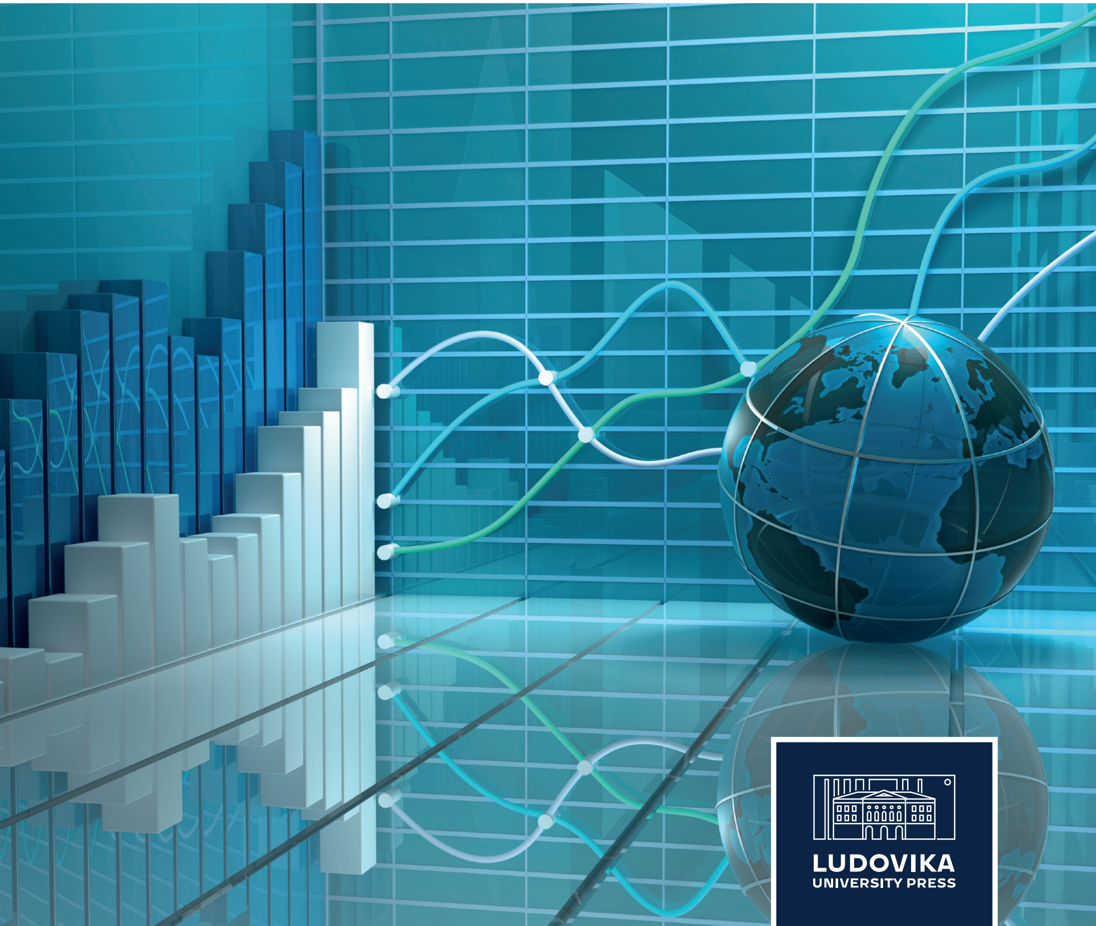
University
of Public Service
Faculty of Public
Governance and
International Studies

Emese Belényesi

Public Management in the Context of Contingency Theory



LUDOVIKA
UNIVERSITY PRESS

Public Management in the Context of Contingency Theory

Public Management in the Context of Contingency Theory

Author
Emese Belényesi

LUDOVIKA
UNIVERSITY PRESS
Budapest, 2023

The monograph was realised with the support of project number TKP2020-NKA-09 provided by the National Research Development and Innovation Fund,
with the financing of the Thematic Excellence Program 2020 tender program.

Author
Emese Belényesi

Consultant
Péter Koronváry

Published by the University of Public Service
Ludovika University Press

Responsible for publishing: Gergely Deli, Rector

Address: HU-1083 Budapest, Ludovika tér 2.
Contact: kiadvanyok@uni-nke.hu

Managing editor: Katalin Pordány
Copy editor: Zsuzsánna Gergely
Layout editor: József Tihanyi

Printed and bound in Hungary.

DOI: https://doi.org/10.36250/01122_00

ISBN 978-963-531-882-7 (print)
ISBN 978-963-531-883-4 (ePDF)
ISBN 978-963-531-884-1 (ePub)

Contents

Introduction

Public management is often mistakenly believed to be the same as public administration. While there is some overlap, the two disciplines actually studies different levels of professional responsibilities. *Public administration* focuses on producing public policies and coordinating public programmes. *Public management* is a sub-discipline of public administration that analyses managerial activities in public organisations.

Public administration is a field of political science that plans, organises, directs, coordinates and controls operations at government, public sector and non-profit organisations. The government grants public administrators the authority to advise policy-makers on the basis of their observations about citizens, population groups and the society. Every nation employs some form of public administration when running their government systems.

Public administrators cooperate with civil servants when writing public policy and implementing them to achieve policy objectives. Professionals in the field also need to develop strong relationships between public and private groups by advocating for consensus and interests through policy. Different groups have competing needs, so it is important that public administrators have the skills to mitigate conflict in policy-making.

Public managers execute managerial operations in public organisations. In practice, public management is meant to improve the quality and efficiency of services delivered. Managers interpret public policy to implement services as expected to achieve the most desirable outcomes for the interests they serve.

Contingency approach, often called *situational approach,* is based upon the premise that management is essentially situational in nature. All decisions by managers will be affected (if not controlled) by the contingencies of a given situation.

There is no one good way to address any decision. Contingencies arise from various contextual factors. As such, managers must take into account these contingencies when making decisions that affect the organisation.

Contingency Theory builds upon accepted elements of Systems Theory. It recognises that an organisation is an open system made up of interrelated sub-systems. It emphasises, however, that the behaviour of individual elements is dependent upon internal and external environmental contingencies.

These might include various relationships between other sub-units or external systems. This is particularly true when these internal or external systems affect the desired outcome of a sub-unit.

Contingency theory also proposes structural changes or designs, leadership styles and control systems in an organisation that allow it to react to environmental contingencies.

Public management in the context of contingency theory[1] is concerned with the issue of situational management of public administration organisations and the possibilities for their development as well. The specific environment of these organisations, its complexity, dynamics and changes also imply an adaptation pressure for management, one of the possible tools of which is the adaptive application of contingency theory. This also calls for continuous organisational development, which is a constant challenge for both strategic and operational management.

The message of contingency theory is that the applied management model should not be derived solely from theoretical considerations. It is not even the most proper method for the leader to choose the most obvious one. It is advisable to adapt applicable management methods in each case to the specific situations, the tasks to be solved, the personality of the leader, the readiness of the participants and their commitment to the implementation.

The basic assumptions of the contingency theory are:[2]

- there is no single best solution and method that can be used in all circumstances
- it must to be flexible about the methods to be used
- the methods to be used in a given situation must be adapted to the circumstances (organisation, tasks and people, etc.)

Contingency theory examines the relationship between an organisation's external environment and internal givens (independent variables), its chosen strategy, its structure and structural processes, the operation of its culture and its performance (dependent variables). According to this approach, the design of the organisational

[1] The content of contingency theory states that there is no exclusively best way to lead and organise. Different methods are effective in different situations. It follows that each theory can only provide a basis for solving different situations and tasks, because it must always be adapted to the current environment.

[2] Dobák, Miklós – Antal, Zsuzsa: *Vezetés és szervezés.* Budapest, Aula Kiadó, 2010.

structure follows the changes in the strategy, and the chosen strategy depends on the changes in the environment. In addition, the environment affects the organisational structure directly, through technology. The point of the theory is that it also incorporates organisational culture as a mediating variable. Figure 1 illustrates the logical framework of contingency theory, where the dashed line represents the boundary of the organisation and the elements that managers can directly affect.

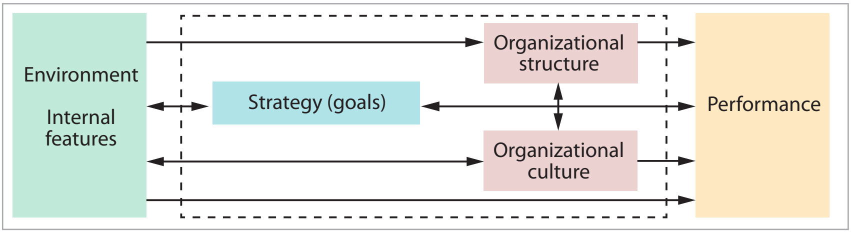


Figure 1: The logical framework of contingency theory
Source: Compiled by the author based on Dobák–Antal (2010): op. cit.

Based on the logic of contingency theory, it can be stated that a different context can result in different organisational strategies, structures and cultures. However, the initial idea that the diversity of structures is due to the fact that they are more or less bureaucratic can now be considered obsolete. The development of business organisational models formed by innovative solutions in the public service has resulted in countless alternatives to the classical form of bureaucratic organisation.[3]

Some of the organisational solutions that are basically considered business models can be attributed to the public service, as their spread and practical applications were more successful in the business sector. The roots of the divisional organisation, for example, go back to one of the solutions used by military organisations, while the first application of the matrix organisation can be found in the scientific research resulting in the creation of the nuclear bomb.[4]

One possible response to the challenges facing public administration organisations is to develop alternative organisational solutions and to adapt proven business models. In addition to the contingency approach, the adaptation is

[3] Dobák–Antal (2010): op. cit.
[4] Dobák–Antal (2010): op. cit.

enriched by the research of numerous other organisational and sociological trends, partly targeting the public service.

However, management of public administration organisations can in no way mean simply adopting the management models of the business sector. Their sector-specific adaptation is necessary, which requires a complex approach allowing the characteristics of these organisations to be properly addressed. The need for adaptation is justified by the specificities of the public sector, such as: public authority, public interest orientation, management of community funds, complex performance requirements, regulation, procedural guarantees, networking, fairness, non-discrimination, predictability and continuity, transparency and accountability, to mention just the most important ones.

In the following, the issue of the operation of public administration organisations is discussed in the context of contingency theory, i.e. along the logical framework of *organisational strategy making, structural models, cultural models and performance,* while examining the application of each model under public service conditions.

1. Strategy-Making Methods in the Public Sector

In recent years, there has been a growing need for a strategic approach to management and leadership in the operation of organisations. Even in public administration, the starting point for pre-planned changes is strategy, strategic planning and the implementation of strategies. These also apply to the state and its institutional system. After all, the successful operation of states requires, on the one hand, future orientation and, on the other hand, effective everyday actions and decisions. It could also be said that the innovative behaviour of the state and its operation in support of innovation must form an integral whole. To this end, operational efficiency of organisations and the quality of public services must be improved, and strategy is an important tool to do so.

The aim of this chapter, starting from the concept of strategy, is to present the individual phases of strategic planning, the methodology of strategy making, and the management tools used in the process. The administrative peculiarities of strategy creation will be described, followed by the relevant strategic documents of the Hungarian public administration. Finally, following the development trend of the strategy, the role of strategic management in the operation of organisations will be specified.

1.1 The process of strategy making

The term strategy is derived from the Greek word *stratos,* which means "army". Strategists in ancient times were generals, and strategy was the science of leading campaigns and wars. It meant the abilities, conditions and the science of organising whatever was needed to achieve the ultimate victory. The modern terms of strategy and strategic planning first appeared in the second half of the twentieth century with the spread of corporate strategies, and very soon it became one of the most dynamically developing fields of business science.[5]

Strategic management in business shows the ever-intensifying competition between companies as "battlefields" in the markets. There are also "market

[5] In World War II, aspects and methods developed in U.S. military strategic research institutes were applied to (large) companies after World War II in the first half of the 1950s.

campaigns" between competitors, and the strategic mindset and the toolkit of strategy itself proves particularly useful in this context. On the tactical level, coordinated actions of different types of "weapons" and "troops" are needed, also the coordination of individual corporate functions, areas and action programmes are necessary in order to achieve victory and success. Today, strategic management is a practically independent discipline within management science.[6]

It was only much later that strategy came to the forefront of attention in the public sector, and its application in practice only became common in the 2000s. The need for long-term planning has also appeared in the life of the state, in the organisation of states, and, of course, in legal regulation. Deliberate long-term planning, coordinated development programmes, coordinated, adjustable implementation, transparent management, accountability and informing the public about everything are the key terms that describe the strategic thinking and strategic approach in the life of modern states.[7]

1.1.1 Strategy

Many attempts have already been made to identify the concept and role of strategy, their results depending on the field of science and the theoretical trend they originate in. In general, a strategy can be defined as a longer-term plan of action to achieve a certain goal, which provides the resources needed to implement it in a timely manner. Strategic planning is nothing more than the methodologically consistent development of this long-term plan, including the importance of cyclically recurring redesign and fine-tuning.[8]

Strategy is therefore a means to achieve long-term goals. An action for the future that is most commonly defined by the *mission* of the organisation and is part of the organisational strategy. *Strategic planning* involves developing strategy and actions. *Strategic goals* are the "milestones" that organisations need to reach in order to achieve the desired vision. *Vision* is a carefully articulated and detailed picture of a future situation that makes it clear what an organisation wants to reach over time. The essence and benefits of the goals to be achieved

[6] Csath, Magdolna: *Stratégiai tervezés és vezetés.* Sopron–Budapest, Leadership Vezetés- és szervezetfejlesztési és tanulást segítő Kft, 1994.

[7] Young, Richard D.: *Perspectives on Strategic Planning in the Public Sector.* 2002.

[8] Csath (1994): op. cit.

are to provide direction for action, to clarify who has a role and responsibility, and to enable performance to be measured.

1.1.2 Strategic planning

Strategic planning is also defined in many ways following various approaches. For example, strategic planning conducts comprehensive analyses to plan and implement fundamental changes that will help secure the future and create long-term harmony with the environment.[9]

As the strategy can be seen also as a *planning document* describing the activities to be carried out in the future, two characteristics of strategic planning follow from this definition: the requirement of writing, according to which methodological rules must be carried out in a carefully documented manner; and the fact that future events are subject to significant uncertainties due to changing external and internal environmental factors.

In strategic planning, the organisation defines from where to where it wants to get, that is the different goals it wants to achieve in the future. Although the basis of strategic planning, is the accurate description and analysis of the current situation, it is usually followed by defining a mission statement, vision, goals and objectives. These will be discussed in more detail later.

The two levels of strategy development are called *organisational strategy* and *functional strategy.* An organisational strategy is a basic strategy that addresses the overall direction of action and sets priorities for change. A functional strategy describes the efficient, optimal operation of organisational functions towards the common objectives. At best, these functional strategies are not isolated from each other, but are interconnected and fit organically in the organisational strategy. For example, such is the *human resources strategy,* in the development of which the types of people required to achieve the organisational goals can be determined.

The main element of strategic planning is *time.* The design process itself can be based on three levels:

- *long-term planning:* quality strategic steps, vertical targeting
- *medium-term planning:* setting specific goals and objectives

[9] Csath, Magdolna: *Stratégiai tervezés és vezetés a 21. században.* Budapest, Nemzedékek Tudása Tankönyvkiadó, 2004.

– *operational/short-term planning:* definition of tasks focused on one area at a time

The strategic planning document is suitable for outlining longer-term goals, covering the period between the current and the target state. A long-term strategy is, for example, a national projection or a long-term concept focusing on a specific field (such as the e-government framework concept). It can be medium-term, e.g. also a ministerial programme, a policy or an institutional strategy. Short-term strategies include e.g. institutional work plans as well as policy programmes. These will be discussed in detail later.

However, there is no generally accepted scheme for choosing the exact *time horizon* for strategic plans. The best solution is for the organisation to decide on the time horizon of the plan based on its current state and ideas, making sure that the longest plan is in line with the short-term ones.

Strategic planning is an ongoing activity that will always last longer. The actual length of the longer term is determined by the extent to which the objectives set are achieved and the nature of the activities. No matter how long ahead you plan, they should be in line with shorter-term plans. Nor should the time horizon of the plan be limited by the predictability of environmental change, as management must make decisions in an ever-changing environment. A good strategy is future-creating and not passive. Change in an organisation often needs to begin when there is apparently no need yet.

The most important *features* of strategic planning are: forward-looking, action-oriented, active, flexible, change-oriented, aiming at lasting success.

The starting point for strategic planning is a set of *premises,* i.e. the assumptions about the future state of certain relevant parameters of the external environment that cannot be influenced by the given organisation. These might include features such as the inflation rate, exchange rates, expected budget cuts, a change in political exchange rates, and dates for joining major international systems.[10]

The operating principle of strategic planning is *cyclicality.* Cyclicality refers to a recurring development process, the essence of which is that implementation is carried out on the basis of planning, then its control, then evaluation, and finally the information thus obtained is fed back into the new planning process.

[10] Drótos, György: Közszolgálati szervezetek környezete és stratégiai vezetése. In Antal, Zsuzsa et al. (eds.): *Közszolgálati szervezetek vezetése*. Budapest, Aula Kiadó, 2011.

This ensures the continuous development and the continuation of the entire strategic cycle.

The *hierarchic fit of the goals* set at each level is also very important in strategic planning. In case of relationships where a subordinate or other dependency relationship is present, the hierarchical indicator suggests that a system of strategic goals at a lower level cannot be inconsistent with a higher level, its objectives must be adjusted. The advantage of this is that by implementing the activity, the organisation not only fulfils its own goals, but also contributes to the fulfilment of higher-level goals.

In conclusion, strategic planning is the process by which management sets general, long-term objectives and specific, shorter-term performance goals, and then develops actions to help achieve those goals. Factors that are important for success are all the activities that an organisation needs to implement. A strategic plan must be drawn up in each of the areas in which we intend to make a change.

1.1.3 Strategic plan

The product of strategic planning is the strategic plan. Depending on the nature and time horizon of the plan, it can be of three types:

- *strategic plan:* applies for a long-term and organisation-wide
- *tactical plan:* contains the medium-term and necessary steps to achieve a given result
- *operational plan:* includes short-term and implementation-related tasks
- The strategic plan shall include the main objectives, policies and activities of the body. It describes what the organisation is doing and why it is doing it and sets out goals for the future and how to achieve them. The strategic plan is designed to ensure that all stakeholders (state or local authorities, staff and users) understand what the role of the institution is and what its objectives are. An appropriate strategic plan can demonstrate that an institution is able to use resources in an optimal way, focusing on priorities. The plan should also include how the institution will measure the progress of the processes and how it will inform stakeholders.

The strategic plan helps to:

- the conditions already imposed do not restrict the achievement of the objectives

- find a way to create the conditions necessary to achieve the objectives
- choose a range of activities where the organisation can be successful, building on its strengths and exploiting its environmental potential

1.1.4 Implementation of the strategic plan

Without implementation, even the best strategic plan is superfluous, and without an appropriate strategic plan, implementation becomes uncertain. The strategic plan should not stop at defining goals and activities, so it is important that the *requirement of feasibility* is taken into account during planning. After all, what is the value of a plan that presents a logical order of intervention along a clear set of goals, but ignores the assessment of available or necessary resources? The most important means of achieving the goals set in strategic planning is the *strategic program and actions,* which include the resources and tools needed for implementation, as this is the way to implement change. *Strategic leadership* is a joint process of planning and implementation.

There are two important *stages* in implementing a strategic plan:

1. implementation and monitoring of the programme and actions, evaluation of performance
2. provide feedback and make any necessary modifications

The successful implementation of the strategic plan requires five conditions:

1. the set of vision, goals, values, mission and actions to be implemented
2. the appropriate organisational structure and operation
3. the totality of the value-creating processes taking place
4. the motivation that connects people and organisation
5. the staff available with their skills, knowledge, will and commitment[11]

A prerequisite for successful implementation is also a constant return to the key questions:

- Are the goals still important and realistic?
- Do we still see the way to the vision?
- Is there still enough energy, resources, enthusiasm for implementation?

[11] Fekete, Jenő György: *Környezetstratégia*. 2011.

1.1.5 Evaluation of the strategic plan

Basically, it can be stated that each strategic plan is worth as much as it is realised. The evaluation of the plan is at least as important as the preparation of the plan itself, as only continuous monitoring allows us to shape and refine it in progress.[12]

It is advisable to review the strategic plans on an annual basis and, of course, to monitor them on an ongoing basis. When reviewing a strategic plan, the most important thing is to examine the extent to which the stated goals have been achieved. The follow-up to the strategy should include an assessment of backlogs, past and expected plans. Evaluations should use indicators that accurately reflect the effectiveness and cost-effectiveness of the plan.

These *indicators* can be, for example, indicators of the utilisation of resources, quality indicators, economic indicators. Indicators of the utilisation of resources highlight waste and unnecessary resources. Quality indicators can be used to solve quality control. Costs are sometimes very difficult to estimate, and cost-effectiveness indicators can help us with this.

There are *four main areas* of strategic control:

1. checking the strategic conditions, i.e. whether the initial assumptions still exist
2. monitoring its strategic implementation, i.e. whether we are on the designated line
3. monitoring the wider environment, i.e. whether there has been any change
4. analysis of alarms, i.e. identification of unexpected and fundamentally affecting change[13]

There may be different conditions for strategic control. These include: a clear distinction between the *levels of control* (strategic, tactical, operational), the well-defined *performance criteria* to be examined, and the selection of only a factor for control that can be measured and is directly related to performance.

