

Introduction of Entrepreneurial Principles in Municipal Administration: The Case of Slovenia

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A suitable quality level of municipal administration is a basic condition for the existence and development of any activity, not only for market-oriented organizations but also for the public sector. Slovenian municipalities have not yet adopted a general policy on quality, and it is therefore difficult to speak about the systematic introduction of entrepreneurial principles in municipal administrations. The paper analyzes the results of an extensive empirical research project on administrative capacity carried out among the directors of municipal administrations with an emphasis on the attempts to introduce entrepreneurial principles to municipal administrations.

Key words: municipality, Slovenia, municipal administration, entrepreneurial principles

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1. Introduction

The notion of the municipality as a basic unit of local self-government is most commonly related to the notions of self-government and political participation. At the same time, there is little discussion in Slovenia about the municipality's role in the administrative system at the local level. This is also one of the reasons why the execution of political decisions in municipalities is often ignored, poorly controlled, and faulty. The organization of municipal administration is the domain of the municipal representative body or the mayor and it encompasses the number of working posts, a detailed organizational structure, and the possibility of independent decision-making powers delegated to the head of the municipal administration.¹ In addition, how the municipal administration is organized also depends on the competences of a municipality, its size, and its ability to organize and provide sufficient funding for its administration (Prašnikar, 2000: 47). According to scholars of public administration (Bačlija, 2007: 49), it is necessary to adapt the administrative organization of Slovenian municipalities to their size and, considering examples from abroad, to design different models for various sizes of municipalities. Already, the differences between municipal administrations in the country are immense as the number of employees varies from two to 500 or more.

It is precisely due to this impression of inefficiency that, on one hand, today there is a worldwide demand for more efficient public expenditure and cost reduction (Chaskim, 2001; Norton et al, 2002; Nalbandian, 1991), and, on the other, the whole public administration faces calls for greater efficiency, more expedient operations, and the provision of services that are of better quality and more citizen-friendly. In the context of modernization, the municipal administration should satisfy numerous objectives and, in particular, ensure a better and more efficient organization of work, economic expenditure (and fundraising intensity), motivate its employees, direct itself towards the citizens, develop the principle of competition among public service providers, achieve higher-quality work, effectiveness, and professionalism of its administration, and improve pu-

¹ The municipal administration consists of one or several organs of municipal administration, which are established by the municipal council, acting on the proposal of the mayor, after adopting a general act with which the council stipulates its internal organization and spheres of action. The mayor is the head of the municipal administration, yet the related work is most often managed by the director of the municipal administration (sometimes the secretary of the municipality), appointed and discharged by the mayor. The mayor controls, directs, and gives instructions regarding management of the municipal administration.

blic openness, the transparency of work, and the automation of administrative tasks (Fox and Miller, 1995; Osborne and Gaebler, 1992; see also Yates, 1977). Local administration is part of the public sector, which in turn is dealing with new challenges. Citizens demand a user-oriented, efficient, and effective administration (Svara, 1991), while even greater demands come from the municipal councils and mayors.

Considering that the organization of the local community, as well as its organs, their tasks, competences, and responsibilities are stipulated in a legislative act, there is not much room for manoeuvring in terms of changes in the static part of organization that can be undertaken without any legislative amendments. Hence, all Slovenian municipalities are more or less (depending on their size) organized according to the same model, with the same structure of departments and working posts in their administrations (Vlaj, 2004). Nevertheless, it is possible to abandon, at least for the operative part, the otherwise well-rooted bureaucratic or line-of-command organizational structure (Žurga, 2002). In the aftermath of local government and public administration reforms, municipal administration has had fewer and fewer »bureaucratic« administrative tasks and ever-more tasks of a service enterprise (Brezovšek, 2000: 266). Accordingly, this demands the introduction of more modern methods of organization, such as project groups. The goal of this paper is to analyze the results of an extensive empirical research project on administrative capacity carried out among the directors of municipal administrations with an emphasis on the attempts to introduce entrepreneurial principles to municipal administrations.²

2. Analysis

The analysis begins with the motivation of civil servants working in municipal administrations, as it is imperative to suitably reward work results and further stimulate employees so they perform their tasks more efficiently. This reciprocal relationship should benefit an individual organization on one hand, as it would attain a greater *output* and, on the other, it

