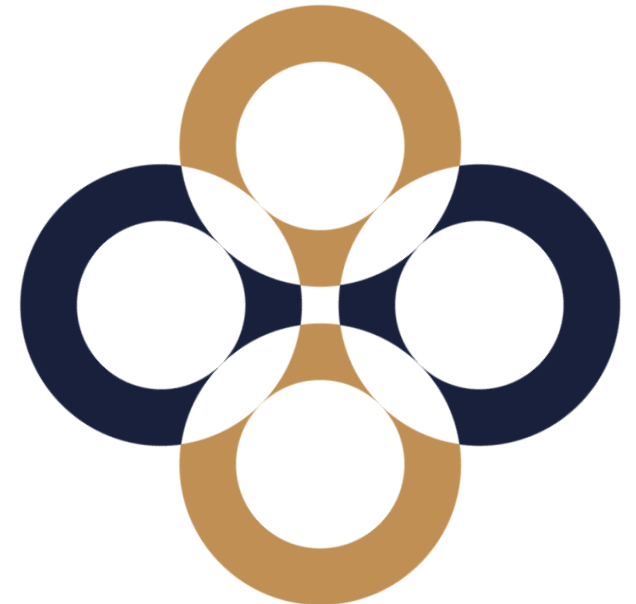# Political and Cultural Determinants of Public Sector Innovation and Value Co-creation –The Case of Hungary

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Relevance of the topic

- Public sector innovation is critical for effectively and efficiently meeting the growing demand of citizens.

- Co-creation with citizens, NGOs, businesses can occur both in the design and the day-to-day provision of public services.

- **Public sector innovation and value co-creation research focuses mostly on cases in the Anglo-Saxon and Western-European context.**

- Similar research in autocracies, hybrid regimes, managed/illiberal democracies are rare, although the number of such systems is growing and outrun the number of liberal democracies in the world.

- Characteristics of national cultures (e.g. performance orientation, individualism-collectivism, power distance) can also affect public sector innovation and co-creation practices.

- **Political and cultural factors may be accounted for the observed country-specific differences in public sector innovation and co-creation characteristics.**

Research question and hypotheses

The result of the CO-VAL survey shows that in Hungary there are:

(1) much less completed public sector innovations than the average,

(2) much more innovations „pushed from above" than developed within the PA unit itself

(3) less direct user involvement in the innovation process than the average, and

(4) less input to the innovations from outside the public sector (except ICT firms).

Why does Hungary lag behind in public sector innovation compared to the other countries?

Our hypotheses:

A) Civil servants **working in illiberal political system are not open to cooperate with other stakeholders outside the sector** due to (1) strong centralization, (2) domination of hierarchical coordination and (3) over-politicised PA which means strong dependence on politicians (political loyalty is more important then expertise). Since public sector innovation needs cooperation with other actors, an illiberal political system hinders public sector innovation.

B) The **Hungarian national culture also matters and leads to similar outcome,** due to the low performance orientation, low institutional collectivism, and high power distance.

C) Due also to the inefficiencies described above **there is a desperate need for innovation in public services that is also present, but is not initiated or led by the formal PA system, thus mostly remained invisible in the survey.**

Methodology

1. **Survey research:** detailed description of 805 public sector innovations (out of these 68 from Hungary)

2. **Case-based research:** 5 very successful public innovation cases in Hungary with strong co-creation character

conducted within the CO-VAL project, in international co-operation, following to commonly set standards.

Defining innovation and its success factors in the public sector

"An innovation is a **new or improved product or process** (or combination thereof) that differs significantly from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process)." (Oslo Manual, 2018, p. 60)

Its success factors in the public sector are:

- Attitude of senior civil servants (empowerment, feedbacks, risk taking, **response to low performance** (Borins, 2001; Arundel et al., 2019;)

- Attitude of employees in public administration (Demircioglu & Audretsch 2017)

- Financial resources (higher financial autonomy) (Wynen, et. al. 2014).