The main stages of the strategic plan control process are:

– definition of the control area
– determination of performance levels
– measurement of the implemented processes
– comparison of current data with the target

[12] Csath (1994): op. cit.
[13] Csath (1994): op. cit.

– decision on the necessary intervention
– implementation of the intervention

Research shows that most organisations do not check how their strategic plans work over time. Table 1 summarises the solutions proposed to address the resulting problems.[14]

Table 1: Problems and solutions

Problems	Solutions
A strategic plan is not a living document embedded in an organisation.	Organising a strategic planning workshop.
The strategic goals are unsettled and ranked.	Developing a set of criteria to help managers prioritise strategic goals.
Lack of funding for strategic initiatives.	Combining the strategic plan with the annual budget plan.
It is not known when the set vision and strategic goals will be achieved.	Developing a performance appraisal system or performance metric system to communicate the success of our goals.
Stakeholders feel under-informed about the strategic plan as well as progress.	Developing communication channels for stakeholders to access relevant information.
There is no follow-up process on the strategic initiatives implemented.	Developing a detailed follow-up system.

Source: Plant (2009): op. cit.

After reviewing the general issues of strategic planning, let us review the specifics of strategy making in the public sector.

1.2 Strategy-making in the public sector

Public administrative organisations are set up to meet specific social needs and to carry out tasks determined by law, so the question may arise why strategy is needed in their case. The main arguments can be summarised as follows:

[14] Plant, Thomas: Holistic Strategic Planning in the Public Sector. *Performance Improvement,* 48, no. 2 (2009). 38–43.

- Legislation (e.g. the memorandum of association) usually only sets out the objectives, but no longer how they are to be achieved.
- In addition, these documents are updated less frequently than the frequency with which society places new expectations on public organisations.
- While recording the core business of an administrative organisation, they do not set specific, ex-post measurable expectations for each sub-area.
- Their language often does not meet the expectation that the strategy should be clear and inspiring.
- Some community objectives can only be achieved through the cooperation of several public administrations. The necessary cooperative relations are usually not included in the legal regulations; therefore, the establishment of special policies and sectoral strategies are required.[15]

The system of operation of an administrative organisation consists of functions and related tasks. Each task can be assigned an implementation process that is made up of different activities. These types of activities can be linked to certain bodies and positions on the basis of legal regulations. These are called competencies, which together ensure the operation of the organisation. For the above reasons, it is essential for organisations in this sector to have their own institutional and different functional strategies.

1.2.1 Methodology and tools for strategy making

In case of organisations, strategy-making is basically built around three main issues:

1. *Where are we now?* – includes environmental analysis, situation analysis, position analysis; stakeholder expectations.
2. *Where do we want to go?* – includes mission or mission; definition of vision or vision and goals.
3. *How do we get there?* – this includes the formulation of strategic actions and programmes.

During the strategy-making process, we examine the external environment of the organisation, analyse the role of competitors, and identify our partners and

[15] Drótos (2011): op. cit.

allies. We analyse our resources (material, human, technological, innovation, etc.) and capabilities. We set strategic goals based on these, and we assign actions and measurable plan numbers to achieve the goals.

Two models can be used for this. One model builds plans for the future based on the possibilities of the present (evolutionary strategy), while another model plans the route for implementation (vision-driven strategy) based on the imagined vision. According to organisational development specialists, the latter alternative is much more motivating than the former, as finding new solutions to achieve the goals is more important than simply exploiting the opportunities that exist in the current situation.[16]

Thus, based on the *evolutionary model,* strategy creation usually begins with an *environmental analysis* and a systematic review of the *capabilities of the organisation.* Taking these into account, the *mission* and *vision* of the organisation are formulated, in which the main values and norms to be followed and the future state to be achieved are defined. The formulation of *strategic goals,* the identification of the main priorities is the next step in the process, followed by their evaluation and the selection of the strategy. In order that the strategy may truly serve as a guideline for everyday operations, it is necessary to formulate specific *programmes* and *actions.* The medium-term plan for breaking down the strategy summarises these actions and programs. At this level, resources and those responsible are already assigned to the measures.[17]

The process of the evolutionary strategy making is illustrated in Figure 2.

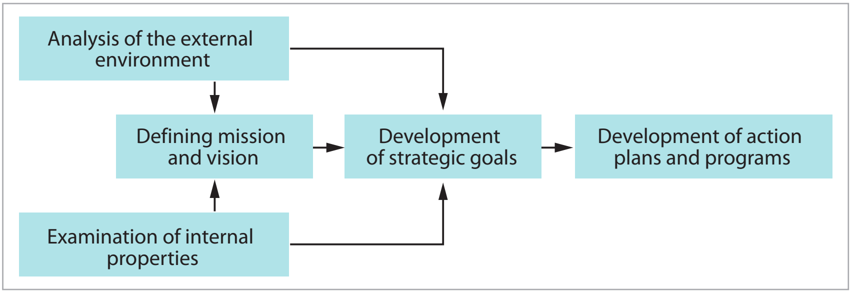


Figure 2: The evolutionary strategy making
Source: Dobák–Antal (2010): op. cit.

[16] Gáspár, Mátyás et al.: *Helyi Közösségi Akadémia. Módszertani keretrendszer.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.
[17] Drótos (2011): op. cit.

In practice, of course, the process is much more complex. It often involves several strategies and several scenarios to be considered, and in many cases it may not be linear, but may involve a number of backloops and corrections.

The *future-oriented model* focuses on bridging the gap between the future and the present in strategy-making, which can be achieved in seven steps within the framework of a workshop:

1. The first step is to create a *vision* for which a wide range of visual techniques is available. Visioning can take place in the framework of a workshop, it is important that the leader of the workshop creates the right atmosphere when using the tools, so that those present dare to share their ideas for the future. The essence of the chosen tools is that the participants express their feelings about the vision imagined over a fixed period of time through some creative process and then develop a common vision. After the joint adoption of the vision, the workshop manager records it and makes it available to other stakeholders.
2. In the second step, a *situation analysis* of the future and the present is prepared in a structured form. The situation analysis is also performed for the internal and external factors of the given organisation. The tools allow for structured data and information collection and help situation analysts to take into account as many areas as possible.
3. In the third step, the missing information is collected, and a *problem map* or *problem tree* is created, which summarises the tasks to be solved in a structured way.
4. In the fourth step, a *stakeholder analysis* is performed, and a treatment plan is developed.
5. The fifth step is to set goals based on the set vision. The goal system is designed with the help of *goal breakdown* or *goal tree,* highlighting the relevant connection points between the target system and the vision.
6. In the sixth step, based on the analysis of the situation carried out above, the differences between the desired future and the present situation are determined for each factor and then the path to be taken to bridge this gap, i.e. what concrete steps need to be taken, which is recorded in a *programme.*
7. In the seventh step, the strategy is evaluated and confirmed. To do this, we can use the *goal-program matrix* to check what goals the planned

actions support and to what extent, i.e. whether there is consistency between the goals and the programmes.[18]

The process of the vision-driven model is illustrated in Figure 3.

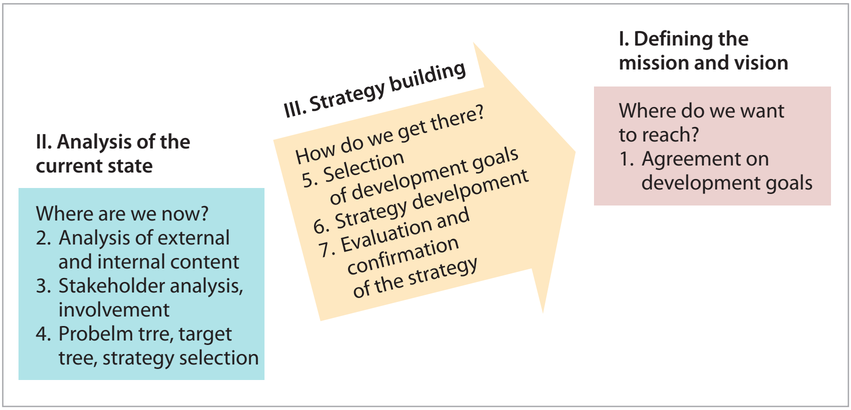


Figure 3: The future-oriented model of strategy creation
Source: Compiled by the author

Whichever of the two strategy-making models described is used, the tools used in the process may be common, which will be presented later.

1.2.2 The environment of public organisations

Environmental analysis is an essential step in strategy development. For this reason, the main environmental characteristics and segments of the public sector that have a great impact on the internal operation must be reviewed. A thorough analysis of the environment of the public organisation is important in order to understand what interests and expectations this organisational group must meet and what goals it pursues in its operation.

[18] Gáspár et al. (2014): op. cit.

The main environmental characteristics of the public sector are:

- *Narrower:* natural environment, labour market, financial market, vertical, horizontal system of public service institutions, non-profit organisations, local economy
- *Wider:* national economy, national politics, national culture, law[19]

The environmental elements of public organisations are shown in Figure 4.

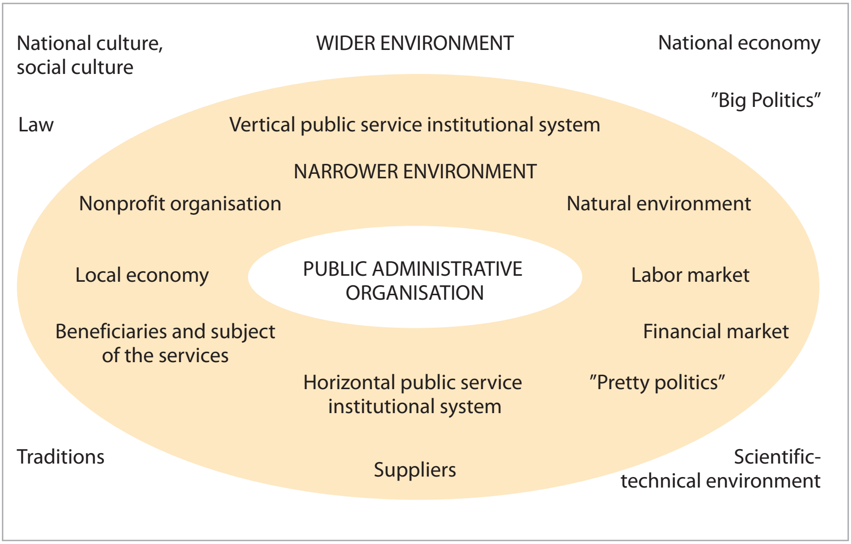


Figure 4: The most important environmental factors of local government organisations
Source: Drótos (2011): op. cit.

The *sales market:* in the case of public administration, we cannot talk about the sales market and customers in the classical sense, here they are the beneficiaries and subjects of the services. The services provided by the public administration meet a community need and are therefore considered to be partly or wholly public goods, for example, issuing passports or registering refugees.

[19] Drótos (2011): op. cit.

The *customer roles* are distinct. For example, in the execution of a sentence: the customer is the court that handed down the judgement, the financier is the state (indirectly the taxpayers), the subject of the service is the convicted person, but the beneficiary of the service is society as a whole.

The *competition:* public administration organisations do not compete with each other, as in most cases they are in a monopoly position, i.e. customers do not have a choice between organisations in most cases. For example, there is only one tax authority.

The *labour market:* rules arising from the legal status of civil servants due to obstacles, difficult-to-convert professional qualifications, but sometimes real competition is possible in some areas.

The *financial market* is becoming increasingly important for public administration. For example, in the management of deposits, short-term lending, in addition to state and EU funding, commercial banks also play a significant role in the development of public administration, with tendering and pre-financing schemes and long-term development loans.

The *institutional network* includes both subordinate and superior (e.g. superior body, governing bodies) or subordinate (e.g. all county government offices) relationships.

The *scientific and technical environment:* public administrations carry out a significant amount of data and information processing. For example, the Central Statistical Office processes and publishes data at the national level. However, the expanding potential of information technology is not yet properly exploited in public administration organisations.

The *legal environment:* while the law is impossible or only very difficult for business or non-profit organisations to influence, public administrative organisations can be active influencers of law-making.

The *political environment* has significant influence over the public sector. Compared to organisations belonging to other sectors, the influence of politics on this institutional system is much greater, as the majority of public administration organisations are (also) headed by political leaders appointed by the government in power. The political environment means not only the direct political superior leader, but also the national party politics ("national politics") and the local political force relevant to the local governments ("local politics").

The *national economy:* its state also presents great opportunities and limitations in terms of the possibilities of the public sector, but at the same time the institutional system of public administration has many tools to influence the economy. This is true at both national and local levels. For example, local governments also have the means to shape the local economy: they shape the entrepreneurial environment of a settlement.

The *non-profit organisations:* their importance lies in the fact that the civil sector is taking on and taking over more and more of the tasks that have traditionally been the responsibility of the public sector. There are further opportunities for public administrations to develop appropriate forms of cooperation with non-profit organisations.

Overall, the *environment of public organisations,* including central administration, territorial administration and local government organisations, is *extremely complex*. These organisations have to operate in a large number of environmental segments, and it is difficult to identify a single dominant environmental factor. In addition, each environmental segment is a mediator of different values and patterns of behaviour. Just think of the significant differences in political, legal and economic rationality, for example. Complexity is exacerbated by the fact that individual environmental segments are diverse in their own right, and different interests and expectations can rarely be aligned.[20]

1.2.3 Tools used in strategy making

The *PEST analysis* is often used in the analysis of the *macro-environment.* It is an acronym from the words Politics, Economics, Society, Technology, which represent main areas of the wider environment. The method can be used to outline the trends that are guiding and determining for the organisation.

The *political factors* are of great importance in designing the strategy. It is necessary to know the stability of the government, the change of political values, the functioning of the legislature and the parliament, the interests of political parties, the development of political forces, decisions and priorities. The presence or absence of political interests in the field should be assessed as far as possible. We need to be aware of policy decisions in the development of culture, science

[20] Drótos (2011): op. cit.

and education. In addition, the presence of the body in political programs should be recognised.

The *economic factors* affect institutions quite directly. The economic elements are economic cycles, interest rates, GDP[21] and GNP[22] trends, infrastructural developments, inflation, unemployment, changes in family incomes, capital movements, globalisation, economic conditions arising from the situation in the region (e.g. industry, hospitality, tourism), economic growth trends, the effects of an economic recovery or crisis. (The public service sector is sometimes relegated to the background due to the prominence of the economic area.)

The *social factors* are one of the least visible but also the most decisive elements. Social factors must take into account the composition and change of society. Equally, changes in lifestyle, shopping trends, major sporting events and media, advertising, ethics and publicity factors must be taken into account. Social factors should also be mentioned: changes in education levels, social mobility, living changes, lifestyles, working conditions, consumption patterns, demographic characteristics and administrative changes.

The *technological factors* can mean access to technology, patent licensing, manufacturing and research funding, as well as global communications. Technological elements: new discoveries, inventions and technologies, government development policies, R&D spending levels, changes in technological infrastructure. The development of information technology opens up limitless possibilities.

Analyses can take place in small work groups based on the knowledge, experience and activity of the participants. The result of the PEST analysis is an important step in the development of the strategy. The elements of the model are outlined in Figure 5.

In addition to the analysis of the macro-environment, the *micro-environment* should also be examined. Most of the analytical techniques are provided by the collection and analysis of statistical data. When collecting statistical data, it is possible to compare the data not only within a country, within a field, but also from an international perspective.

[21] GDP means gross domestic product, which shows the market value of goods and services produced in a given period (year) in a given country.

[22] GNP means gross national product, which shows the market value of goods and services produced by the citizens of a given country in a given period (year).

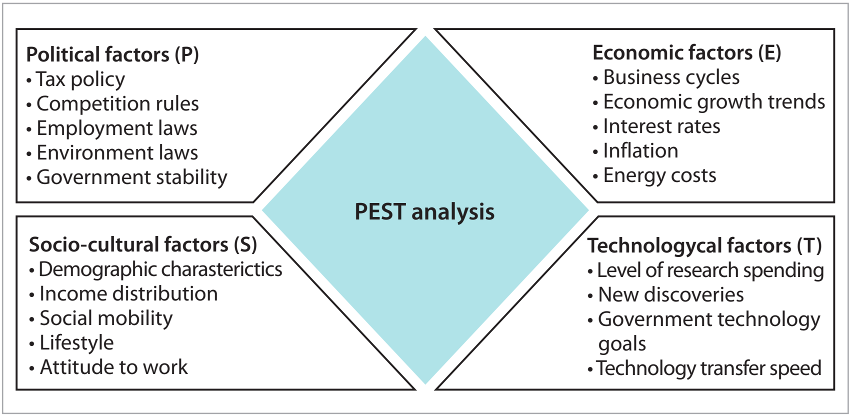


Figure 5: PEST analysis
Source: IFUA Horváth & Partners (2006): op. cit.

Several methods are suitable for the analysis of the micro-environment. The most common and widely used are *portfolio methods, life cycle models* and *Porter's 5 Competitive Power Model.* According to the last one, industry competition is determined by five factors (five forces): new entrants, the threat of substitute products, the bargaining power of customers, the bargaining power of suppliers and competition with existing competitors. One of the possible adaptations of this in the public sector is the competitiveness analysis applied during the development of the settlement development strategy of the local government.

The analysis of the competitiveness of the settlement is based on its current situation. The method collects and organises the available information. The advantage of its application is that it determines the critical success factors of the settlement and provides adequate information for strategic decisions on settlement development.

Overall, the model encompasses the areas that may arise in the settlement during a comprehensive analysis: target group, competition, image, values, activities – so by applying it, the current situation and opportunities of the settlement can be known. The logic of the analysis system is the development activity, so the steps that facilitate it can be examined. The structure of the model is shown in Figure 6.

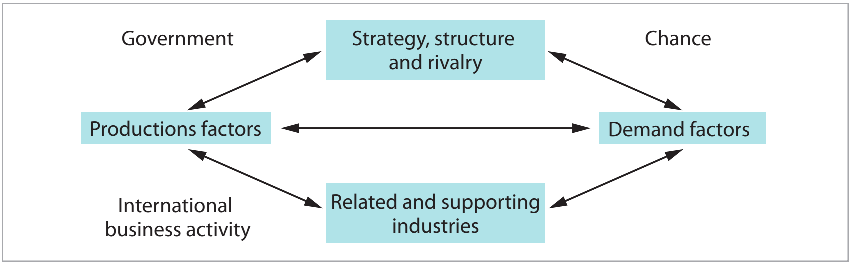


Figure 6: Elements of Porter's model adapted for local government development
Source: Piskóti et al. (2002): op. cit.

Another tool for *situation analysis* is when we map the external and internal environment of an organisation. Gathering information is possible through various methods: interviews, questionnaires, workshops, etc. A common method of situation analysis is *SWOT analysis,* i.e. analysis of strengths, weaknesses, opportunities and threats. The analysis focuses on the positive and negative internal factors of the region, organisation and sector under study (i.e. the strengths, weaknesses and the possibilities of eliminating the latter), as well as the positive and negative externalities (threats and opportunities).

The results of the SWOT analysis are summarised in a table divided into four sections, listing "strengths" and "weaknesses" in the top row and "opportunities" and "threats" in the bottom row. The aspects in the top row, the "strengths" and the "weaknesses" contain the internal criteria for the organisation under study, while in the bottom row we look at the "opportunities" offered by our environment and the "threats" arising from the narrower and wider environment.

The SWOT table is a snapshot, so a new strategy needs a new analysis, and it is advisable to incorporate it into the planning processes and re-create it for each planning cycle. The SWOT analysis – especially the "weaknesses" and "opportunities" sections – clearly identifies the necessary development directions, and this must be built into during planning. A comparison of the newer SWOT analyses with the older ones clearly shows whether the developments are really moving in the right direction: whether we have used our opportunities and remedied our weaknesses.

The analysis should not be the responsibility of a single person. Whether the SWOT or stakeholder analysis or problem-tree and goal-tree method (presented later) are used, they produce more effective results if they are done in a team than if they reflect the results of individual work, so it is advisable to perform the situation analysis in a working group. The logic of the SWOT analysis is illustrated in Figure 7.

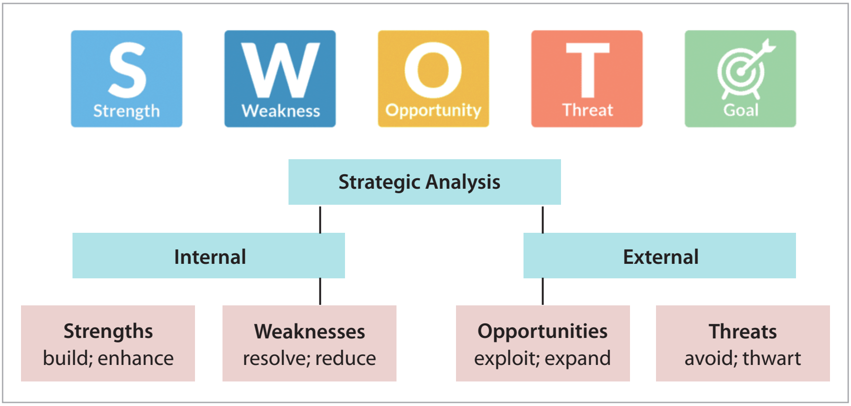


Figure 7: The logical framework of SWOT analysis
Source: https://businessmodelanalyst.com/swot-analysis-everything-need-to-know/

In order to successfully achieve the objectives, it is necessary to know who is affected by the strategic goals. It is necessary to assess who can be expected and who is to be won. It is very important to know this well enough, as they are the ones who can contribute to the success of the implementation of the strategic plan and implement the strategy, or the change is happening for them. To do this, the so-called *stakeholder analysis* method can be used.