² In order to display the current administrative capacity and capability of Slovenian municipal administrations, we quote the results of the empirical research project *Governing Capacity and Coalition-Building within Slovenian Municipalities*, which was conducted by the Faculty of Social Sciences (2007). One hundred eighteen DMAs (out of a total of 210) were surveyed in this research.

should benefit the personnel, as they would obtain additional advantages. Some of these include a variable part of their salary, additional options for education, the granting of a company phone and car, and the like. The survey reveals that the variable part of a salary (bonuses) is offered in 45.8 per cent of Slovenian municipalities as an important incentive, in 71.2 per cent of Slovenian municipalities an element of stimulation is said to be additional education, 39 per cent of municipalities that responded to the survey allow their employees to use mobile phones and cars belonging to the municipality, while 14.4 per cent also use various other forms to encourage greater work quality (see Table 1).

Table 1: Methods for Motivating Employees (Multiple Answers Possible)

	YES		NO	
	(N=)	%	(N=)	%
Stimulative variable part of salary	54	45.8	64	54.2
Possibility of additional education	84	71.2	34	28.8
Use of a company mobile phone and car	46	39	72	61
Other	17	14.4	101	85.6

(N=118) Source: Research Project Governing Capacity and Coalition-Building within Slovenian Municipalities (Faculty of Social Sciences, 2007).

For a clearer understanding of the effects of rewarding personnel with a variable part of their salaries, one would need to know how the variable part of the salary is distributed among the employees, as well as the attitudes of municipal civil servants to additional education. Considering the different motivation theories and their critiques, it could be expected that certain methods of rewarding do not yield positive effects since they demand additional engagement on the part of the person receiving the rewards, which creates differences in understanding of the rewarding via additional education between employees and the directors of municipal administrations (henceforth DMAs) who actually answered the questionnaire.

Control of the quality of work in public administration is a salient element of the very operation of public administration. Only the appropriate control of work quality makes effective performance evaluation possible and, as a consequence, leads to suitable rewards based on individuals' work results.

A mere 25.6 per cent of municipalities (30 of them) claim they employ different forms of control over municipal administrations' performance. These 30 municipalities claiming to have performance measurement are divided as follows: 33.3 per cent (ten) say that quality is measured by the Common Assessment Framework (CAF) model, and another 33.3 per cent claim they use various other quality checking methods. Sixteen point seven (16.7) percent (five) of the municipalities say that quality is assessed based on the International Organization for Standardization (ISO) standard (see Table 2), whereas the remaining five municipalities filled in the questionnaires incorrectly: in the first part of the relevant question, they claimed they used methods to establish performance quality, yet in the second part of the same question they claimed the opposite.

Table 2: Control over the Quality of Work in Municipalities

	Yes, we perform		No, we don't perform anything	
	(N=)	%	(N=)	%
Do you perform any form of quality control in your MA and what kind is it?	30	25.6	87	74.4
ISO Standard	5	16.7		
CAF	10	33.3		
Other	10	33.3		
We don't perform; Don't know	5	16.7		
Total	30	100		

Source: Research Project Governing Capacity and Coalition-Building within Slovenian Municipalities (Faculty of Social Sciences, 2007).

Related to and partly overlapping with this is the question concerning approaches to modern forms of management, which was answered by 117 DMAs: 72.6 per cent of these directors admit they use none of the modern managerial approaches, 7.7 per cent use the CAF, and 5.1 percent use some kind of business excellence model; the *benchmarking* method and ISO standards are used by 4.3 per cent of DMAs and 2.6 per cent use TQM (Total Quality Management). The remaining 5.1 per cent of DMAs use various other modern managerial methods (see Table 3). Two municipalities even employ two different modern managerial models simultaneously.

Table 3: The Use of Modern Forms of Management in MAs (Multiple Answers Possible)

	YES		NO	
	(N=)	%	(N=)	%
Business Excellence Model	6	5.1	111	94.9
Benchmarking	5	4.3	112	95.7
ISO Standard	5	4.3	112	95.7
CAF	9	7.7	108	92.3
TQM	3	2.6	114	97.4
Other	6	5.1	111	94.4
None of the stated options	85	72.6	32	27.4

(N=117). Source: Research Project Governing Capacity and Coalition-Building within Slovenian Municipalities (Faculty of Social Sciences, 2007).