- **Openness to cooperate with other actors** (Olson Manual, 2018; Demircioglu & Audretsch, 2020)

- Ethical leadership and culture (Wal & Demircioglu, 2020)

„Public managers tend to exhibit more innovative attitudes, first, when **career advancements in a country's public sector largely depend on their performance, and not on their political connections**; and, second, where the job market is open to diagonal movements to other public agencies or the private sector." (Lapuente & Suzuki, 2020, p. 463.)

The Hungarian political context

- **Hungary has become an interesting case since the election of 2010**, when Fidesz – Hungarian Civic Alliance won. Before that a liberal democratic system was in place, but afterwards the new government has systematically transformed the country's political system into an **autocracy** (Bánkuti et al., 2012; Kornai, 2016; Rupnik, 2012).

- The V-Dem Institute within the Department of Political Science at the University of Gothenburg calls Hungary an **"electoral authoritarian regime"** (Lührmann et al. 2020)

- Freedom House classifies Hungary as **"partly free"** (Repucci 2020), and the Economist Intelligence Unit calls Hungary a **"flawed democracy"** (EIU Democracy Index 2019 - World Democracy Report, 2020).

- One of the most embarrassing part of the present political regime is **its systematic effort to discredit almost the whole civil sector** (except some government financed and friendly organizations) and deny problems that are unpleasant to it (e.g. poverty, segregation of minorities) .

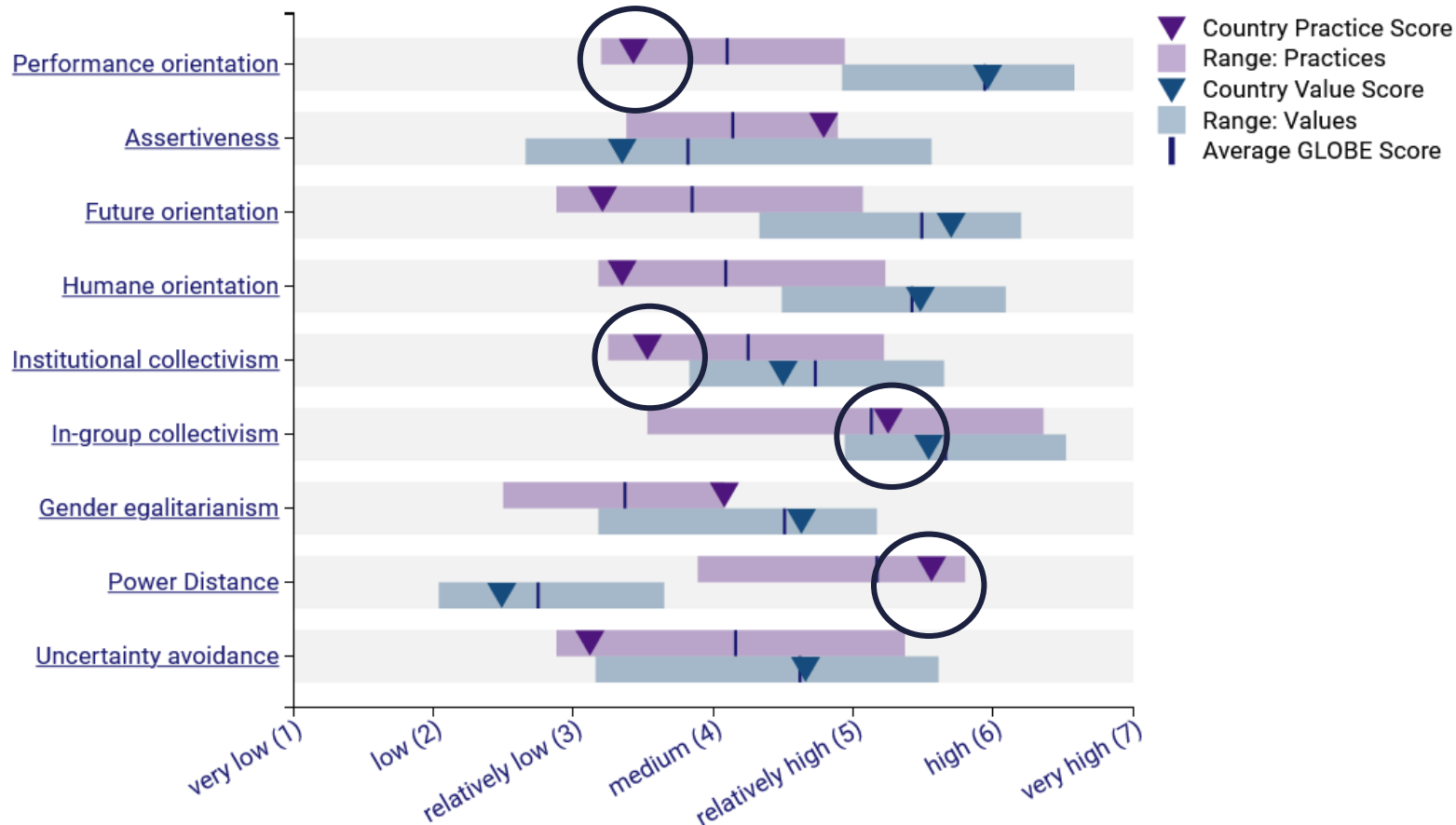# The impact of the political system on public administration in Hungary