The next step is therefore to identify the people affected by the strategy. A *stakeholder* is any individual, group, organisation who has a significant interest in the success or failure of a strategy. Stakeholder roles are examined according to whether they are interested or biased in how they can influence strategy. These are grouped according to the magnitude of their influence and then placed in a matrix. The matrix allows to identify stakeholders according to the degree of involvement and the level of support. Then conclusions may be drawn, necessary coordinating actions can be identified, or identified conflicts may be handled. The evaluation of the stakeholders is shown in Figure 8.

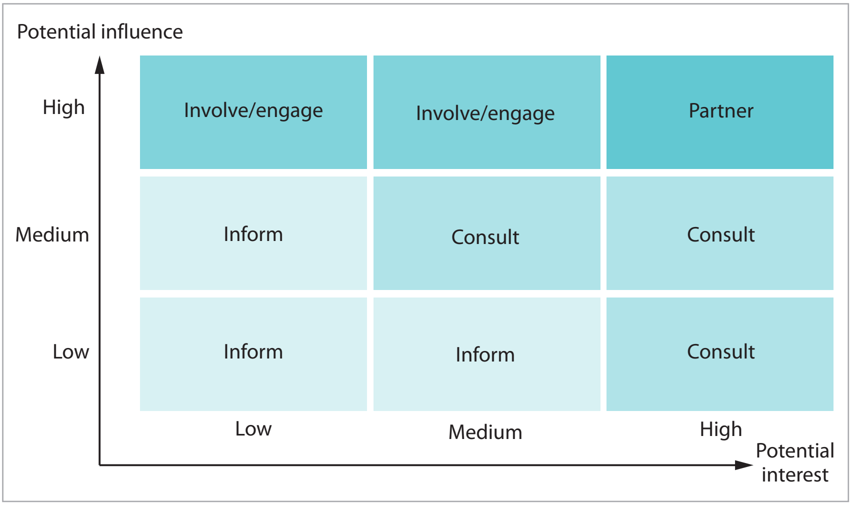


Figure 8: Stakeholder evaluation
Source: https://innovationforsocialchange.org/en/do-you-know-your-stakeholders-tool-to-undertake-a-stakeholder-analysis/

Stakeholder analysis fulfils its function if you do not stop at a simple inventory of external and internal stakeholders but supplement it by mapping their importance/influence on their interests in the organisation, and then supplementing it with a plan for their management. The stakeholder analysis adapted to the public service sector is illustrated in Figure 9.

An alternative to SWOT is SOAR analysis which is a strategic planning framework with an approach that focuses on strengths and seeks to understand the whole system by including the voices of the relevant stakeholders.

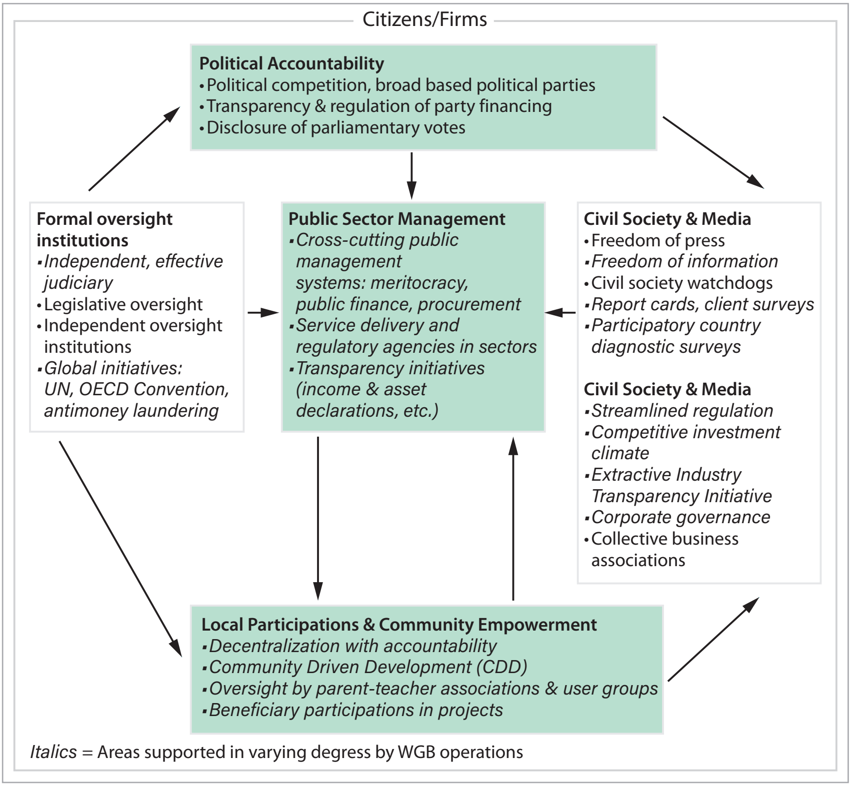


Figure 9: Stakeholders of the public sector

Source: www.researchgate.net/publication/280385079_Berg_Water_Project_Communication_Practices_for_Governance_and_Sustainability_World_Bank_Working_Paper_199_2010/figures?lo=1

SOAR conversations centre on what an organisation is doing right, what skills should be enhanced, and what is compelling to those who have any "stakes" in the organisation's success. SOAR is a positive approach to strategic thinking and planning that allows an organisation to construct its future through collaboration, shared understanding and a commitment to action.[23]

The analysis aspects and questions of the SOAR model are as follows:

- *Strengths* – What can we build on?
- *Opportunities* – What are our stakeholders asking for?
- *Aspirations* – What do we care deeply about?
- *Results* – How do we know we are succeeding?

By using a SOAR analysis, an organisation focuses on what they are doing well, what can be improved and what is most important to stakeholders. Using the SOAR approach, strategic plans can be more dynamic, creative and optimistic.

SOAR uses Appreciative Inquiry, an approach to organisational analysis and learning. Intended for discovering, understanding and fostering innovations in social organisational arrangements and processes. The matrix of the SOAR analysis is illustrated in Figure 10.

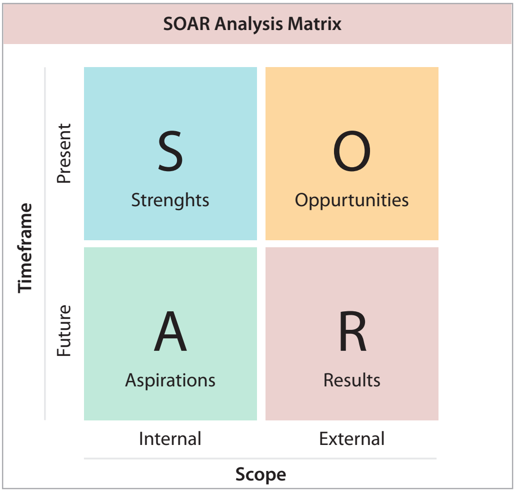


Figure 10: The SOAR Analysis
Source: Stavros–Hinrichs (2009): op. cit.; https://expertprogrammanagement.com/2019/11/soar-analysis/

[23] Stavros, Jackie – Hinrichs, Gina: *The Thin Book of SOAR. Building Strengths-Based Strategy.* Thin Book Publishing, 2009.

Setting up a *strategic goal system* involves three operations: *problem analysis, goal analysis* and finally *strategy analysis.*

The first step in the analysis is to help identify the main problems and to create a “problem map” or “problem tree”, i.e. to pinpoint the causal relationships. There are several ways to explore problems: interviews, surveys, statistics and more. The various groups involved are the so-called brainstorming to gather the main problems related to a given situation.

The problem map makes it possible to group and analyse the operational and structural problems that hinder the achievement of the vision according to the difficulty of the solution with the local capabilities (material and intellectual) and the expected resource requirements. The ultimate goal of the problem map is to help define the conditions for implementation, designate operational tasks and select those responsible.

The list of problems that form the basis of the problem map can be created as an answer to four basic questions, starting from the SWOT analysis:[24]

- What existing or anticipated problems may prevent us from moving closer to the vision based on our strengths?
- What are the problems that can cause real threats?
- What problems can prevent us from overcoming weaknesses?
- What problems can prevent us from taking advantage of the opportunities?

To create a “problem map”, the collected problems can be placed on a two-dimensional map. One dimension is how easy or difficult it is to deal with the problem, and the other is how small or large the resource requirements are. The problem map is shown in Figure 11.

If many problems have been identified, it is appropriate to re-prioritise the problems. In this case, we will prepare the problem inventory separately. The problem inventory contains a short description of the problem in tabular form, in order of importance, the name of the person(s) responsible for the solution, the persons or groups involved in the problem, the expected time of the solution and the foreseeable resource requirements.[25]

[24] Gáspár et al. (2014): op. cit.

[25] Gáspár et al. (2014): op. cit.

Figure 11: Problem map
Source: www.stickymarketing.com/lessons-overview/problem-maps/

After the exploration of the problems (based on another method), the hierarchical order of them has to be determined, i.e. the causal relations. This is the so-called "problem tree". Each problem identified should be evaluated and placed at one of the different hierarchical levels. The main problem needs to be identified and the problems associated with it have to be explored. If the problem is a cause, it goes to the lower level, if it is a consequence, it goes to the upper level. Figure 12 shows the structure of the "problem tree".

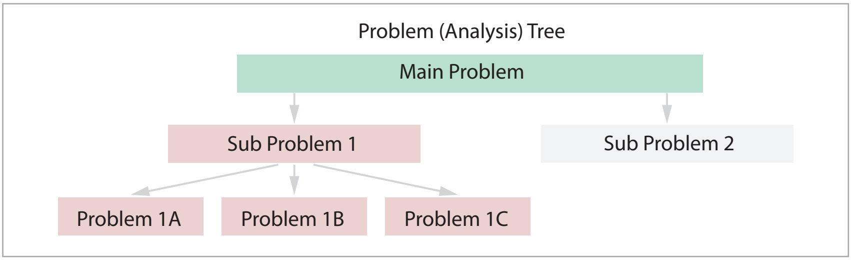


Figure 12: Problem tree
Source: www.12manage.com/%5C/description_problem_analysis_tree.html

After creating a finished and well-assembled problem tree, the inverse of this, that is, the creation of the "goal tree" should not be a problem either, as we have no other task than to redefine the problems in the form of goals. This is because while the "problem tree" displays the negative aspects of the current situation, the "goal tree" shows the positive aspects of the desired future situation. The two "trees" are thus a reflection of each other, where the causal relationship of the problems is replaced by the relationship of means and goals. Figure 13 shows the structure of the goal tree.

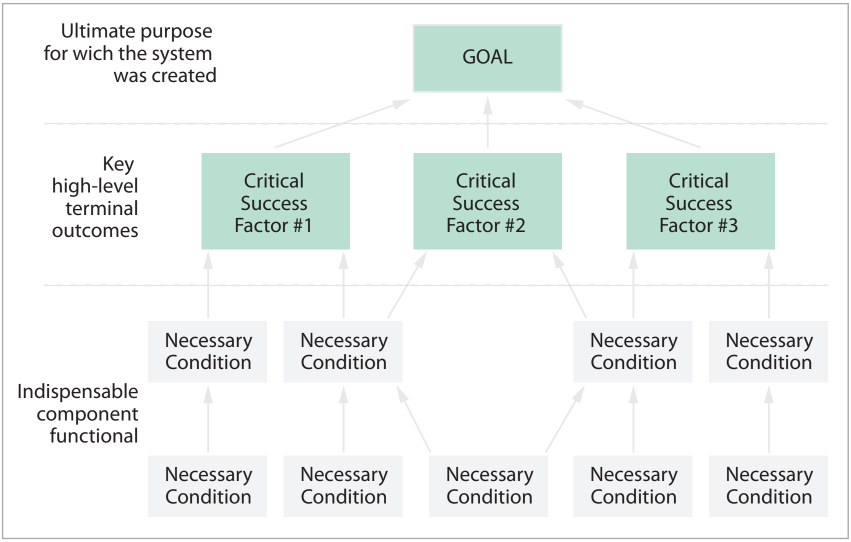


Figure 13: Goal tree
Source: https://twitter.com/semanticwill/status/1127325369126797312?lang=ar-x-fm

Each goal is built on each other in the same way as the problems in the problem tree, and the goal is formulated using the *SMART method*. SMART is an acronym (Special, Measurable, Achievable, Realistic, Time-bound) that covers the method used to set goals. It means setting goals that are:

- *special:* unique, special and concrete
- *measurable:* we can determine the extent to which the goal has been achieved
- *available:* suitable for activating execution

– *realistic:* achievable with the available resources
– *time-bound:* may be linked to a known or predictable deadline or deadlines

The direction of the strategy required to achieve the desired result, which will be selected depending on the results of the previous analyses, can be *offensive, defensive, diversified* or *turnaround.* The strategy contains goals that can be integrated into the task system of the given organisation. The strategy also reviews the feasibility of different interventions. The strategy choice based on the SWOT analysis is illustrated in Figure 14.

Figure 14: Strategy selection based on SWOT analysis
Source: www.researchgate.net/publication/283553252_Development_formulation_of_crafts_weaving_batik_ikat_East_Java_Strategic_block_and_interconnection/figures?lo=1

Finally, to check what goals the planned actions support and to what extent, the *target means matrix* can be used. It is a control tool that examines the consistency between goals and programmes and their relationship to realities, as illustrated in Figure 15.[26]

[26] Gáspár et al. (2014): op. cit.

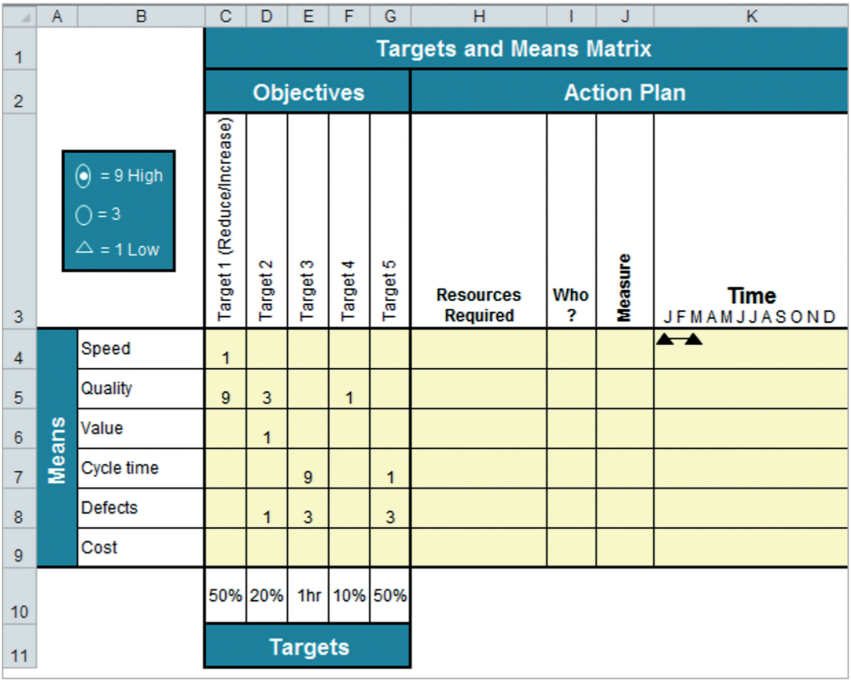


Figure 15: Target-means matrix
Source: www.qimacros.com/quality-tools/target-and-means/

Miles-Snow's (1978) strategy types can also be used to describe forms of adaptation in case of local government organisations. In his research on municipalities, Greenwood (1987) defined them as follows:[27]

- *Defenders:* municipalities that favour stability over experimentation and focus on performing their mandatory tasks; they are mostly preoccupied with their internal efficiency issues
- *Analysts:* municipalities that want to learn from other municipalities with similar functions in order to improve their own performance

[27] Drótos (2011): op. cit.

– *Researchers:* municipalities that are actively looking for new opportunities and challenges
– *Respondents:* municipalities that positively assess stability but change when circumstances require it
– After reviewing the issues of development directions and strategic goals, we turn to the possible development directions of strategy-making.

1.3 Development trends of strategy making

Strategy is one of the basic conditions for the successful operation of organisations. Strategies are usually developed at higher levels of the organisation's hierarchy. This means that leaders have a key role to play in developing the strategy. However, the cooperation of the staff is necessary for the development of the strategy and its successful implementation. And we can only work well together if everyone knows their exact place and role within the organisation. A motivating vision is a qualitatively different description of a more ideal state than the present, and it expresses a long-term value system that is worth working for and sacrificing, connects, inspires and encourages the search for new, better solutions and helps to make the necessary changes.

The ability to create and implement strategies is also appreciated during governance and state operations. However, experience has shown that in order for an organisation to behave in a truly strategic way, it is necessary to have a comprehensive, conscious and systematic structure and operation of the strategic planning process itself (i.e. to manage strategic planning) and to change the organisation as a whole to adapt to the requirements.

In this way, strategic planning must actually mean strategic management, as both the success of the planning process and its implementation, i.e. strategy-oriented operation, require the fulfilment of comprehensive requirements that affect the entire system of the organisation. This recognition is reflected in the shift in professional terminology from strategic planning to strategic management.

Given the specifics of the sector, the public service sector provides an excellent platform for choosing between the *traditional (goal-oriented)* and the opposite *alternative direction* of strategic management, as it is easy to see that the relatively higher complexity of the environment of public administration strengthens perception. In addition, a third, the so-called *institutional approach* has been developed. Table 2 summarises these three distinct theoretical strands.[28]

Table 2: Possible development directions of public service sector strategies

The traditional (goal-oriented) approach	Strategic management is considered to be a *systematic process* that starts with a detailed analysis of the environment and internal endowments and resources, and then through the elaboration of plans with less and less aggregation to the formulation and implementation of strategic actions.
The School of Alternative Strategic Management	The possibility of rational strategy-making in the public service sector is being ruled out. Their position is supported above all by the widespread *problematic features* of the objective and implementation processes of public service organisations.
The Institutional Approach	Society's assumptions and expectations determine what organisations should look like, and changes in their formal structure are increasingly determined by *competition or efficiency requirements,* and increasingly by rules and expectations in the environment.

Source: Drótos (2011): op. cit.

It is an interesting paradox that while the origin of the word "strategy" is tied to the public service sector (since it was first interpreted in the military and at the level of the state administration as a whole), the later theory and practice of public administration has for a long time almost completely ignored this concept. It is also noteworthy that since strategic leadership, as one of the most dynamically evolving fields in the business sciences, has repeatedly attempted to conquer the public service sector, from total rejection to mention as a panacea, it has provoked the most extreme views from both theorists and practitioners.[29]

Summary

In this chapter, we first reviewed the methodology of strategic planning, then the evolutionary and vision-driven model of strategy making, which provides a comprehensive framework for this work, and the tools used during each

[28] Drótos (2011): op. cit.
[29] Drótos (2011): op. cit.

phase. This was followed by the presentation of the administrative features of strategy-making, and then we summed up the possible development directions of strategy-making. Hungarian public administration is also increasingly characterised by a strategic approach, and as a result, in addition to strategic planning as an approach, strategic management is becoming more and more widespread.

Review questions

1. *Do public organisations need a strategy, and if so, why?*
2. *For how long time ahead should we create a strategy? Is it possible to plan for the long term?*
3. *What environmental factors influence the strategy-making process?*
4. *Who should develop the strategy and who is involved?*
5. *What should the strategy cover and how should the strategy-making process evolve?*
6. *What strategic tools can we use?*
7. *How is strategic hierarchy structured in public administration?*
8. *How is the public sector different from the business sector in terms of strategy making?*

Definitions

Mission: to record the existence, general goal, direction and values of the organisation. Defining the mission provides a basis for the rational and economical use of resources, is a driving force for those who want to identify with the goals of the organisation and contributes to the development and strengthening of the creative organisational culture.

Premises: assumptions about the future state of certain relevant parameters of the external environment that cannot be influenced by the given organisation.

Strategic goals: the most important long-term aspirations of a given public service organisation in line with environmental expectations, internal conditions and, of course, premises.

Strategic management: a broader concept because it assumes communication of the strategy and regular reassessment of its implementation, and even corrective action in the event of a discrepancy. More generally, strategic management can be defined as the leadership practice that ensures the strategic operation of the organisation in its day-to-day operations.

Strategy making: a structured process consisting of the analysis of the organisational conditions (external environment and internal conditions), the evaluation of the previous strategy, then the definition of the main components of the new strategy and its breakdown through several stages, up to the strategic action plans and their programmes.

Strategy: a concept that sets out the long-term goals of an organisation, defines the resources needed to achieve those goals, and the key development actions. It is more than the sum of its strategic goals in that it also includes the way in which it is achieved.

Time horizon: a pre-determined time frame for strategy-making.

Vision: the projected and desired future state of the organisation. The strategic intent that emerges in the vision can be focused on: core competencies; the activities and position of the organisation; to formulate passwords; future development forecasts.

