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The competitiveness of the public sector – lessons from a research

THE COMPLEX INTERACTION OF THE PUBLIC SECTOR AND THE ECONOMY

The operation of the public sector must be interpreted, examined and evaluated in a differentiated way. This was one of our major considerations when starting out on this research. In the research plan study prepared in early 2006 (Chikán, Attila et al, 2006) we tried to define, for the purposes of the research, what we meant by 'public sector'. The clarification of the concept was considered indispensable because we believed that the researchers representing various professional branches had to agree on the basics and we had to see which slices and segments of the public sector we would be able to examine considering our capacity restrictions (see Table 1).

The Table draws attention to the fact that *the public sector is to be divided into two fields at least: to public administration* (in many cases, the 'bad, unsupporting environment' among the findings of corporate surveys can be put into this category due to the frequent changes in regulations) and to *public services* (the public policies influencing and determining, in the long run, the quality of resources determinative for companies belong to this category, e.g. evaluations related to the education system or the real infrastructure).

The players of the public sector can also be described and characterised as *organisations*. The factors characterising their organisational operation include what management and direction solutions they apply, to what extent they operate professionally, and how efficiently they are able to use their resources for their purposes. In the volume, it is the study of *Gusztáv Báger* (2010) that describes, on the one hand, what changes have taken place at the two public administration organisations examined and, on the other hand, how the clients of the organisations evaluate their organisational operation.

THE IMPORTANCE OF A MULTIPLE APPROACH

The individual studies of the volume made on the basis of the research analyse the relationship between competitiveness and the public sector *from different angles and by different methods*. The study of *Gusztáv Báger* and *Árpád Kovács* (2010) examined the subject from a macro-level perspective. They made an attempt to highlight the public policy fields behind the phenomena marked critical by the overall picture (the international competitiveness index). Based on national and interna-

Table 1

THE RELATIONSHIP BETWEEN THE PUBLIC AND PRIVATE SECTORS FROM THE VIEWPOINT OF COMPETITIVENESS

	Transactions	Interactions
Public sector		Regulations: operational framework
• Public administration		Operational conditions
• Public services	Community services (e.g. education, health care)	Quality of resources (e.g. education, health care)
Private sector		Market conditions: products and services
• Companies	Products and services	Employment Taxation

Source: Chikán, A. et al (2006), p. 12

tional reports also on competitiveness, the study of *Attila Chikán* and *Dávid Losonci* (2010) attempted to reveal in what fields respondents felt a need for a change from a micro-level perspective, on the basis of corporate managers' opinions. In between the two levels is the study of *Erzsébet Czakó* (2010) which, examining corporate groups, formulated recommendations based on foreign experience. The comparative analysis and evaluation of these three studies, for example, deserve further research.

There is also a need for *theoretical and empirical research* that would boost our knowledge by more theoretical or more abstract, if you like, information than the findings of the current research. There is one field we wish to highlight here: coordination mechanisms. In the first phase of the research, *Attila Chikán* (2007) attempted to examine the issue in *correlation with globalisation, at the level of principles*. We have found that the examination of the five basic coordination mechanisms – bureaucratic (or organisational), market, ethical, aggressive and cooperative – and the exploration of their operational range, opportunities and constraints, not only in correlation with globalisation but also in the operation of the Hungarian public sector, would require further research. Let us mention one example: the

phenomenon of corruption gets rarely into focus as something originating in the shortcomings of bureaucratic, intra-organisational coordination. While, in the majority of cases, these are related to some contractual relation where the signing of the contracts, the setting of conditions and prices, the control of the implementation of the contracts and the implementation of the contracts are to be regulated under some intra-organisational order of procedure and the managers in authority at the organisations concerned (public institutional or corporate) bear responsibility for the observation of the latter.

Three priority tasks

■ *The first key issue in enhancing the competitiveness of a country is strengthening the growth potential of small and micro enterprises.* The most important tool to achieve this goal is education. Both the central theorem of the popular and fashionable resource-based corporate theory and the detailed analysis findings of the three competitiveness surveys we have conducted (in 1996, 1999 and 2004) have shown that there are significant differences in company performances on the basis of the application of the management, direction and financial

management-methodology skills. We believe there is a need for significant advance in this field, where the role of the public sector may comprise the creation of conditions and incentives.

In the field of education, the *training of skilled labour and of entrepreneurs to manage and direct enterprises* should be emphasised. In the past over a decade, skilled workers and skilled labour training have lost prestige, while companies have seriously suffered from the shortage of skilled labour. Management and direction skills are underlined because it is necessary, we believe, to increase the rate of conscious, economically rational entrepreneurs. It can be observed in all EU member states that a significant part of micro and small enterprises are what is referred to as subsistence enterprises, the primary goal of which is to guarantee the livelihood, the subsistence of the entrepreneurs and their families. The rate of enterprises with a conscious and growth oriented attitude, focusing on the value of the enterprises (referred to as “gazelles” in the Hungarian jargon), is low, on the other hand. We believe that the acquisition of enterprise management and direction skills may contribute to a growing number of subsistence enterprises becoming “gazelles”.