„The most visible element of the emerging illiberal administrative landscape is **centralization, taking place in all segments of administration**,… […] In the ensuing tightly controlled, top-down system (almost) all issues have become politicized. The process of politicization is enacted […] by making **political/ ideological loyalty a formal criterion of (continued) employment.** […] …the role of institutionalized expertise in policy and administrative processes […] is drastically downgraded. […] resources for and means of bureaucratic resistance to political command and control are suppressed, and **government machinery has become, more than ever, instrumental to the will of its political masters"**. (Hajnal, 2020, p. 3-4.)

„The high number of appointments in subsequent years and the increasing number of positions that has become available for political appointments since 2010 is nonetheless noteworthy. It indicates that the Orbán government appears to **systematically use patronage powers in order to reward and co-opt supporters**, **to manage careers and to co-ordinate policy.** The initial evidence therefore suggests that political appointments, even in the absence of government changes, to top positions may amount to a regime-specific mode of governance in illiberal democracies". (Meyer-Sahling – Toth, 2020, p. 109-110.)

„The radical rolling back of the market (and MTMs), the **harsh downplaying of network-type coordination instruments**, and the **degradation of rule of law** are tendencies that make Hungarian SGRs [sub-national governance reforms – M.R.] truly distinct from all the major paradigms". (Hajnal – Rosta, 2019, p. 422.)

The Hungarian cultural context

Cultural Practices and Values in Hungary

Legend:
- ▼ Country Practice Score
- Range: Practices
- ▼ Country Value Score
- Range: Values
- | Average GLOBE Score

Categories (top to bottom):
- Performance orientation
- Assertiveness
- Future orientation
- Humane orientation
- Institutional collectivism
- In-group collectivism
- Gender egalitarianism
- Power Distance
- Uncertainty avoidance

X-axis: very low (1), low (2), relatively low (3), medium (4), relatively high (5), high (6), very high (7)

Source: GLOBE Project (2004)

In practice (as opposed to expressed values) the Hungarian national culture:
- is **much less performance oriented**;
- has low institutional collectivism (people tend to show mistrust toward and **are reluctant to co-operate with those who are outside their „inner circle"**);
- show high power distance (people tend to **respect and fear those higher in the hierarchy**)

compared to the average of nations.

9

The % of innovative public administration units in Hungary lags far behind other countries, based on the number of innovations

Country	N	Non-innovator	Innovator	
Spain	264	20.5	79.5	100.0%
France	197	14.2	85.8	100.0%
Hungary	124	43.5	56.5	100.0%
Netherlands	137	7.3	92.7	100.0%
Norway	167	9.0	91.0	100.0%
United Kingdom	96	7.3	92.7	100.0%
Total	985	17.1	82.9	100.0%

Differences by country are statistically significant (p < .000).