References

Alford, John – O'Flynn, Janine: Making Sense of Public Value: Concepts, Critiques and Emergent Meanings. *International Journal of Public Administration,* 32, nos. 3–4 (2009). 171–191. Online: https://doi.org/10.1080/01900690902732731

Balaton, Károly – Hortoványi, Lilla – Incze, Emma – Laczkó, Márk – Szabó, Zsolt – Tari, Ernő: *Stratégiai menedzsment.* Budapest, Akadémiai Kiadó, 2014.

Barakonyi, Károly: *Stratégiai tervezés.* Budapest, Nemzeti Tankönyvkiadó, 1999.

Barakonyi, Károly: *Stratégiai menedzsment.* Budapest, Nemzeti Tankönyvkiadó, 2000.

Belényesi, Emese – Brecsok, Anna – Dömötör, Ildikó – Gáspár, Mátyás – Göndör, András – Jenei, Ágnes – Számadó, Róza: *Fejlesztő közösségek. A helyi közösségi akadémiák hálózata.* Budapest, Nemzeti Közszolgálati Egyetem, 2015.

Bouckaert, Geert: Public Sector Reform in Central and Eastern Europe. *Halduskultuur,* 10 (2009). 94–104.

Chandler, Alfred D.: *Strategy and Structure. Chapters in the History of the American Industrial Enterprise.* Beard Books, 1962.

Csath, Magdolna: *Stratégiai tervezés és vezetés.* Sopron–Budapest, Leadership Vezetés- és szervezetfejlesztési és tanulást segítő Kft., 1994.

Csath, Magdolna: *Stratégiai tervezés és vezetés a 21. században.* Budapest, Nemzedékek Tudása Tankönyvkiadó, 2004.

Csath, Magdolna: Innovatív és agilis állam, mint a sikeres gazdaság és társadalom feltétele. *Pro Publico Bono,* 4, no. 1 (2016). 4–23.

Dobák, Miklós – Antal, Zsuzsa: *Vezetés és szervezés.* Budapest, Aula Kiadó, 2010.

Drótos, György: Közszolgálati szervezetek környezete és stratégiai vezetése. In Antal, Zsuzsa – Drótos, György – Kováts, Gergely – Kiss, Norbert – Révész, Éva – Varga-Polyák, Csilla (eds.): *Közszolgálati szervezetek vezetése.* Budapest, Aula Kiadó, 2011.

Fekete, Jenő György: *Környezetstratégia.* 2011. Online: www.tankonyvtar.hu/hu/tartalom/tamop425/0021_Kornyezetstragtegia/adatok.html

Gáspár, Mátyás – Jenei, Ágnes – Jószai, Attila – Számadó, Róza: *Helyi Közösségi Akadémia. Módszertani keretrendszer.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.

Osborne, David – Hutchinson, Peter: *A kormányzás ára – Hatékonyabb közszolgáltatások megszorítások idején.* Budapest, Alinea Kiadó, 2006.

Plant, Thomas: Holistic Strategic Planning in the Public Sector. *Performance Improvement,* 48, no. 2 (2009). 38–43. Online: https://doi.org/10.1002/pfi.20052

Piskóti, István – Dankó, László – Schupler, Helmuth: *Régió- és településmarketing.* Budapest, Complex Kiadó, 2002.

Rosta, Miklós: *Innováció, adaptáció és imitáció. Az új közszolgálati menedzsment.* Budapest, Aula Kiadó, 2012.

Stavros, Jackie – Hinrichs, Gina: *The Thin Book of SOAR. Building Strengths-Based Strategy.* Thin Book Publishing, 2009.

Young, Richard D.: *Perspectives on Strategic Planning in the Public Sector.* 2002. Online: https://pdf4pro.com/view/perspectives-on-strategic-planning-welcome-to-66078.html

2. Organisational Structure Models and Their Appearance in the Public Sector

The institutional system of the public administration consists of a wide variety of organisations, including a ministry with national competencies responsible for the complex management of the sector, a central office with special responsibilities, a capital city and county government office, and a relatively small mayoral office as well. In addition to the obvious differences, there are a number of similar features to this organisational circle, which are discussed in more detail below.

The purpose of this chapter is to provide insight into the structure and operation of organisations. It is first necessary to clarify what is meant by the concept of "organisation" and what factors and trends influence the structure and operation of organisations, then to review the characteristics, advantages and disadvantages of types of organisational structure models, and finally the specifics of public organisations structure models.

2.1 Factors influencing the development of organisations

First of all, it is worth clarifying the concept of the organisation itself, because based on this, issues related to the structure and operation of the organisations will be discussed.

The organisation is a *socio-technical system*[30] that

- consists of elements of people (e.g. managers, employees) and objects (e.g. machines, equipment needed to work) and the relationships between them
- pursues a lasting goal
- has a formal structure
- encourages members to achieve their goals through the structure[31]

[30] It is an expertise, i.e. a process known only to the highly qualified, the implementation of which (with or without machines) requires new (organisational) structures in addition to the usual community conditions.

[31] Dobák, Miklós – Antal, Zsuzsa: *Vezetés és szervezés.* Budapest, Aula Kiadó, 2010.

Organisations are complex systems of people and objects that can be viewed in many ways. According to Morgan, thinking about organisations is defined by one of the following eight *basic metaphors:*

- *Machine:* we can look at organisations as machines, since in theory the conditions in the organisation are dominated by clearly demarcated components. This metaphor is close to Taylor's conception of the organisation and is still popular today. It often pops up in discourses about organisations when we hear terms like organisational unit, top-down, accurate as the machine, the organisation produces this and that, oiled operation, malfunctioning machinery, the executor of the design will, and so on.
- *Brain:* this metaphor draws attention to the importance of understanding the flow and processing of information, creativity and decision-making processes within an organisation.
- *Repression:* this metaphor highlights the exploitation present in organisations. Points out the struggles of interest – even without rules – that many in the world of organisations are working for the benefit of the few.
- *Culture:* the members of the organisation are characterised by common beliefs, values, rituals, customs and ceremonies. This is why we can also view organisations as metaphors for specific cultures.
- *Organism:* based on this metaphor, the following statements can be made: the organism comes into the world, exists and then ceases to exist. Meanwhile, it is constantly interacting with its environment, needs the right conditions to operate, and is able to adapt to environmental change and evolve throughout its life cycle within certain limits.
- *Political system:* this metaphor points out that organisations are networked by power relations, that organisational actors are interdependent in many ways. Different patterns of conflict of interest, competition and cooperation can be observed.
- *Psychological prison:* this metaphor highlights that both conscious and subconscious behaviours can be observed in organisations. People see the world in a limited way, through a number of faulty perception filters and distortions, and these can trap individuals and organisations as well. It is difficult to break out of the system of our erroneous presuppositions and beliefs.
- *Transformation:* the world is characterised by permanence and change at the same time. This is no different for organisations. To understand

> organisations, we need to see what brings them to life and what changes them.[32]

The effectiveness of organisations depends on their structure, management principles and methods. However, they are highly dependent on environmental conditions and organisational characteristics. Operation is affected by several factors, but this does not mean that all influencing factors should be treated with equal weight.

The formation, operation and transformation of organisations are determined, among other things, by the organisation's capabilities, scope of activities and environmental conditions. These are listed below.

2.1.1 The environment as a factor of influence

As we have already seen in connection with PEST analysis, the *market environment* includes the frequency, intensity and irregularity of changes in market partners, changes in customer needs, changes in requirements for products and services, but also changes in capital and money market movements and financing. In the case of public administration, we cannot speak of a sales market and customers in the classical sense, this category appears as the *beneficiaries and subjects of the services.* In addition, in the case of public administration organisations, these customer roles are separate (e.g. customer, service subject, financier, beneficiary).

The life and operation of the organisation is greatly influenced by the emergence of *new scientific* results and the pace of their application. At the same time, organisations cannot be independent of the peculiarities of the system of *power, politics and institutions,* nor of their changes. The *legal environment* is a significant influencing factor in public administration organisations. The effects of *national specificities* and *professional cultures* in the life of organisations can also be demonstrated, among other things, in the organisational structures, the application of management methods, and the way of thinking of employees.

[32] Morgan, Gareth: *Images of Organization.* Thousand Oaks, Sage Publications, 1997.

In addition, the *community/social environment* appears when it comes to public services and expectations, or just communication, the *institutional environment* when different organisations are involved and/or collaborating. Other environments can be delineated and modelled according to the current research goal.

2.1.2 The influential role of contingencies

It is not difficult to clarify the concept of *organisational size,* as it is most often identified by the number of employees. (Other characteristics can also form the basis of size, e.g. sales, case turnover, customer turnover, etc.) Examining the relationship between size and organisational structure shows that size is related to the degree of division of labour within an organisation and the written regulation of activities.

The larger the organisation, the more specialised *the division of labour,* i.e. the specialisation, each organisational unit deals with a smaller and smaller part of the organisation's tasks. However, the in-depth division of work has the consequence that each member of the organisation has an overview of only a fraction of the total tasks of the system. In large organisations, therefore, the need for coordination, harmonisation and integration is increasing.

The *basic technology* of the organisation depends on the nature of the process by which the organisation produces its products and services. The organisation's procedures show how its processes work, which can be:

- mass cases (passport, identity card administration)
- workshop system (urban architecture matters)
- systematic (decision-making)
- project matters (construction investment)
- routine cases (population register)
- complex processes (utilisation of municipal property)[33]

Within the system of public administration, for example, the records department of a government office is characterised by the high amount and degree of routine nature of the technology. This means a large number of similar types of cases

[33] Gáspár, Mátyás: *Helyi önkormányzati menedzsment.* Csákberény, Közigprint-Közigkonzult, 1995.

need to be handled in a similar way, through well-described, programmable sub-activities that rarely require original problem interpretation and resolution. In contrast, the legislative preparation department of a ministry is characterised by a low degree of the amount and repetitive nature of the technology applied.

The *origin of organisations* is determined by their historical heritage: origin, age, events (e.g. merger, reorganisation, etc.), development (e.g. life cycle model, cultural transformations, etc.), historical events that affect their operations.

When making decisions about organisations, it is reasonable to take into account the specifics of the *deployment situation,* e.g. the number of sites, their geographical location, distance, regional, town–village differences, infrastructural supply.

2.1.3 The scope of activities

The *basic tasks* of the organisation are collectively called the *scope of activities.* By activity we mean the products and/or services that an organisation produces; and what is the internal structure, scope, overlapping, etc. of the tasks performed. The scope of activity in business is also called *profile.* In public administration, this concept includes functions, powers and authority.

The novelty of the tasks also influences the appropriate degree of written regulation. The newer a task, the less knowledge is available about how it is to be performed, the procedures to be used and, as a result, there is a relatively low degree of written regulation available.

2.1.4 The management

Management is decisive in the life and operation of an organisation (e.g. organisational activities in public administration: management, supervision, control), the personality, professional knowledge and skills, style, tools used, human and professional roles of the leader. The factors influencing the formation and operation of organisations are summarised in Table 3.

Table 3: External and internal factors influencing the formation, operation and change of organisations

Environment	Capabilities	Scope of activity	Management
Market Scientific and technical Social and economic Cultural Legal	Size Greatness Resources Status Origin Installation Technology	Extent Overlapping levels Complexity Variability Durability	The role of leaders Decision powers Professional competence Leadership skills Motivation Identification with objectives

Source: Compiled by the author

2.2 Characteristics of the organisation

To describe and compare each organisational form, we need characteristics that can be well understood and evaluated for each organisational form. These so-called structural dimensions or structural features such as:[34]

- *division of labour (specialisation)*
- *division of authority*
- *coordination*
- *configuration*

In the following, the above structural dimensions of the organisation are presented.

2.2.1 Division of labour

Division of labour and specialisation are interpreted as synonymous. The division of labour can be interpreted on the one hand as the depth of the division of tasks, but also as the logic of the division of tasks.

[34] Nemes, Ferenc: *Vezetési ismeretek és módszerek.* Gödöllő, Szent István Egyetem, 2007.

Based on the *depth of the division of labour,* we can talk about highly specialised, moderately specialised and less specialised (broad profile) organisational units and jobs.

According to the *logic (principle) of the division of labour,* we distinguish between incidental, quantitative and qualitative division of labour. Although there may be a division of labour, this is not planned and staff can usually substitute each other (e.g. in a document office, the client goes to the first free clerk and only then finds out exactly what they want to deal with). The quantitative division of labour is similar to this: in fact, everyone performs the same tasks (e.g. judging social applications in one department of the municipality).

Rather, only a quality division of labour can be considered a real division of labour, which has the following variants:

– *Functional division of labour:* tasks are divided into homogeneous groups of activities (e.g. for any budgetary institution: budget department, accounting department, personnel department, IT, etc.).
– *Object-based division of labour:* division of labour is based on some objective principle, based on a product or service (e.g. within a government office: employment centre, consumer protection inspectorate, land office, etc.); or by customer groups (e.g. priority taxpayers).
– *Regional division of labour:* the organisation is made up of units performing regionally similar tasks (e.g. county municipalities).

The principle of division of labour at the highest level of the work organisation is called the *primary division of labour,* while it can be interpreted as *secondary, tertiary,* etc. division of labour.

If a principle prevails at the level of the primary division of labour, we speak of a *one-dimensional organisation;* if there are several in parallel, we speak of a *two- or three-dimensional organisation* (different divisions of labour may prevail at different levels and parts of the organisation).

2.2.2 Division of authority

Authorities include, above all, decision preparation, decision-making, opinion-making and the management of implementation. Depending on the location of the competencies (especially the decision-making rights), we distinguish between centralised and decentralised organisations.

Managers use their powers to manage their subordinates and subordinate departments. In this connection, we distinguish two types of control:

- *Functional management:* the application of general command and control rights along the hierarchy (chain of command, scalar chain), typically including employer rights. This is the "normal" mode of control.
- *Professional management:* it covers only a specific professional area; it is embodied in the issuance of professional regulations and the performance of professional inspections (e.g. the CFO prescribes a new order of documentation for each department and monitors compliance).

It is also important to distinguish between single-line and multi-line organisations:

- *Single-line organisation:* the chain of command is linear, i.e. subordinate units (subordinates) can only receive instructions from a higher organisational unit (leader). Dependency and professional management are not separated.
- *Multi-line organisation:* the chain of command is multi-linear, i.e. subordinate units (subordinates) can be commanded by two or more higher organisational units (managers). Dependency and professional management are often separated.

2.2.3 Coordination

Coordination tools are needed because, with the division of tasks, very different organisational units with highly differentiated activities emerge in the organisations. In practice, there are a number of *coordination tools* for coordinating the tasks of organisational units, these can be the so-called technocratic, structural and person-oriented coordination solutions:

- *Technocratic:* written rules of the organisation, formalised guidelines (e.g. organisational and operational rules, job descriptions, financial plans).
- *Structural:* additional organisational solutions that complement the organisational structure and operation in order to ensure the coordination of the tasks and decisions performed by the organisational units (e.g. boards, committees, teams, management meetings).

– *Person-oriented:* tools that help the members of the organisation to identify with organisational goals (e.g. leadership selection, internal training, conscious building of organisational culture).

The coordination tools listed are about the *organisational structure* (organisation of the units) and regulate the position and relations/cooperation of the parts of the organisation. It is therefore not a matter of coordinating the activities within the process by the leader, nor of what the central office does in a group of peers, i.e. coordinating (voluntary) cooperation activities. These are all formal means, controllable (and usually regulated) means of “unifying” an organisation, of working together.

2.2.4 Configuration

A configuration is an “image” of an organisation that is shown in an organisation chart. The two key parameters can be read from the organisational diagrams: the *depth division* (number of organisational levels) and the *width division* (number of subordinate organisational units and subordinates under one manager). The product of the two shows the *organisational complexity.* The *size of each organisational* unit means the number of employees belonging to that unit. The structural characteristics of the organisation are summarised in Table 4.

Table 4: Structural characteristics of the organisation

Division of labour	Functional, object-based, regional Primary, secondary, tertiary One-dimensional, two-dimensional, three-dimensional
Division of authority	Single-line, multi-line Centralised, decentralised
Coordination	Technocratic Structural Person-oriented
Configuration	Width and depth of division Organisational complexity Size of organisational units

Source: Compiled by the author

2.3. Basic organisational structures

The organisational forms differ due to the differences in their structure, and the differences in the structure are caused by the differences in the structural dimensions discussed above. In practice, the structure of organisations – due to the diversity of their activities, capabilities and environment – is always unique, but in most cases, it is possible to identify the organisational form (model) that best suits it. This also means that the organisational models to be presented in the following can only rarely be observed in their pure form in practice.

2.3.1 Linear structure

This organisational form is primarily characterised by a strict *hierarchy.* The company is headed by the top manager, to whom several managers at different levels are subordinate. Single-dimensional structure, i.e. there are no managers entrusted with the same task at one management level. The head of each lower-level organisational unit is subordinate only to the head above him and bears full responsibility for the unit he leads.

Advantages:

- transparent
- subordinate and superior relationships are clear
- it is cheap to implement (no unnecessary coordination costs)
- can be easily divided into parts (a new organism can be created by "cutting apart" the original one)

Disadvantages:

- inflexible, changing tasks can only be solved with difficulty
- the upper manager is overloaded
- creating horizontal contacts is difficult (contacts between people at the same level but working in different branches are only possible through the heads of the different units)

The linear structure is illustrated in Figure 16.

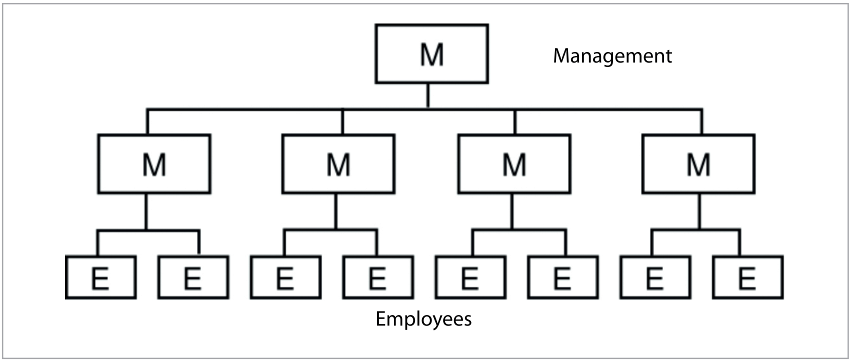


Figure 16: Linear structure
Source: https://ceopedia.org/index.php/Linear_structure

2.3.2 Linear structure with advisory unit

The structure of the organisation is similar to the previous structure, with the difference that here the work of the top management is supported by the so-called *advisory unit*. This is a group of experts whose tasks include decision preparation, coordination, implementation, control and analysis. Due to its task, the advisory unit's staff does not have the right to make decisions or give instructions.

This organisational form is more flexible and suitable for solving ad hoc tasks, since the preparation of frequent decisions is no longer the responsibility of the top manager.[35] The advisory unit therefore reduces the overload of the top management. The characteristics of the organisational form are otherwise the same as the linear organisation.

The linear structure with advisory unit is illustrated in Figure 18.

[35] The decision can be more professional if professional knowledge somehow plays a role in the selection of the board, it is more versatile, it can validate more aspects and interests, if opinions are allowed to emerge, but it is definitely slower, it is more difficult to reconcile views, and it requires certain communication skills.

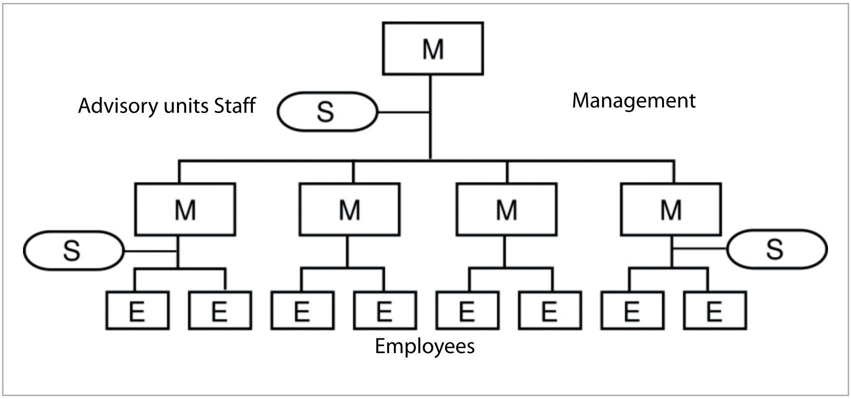


Figure 17: Linear structure with advisory unit
Source: https://ceopedia.org/index.php/File:Staff_structure.png

2.3.3 Functional structure

Its basic condition is the creation of specialised *functions,*[36] which is a guarantee of high professional standards. In this organisational form, there is a large degree of division of labour and division of powers. Connections are possible *horizontally* (between units of the same levels and their members) and *vertically* (between units of subordinate levels and their members), as well as *diagonally* between units belonging to reaching levels and their members.

In this organisational structure, high efficiency can be achieved under certain strict conditions, but at other times many problems hinder efficiency. Another disadvantage may be that coordination costs increase with increasing activity, and such an organisation is slow to adapt to the environment, because in the event of a change, modification of the basic activity requires modification of the leading organisations.

[36] The significance of the functions is the existence of activity areas and the grouping of organisational units according to them.

The functional structure is illustrated in Figure 18.