In a period of intensive automation at all levels of social life that aims at facilitating the everyday life of an individual and work processes, municipal administrations are no exception when it comes to the adaptation and use of information technologies and tools. However, only 33.9 per cent of Slovenian municipalities use information and organization software systems to assist in the organization of work in their administrations. Among the different software packs available on the market, the most frequently used is SAOP (18.9 per cent of municipalities), followed by SAP with 8.1 per cent; Vasco is used by 5.4 per cent of municipalities and 2.7 per cent of municipalities use either Navision, Pantheon, or Birokrat software packs. Sixty-five point eight (65.8) percent of municipalities say they use other software, which may lead us to conclude that they use the most fundamental software such as Microsoft Office Suite. In sum, we can conclude that the described state of work organization is not very encouraging.

Another important element of the automation of administrative processes, this time in relation to users, is the use of electronic mail for communication with customers. According to the survey results, 46.6 per cent of municipal administrations regularly use e-mail to communicate with citizens, 48.5 per cent use it occasionally, and 5.1 per cent of municipalities do not use e-mail for communication citizens. The majority of Slovenian municipalities (82.9 per cent) also have their own web sites (Kvas, 2006: 46), although majority of them are established only for top-down informatization purposes and municipal administrations don't really expect (or

want) feedback from the citizens. The majority municipal web pages also offer e-opinion polls and e-suggestion boxes; but web pages of several large municipalities offer a variety of two-way e-governance transactions.

The previously mentioned introduction of entrepreneurial principles into municipal administration has, apart from concrete objective aspects, an important subjective component of the attitudes of DMAs to different aspects of the introduction of entrepreneurial principles. Although the directors of municipal administrations (DMAs) generally agree with the statement that the way in which work is performed in the municipal administration has to be adapted to entrepreneurial principles, relatively high individual deviations can also be detected. The DMAs are a little less inclined to the idea that the provision of public services should be left to the private sector. A high level of agreement persists among DMAs regarding the statement that the leadership of municipal administrations should dedicate more time to their employees; the same is true of the statement that the leading personnel in municipal administrations should pay more attention to developing the individuals' managerial abilities (see Table 4).

The DMAs have expressed much stronger agreement with the statement claiming that they must be independent in their decision-making and that expert decisions must not be affected by any political influence. In addition, they quite uniformly agree that the introduction of competition would contribute to greater operational efficiency. However, when estimating the possibility of handing over the provision of services to the private sector, one could say that the DMAs see mutual competition within the public sector as the more appropriate form of competition than the actual ceding of services to the market. The directors also express a relatively high level of agreement with the statement that the work of local civil servants should be precisely stipulated by legislation and by-laws. Interestingly, the directors agree the most that local civil servants must act for the benefit of residents, indicating an awareness of the importance of bringing their services closer to users. In addition, the respondents partly agree that users/residents should have a decisive influence on the definition of work results.

Answers to the questionnaire indicate that respondents agree in part that users' needs must be defined according to predetermined methods and that services should be suited to users' needs as much as possible. The DMAs partly agree that a user's satisfaction with a service is a more important criterion of success than the revenue a municipal administration creates by performing its services. However, in reality (see Krivic, 2010: 37) there are no developed tools to measure the satisfaction of users with

municipal services. A large majority of municipal administrations still use ancient *Book of compliments and complains*; only several larger ones offer other tools (common assessment framework, online assessment) for evaluation of municipal services to all members of the community.

Partial agreement among DMAs can also be found in the statement related to the need to know the costs of every service provided, whereas the degree of agreement is somewhat less as to whether a system for monitoring the quality of the municipal administration's performance should necessarily be set out in written form.

Generally, the DMAs agree that, to ensure successful operations, every municipal administration must co-operate with other municipal administrations. At the same time, the DMAs support the idea that those employees in constant contact with users should take part in decision-making on important matters to a greater extent. Equally, the DMAs partially agree that the state should delegate more competences for service provision to local communities.