Source: CO-VAL survey

Hungary is the only country in the sample where 50+% of public sector innovations originate (as a main source) from powerful politicians, higher ranked officers or other strong government organizations

Most important source	ES	FR	HU	NL	NO	UK	Total
Yourself or colleagues	43.9%	51.3%	32.8%	37.8%	34.1%	37.5%	40.9%
Senior managers	18.4%	11.3%	25.4%	12.6%	15.9%	20.0%	16.4%
Staff at lower job levels	9.7%	10.0%	4.5%	25.2%	29.7%	15.0%	16.0%
Other government orgs	7.7%	8.7%	13.4%	9.2%	5.1%	10.0%	8.4%
Elected politicians	9.7%	10.0%	13.4%	3.4%	6.5%	3.8%	7.9%
Other	6.1%	1.3%	4.5%	2.5%	5.1%	3.8%	4.0%
Citizens or residents	2.0%	2.0%	4.5%	7.6%	0.0%	5.0%	3.1%
Businesses	0.5%	3.3%	1.5%	0.0%	2.9%	3.8%	1.9%
Community / non-profits	2.0%	2.0%	0.0%	1.7%	0.7%	1.3%	1.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CO-VAL survey

N = 750, p < .000

Public sector innovation projects in Hungary rather rely on generated user data than engage with users, based on the % of methods applied
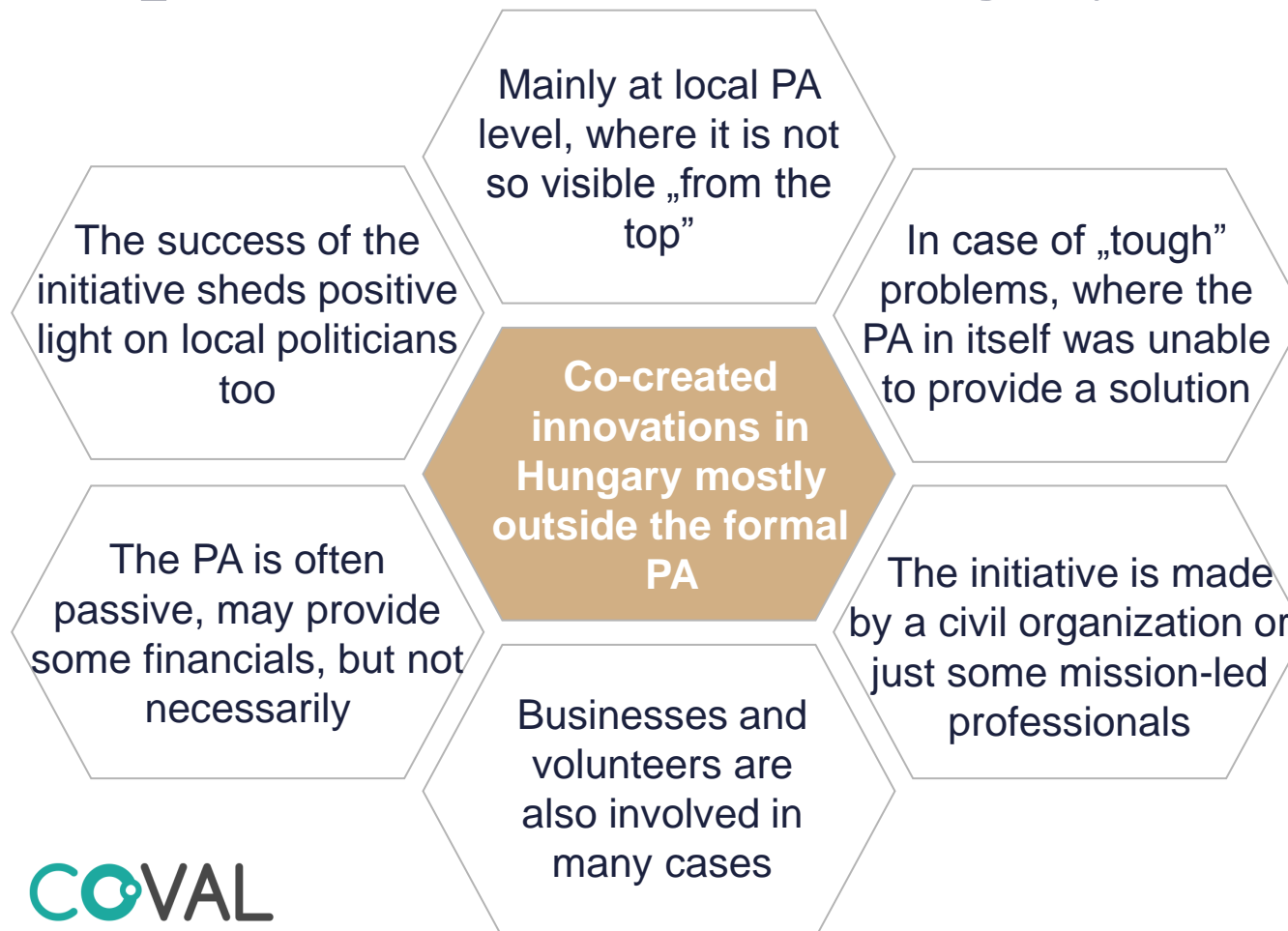
	N	Analysis of data on user previous experiences	In-depth one-on-one research with users	Focus groups with users	Users in brain-storming workshops	Real-time studies of user experiences
Spain	197	51.3	46.2	*41.1*	*27.4*	34.0
France	150	*39.3*	**65.3**	53.3	46.0	42.0
Hungary	62	**74.2**	*25.8*	43.5	40.3	*51.6*
Netherlands	119	58.8	48.7	45.4	**76.5**	30.3
Norway	133	58.6	39.8	45.1	58.6	**34.6**
UK	78	50.0	**70.5**	**59.0**	62.8	34.6
Total	739	53.2	50.2	47.1	49.5	36.7
P		<.000	<.000	.068	<.000	.053