■ The second important task is to *promote the acquisition of new competences in public administration*. The study of Gusztáv Báger (2010) presents, on the basis of an empirical survey, how the competences necessary for efficient public administration work evolve. This study may also be interpreted as one examining a more professional operation of public administration. As researchers specialised in corporate strategy and business policy, we believe the starting point of defining competences is to understand and appreciate what basic public administration and public service tasks the public administration organisation concerned has to perform. According to

international solutions and experience, the successful implementation of these two functions requires different approaches and competences. Let us note that the differentiated and balanced management of the service role increasingly demanded of both traditional administration organs and public administration is in itself a management skill to be developed in the case of public administration employees.

Based on the research of *György Jenei* (2005), it is worth noting that the operation of traditional public administration, of efficient bureaucracy, continues to be of outstanding importance in the performance of public administration tasks. As the range of public service tasks widens, at the same time, and the functions providing public services to clients at public administration organisations increase accordingly, the adaptation of some corporate solutions becomes inevitable. The competence analysis by Gusztáv Báger has explored several such fields on the basis of his local government research findings.

■ *The third task is strengthening the role of the civil sector in improving competitiveness*. There are two studies devoted to the civil sector: the study by Chikán–Losonci (2010) examined the opinions of company managers on civil organisations specialised in the fields of environment protection, legal protection or consumer protection, or those related to managerial or business life. The main question was how company managers evaluated the work of these organisations. From among the four groups of civil organisations, it was those related to managerial and business life that had the best evaluation.

The study by Jenei – *Kuti* (2010) investigated the role and operation of two segments of the civil sector. In the first part of their study, the authors described the interest harmonisation mechanisms of the national development plan, one of the base documents of competi-

tiveness, i.e. they examined the segment of the civil sector that takes part in interest harmonisation: in forming the concept of competitiveness and determining the priorities. The second part examined civil organisations working in public services, performing public tasks, with the help of statistics and interviews. In the latter field, the authors also compared their findings to those of other empirical research made in Hungary. This segment makes up 7 per cent of the 58 thousand non-profit organisations and comprises some 3900 organisations, which employ 53 per cent of all non-profit organisation employees. The data are quoted here because they very well reflect how many different kinds of organisations the civil sector includes and what significant weight those in the public services examined represent.

The study by Jenei–Kuti formulated *two kinds of proposal packages*. The first refers to *the bases of principle of the relationship between the public and the civil sectors, while the other is targeted at the development of the operation of non-profit organisations* based on the operational experience of organisations in the civil sector. In our interpretation, the proposal package of principle urges a change in attitude and behaviour rather than a need to work out a strategy. The authors underline that, besides the state and the market, the civil sector is similarly an 'ancient formation' in societies and draw attention to the fact that, in civic democracies, considered as the most developed, the state tries to create adequate conditions for this 'ancient formation' to be able to cooperate, among others, in the performance of public tasks for which the state lacks resources. We believe that one of the bases for the 'creation of adequate conditions' is providing a predictable regulatory environment, especially as regards operation and taxation. And the goal of this should be that the necessary resources be created and made available and that civil organisations man-

age them in an economically rational way. With reference to competitiveness, the issues examined by the authors present the fields to be assigned partly to civil organisations, according to government intentions. The list of these fields requires no amendments; the role of the civil sector may be a complementary and supportive one.

POTENTIAL STATE INVOLVEMENT TO ENHANCE CORPORATE COMPETITIVENESS

In order to create competitiveness, *two kinds of state or government involvement* are required basically, we believe. One of the two interconnected roles is to establish, maintain and develop *resources necessary* for the corporate sector (especially human capital, adequately trained labour force, enriched knowledge and expertise, basic research and real infrastructure), which is thus the establishment of conditions. The other role is *to foster corporate and enterprise behaviour through which they are able to effectively and efficiently utilise their resources under the conditions of international competition*: this role comprises influencing the behaviour of corporations and enterprises by forming their operational environment. The study of Czakó (2010) identifies *the major fields of these two kinds of involvement* on the basis of an OECD survey:

- promoting enterprise activities,
- applying information-communication technologies,
- promoting the spreading of scientific results and technologies and
- developing human capital.

In the government's work, these fields are supervised by various public administration organisations. One of the challenges in developing competitiveness is how the operation of various public administration organisations can

be harmonised in a country from the viewpoint of competitiveness. This requires development priorities as well as coordination during implementation and the evaluation of results. From the point of view of the public sector, the

biggest challenge, we believe, is not the identification of the fields to be developed but the consistent implementation of a coordinated government management, adjusted to priorities, for several years.

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