Table 4: Attitudes to Introducing Entrepreneurial Principles into the MA's Work

STATEMENT	Arithmetical Mean of Answer*	Standard Deviation	(N=)
1. The way the municipal administration operates must be adapted to entrepreneurial principles as far as possible.	2.88	0.804	116
2. Operative execution of services should be left to the private sector to the greatest extent possible.	2.32	0.849	117
3. The superiors must dedicate more time to working with employees.	3.35	0.686	117
4. The superiors must pay significant attention to the growth of their managerial abilities.	3.47	0.794	117
5. The director of municipal administration has to be independent with regard to decisions within his/her jurisdiction.	3.61	0.601	117
6. Expert decisions must be free of the influence of politics.	3.85	0.406	118
7. The introduction of competition into municipal administration's operations would help increase the employees' work efficiency.	2.92	0.822	117

8. The work of employees within the municipal administration has to be precisely set out in legislation and by-laws.	3.34	0.722	116
9. The motto of conduct of local civil servants must be »for the benefit of residents.«	3.85	0.400	117
10. It makes sense for a municipal administration to adopt its own code of employee conduct.	3.40	0.696	117
11. The expected work results have to be clearly defined in advance.	3.48	0.581	117
12. Service users must have a decisive influence on the definition of results.	3.01	0.625	116
13. The above-average performance has to be additionally rewarded.	3.79	0.452	117
14. The determination of service users' needs must be based on predefined working methods.	3.15	0.567	117
15. Services ought to be suited to the individual's needs.	3.03	0.656	117
16. Users' satisfaction has to be a criterion of local servants' effectiveness	3.35	0.686	117
17. The income created by individual units or sections of a municipal administration must not be a criterion of their operation's effectiveness.	3.12	0.863	117
18. One has to know the actual costs of each service a municipal administration provides.	3.23	0.770	117
19. There should be a system of quality monitoring defined writnig for services performed by municipal administrations.	2.99	0.778	115
20. Co-operation among municipal administrations is critical to the success of their operations.	3.16	0.705	116
21. Teamwork is the most suitable way of working in a municipal administration.	3.55	0.565	117
22. The state has to delegate powers for the provision of services to local communities.	3.05	0.881	114
23. Employees in constant contact with users must participate in decision-making on important matters.	3.34	0.707	118
24. If the market provided services, the style of local civil servants' performance would have to be fundamentally altered.	3.12	0.763	115

25. The way a municipal administration works ought to be directed to the provision of resources for its own operations.	2.41	0.921	117
26. The services performed by a municipal administration should be subject to the style of work seen in the private sector.	2.36	0.876	117

* A measuring scale of 1–4, whereby the value 1 entails »completely disagree«, and 4 stands for »completely agree«. Source: Research Project Governing Capacity and Coalition-Building within Slovenian Municipalities (Faculty of Social Sciences, 2007).

The DMAs chiefly follow the principle of user-oriented services, while trying to guarantee the administration a more important place in decision-making autonomy and to avoid any serious changes that might be introduced by the development of management based on entrepreneurial principles. However, it must be stressed that large individual discrepancies exist between different DMAs, rendering it difficult to create a set of more specific guidelines for possible reorganization of municipal administrations' work in the direction of greater application of modern professional public management.

3. Conclusions and Recommendations

Based on the analyzed data, we can conclude that Slovenian municipal administrations use reward methods that are not necessarily the most stimulative and, in the vast majority of cases, do not control performance quality. The use of modern organizational and administrative tools in Slovenian municipal administrations has not yet become permanent, while communication with citizens via e-mail is, in the words of the DMAs, only starting to become a standard. DMAs in principle mostly favour a higher level of autonomy of their administrations from politics within a municipality and the enhancement of their work independence in relation to the mayor. The sole entrepreneurial principle seen to emerge is the consideration of citizens' suggestions in the management of a municipality as the directors hold on to the classical bureaucratic stance on other issues. However, in every-day municipal activity, some other attempts to modernize the functioning of municipal administration and to enhance its effectiveness and efficiency are visible.

