, community driven development approach. Strategic management is a powerful tool of development that may bring numerous benefits to a locality if it is used within the prescribed parameters of time, development stage, and real expectations.

The lessons learned from the case study can be summarized in the following points. First, strategic management in a developed country is very different from a developing one because of the development phase of the locality, the stakeholders' experience, and planning practices. Second, the strategic management effort should be mainly driven by local stakeholders. The main consumers of the strategy are the local participants, and they should have complete buy-in within the process. The local context of development is better understood by local specialists compared to international experts or other consultants. These should play only a facilitation role in the process. Third, developing an internal capacity and expertise to lead the process is a must. The development of local think tanks, for instance, is crucial, as the think tanks are the banks for institutional memory for strategic management. Fourth, it is necessary to support continuous learning processes through "doing," an exchange of the experience between the professionals inside the nation and those from all around the world. Participating in international conferences and professional networks may be a very useful tool for attracting new success stories. Finally, a tight linkage of strategic planning with the budgeting process as well as performance measurements is crucial for implementing strategies and sustaining the whole strategic management process. Without an appropriate link to funding, strategic plans become secondary products and a waste of resources.

Despite the difficulty with implementation, we argue that strategic management is the best tool for local economic development. It meets the realistic expectations of what a locality desires and it builds from the particular stage of development currently found in the city. If a locality has little experience in strategic management, the emphasis should be made on capacity development of local institutions and stakeholders. A developed capacity enables the development of a unique strategic management style that serves local needs and does not just accept a nice looking document with recommendations.

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Table 1: Advantages, Disadvantages, and Challenges of Strategic Management

Advantages	**Disadvantages or Challenges**
Clarified and developed common mission, values, vision, goals, and action plans for the future	Slow and time-consuming process for confidence building in the leadership
Better planned and allocated resources	Additional use of limited resources (money, time, workforce, expertise). More paperwork and bureaucracy
Coordinated effort of various stakeholders	Dissatisfaction of some constituents and stakeholders, difficulty in meeting diverse needs, especially the needs of minority or special interest groups
Raised interest, buy-in, and shared responsibilities of stakeholders	Difficulty in attracting and engaging all key stakeholders
Devoted stakeholders to the process of implementation of strategic action plans; shared understanding of the future needs and actions to be taken	Stakeholders' fear of losing control and independence to strategic management team and over centralization
Better accessed and managed internal as well as external expertise	Additional need for planning effort and specialized knowledge and experience in strategic planning
Assessed current situation, expected trends, and key players for development (SWOT analyses)	Time-consuming process of transferring the necessary knowledge and development skills of strategic planning to strategic management team
Embodied social order	Difficulty in shifting the focus from medium to long-term strategic planning in the minds and working routines of key stakeholders driven by short-term agendas

Improved communication with internal and external means	Difficulty in linking with financial planning and tracking the results and achievements (benchmarking, development of performance measurement indicators)
Increased accountability and transparency to constituency	Lack of capacity and institutional memory to lead the process, especially in the first cycle of strategic management (dependence on external expertise, and a gap between local agendas and external experts' knowledge and perception of the local socio-economic conditions)

Table 2: Tbilisi economic development strategic vision and directions

Tbilisi – Right Place, Right Time **Vision:** Offers wide range of services and opportunities to citizens, companies, institutions and visitors who are living, working, learning and relaxing in the city and entire region **Strategic Directions:** (1) Tbilisi booming regional gateway: Access point for the region, regional meeting place, service center for the region (2) Time for business in Tbilisi: We provide assistance to start and grow your business, we create a space for your business, we offer financing to develop your company, we attract investors to Tbilisi (3) Tbilisi a place to live: We create our homes according to the desires of our families, we develop livable neighborhoods, we create strong communities, we build a city we will be proud of (4) Tbilisi the hospitable city: Come see Tbilisi, stay and experience what Tbilisi can offer you (5) People empower Tbilisi: Prepare yourself to participate in labor markets; improve your skills, jobs for all

Source: LED 2007, Detailed Action Plan of LED Strategy Implementation, p. 14

Table 3. Tbilisi City Development Strategy – Strategic Vision, and Strategic Directions

Tbilisi 2030: A Global City For Global Partners! **Vision:** Tbilisi, a world-class metropolis adapting to global challenges, a dynamic and trustworthy business partner, offering high-quality living within a sustainable and well-managed environment. **Strategic Objectives:** (1) Worldwide Connected City: Enhance the connectivity of Tbilisi as a strategic, well-equipped location between Europe and Asia. (2) Competitive City: Sustain an innovative and productive economy closely linked to the development of human capital. (3) Attractiveness and Livability: Improve the quality of the natural and built environment and sustain affordable urban services and utilities. (4) Well Governed City: Increase the performance of the public administration and citizens' through participation in the public decision-making process.

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რეზიუმე

სტატია შეეხება პოსტსაბჭოურ საქართველოს ადგილობრივ თვითმმართველობებში საბჭოთა კავშირისთვის დამახასიათებელი ცენტრალური დაგეგმვიდან სტრატეგიულ მართვაზე გადასვლის გარდამავალ ეტაპს. ის აზუსტებს სტრატეგიული მართვის ტერმინების მნიშვნელობას და გამოყოფს მის უპირ-

ატეს, ისევე როგორც არაუპირატეს მხარეებს. სტატია ასახავს საქართველოს დედაქალაქის, თბილისის სტრატეგიული დაგეგმვის პრაქტიკას, კერძოდ, მიმოიხილავს ქალაქის მიერ განვლილ სტრატეგიული მართვის პროცესთან დაკავშირებულ სტადიებს. იგი ხაზს უსვამს თუ რა სარგებელი მოიტანა სტრატეგიული მართვის პრაქტიკის გაზიარებამ. ამასთან, ნაშრომი ყურადღებას ამახვილებს სტრატეგიული მართვის უწყვეტი სწავლების პროცესზე და მისი გამოყენების რეკომენდაციას გვთავაზობს. სტატია ცხადყოფს, რომ სტრატეგიული მართვის პერინციპების გამოყენებით პროფესიონალიზმისა და ეკონომიკის განვითარების წახალისება ხდება.