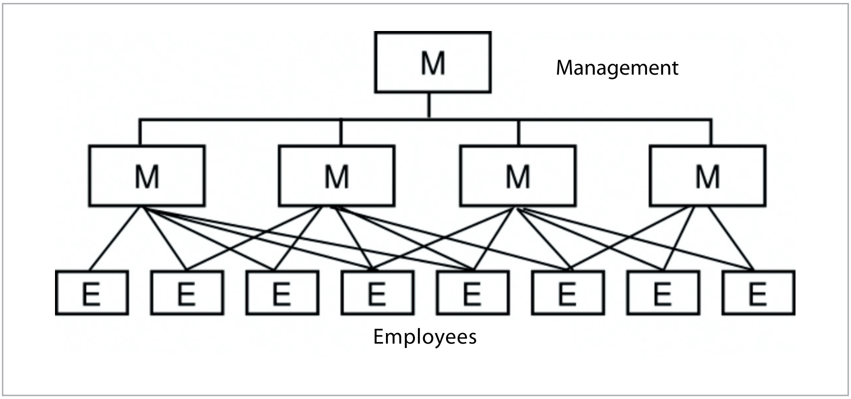


Figure 18: Functional structure
Source: https://ceopedia.org/index.php/File:Functional_structure.png

2.3.4 Linear-functional structure

The structure of the organisation is similar to the structure of the functional organisation, except that here the organisation does not only perform one basic activity, but several. Professional management in the organisation is carried out by the various departments, but the management of the organisation also exercises control over the individual units. A prerequisite for the establishment of the organisational form is a stable environment, easy-to-understand and not too extensive activities. Its characteristics are made up of the features of the linear organisation and the functional organisation.

The linear-functional structure is illustrated in Figure 19.

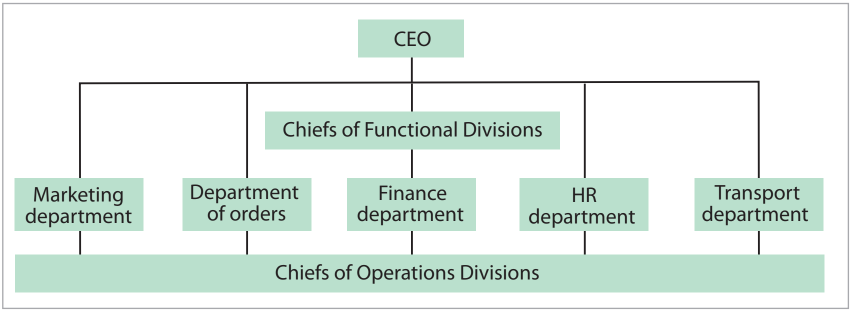


Figure 19: Linear-functional structure
Source: www.researchgate.net/publication/329952936_Fuzzy_identification_of_the_state_of_IT_corporation/figures?lo=1

2.3.5 Divisional structure

A divisional organisation is created when the basic activity is divided into completely separate units according to some principle. These units no longer have a close relationship with each other, they only have to subordinate themselves to the central goals, but their operation has become largely independent. The separation criterion can be some *product/service group* or *product/service unit.* So, either different types of products/services are produced by the individual divisions, or the individual departments are separated geographically. The individual divisions can be considered completely independent organisational units, so they have their own management and functional units belonging to the management.

Advantages:

- the possibility of creating a wide range of services
- deliverability of product/service families
- dynamic market environment
- competition between divisions
- an atmosphere that encourages performance
- separation of strategic and operational tasks
- clear divisional goals

Disadvantages:

- divisional egoism, i.e. individual divisions consider their own work to be the most important from the point of view of the company
- since almost identical tasks have to be performed in many places, the number of employees increases

The divisional structure is illustrated in Figure 20.

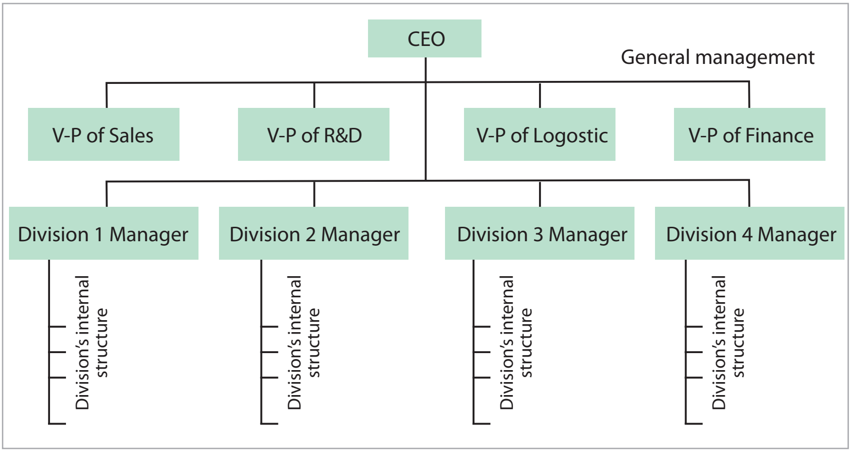


Figure 20: Divisional structure
Source: https://ceopedia.org/index.php/File:Divisional_organizational_structure.png

2.3.6 Matrix structure

A matrix organisation is an organisational form where work is organised according to an *objective principle* (i.e. based on some product or service), a *functional principle* (i.e. based on some task) and/or according to *professional divisions.* Its main feature is that the work group is managed by two managers at the same time: e.g. a project manager and a functional manager. Based on this, the matrix organisation can be classified as multi-dimensional. One of the possible consequences of dual leadership is the conflict between leaders. Such solutions usually form only one part of the entire organisation (e.g. professional activities), the rest (e.g. support-administrative-background service units) should not be organised in this way. There are matrix structures where one side is a program/project, the other is functional or divisional.

Advantages:

- the division of labour
- the division of powers
- high performance

Disadvantages:

- the rivalry of the managers
- excessive teamwork
- postponing decisions
- transfer of responsibility
- risk of collapse in critical situations

The matrix structure is illustrated in Figure 21.

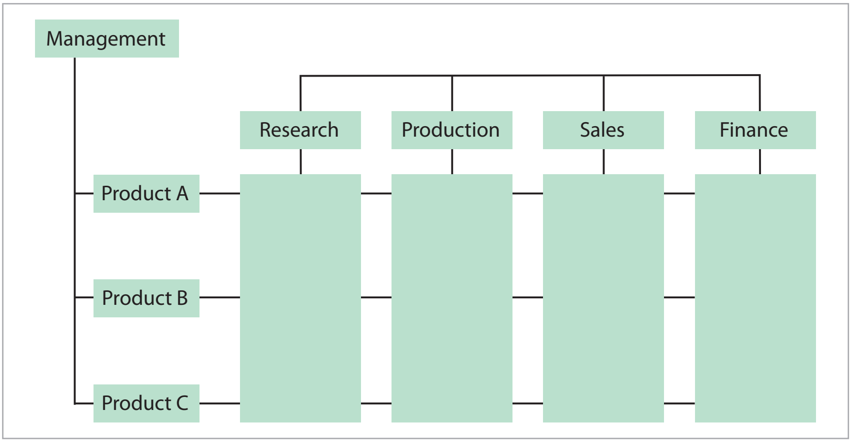


Figure 21: Matrix structure
Source: https://en.wikipedia.org/wiki/Matrix_management

Table 5 summarises the organisational structure models, based on the division of labour and the division of powers.

Table 5: Summary of organisational structure models

		Based on division of labour	
		One-dimensional	**Multi-dimensional**
Based on authority	Single-line	Linear structure Functional structure	Divisional structure
	Multi-line	Linear-functional structure	Matrix structure

Source: Compiled by the author

2.3.7 Project organisation

Project organisations are created to carry out a specific task. Projects are organised to perform relatively new or non-repeatable tasks. It is typical that the amount of time available to achieve the goal is predetermined, the task is risky and the tools available are limited.

The project can be implemented in the following organisational forms:

– *Provisioning matrix organisation.* The project members are selected from the organisational unit, the responsibility and decision-making powers of the project manager are clear, the project members can only receive instructions from their project manager. The participants only work on their project tasks, so during the duration of the project they "drop out" of the original organisational form and job role, they only deal with the project.

– *Pure project organisation.* In case of large-scale, complex tasks, the managers of the interested organisations entrust the implementation of the project to a group of experts created specifically for this purpose, and the project manager is given wide powers. In this form, the task is so complex that it is worth entrusting a special group created for this purpose with the task, thus creating an independent project made up of experts. The head of the company selects the project workers.

– *Integrated project organisation.* An integrated organisation differs from a pure project or project organisation in the way tasks are divided. The task of the project manager in this case is to answer the "who, what, when" questions. The head of the organisation selects the project manager, the coordination of the other employees is the task of the project manager.[37]

One possible model of the project organisation is illustrated in Figure 22.

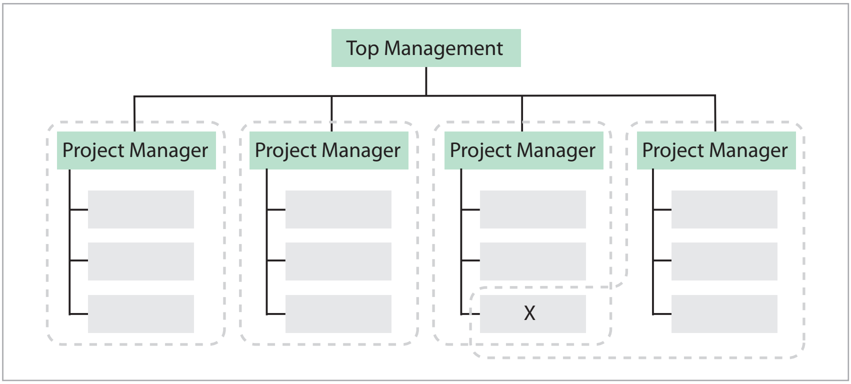


Figure 22: Pure project structure
Source: www.researchgate.net/publication/286590711_Barriers_of_Project_Structures%27_Development/figures?lo=1

2.4 Mintzberg's organisational structure model

Mintzberg distinguished five types of activities carried out in the organisation, which partly overlap with the organisational forms discussed above. Each type of organisation is built from the same organisational components, only their relative proportions and importance differ. These components are as follows:

1. *Strategic apex:* represents senior managers, all of them are part of the organisational model
2. *Technostructure:* the range of professionals involved in planning and organising the organisation's basic operating system
3. *Support staff:* they provide support services in a broad sense, from administrators to concierge services

[37] Pölöskeiné, Hegedűs Helén: *Projektmenedzsment I.* 2009.

4. *Middle line:* they mediate between the strategic top and the operational core in the models where this is needed
5. *Operating core:* the circle of direct value creators who, depending on the organisation's profile, can be assistant workers or even internationally recognised experts[38]

The typology of Mintzberg's organisation according to activities is illustrated in Figure 23.

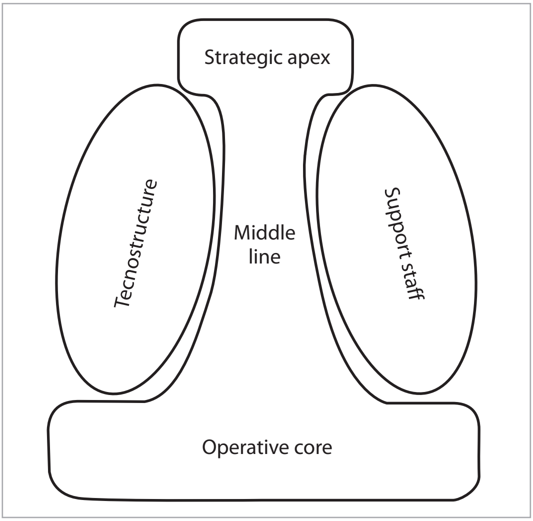


Figure 23: Mintzberg's theory on organisations
Source: www.accaglobal.com/pk/en/student/exam-support-resources/fundamentals-exams-study-resources/f1/technical-articles/mintzberg-theory.html

Based on the above, the five types of organisations formed from organisational components are as follows:

1. *Simple organisational structure.* It is characterised by a one-person leader, small organisation with quick decision-making, receptiveness to new things. The organisation is centralised, able to adapt quickly,

[38] Gáspár (1995): op. cit.

easily destroyed, but also resurrected. Its activity is not too complicated, simple and transparent, it undertakes only a few tasks, it does not provide some services itself, but buys them. This organisation is as flexible or inflexible as the owner-manager.

2. *Machine bureaucracy.* Large industrial, automated, mass-producing organisations, characterised by the fact that the technical-technological element of their activity is a key part of the organisation. Its management system is centralised and only viable in a stable environment. It is beneficial for organisations with mass production and a high degree of standardisation.
3. *Professional bureaucracy.* In this model, technology is secondary, independent experts in the organisation are decisive. Experts, qualified professionals (engineers, doctors, teachers, lawyers) require a lot of autonomy in order to be effective. This form is a suitable operating field for hospitals, universities, auditing firms and law firms. Powers in the organisation are decentralised and less formalised. The experts work independently, so either there is no need for a manager, or the number of managers and management levels is small. At the same time, the operative units are large, and the auxiliary apparatus with a large number of staff performs the routine work that the experts do not undertake. Due to the high degree of autonomy of the members, it is difficult to react to changes and new demands if they are not perceived by the professionals themselves (or because they are not informed, or because they are "blind" to it due to their thinking models).
4. *Divisional structure.* It is used in cases where the organisation's activities are complicated, complex and diversified. This forces the organisation to create quasi-autonomous market-oriented organisational units for individual product groups and business branches. These partially independent organisational units represent the decentralisation of decision-making powers. Generally, large, mammoth structures are formed, performance orientation, control and measurement are significant. Diversified organisations typically adapt well to external changes and are even capable of shaping the future (e.g. sudden and complete downsizing of certain divisions or subsidiaries).

5. *Adhocracy.*[39] The structure of a temporary, unstable, constantly moving organisation. It means an organisation that was created to solve or complete a task, and once the task is completed, the organisational unit also ceases to exist. Such structures can be set up quickly according to the needs of the moment and are usually short-lived. The most common are ad hoc organisations formed from project teams. They are less suitable for standard, everyday tasks, and more suitable for solving novel, unusual problems.[40]

The five organisational types formed from the five organisational components is shown in Figure 24.

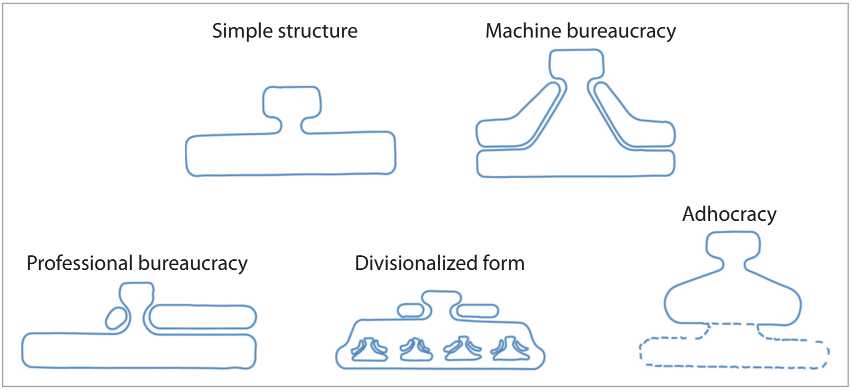


Figure 24: Mintzberg's organisational structures
Source: https://biznewske.com/henry-mintzberg-organizational-structure/

2.5 Public service organisation models

Although public administration organisations have all the general characteristics of organisations discussed above, they also show many differences. Table

[39] Ad hoc usually means a solution, a sudden idea, which cannot be generalised, just a response to a specific problem, without the need for a comprehensive arrangement.
[40] Mintzberg, Henry: Organization Design: Fashion or Fit. *Harvard Business Review,* January 1981.

6 summarises the traditional characteristics of the public sector compared to the business sector.[41]

Table 6: Traditional characteristics of private and public sector organisations

Characteristics	Business sector	Public sector
Main drivers	Individual choices in the market, supply and prices, consumerism, competition	Collective choice, aspects of need, benefits due to citizenship, legislation
Final destination	Staying competitive	Enforcement of social interest
Organisational features	Flexible, decentralised organisation focused on the goals to be achieved	Hierarchical, bureaucratic, centralised organisation
Behaviour expected of employees	Achieving goals, critical thinking, creativity	Compliance with the rules, caution, discipline
Control instruments	Positive incentives linked to the achieved results	Negative sanctions for breaking the rules
Leadership	Forward-thinking, future-shaping, autonomous	Monitoring results, responsive, limited autonomy
Role of planning among management functions	Critical, fundamental, permanent, multidimensional	Marginal, mechanical, opportunistic

Source: Karoliny et al. (2005): op. cit.

The above differences determine the characteristics of public administration organisations, which are presented below.

2.5.1 Characteristics of public service organisations

The literature presents the possible organisational models of public service organisations by adapting and supplementing known business models and not as a result of independent model creation. Mintzberg's typology developed for public service can be considered an exception to this, even if the abstraction

[41] Karoliny, Mártonné et al.: *Emberi erőforrás menedzsment a közszolgálatban.* Budapest, Szókratész Külgazdasági Akadémia, 2005.

level of these models is closer to organisational metaphors than to more detailed models that can be used for practical organisation formation.

However, there is one particularly important element in Mintzberg's typology. This means an interpretation of public service organisations that, in addition to grasping the internal structure and mode of operation of specific organisations, places these organisations in a wider context. When creating the strategy of public administration organisations, we can see what limitations the development of an institutional strategy entails, and how it depends on the vertical or horizontal relationship system of an organisation. It would be similarly difficult to grasp the questions of the organisational structure only at the level of the given public administration organisation. Mintzberg provides an analytical framework for the sector-level interpretation of public service organisations by introducing the concepts of "superstructure" and "microstructure".[42]

The superstructure performs the planning and control of community services, and the microstructure performs the operational execution of the services. For example, in case of a municipality, the superstructure is the municipality itself, and the microstructure is the institution maintained by the municipality. At the same time, several superstructures that can be organised into hierarchies can be built within the local government: an "intermediate" superstructure can, for example, carry out the unified management of local government institutions in addition to the management and control of the local government.[43]

The connections between the superstructure and the microstructure in the public service organisation is shown is Figure 25.

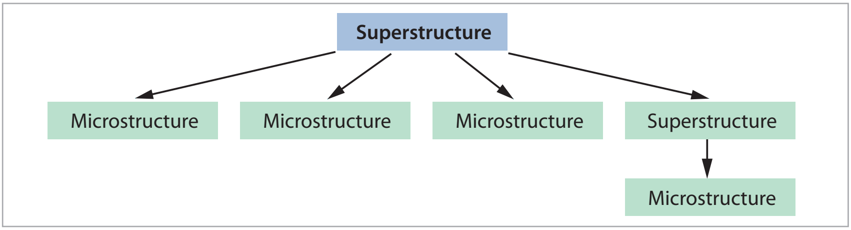


Figure 25: Mintzberg's public service organisational model
Source: Antal (2011): op. cit.

[42] Antal, Zsuzsa: Közszolgálati szervezetek struktúrája. In Antal, Zsuzsa et al.: *Közszolgálati szervezetek vezetése*. Budapest, Aula Kiadó, 2011.
[43] Antal (2011): op. cit.

2.5.2 Mintzberg's public service organisational models

Mintzberg's public service model thus illustrated the connections between the superstructure and the microstructure. Following this logic, we briefly present 5 models that can handle public service organisations with the necessary complexity.[44]

1. The *machine model* is based on the logic of the functional organisation (machine bureaucracy). Both superstructure and microstructure are defined by rules, regulations and regulations. The advantage of the model is reliability, the reduction of the possibility of partiality, the disadvantage is inflexibility, the weak ability to respond to individual initiatives. Public service organisations often operate according to the machine model. Its motto: "Measure, analyse, check!" Organisations of government offices, for example, operate on this principle. The machine model is illustrated in Figure 26.

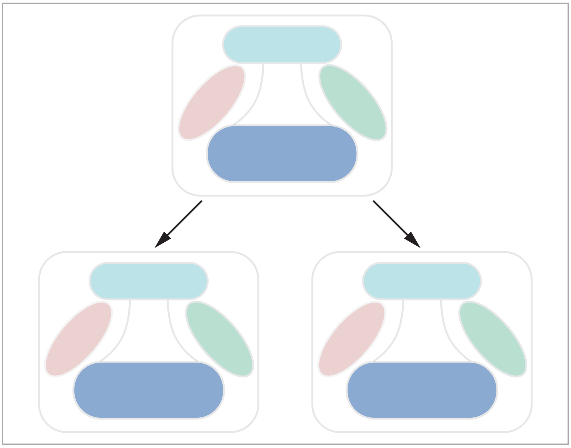


Figure 26: Machine model
Source: Antal (2011): op. cit.

[44] Antal (2011): op. cit.

2. The *performance control model* is a public service adaptation of the divisional organisation, but only apparently, because the autonomy of the divisions does not exist here. The division of labour between the superstructure and the microstructure consisting of well-defined units is realised. The disadvantage of this model is the uselessness of centres that are far from operational public service tasks and perform non-value-adding activities, as well as the repetition of the machine model at the divisional level. Its motto: "Separate, mark, measure!" We find few examples of this in public administration. Some ministerial background institutions operate on this principle, for example, and partly finance their costs from their own revenues. The performance control model is illustrated in Figure 27.