One of such activities is inter-municipal cooperation, when a municipal administration cooperates with others to establish one or more joint agen-

cies, which can be the framework for ensuring various administrative tasks (which would otherwise be difficult to perform due to rather limited financial and personal resources, especially in smaller municipalities) and communal and inspectoral supervision. There are several successful examples of inter-municipal cooperation across Slovenia, one of the most recognized being inter-municipal inspectorate of Koroska region, established by all (12) municipalities in the region, where all municipal administrations involved share the financial burden, contribute their personnel, material and technological resources, share risks, knowledge and control over the inspectorate, etc. The results of such cooperation are not only smaller financial burdens for each municipality, but also improved and enduring execution of inspectorate. We must mention that the state also strongly encourages inter-municipal cooperation, as it co-finances (up to 50 per cent) the expenses of inter-municipal common agencies and services, when they perform obligatory tasks prescribed by national laws.

The analysis has found that the smaller the municipalities, the lower the probability that their municipal administrations could operate in an uninterrupted fashion, which would enable the fulfilment of citizens' needs and implementation of local public policies. Municipal administrations must come to terms with the need for change, analyze their own organization, and determine the measures required for modernization of the administration and to outline and prepare a programme for their further development and for that of the local community.

Based on the analysis, it ought to be asked what can municipalities themselves, professional public management, as well as the academic community in Slovenia do, and what action can be taken to advance the cause of modernizing municipal-level public sector performance over the next few years. In Slovenia, there are currently no professional associations (like ASPA or ICMA in the United States) that would identify strategic priorities for municipal administrations to adopt and implement in the next few years. However, there is the Civil Service Council at the national level, responsible for modernizing public sector activities and services and there are also two municipal associations that include all 210 Slovenian municipalities. It should be suggested that both jointly establish a professional council for modernizing municipal-level public sector performance, invite academics from the field to participate and adopt the »five-point programme« – identifying strategic priorities that all adoptee municipalities would agree to implement over the next few years. Priorities (pillars) should include what the community believes are the most pivotal capacities that need to be the foundation of a modernization effort, such as for instance:

- designing different models for various sizes of municipalities;
- creating more efficient public expenditures, cost reductions, and greater efficiency;
- expediting operations and the provision of services to provide higher quality and more citizen-friendly service;
- increasing automation and creating a more robust e-governance capability for intra- and inter- governmental collaboration, and public-private and government-citizen communication and transactions, and
- instituting more result-oriented, performance measurement and management systems across the board.

At the same time, it is crucial that academic community should also help to catalyze such forward movement with some of the following actions:

- to undertake more action research and reach out for best practice examples of Slovenian municipalities;
- to publish practical material on these case illustrations – in print and on Web sites and through other social media sites (Twitter, Facebook, etc.)
- to organize events to present and share these practical reforms – such as conferences, forums, symposia, seminars, etc. – and to publicize the progress through local media, awards programs, web site podcasts and webcasts, etc.



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INTRODUCTION OF ENTREPRENEURIAL PRINCIPLES
IN MUNICIPAL ADMINISTRATION:
THE CASE OF SLOVENIA

Summary

A suitable quality level of municipal administration is a basic condition for the existence and development of any activity; not only for market-oriented organizations but also for the public sector. Slovenian municipalities have not yet adopted a general policy on quality, and it is therefore difficult to speak about the systematic introduction of entrepreneurial principles in municipal administrations. The paper analyzes the results of an extensive empirical research project on administrative capacity carried out among the directors of municipal administrations with an emphasis on the attempts to introduce entrepreneurial principles to municipal administrations.

Key words: *municipality, Slovenia, municipal administration, entrepreneurial principles*

UVOĐENJE PODUZETNIČKIH NAČELA
U OPĆINSKU UPRAVU:
SLOVENSKI SLUČAJ

Sažetak

Adekvatna razina kvalitete upravnih tijela jedinica lokalne samouprave je temeljni uvjet za sve vrste aktivnosti, ne samo za organizacije privatnog, nego i za one u javnom sektoru. Slovenska lokalna samouprava još nije usvojila opću politiku kvalitete pa je zato teško govoriti o sustavnom uvođenju poduzetničkih načela u lokalne uprave. U radu se analiziraju rezultati opsežnog empirijskog istraživanja upravnog kapaciteta koje je provedeno među direktorima općinskih uprava u Sloveniji s naglaskom na pokušaje uvođenja poduzetničkih načela u lokalne uprave.

Key words: *lokalna samoupravna jedinica, Slovenija, općinska uprava, poduzetnička načela*