Source: CO-VAL survey

The % of public sector innovation projects that received input from universities or businesses in Hungary are the lowest in the sample

	N	Other work units within your org.	Other gov't orgs	Universities / public research institutes	Businesses incl. consultants	Design firms, innov. labs, living labs	ICT software or equip. suppliers
Spain	205	69.8	31.7	17.6	42.0	*4.9*	42.0
France	157	61.8	45.9	17.2	34.4	17.8	*24.2*
Hungary	68	64.7	41.2	11.8	*16.2*	14.7	48.5
Netherlands	122	**84.4**	33.6	18.0	51.6	17.2	43.4
Norway	141	62.4	34.8	25.5	**49.6**	**19.9**	49.6
UK	82	**79.3**	37.8	28.0	46.3	18.3	37.8
Total	775	69.9	37.0	19.7	41.7	14.5	40.2
P		<.000	.093	.053	<.000	.001	<.000

Notes: All respondents that gave a 'yes' or 'no' to at least one of the six options are included in the analyses. This assumes that a blank response to a question is because the respondent does not know the answer, suggesting that the source was not memorable and therefore likely to be unimportant.

Source: CO-VAL survey

Does this mean a serious innovation and co-creation deficit in public services in Hungary? Not necessarily!

Mainly at local PA level, where it is not so visible „from the top"

The success of the initiative sheds positive light on local politicians too

In case of „tough" problems, where the PA in itself was unable to provide a solution

Co-created innovations in Hungary mostly outside the formal PA

The PA is often passive, may provide some financials, but not necessarily

The initiative is made by a civil organization or just some mission-led professionals

Businesses and volunteers are also involved in many cases

Our case studies made in parallel with the CO-VAL survey provide evidence that local innovation networks for public services still exist in Hungary and provide vital services where the bureaucratic and often over-politicized formal PA has failed:

1. „Cédrusnet" in Kecskemét
2. „No Bad Kid" in Kecskemét
3. „Bagázs" in Bag and Dány
4. „Esélykör" in Székesfehérvár
5. „Járókelő" in Budapest and many other cities

Conclusions

- **Both national culture and political system have a strong influence and set limits** on co-created public sector innovations in the formal public administration system in Hungary.

- **Such innovations still exist in Hungary, but their characteristics are different**: (1) most of them takes place at local level that are less visible from the top (2) are initiated by civil organizations or committed individuals (3) tackle „wicked" problems, in which the formal public administration system failed (4) often mobilize businesses and further volunteers as well (5) while the responsible public institution may play only a secondary role in them.

- Hungary has similar cultural and political patterns to other Central- and Eastern European **countries, so our findings may be relevant to the whole region**.

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Thank you for your attention!

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