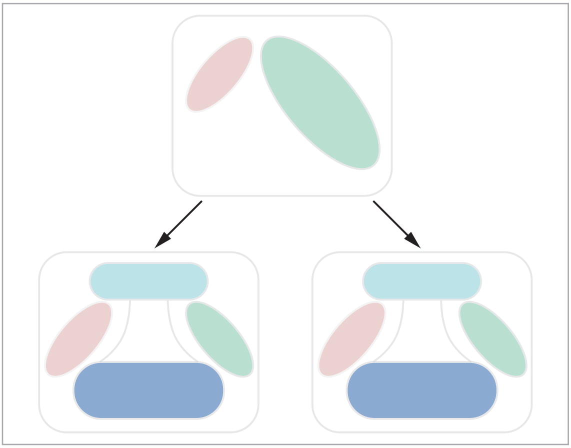


Figure 27: Performance control model
Source: Antal (2011): op. cit.

3. The *network model* is a loosely organised, interactive and informal form that constantly transforms in accordance with emerging problems, in which the microstructure is organised around projects. The need for a network model can be justified by the nature of public service tasks that typically involve several institutions, and its creation can be facilitated by the specific vertical and horizontal institutional system of the public service sphere. Its motto: "Connect, communicate and cooperate!" For

example, some public administration projects operating in EU-funded consortia (involving several institutions) operate on this principle. The network model is illustrated in Figure 28.

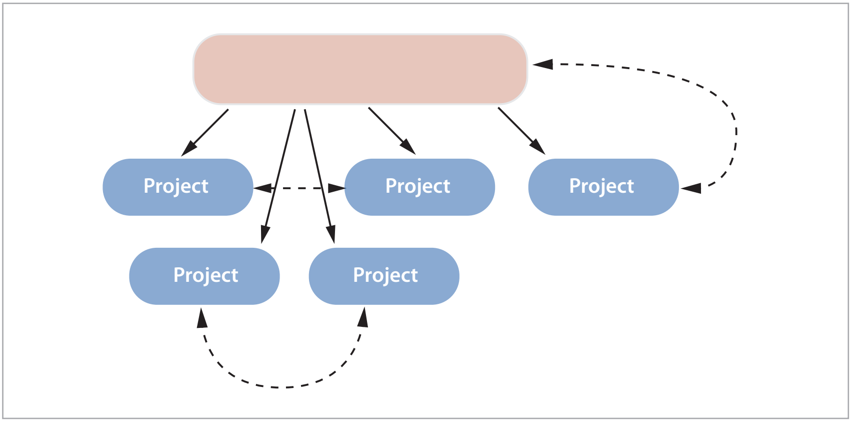


Figure 28: Network model
Source: Antal (2011): op. cit.

4. The *virtual model* is an extreme version of the performance control model. The microstructure is no longer part of the public service sector, and the task of the superstructure is limited to ensuring the provision of community services by business organisations. Its motto: "Privatise, contract and negotiate!" For example, some companies founded by public administration bodies, which have independent management, operate according to this principle. The virtual model is illustrated in Figure 29.

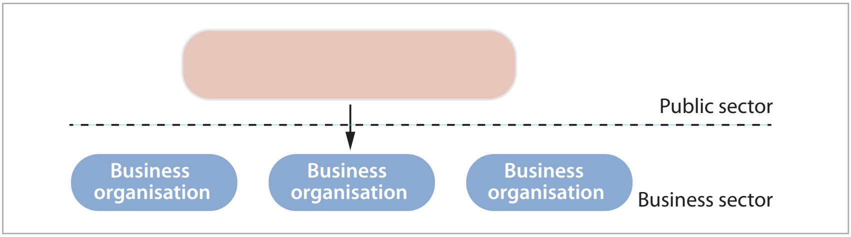


Figure 29: Virtual model
Source: Antal (2011): op. cit.

5. The *normative control model,* i.e. regulation based on the value system, would be most adequate to the nature of public service tasks. The task of the superstructure is to select employees with the right values and attitudes and provide principled guidance. The employees of the microstructure are characterised by taking responsibility based on internal inspiration, and their performance is judged by more experienced colleagues and the beneficiaries of the services. This mode of operation allows individual units of the microstructure to place greater emphasis on equality, internal initiatives, and the pursuit of an independent mission (vocation, service and commitment). The superstructure thus exercises normative control instead of technocratic control. Its motto: "Recruit and choose, socialise and evaluate (on the basis of professional experience and values)!" For example, the social and guardianship area in the public administration operates according to this principle. The norm control model is illustrated in Figure 30.

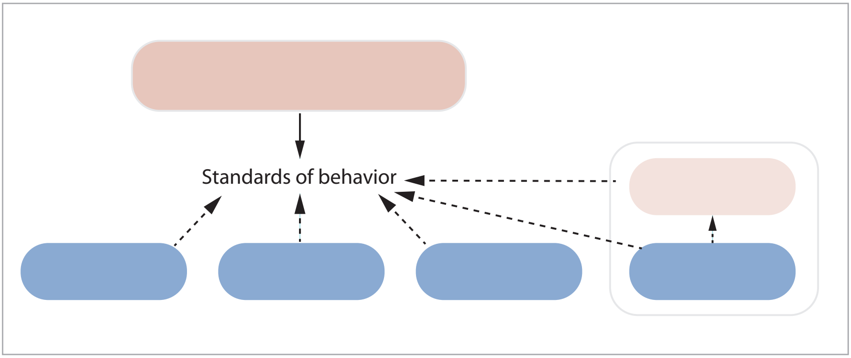


Figure 30: Normative control model
Source: Antal (2011): op. cit.

Mintzberg suggests that organisations can be differentiated along three basic dimensions: 1. the *key part of the organisation,* that is, the part of the organisation that plays the major role in determining its success or failure; 2. the *prime coordinating mechanism,* that is, the major method the organisation uses to coordinate its activities; and 3. the *type of decentralisation* used, that is, the extent to which the organisation involves subordinates in the decision-making process. Using the three basic dimensions – key part of the organisation, prime coordinating mechanism and type of decentralisation – Mintzberg suggests that the strategy an organisation adopts and the extent to which it practices that strategy result in five structural configurations: simple structure, machine bureaucracy, professional bureaucracy, divisionalised form and adhocracy.[45]

Summary

In the chapter, the concept of the organisation was first defined, and then work division methods implemented in organisations were discussed. In the *division of labour,* the total work is divided into well-defined units and these units are divided among the workers. The division of labour can be created based on three principles: *function-based, object-based, region-based.* Depending on how many principles the division of labour is based on in individual work units, *one-dimensional* organisations and *multi-dimensional* organisations can exist. It was then examined whether *single-line* or *multi-line* organisations can be distinguished from the point of view of the division of authority. The issue of *coordination,* which plays a key role in harmonising the parts of the organisation, was also covered. The most important unit of the chapter was about organisational forms that can be realised during the operation of companies of different sizes. Among these, the most important "pure" forms of organisation are: *linear organisation* (in connection with this organisation, the *advisory unit* should be mentioned as an organisational unit that helps the management), *functional organisation* (which, in the course of its further development, forms the linear-functional organisation), *divisional organisation* (today's modern popular organisational structure of companies), *matrix organisation* (the structure of research-oriented, project-oriented organisations). Next, Mintzberg's organisational structure model and types were explained, and finally, the characteristics of public administration organisations and Mintzberg's typology adapted to public service organisations were reviewed.

[45] Mintzberg, Henry: *Tracking Strategies. Toward a General Theory of Strategy Formation.* New York, Oxford University Press, 2009.

Review questions

1. *List the principles according to which work can be divided in organisations.*
2. *What does the term "one-dimensional" mean for organisations?*
3. *What does the term "single-line" mean for organisations?*
4. *What are the advantages and disadvantages of the matrix organisation?*
5. *What are the characteristics of divisional organisations?*
6. *What does project organisation mean and what are its characteristics?*
7. *How is Mintzberg's organisational structure model built?*
8. *What are Mintzberg's types of public service organisations?*

Definitions

Configuration: the combination of spatial structure (primary) and secondary (derived structural) characteristics describing the organisational structure.

Coordination: means the placement of the units in the structure, and the "harmonization" of the units.

Division of authority: means the establishment of decision-making and instruction powers and the definition of appropriate responsibilities.

Division of labour: work is divided into well-defined units and these units are distributed among workers.

Organisation – double meaning: 1. a formalised system that is capable of coordinated operation with the use of different resources for specific objectives and has an internal management function to achieve this; 2. the management function ("organising") that means the grouping, arrangement and connection of the tasks to be performed and the resources, personal, and material conditions necessary for their execution, so that those involved can perform the work in the most efficient manner.

Organisational form: organisational typological model defining the relationship and hierarchy between the members of the organisations.

References

Antal, Zsuzsa: Közszolgálati szervezetek struktúrája. In Antal, Zsuzsa – Drótos, György – Kováts, Gergely – Kiss, Norbert – Révész, Éva – Varga-Polyák, Csilla: *Közszolgálati szervezetek vezetése.* Budapest, Aula Kiadó, 2011.

Dobák, Miklós – Antal, Zsuzsa: *Vezetés és szervezés.* Budapest, Aula Kiadó, 2010.

Gáspár, Mátyás: *Helyi önkormányzati menedzsment.* Csákberény, Közigprint-Közigkonzult, 1995.

Karoliny, Mártonné – Lévai, Zoltán – Poór, József: *Emberi erőforrás menedzsment a közszolgálatban.* Budapest, Szókratész Külgazdasági Akadémia, 2005.

Kieser, Alfred: *Szervezetelméletek.* Budapest, Aula Kiadó, 1995.

Mintzberg, Henry: *The Structuring of Organizations.* Englewood Cliffs, Prentice Hall, 1979.

Mintzberg, Henry: Organization Design: Fashion or Fit. *Harvard Business Review,* January 1981.

Mintzberg, Henry: Managing Government, Governing Management. *Harvard Business Review,* May–June, 1996.

Mintzberg, Henry: *Tracking Strategies. Toward a General Theory of Strategy Formation.* New York, Oxford University Press, 2009.

Morgan, Gareth: *Images of Organization.* Thousand Oaks, Sage Publications, 1997.

Nemes, Ferenc: *Vezetési ismeretek és módszerek.* Gödöllő, Szent István Egyetem, 2007.

Pölöskeiné, Hegedűs Helén: *Projektmenedzsment I.* 2009. Online: http://centroszet.hu/tananyag/projektmenedzsement/

3. Organisational Culture Models and Their Functioning in the Public Sector

According to the literature on organisational theory, organisations strive to create internal institutions that are unique to them, and at the same time promote the common understanding of organisational members about desirable and appropriate behaviour. In this case, the individual accepts certain behaviours as self-evident and acts according to them with great reliability. This approach with sociological roots provide the basis for dealing with organisational culture.

The aim of the chapter, starting from a complex organisational theory model, is to interpret the concept of organisational culture, then to present the best-known organisational culture models, as well as to introduce the specific effects of national culture on the functioning of organisations. Then follows the analysis of the relationship between the organisational structure and culture, which are in mutual interaction with each other. The organisational culture of the public administration will be presented, and after the international interpretive framework, the peculiarities of the Hungarian public administration organisations will also be discussed.

3.1 The McKinsey 7S framework

The conditions for the implementation of a successful strategy can be summarised with the "7S" framework, associated with the names of Tom Peters and Robert Waterman and developed by the consulting company McKinsey. The authors marked the seven basic management dimensions with the same initial letter, hence the name 7S (Strategy, Structure, Systems, Style, Staff, Skill, Shared Values). The individual elements in the framework are as follows:

- *Strategy:* a set of related actions aimed at gaining a competitive advantage, improving the position and ensuring the distribution of resources.
- *Structure:* the organisational division of labour scheme (organisational chart), list of powers and responsibilities.
- *Systems:* process systems that integrate activities within the organisation (production system, investment system, stakeholder system, planning system, information system, etc.).
- *Style:* style of management, types of behaviour.

– *Staff:* the workforce employed by the organisation, its composition and quality characteristics.
– *Skill:* the ability of the organisation as a whole, of all those employed there, to solve tasks (teamwork, as opposed to individual skills).
– *Shared values:* the deeper-rooted values behind the objectives, accepted by the majority of employees in the organisation.[46]

The 7S framework is illustrated in Figure 31.

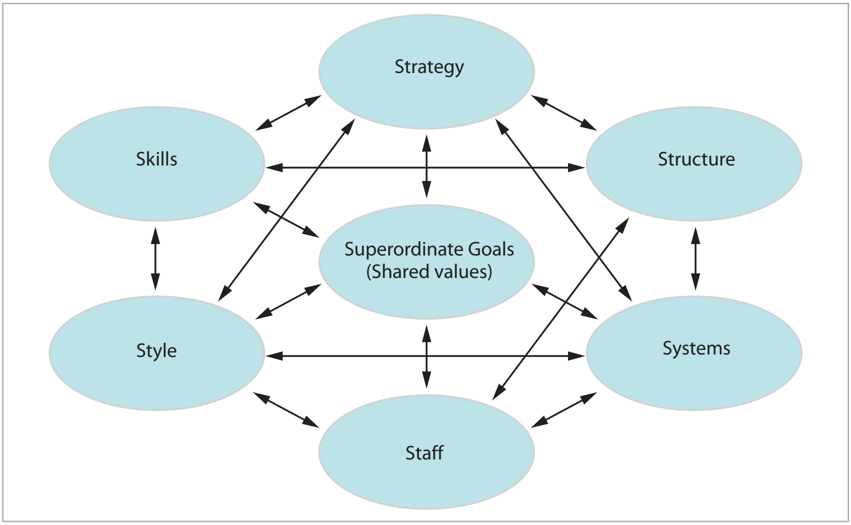


Figure 31: The McKinsey 7S framework
Source: https://en.wikipedia.org/wiki/McKinsey_7S_Framework

Some of the variables can be clearly delineated, defined and monitored. These are the so-called *hard (quantitative) factors:* the structure, strategy, systems.

The other four dimensions make up the harder-to-grasp components of leadership, which are more closely related to human factors. They represent the medium in which hard factors operate deeply embedded. These are the so-called *soft (qualitative) factors:* style, staff, skill and shared values, which play the main role in defining organisational culture.

[46] B. Nagy, Sándor: *Szervezetfejlesztés, változásmenedzsment.* Budapest, L'Harmattan – Zsigmond Király Főiskola, 2008.

This analysis framework, the systematic examination of the variables drew attention to the fact that "soft is also hard". Organisational components previously classified as irrational, intuitive and informal also turned out to be manageable. Going further: there is at least as much – if not more – to be done in this area for the management than with regard to the hard elements, if they want to achieve successful, efficient company operations.[47]

The improved "8S" framework is a possible framework on the basis of which the management of each organisation can develop its own model that it wants to implement. The successful implementation of actions and the result are ensured by continuous renewal and learning, as well as new ideas. However, good professionals are needed for all this, and democratic leadership, mentoring and teamwork must be prioritised. This is the condition for the successful implementation of actions and changes. Instead of the "7S" model, it is advisable to use the extended "8S" framework in the analysis of organisations.[48]

The improved "8S" framework is shown in figure 32.

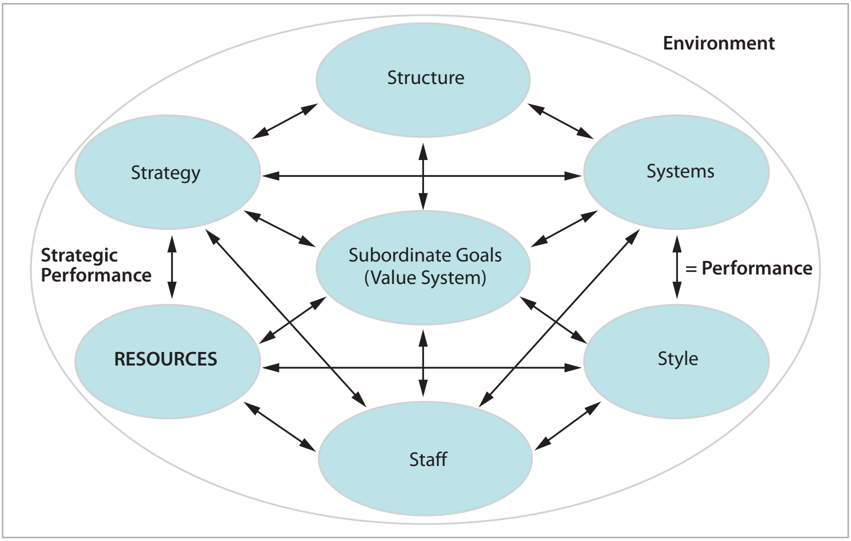


Figure 32: The 8S framework
Source: https://slideplayer.com/slide/12397208/

[47] Klein, Sándor: *Vezetés- és szervezetpszichológia.* Budapest, Edge 2000 Kft. Kiadó, 2002.
[48] Balaton, Károly et al.: *Stratégiai menedzsment.* Budapest, Akadémiai Kiadó, 2014.

The improved "8S" model draws attention to the fact that in order for the strategy to be realised and for the success to last, the joint operation of the 8 elements of the model is necessary. The quality of strategic management depends on how well these key management components fit together. In well-run organisations, not only the harmony of the hard elements is achieved, but at the same time they support and enrich the soft elements as well.

3.2 Organisational culture

Organisational culture is a system of presuppositions, values, convictions and beliefs accepted by the members of the organisation and interpreted jointly. The members of the organisation accept them as valid, follow them and pass them on to new members as models to be followed for solving problems and as a desirable way of thinking and behaving.[49]

These presuppositions are so natural to organisational members that they operate essentially subconsciously and define the members' self-interpretation of the organisation and perception of the environment in a self-evident way. Therefore, culture gives meaning to the environment, reduces its uncertainty and stabilises it: it helps to know what is good and bad, what is important and what is unimportant. This shared understanding leads to predictable behaviours, which is why *Hofstede* calls culture the community programming of thinking and acting. Without culture, members would be left on their own to recognise and interpret organisational phenomena.

3.2.1 Values that build the organisation

According to *Robbins,* the values that define an organisation are as follows:

1. *Identification with the job or the organisation:* identification with the organisation or the profession or field of expertise.

[49] Bakacsi, Gyula: *Szervezeti magatartás és vezetés.* Budapest, Aula Kiadó, 2004.

2. *Individual or group focus (individualism – collectivism):* how much the individual puts his or her own goals before those of the group, or individual goals are subordinated to group goals.
3. *Orientation (task – relationship):* to what extent the effect of appropriate human relationships is used to solve organisational tasks.
4. *Internal dependence – independence:* how much is the independence of individual organisational units accepted, or how much coordinated action is expected.[50]
5. *Strong or weak control:* the extent to which the behaviour of the organisation's members is controlled through regulations, the degree and extent of regulation.
6. *Risk-taking – risk avoidance (tolerating or avoiding uncertainty):* how innovative, risk-seeking, assertive behaviour is expected from members.
7. *Performance orientation:* how much organisational rewards are linked to performance and how much they depend on other factors (e.g. protection, seniority).
8. *Conflict tolerance – conflict seeking:* to what extent can conflicts, disagreements and criticism be expressed openly.
9. *Goal (result) – tool (process) orientation:* how much management focuses on the final result, or rather on the processes and techniques leading to them.
10. *Open system (external) – closed system (internal) orientation:* how well does the organisation respond to external changes or does it only focus on its own internal functioning.
11. *Short vs. long-term time orientation:* the organisation looks forward to the short or long term, i.e. what time horizon is it planning for the future.[51]

[50] A relatively more centralised organisation uses its management tools to coordinate the activities of relatively less autonomous units (which is usually too strong compared to the required level), or the autonomous units themselves coordinate the activity (at the minimum necessary level), for which the centre, if maximum services are requested, provides (e.g. back office, organisation, etc.).
[51] Bakacsi (2004): op. cit.

3.2.2 Determinants of organisational culture

The evolution of organisational culture is influenced by several factors:

- *External influences:* influence the choice of values – e.g. natural environment, historical events, cultural conditions – organisations have no way of influencing these.
- *Organisation-specific factors:* the dominant technology characteristic of the organisation, which affects the structure and the selection of organisational members.
- *The history of the organisation:* since its foundation, the effects on the organisation influence the thinking and interpretation rooted in the organisation; especially the founders have the opportunity to determine the approach to tasks and problems; the values they represent become part of "organisational folklore", their personal examples and stories become legends and myths that determine the way of thinking of later generations.[52]

Culture is the result of a social learning process. Its formation begins when the organisation is founded. In that case, the members have to develop cooperation and action patterns that enable them to successfully cope with challenges and problems. Those that prove successful become rules for members to follow – these successful procedures are embedded as beliefs and become natural routines. The value system formed in this way, the procedures that regularly prove to be effective are transformed into standard operating rules and routines, and everyone learns them in the process of organisational socialisation. This has positive consequences for the organisation, but also for the individual: for the organisation, behaviours become predictable, and for the members, it provides a handhold and security. During the socialisation process, the individual's learning is shaped by positive reinforcements (rewards).

[52] Klein (2002): op. cit.

3.2.3 Levels of organisational culture

Only a relatively independent organisation that has existed for a long time can have a culture. For culture, it is necessary to acquire a lot of common experiences, since common learning can only be created on the basis of experience, which is the basis for the development of assumptions and values. Culture is not the same as observable behavioural characteristics, but there are repetitive, regularly observable patterns of behaviour that we attribute to the value system typical of the organisation.

According to *Goldmann,* organisational culture is similar to an iceberg: it has visible forms, but also features that cannot be directly examined. Visible, tangible characteristics are the following:

– *Ceremonies, rituals:* regularly repeated actions that display and reinforce the organisation's core values, show what the important goals are, who are the "heroes" carrying important values, the key players symbolising the organisational values. Such e.g. jointly celebrated events, prize giving, farewell celebrations, debates, auditions, tests before getting into a certain position, etc. Its functions are as follows: presentation and introduction of the new roles of the members, promotion of identification, increasing the sense of community, teaching, development, etc.
– *Stories, legends, myths:* recurrent, repetitive stories in the conversation between members, which are based on events that happened; they are usually about heroes who are considered to be exemplary personalities of the organisational values; sometimes fictional elements are mixed into the stories, but there are also completely fictional myths that are consistent with organisational values and beliefs. Functions: these stories visually display the expected behaviour, the action according to the desired values.
– *Language, jargon:* terms not used anywhere else, abbreviations and acronyms that are incomprehensible to outsiders, which are also elements of identification with the organisation and acceptance of the culture.
– *Symbols, clothing, appearance:* logos reflecting company philosophy, office equipment, company car, clothing style, etc.[53]

[53] B. Nagy (2008): op. cit.

The iceberg model of organisational culture is illustrated in Figure 33.

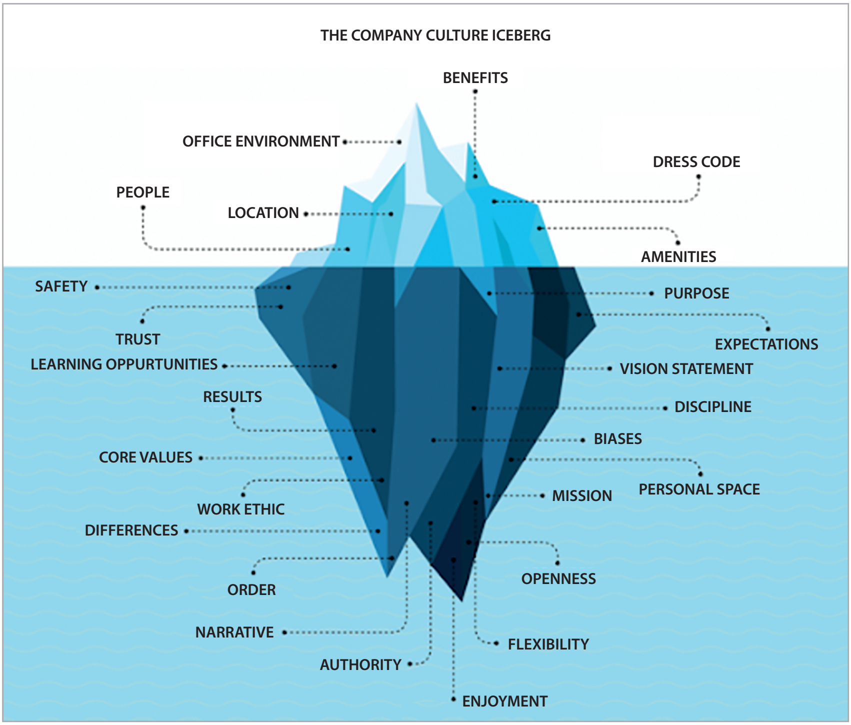


Figure 33: The iceberg model of organisational culture
Source: https://blog.empuls.io/iceberg-model-of-culture/

Tangible characteristics are important because organisational members learn the organisational culture through them, their observation guides the development of the desired behaviour patterns and reinforces behavioural changes. We can infer the actual content of the culture from the visible signs. But this does not mean that the underlying values, beliefs, assumptions, attitudes are made accessible.

Schein divides organisational culture into visible and invisible levels:

– *Explicit level:* values that are clearly articulated in the minds of the organisation's members; (attitudes, organisational climate, assessment of values, convictions, beliefs, assumptions, investigation: interview, questionnaire method).

– *Implicit level:* the underlying assumptions (basic beliefs that are often not conscious; investigation: participant observation, using cultural anthropological methods).[54]

The levels of the iceberg model of organisational culture are presented in Figure 34.

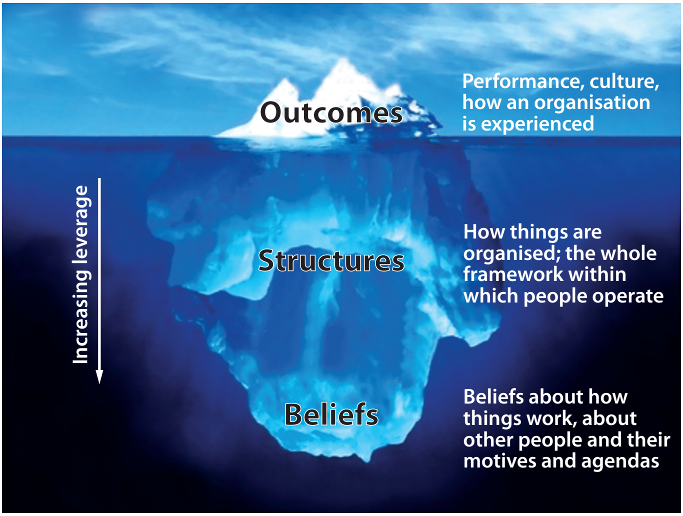


Figure 34: The levels of the iceberg model
Source: https://futureconsiderations.com/iceberg-model/

According to *Hofstede's onion model,* organisational culture has externally visible and tangible elements, but in addition to these, similar to the layered layers of an onion, culture also has elements that are not visible from the outside.

– The *symbols* (words, slogans, symbols, language, clothing style, etc.) can be found on the inner shells.

[54] Bakacsi (2004): op. cit.

– The *heroes* are role models valued by the employees of the organisation (work style, ideas, visions, etc.).
– The *rites* are understood as the customs and patterns of the organisation (rules, greeting customs, the way meetings are conducted, the celebration of name days, etc.).
– The *values* are located on an even deeper layer, on the basis of which employees form their views, decide what is good, what is bad, what is reasonable and what is unreasonable.[55]

The two innermost layers correspond to the attitude of people and their style of action, which are based on the basic and accepted ideas of the organisation, which the members of the organisation know as their own.

The onion model of organisational culture is illustrated in Figure 35.

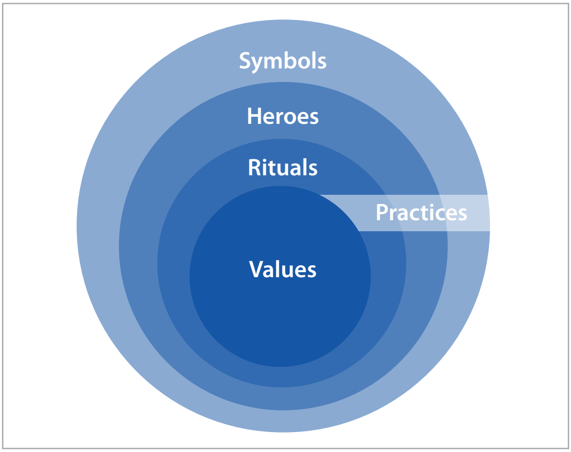


Figure 35: The onion diagram
Source: https://unitedbycultureblog.wordpress.com/hofdstedes-onion/

Among the invisible elements, values mostly determine how a given organisation will function. Based on these, we can distinguish different types of organisational

[55] B. Nagy (2008): op. cit.

culture. In the following, the most well-known of the many possible typologies of organisational culture will be presented.

3.3 Models of organisational culture

A model is typically created in such a way that the researchers usually select two characteristics that are extremely defining of the organisational culture. Interpreting the two characteristics as one dimension each, four quadrants are separated from each other, and each type is represented on the axes depending on the strength of the characteristics.

3.3.1 Slevin and Covin's cultural model

Slevin and Covin distinguished *mechanical* and *organic* cultures. Mechanical cultures are basically hierarchical and formalised, their operation is standardised and highly regulated, they are characterised by close control and centralised decision-making. Mechanical cultures are difficult to adapt – in contrast to organic cultures that are less formalised, loose and based on individual expertise, which can be very successful in a rapidly changing, uncertain environment. It is important that the judgment of an individual act can be very different in a culture with mechanical or organic features: for example, non-compliance with rules is a serious problem in a mechanical organisation, while in an organic organisation it is of little importance, or even an expected form of behaviour.[56]

Characteristics of mechanistic and organic organisational cultures are compared in Table 7.

[56] Heidrich, Balázs: *Szervezeti kultúra és interkulturális menedzsment.* Budapest, Human Telex Consulting, 2001.

Table 7: Comparison of mechanical and organic organisational culture

Organic culture	Mechanical culture
1. Communication channels: loose, less regulated flow of information	1. Communication channels: prescribed, controlled flow of information
2. Openness, free flow of information throughout the organisation	2. Operating style: standardised and prescribed
3. Operating style: based on individual expertise	3. Decision authority: hierarchical according to the official position
4. Adaptation: the organism voluntarily adapts to changing conditions	4. Adaptation: slow, they stick to tried and tested principles even if the environment changes
5. Emphasis on the completion of cases, this is not governed by strict regulations	5. Emphasis on written rules, proven management principles are the guiding principles
6. Loose informal control	6. Close control using control systems
7. Flexible workplace behaviour: individual behaviour that adapts to the permitted situation and personal characteristics	7. Workplace behaviour according to regulation: the job regulations must be adhered to
8. Group discussions and decision-making are common	8. Managers decide, subordinates' opinions are not asked

Source: Heidrich (2001): op. cit.

3.3.2 Handy's cultural typology

According to Handy, there is a lot of interest in organisational culture because the habits and traditions developed in individual workplaces greatly influence the behaviour of the employees in the organisation. He claims that a strong culture means a strong organisation. But it also states that culture cannot be just one type,[57] because different goals and people require different cultures.[58]

[57] More precisely: organisational culture is not necessarily uniform, different (e.g. professional) cultures can be dominant in individual subsystems within an organisation, and organisational culture is in this case a thin integrative shell along the common points.
[58] Klein (2002): op. cit.

The *basic principle* is that organisations performing different activities develop characteristically different values. The way of working will be different, the rhythm will be different, people with different personalities will be attracted, the internal atmosphere will be different, and often even the external signs reveal the characteristics of the culture. He distinguishes four characteristic cultures, named after the Greek gods, which are otherwise well connected to certain organisational forms:

a) *Power culture (Zeus):* its metaphor is the spider's web; the defining element of this culture is a central figure from whom power and influence radiate in all directions. The organisation operates on the basis of past experiences, there are few rules and regulations, little bureaucracy, and they believe in the individual rather than the board. Power is secured by obtaining key positions and regular inspections. Decisions are a function of power relations. How quickly the organisation can react to challenges and changes depends on the skills of the person at the centre. A characteristic culture of relatively smaller, entrepreneurial-type organisations.
b) *Role culture (Apollo):* actually, bureaucratic culture; it works on the basis of logic and rationality, its metaphor is the Greek tympanum. Supporting pillars are the functional areas with their expertise and powers. Control is ensured by the rules of procedure governing the roles (job descriptions, authority descriptions, instructions, reporting rules, service route regulations). The tympanum is the narrow upper management that exercises personal coordination. In this culture, the role, the job description is more important than the person who fills it. The person is chosen to fill the role and the power is also related to the position. Performance is ensured by the impersonal order. This culture works well in a stable, unchanging environment, it has difficulty adapting to change.
c) *Task culture (Athena):* job- and project-oriented culture, its metaphor is the net. Its most common appearance structure is in the matrix organisation. The main goal is to get the job done, and the resources are assigned to that. The source of influence is expertise, personality, formal position is of secondary importance. Power is shared and a group culture that relegates individual differences, goals and statuses to the background. Adaptable culture, groups and projects can be transformed depending on the goals. This culture is successful in the face of a changing environment and strong market competition, because it is able to react quickly. Here, people are independent, they check their own work, the evaluation

is tied to performance. Recognition is determined by abilities, work relationships are task oriented. Vulnerable point: control of the organisation – scarcity of resources can lead to conflict and competition.

d) *Personality culture (Dionysus):* characteristic structure of chambers and consulting firms, the central figures of which are persons with outstanding professional knowledge who freely decided to found a joint office or company. The organisation can best be considered a set of individuals, the only control mechanism being the joint agreement of the partners. The organisation does not tolerate a leadership hierarchy. Few organisations tolerate this culture. The specific psychological contract of this organisation subordinates the organisation to the individual: you can leave at any time, and there is almost no possibility to exclude.[59]

Handy's organisational culture typology is presented in Figure 36.

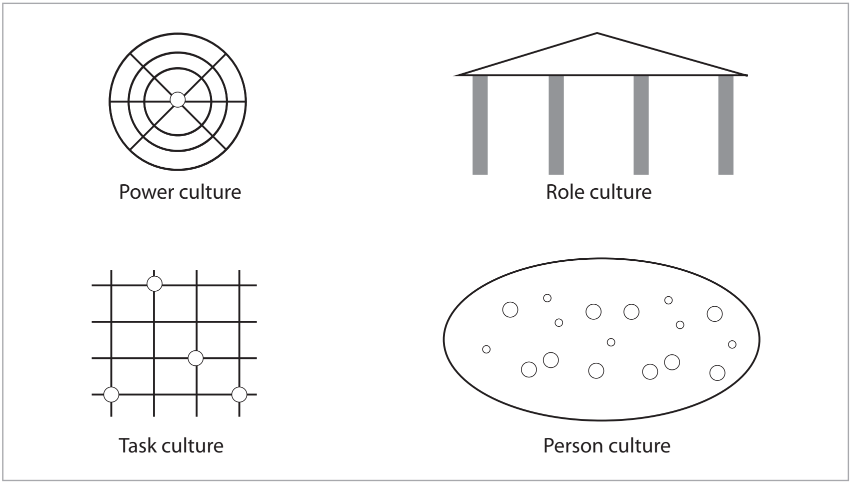


Figure 36: Handy's organisational culture
Source: www.aqa.org.uk/resources/business/as-and-a-level/business-7131-7132/teach/teaching-guide-handys-culture/

[59] Hunyadi, György – Székely, Mózes: *Gazdaságpszichológia*. Budapest, Osiris, 2003.

3.3.3 Quinn's cultural model

Quinn examined organisational values from the point of view of effectiveness. He observed the values of certain organisations that shaped their culture. According to him, two values are very important for increasing efficiency:

1. *Internal or external orientation:* when the organisation focuses on the efficiency of processes and members or the fit with the environment.
2. *Flexibility or close control:* greater freedom of movement and greater freedom of decision based on discretion or close control and greater regulation of the behaviour of the members can be observed in the organisation.[60]

The two dimensions form a four-quadrant matrix, and each quadrant shows the types of organisational culture, but their value perception can also be matched to the philosophy of an organisational theory trend.

a) *Supportive or clan culture:* characterised by mutual trust and responsibility, participation, cooperative behaviour, good team spirit, strong cohesion, individual development, realisation of self-fulfilment, informal and mainly verbal communication, commitment to the organisation. Its central value: development of human resources (e.g. through training). For management, employees are more important than environmental challenges. Theoretical background: human relations trend.

b) *Rule-oriented or hierarchy culture:* its characteristics are respect for formal positions, rationality of processes, regulation, division of labour and formalisation, hierarchical organisational solutions, written communication. Its central value: stability and balance, this is what communication serves and decisions are based on. For management, the most important thing is to preserve the results achieved so far. Theoretical background: bureaucracy theories focusing on internal processes.

c) *Target-oriented or market culture:* its characteristics are rational planning, central goal setting, efficiency, performance, the central role of managers, oral communication tied to tasks. Its central value: productivity, efficiency, profit. Management focuses on achieving goals. Its theoretical background: rational objective model, e.g. MBO model.[61]

[60] Bakacsi (2004): op. cit.

[61] Management by Objectives (MBO) highlighted the possibility and necessity of achieving additional performance by jointly setting measurable goals decades ago.

d) *Innovation-oriented or adhocracy culture:* its characteristics are monitoring of the external environment, experimentation that includes risks, creative problem solving, competitive spirit, future orientation, foresight, free organisational information flow, teams, task groups, constant training and learning. Its central value: growth and acquisition of environmental resources, flexibility, constant readiness. Leadership focuses on exploring and seizing opportunities. Theoretical background: open system models, among them complexity models with chaotic features.[62]

Quinn's organisational culture typology is illustrated in Figure 37.

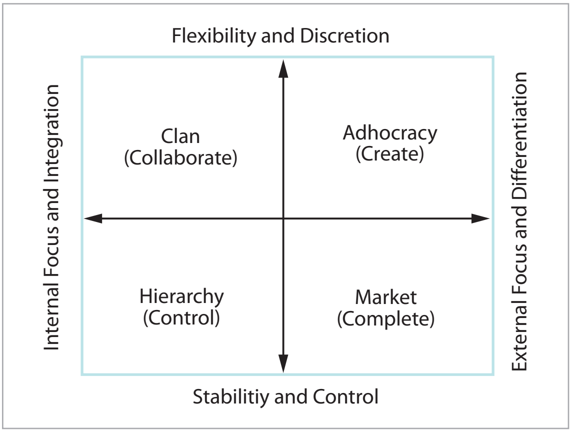


Figure 37: Quinn's organisational culture
Source: www.researchgate.net/publication/273754833_Building_organizational_culture_based_on_competing_value_framework_to_gain_competitive_advantage/figures?lo=1

This theory is significant because it combines two very different explanatory factors of organisational effectiveness (orientation and control) into a single model. The model considers efficiency itself to be an important managerial value and looks for the relationship between opposing values. That is why it is also called the *model of competing values.*

[62] Bakacsi (2004): op. cit.

3.4 Changing organisational culture

On the one hand, culture means stability, the usual operation, however, there may be many situations that make it necessary to change the organisation's culture to a greater or lesser extent. This need for change can come at least partially from within, such as persistent performance problems, organisational growth or a change in management, or it can come from outside, such as a change in the social, legal, economic environment, market deregulation or other drastic market, technological change (think to the McKinsey 7S model – a change in any hard or soft factor can generate a change in culture). Significant ethical and corruption problems can also indicate a clear need for change.[63]

A strong organisational culture is nothing more than the fundamental values of the dominant culture, which are widely shared in the organisation and which have a strong effect on the retention of organisational members. The power of culture is therefore given by its ability to influence behaviour. A strong organisational culture is useful because:

- results in predictable behaviour
- strong loyalty, commitment and identification with the organisation
- the retention capacity of the organisation increases, the fluctuation is lower
- can take over the role of formal organisational rules in determining the behaviour of members[64]

If the organisation treats organisational culture as an important mechanism for influencing behaviour, it affects its socialisation processes, internal training and behaviour development programs, and the hiring process as well. They also test the cultural fit: to what extent the applicant embraces the important values of the organisation's dominant culture. The disadvantage of a strong culture: it is not flexible, it has difficulty responding to environmental challenges, and it is a real difficulty to replace it with a new culture.

Trice and Beyer distinguish three basic types of cultural change:

- *Revolutionary and comprehensive changes* that intend to change the organisation as a whole; these changes are characterised by the fact

[63] Kiss, Csaba – Csillag, Sára: *Szervezeti kultúra.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.
[64] Heidrich (2001): op. cit.

that, as a result of their effects, qualitatively different behaviour of the entire organisation would be desirable, the difference between old and new values is unbridgeable
– *Changing a sub-unit or subculture:* only a specific part of the organisation needs to change, there may be a smaller or larger difference between the old and new values
– *Gradual comprehensive transformation:* gradual and slow transformation that affects the whole organisation[65]

3.5 Relationship between organisational culture and structure

If we look at an organisation like a person, the organisational structure is the skeleton, and the organisational culture is the personality. If it is necessary to know how effective a certain organisational form is, then it is absolutely necessary to know the impact of the organisational structure on the organisational culture and its interaction with it.[66]

From McKinsey's 7S model, organisational culture is linked to soft components, especially style. The above models can help us compare organisational culture with models related to organisational structure. Handy discovered a clear correlation between organisational culture and types of organisational structure, which supports the assumption that there is a decisive interaction between the informal and formal relations of an organisation.

As it was already seen in the previous sections, Handy drew the axes of his culture model along the *way of exercising power* and the *degree of integration.* In the model, autocracy and permissiveness (axis of power) and integration and separation (axis of coordination) are opposed to each other, and their variations form four types. Autocracy and integration result in a *role culture* where the emphasis is on the division of labour, regulated roles and procedures, which presupposes stable and predictable relationships. A culture on the same side of the power axis, but representing separation in coordination, is a *power culture.* The bodies and persons in power are dominant and the bureaucracy is small and there are few rules. It is important to select the right person for management positions

[65] Heidrich (2001): op. cit.

[66] Gáspár, Mátyás: *Helyi önkormányzati menedzsment.* Csákberény, Közigprint-Közigkonzult, 1995.

and the end justifies the means. *Personal culture* is also a loosely coordinated, power-permissive culture. In this culture, the organisation is based on the personality of the people, consensus among the people leads to the effectiveness of the organisation. The organisational structure is difficult to formalise. In the last quadrant, the level of integration is high and there is no autocracy present, this is the *task culture.* In the task culture, group work is highly important, and the organisation flexibly adapts to the tasks. The end result does not depend on the status and the independence is great. Handy paired the matrix structure with the task-oriented culture, however, since the organisational functioning and structure can hardly be formalised in the person-oriented culture, and in this case, there may be mixed solutions, and the elements of the matrix structure may also be typical.[67]

Due to the intertwining of organisational structure and organisational culture to such an extent, certain types of culture can only function properly in specific structures, and vice versa. Some structure types are only supported by specific culture types. When it is expected to make an organisation more efficient, it is necessary to consider whether it is necessary to change the organisational culture or the organisational structure, or perhaps both. The knowledge of organisational cultures and the parallel connection of their models with structural models therefore help to find out more easily why an organisational structure works or does not work in practice.[68]

The mutual relations between organisational culture and structure is presented in Figure 38.

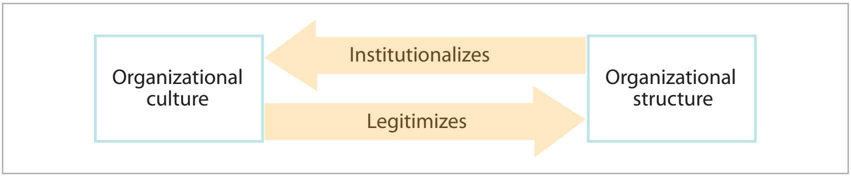


Figure 38: Mutual relations between organisational culture and structure
Source: www.researchgate.net/publication/288469770_The_mutual_impact_of_organizational_culture_and_structure/figures?lo=1

[67] Gáspár (1995): op. cit.
[68] Gáspár (1995): op. cit.

3.6 Organisation culture in the public sector

The national administrative institutional system that has developed over the course of history is due to the need for multi-directional compliance – e.g. centre/state determination vs. customer orientation, professional vs. political determination – it has a special (of course far from homogeneous) organisational culture that determines the applicable management tools.[69]

Public administration and public service tasks can be performed in a variety of ways, in different ways, in human and organisational behaviour, appearance and expression (more generally: using patterns). Self-government is embodied in the consciously created system of patterns (e.g. values, beliefs, behaviours, customs) that are historically and socially determined and institutionalised in the given organisation and/or in the wider community (characteristic of general and individual members of boards, offices, institutions) its specific "character". This is the organisational culture, which is of course extremely strongly influenced by the country, society, and the culture of certain professions. At the same time, this factor functions as a significant resource for the organisation – according to some perceptions, due to its complexity, it is the most decisive – resource, if specific cultural patterns that are best suited to the achievement of goals and serve them best are accepted by everyone (sometimes as internal rules or ethical norms) they become institutionalised.[70]

3.6.1 Local government adaptation of McKinsey's 7S model

The local government must effectively manage its own internal organisational system, as well as the most important conditions for local social and economic development. In the operation of the latter – the essence of which is the effective involvement and influence of the relevant environment – the boundaries of the organisation and operation are "dissolved", and rather the so-called most of the attention should be focused on the public needs, intermediate (i.e. between

[69] Heidrich, Balázs – Somogyi, Andrea: Az elengedett kéz dilemmája, avagy a vezetők kulturális lehetőségei a szolgáltató és közigazgatási szervezetekben. *Vezetéstudomány,* 36, no. 9 (2005). 2–14.

[70] Gáspár Mátyás et al.: *Mindenki fontos! A helyi közösségi önkormányzás esélyei, a közmenedzsment új irányai.* Budafok-Tétény Önkormányzata, 2011.

sectors), mediating, joint and, last but not least, community factors of a diffuse organisation. The previously described 7S model is a suitable tool to achieve this:

- *Strategy:* a summary of the basic goals of the municipality, the actions and operational directions, methods and resources necessary to achieve them, as well as the essential changes necessary to create the organisational conditions.
- *Structure:* the organisation of the local government, which determines the vertical (management) and horizontal division of labour, the organisational distribution of functions, tasks and powers, and responsibilities.
- *Systems:* specially organised, formally regulated (institutionalised) operating areas and methods of the local government organisation in order to ensure the basic purpose: planning system, budget system, management system, information system, interest system, etc.[71]
- *Shared values:* the set of views typical of the actors of the municipality, accepted by the majority, which express what they consider most important during the operation of the local government, determining their behaviour, actions and their methods. The value system is part of the organisational culture.
- *Staff:* all internal actors of the local government (representatives, civil servants), their objective and subjective characteristics and abilities (composition, individual abilities, education, experience).[72]
- *Skills:* the common preparation, expertise, cooperation skills of all contributors of the municipality as a whole (shared experience, teamwork, organisational learning ability).
- *Style:* behaviour, signalling systems, and symbols characteristic of the municipality as a whole and certain areas, which influence and regulate the functioning of the municipality and individuals in a non-formalised way. Style is part of organisational culture.[73]

Let us remember McKinsey's 7S model presented in general knowledge of modelling, where "shared values" (common values) in other versions is "shared

[71] It is a process system operated by a given organisational unit/part in order to achieve a specific partial goal.
[72] These are people who are well-educated in their field and have knowledge that can be involved in planning and decision-making.
[73] Gáspár et al. (2011): op. cit.

culture" (common culture) the central element of the model, with which all other elements are directly related.

In the following, two approaches to public organisation culture with different orientations will be described: the administrative model and the new public administration culture model.

3.6.2 Administrative culture in the public sector

Administrative culture is more dominant in the German-speaking area. *Gruber* draws attention to the fact that the clerk-bureaucrat plays a largely procedural role, and in this case the expected performance is highly limited in terms of content. In the case of the bureaucrat, the rules and the instructions of his or her superior determine exactly what he or her has to do and how – as a result, his or her ability to adapt is reduced, since he or she cannot decide freely in a given new situation.[74]

Those performing administrative activities are heterogeneous, so the administrative culture (German: Verwaltungskultur) is not homogeneous but has distinct subcultures. *Jann* distinguishes four dimensions of administrative culture. The characteristic subcultures of the administrative culture can be grouped as follows, referring to the most important controlling value of the given subculture:

1. Public administration administrative culture

a) clerical, rule-oriented subculture (where the rule applies to procedure and performance; an example is the civil servant)

b) managerial, result-oriented subculture (an example of this is the public manager)

2. Business administrative culture

c) rule-oriented subculture (examples of this are accountants and controllers)

d) result-oriented subculture (an example is the business manager)[75]

[74] E. Szilágyi, Enikő: Adminisztratív kultúra a közigazgatásban – a teljesítménymegítélés tendenciái. *Competitio,* 12, no. 2 (2013). 5–32.

[75] Gajduschek, György: *A bürokrácia-fogalom értelmezése a társadalomtudományokban és ennek jelentősége a közigazgatási szervezetek sajátságainak magyarázatában.*

Using Jann's system of administrative culture, the forms of administrative culture in public administration can be reviewed. These levels can be assigned to four actors interested in the operation of public administration (politician, entrepreneur, civil servant, citizen). It can be concluded that two of the four dimensions can be identified with a macro level, one with a mezzo level, and one with a micro level.[76] The four levels of the administrative culture in public administration are summarised in Table 8.

Table 8: The dimensions of administrative culture in public administration

Level of culture	**Brief description**	**What actor is the focus of the given level?**
Level 1 Verwaltungskultur I (Macro level)	Forms of behaviour and organisational forms existing in a country at a given time, and the subjective elements related to them (rituals, symbols, customs). A common way of solving problems in a given field.	*Politicians* – they shape the framework of the macro-economy through regulation (legislation), but they do not affect all elements of national culture.
Level 2 Verwaltungskultur II (Macro level)	The set of assumptions, attitudes, values and opinions that members of society express towards the public administration.	*Citizens* and *entrepreneurs* – they judge the performance of public administration.
Level 3 Verwaltungskultur III (Mezzo level)	Organisational culture characteristic of the organisations of the public administration system.	*Politicians* and *public administration managers* – they shape the operation of organisations.
Level 4 Verwaltungskultur IV (Micro level)	The presuppositions, attitudes, values and dispositions that are characteristic of the personnel of the public administration.	*Civil servants* – they constitute the staff.

Source: E. Szilágyi (2013): op. cit.

Doctoral dissertation. Budapest, ELTE Állam- és Jogtudományi Kar, Politikatudományi Doktori Iskola, 2000.

[76] E. Szilágyi (2013): op. cit.

From the table, we can see that Verwaltungskultur I can be identified with national culture. Verwaltungskultur II, which can also be interpreted at the macro level, can be paralleled with another concept, namely the factor called external efficiency in public administration science. The measurement of satisfaction is at the centre of the measurement of the compliance with the social and political expectations of the external efficiency. Internal efficiency in this interpretation framework is the efficiency of operation from an economic point of view, ultimately economic efficiency. Since citizens and entrepreneurs are users of public administration services, we can say that these attitudes, opinions and values are the determining factors of consumer satisfaction. Verwaltungskultur III can be identified as a subculture – an administrative rule-oriented administrative subculture. And Verwaltungskultur IV is an administrative culture at the organisational level, which, in addition to the subculture of level 3, also includes the managerial, results-oriented culture of public administration.[77]

3.6.3 The new administrative culture

The new administrative culture is more dominant in the Anglo-Saxon speaking area. Results-oriented public administration management, as a new management concept, affects various dimensions of the existing public administration culture and clearly calls for the development of a service provider culture and value system that largely follows the classic service provider culture. In this system of values, thinking is already dominated by efficiency and effectiveness (legality is a basic requirement, but it does not dominate action), office-centricity is replaced by customer orientation, and political and professional decision-making are separated.[78] The differences between traditional and result-oriented culture along different pairs of dimensions are shown is Table 9.

[77] E. Szilágyi (2013): op. cit.

[78] Kiss–Csillag (2014): op. cit.

Table 9: Dimensions of cultural change

Traditional (bureaucratic) culture	**Dimension pairs**	**Result-oriented administrative culture**
Legality dominates in thinking and acting, effectiveness is secondary.	*legality vs. effectiveness*	Effectiveness dominates thinking and action – legality is a basic requirement.
Norms and regulations arising from the position.	*regulations according to position vs. principles of management science*	Regulations are determined based on the principles of management science.
Solving different problems in a similar or identical way.	*standardised vs. different problem solving*	Different (not manual-like) solution to different problems.
Bureaucratic orientation and rule-following.	*following bureaucratic rules vs. customer-centredness*	Procedures are adapted to the needs of customers.
Mastery of the system by systematic control of details.	*bureaucratic control vs. integrated controlling*	Control of processes using an integrated controlling system.
There is no demarcation between the two system levels.	*mixing of political and professional management vs. separation*	Striving for a clean demarcation.
Lack of confidence due to lack of constructive management tools.	*lack of trust vs. trust*	Transparency, clear expectations and trust due to a conscious incentive system.

Source: Kiss–Csillag (2014): op. cit.

To what extent is it a realistic possibility that the cultures of public administration organisations actually become result-oriented cultures (or continue to surprise on this path)? It is clear that the social environment and the needs of social stakeholders have changed by the beginning of the 21st century: citizens increasingly expect the public administration to be a professional "service provider". From this point of view, change is therefore inevitable. However, if the central authority determines the operation, then the latter will continue to be determined by the compliance with the previous expectations, and not by the qualitative satisfaction of the customer's expectations.[79]

Culture can be interpreted more broadly, at other system levels, such as administrative culture, local social culture, etc., but at the same time, in parallel, alongside these, e.g. also subcultures according to professions and social strata. This cultural diversity is one of the specific characteristics of the public service, and its management is an important task and challenge. The public service can also turn the disadvantage, according to which cultures can hinder each other from asserting themselves, and this can be a source of problems and conflicts, into an advantage.[80] This is possible if tolerance and diversity prevail in the common system of values, as well as the effort to share the best and most valuable elements of each culture.[81]

3.6.4 Characteristics of the Hungarian administrative culture

Organisational culture as an organisational and operational factor raises many basic questions. Is it possible to recognise its importance, is it possible to know its content, what is this culture like, does it support or, on the contrary, hinder the operation, is it consciously used, is it shaped for the sake of organisational and operational success?

Public administration and public service tasks can be performed in a variety of ways, in a different spirit, perception, human and organisational behaviour, appearance, core expression (more generally: using patterns). It takes shape in the system of historically and socially defined and institutionalised patterns (e.g. values, beliefs, behaviours, customs) in the given organisation and/or the wider community, e.g. the specific "character" of the local government (characteristic of the general and individual members of boards, offices, institutions).[82]

In the previous sections, we have already seen where our country is in terms of organisational culture. Ours is a typically hard, hierarchical culture that has

[79] Kiss–Csillag (2014): op. cit.

[80] For example, the cooperation of multiple cultures (and their possible conflicts) enables multiple approaches, more versatile problem-solving, and ultimately higher-quality decision-making.

[81] Gáspár et al. (2011): op. cit.

[82] Gáspár et al. (2011): op. cit.

many features in common with Central and Eastern European cultures, and the German organisational culture is also close to ours. In recent years, however, a significant change in the Hungarian public administration culture has been observed: customer-friendly, service-oriented public administration is spreading more and more. Examples of customer-oriented organisational culture:

- *In terms of equipment and objects:* easily accessible building, comfortable customer reception, customer waiting room, comfort services (talking elevator, changing room, etc.), cleanliness, uniforms.
- *In symbols:* placement of logos, uniforms, prizes, awards in public places – e.g. family-friendly office, child-friendly customer service, quality awards, certifications, etc.
- *In procedures:* publication of the complaint handling procedure, open days, reception hours, toll-free numbers.
- *In values:* display and declaration of basic values – e.g. customer focus, service office.[83]

The importance of organisational culture in management is extremely great, similar to the importance of the character of individual people – as members of the organisation – with which it is naturally mutually determined. It has been proven that the organisational culture as a whole has a greater regulatory power and a more significant impact on its operation and performance than other methods, tools and systems of organisational regulation. Therefore, its conscious shaping and development is decisive from the point of view of increasing organisational effectiveness, efficiency and quality.

In addition to the uniform elements of the organisational culture, there may be so-called subcultures – for example, professions, technologies (e.g. IT), or types of activity (e.g. policing) – which display additional cultural characteristics. They may differ from the organisation's culture but are not necessarily opposed to it. Moreover, in some of their elements, they can more strongly express specific features important to the organisation, e.g. values (the special bearer of the financial profession is "value for money", the value and requirement of cost efficiency). This particularity of subcultures can be well utilised by the organisation as a whole, for example, it can be recognised, presented and strengthened as a model to be followed.

[83] Gáspár Mátyás: *A korszerű ügyfélszolgálati rendszerek szervezése és működése.* Budapest, Magyar Közigazgatási Intézet, 2007.

The phenomenon of "competing subcultures" is fully consistent with the problem of a possible conflict between different values within the local government organisation (e.g. democracy and efficiency). The method of unlocking them is also similar, if there are no so-called pure value systems, just as there are no completely homogeneous cultures. Special "value mixes" have to be reckoned with, in which desirable values will be present to a certain extent. A typical example is that the formalism of bureaucracy is useful and desirable to a certain extent. From the competing subcultures, the values useful for self-government can and should be raised to an appropriate extent.[84]

The relationship between administrative values and organisational culture is shown in Figure 39.

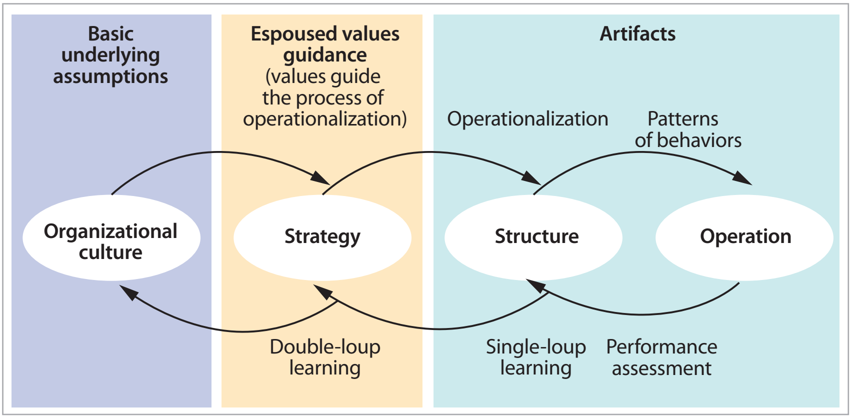


Figure 39: Relationship between administrative values and organisational culture
Source: http://cheapassignments.blogspot.com/2017/04/unit-3-organizational-structure.html

Summary

Starting from McKinsey's 7S model, the concept of organisation and culture was interpreted in the chapter, and then – along the cultural dimensions – the

[84] Gáspár et al. (2011): op. cit.

best-known models were presented. Next, the relationship between organisational structure and culture was examined. Finally, the presentation of the organisational culture of the public administration followed, in two approaches: through the prism of the administrative and the new public administration culture, which was closed by the peculiarities of the Hungarian public administration culture.

Review questions

1. *How is an organisation's culture formed and how does it change?*
2. *How can the different levels of organisational culture be recognised?*
3. *How is the relationship between public administration culture and organisational culture?*
4. *What typical administrative culture types do you know and what are their characteristics?*
5. *To what extent can knowledge of public administration culture help in more successful management of organisations?*
6. *What are the advantages and what are the risks of the fact that subcultures exist within organisations?*
7. *How are individual culture types related to other characteristics of the organisation?*
8. *What are the advantages and what are the risks of a strong organisational culture?*

Definitions

Administrative culture: the typical problem-solving method characteristic of individuals and organisations performing administrative activities; the system of values, beliefs, attitudes and assumptions that are especially characteristic of them.

Cultural dimension: an aspect of culture that can be measured in relation to other cultures.

Culture: a system of basic assumptions and requirements created by a specific group.

Mechanical culture: an organisational culture that is characterised by a strong hierarchy and formalisation, the operation is standardised and regulated to a large extent, the control is tight, and the decisions are centralised.

New public administration culture: means result-oriented management as a new managerial concept in public administration, and clearly the development of a service provider culture and value system that largely follows the classic service provider culture.

Organic culture: an organisational culture built on few levels of hierarchy, little formalised and based on individual expertise.

Organisational culture: a system of assumptions, values, convictions and beliefs accepted by the members of the organisation and interpreted jointly, on the basis of which they define themselves.

Shared values: deeper-rooted values behind the objectives, accepted by the majority of employees in the organisation.

Strong culture: an organisational culture in which core values are widely held by the organisation's members and which strongly influence the behaviour of the organisation's members.

Subculture: a culture that basically accepts and follows the majority culture, but differs from it in some details.

Weak culture: an organisational culture in which the cultures of smaller units and areas (the so-called subcultures) undermine and weaken the central culture, which is therefore unable to integrate organisational members.

References

B. Nagy, Sándor: *Szervezetfejlesztés, változásmenedzsment.* Budapest, L'Harmattan – Zsigmond Király Főiskola, 2008.

Bakacsi, Gyula: *Szervezeti magatartás és vezetés.* Budapest, Aula Kiadó, 2004.

Bakacsi, Gyula*: Gazda(g)ság és kultúra – a jövőorientált versenyképesség kulturális meghatározottsága (a GLOBE kutatás alapján).* T 046897 nyilvántartási számú OTKA kutatásról, 2008. Online: http://real.mtak.hu/1618/1/46897_ZJ1.pdf

Balaton, Károly – Hortoványi, Lilla – Incze, Emma – Laczkó, Márk – Szabó, Zsolt – Tari, Ernő: *Stratégiai menedzsment.* Budapest, Akadémiai Kiadó, 2014.

E. Szilágyi, Enikő: Adminisztratív kultúra a közigazgatásban – a teljesítmény-megítélés tendenciái. *Competitio,* 12, no. 2 (2013). 5–32. Online: https://doi.org/10.21845/comp/2013/2/5

Gajduschek, György: *A bürokrácia-fogalom értelmezése a társadalomtudományokban és ennek jelentősége a közigazgatási szervezetek sajátságainak magyarázatában.* Doctoral dissertation. Budapest, ELTE Állam-és Jogtudományi Kar, Politikatudományi Doktori Iskola, 2000.

Gáspár, Mátyás – Göndör, András – Tevanné Südi, Annamária: *Mindenki fontos! A helyi közösségi önkormányzás esélyei, a közmenedzsment új irányai.* Budafok-Tétény Önkormányzata, 2011.

Gáspár, Mátyás: *Helyi önkormányzati menedzsment.* Csákberény, Közigprint-Közigkonzult, 1995.

Gáspár, Mátyás: *A korszerű ügyfélszolgálati rendszerek szervezése és működése.* Budapest, Magyar Közigazgatási Intézet, 2007.

Goleman, Daniel: *Érzelmi intelligencia.* Budapest, Háttér Kiadó, 1995.

Handy, Charles B.: *Szervezetek irányítása a változó világban.* Budapest, Mezőgazdasági Kiadó, 1986.

Heidrich, Balázs: *Szervezeti kultúra és interkulturális menedzsment.* Budapest, Human Telex Consulting, 2001.

Heidrich, Balázs – Somogyi, Andrea: Az elengedett kéz dilemmája, avagy a vezetők kulturális lehetőségei a szolgáltató és közigazgatási szervezetekben. *Vezetéstudomány,* 36, no. 9 (2005). 2–14. Online: https://doi.org/10.14267/VEZTUD.2005.09.01

Hofstede, Geert – Hofstede, Jan: *Kultúrák és szervezetek.* Pécs, VHE Kft, 2008.

Hunyadi, György – Székely, Mózes: *Gazdaságpszichológia.* Budapest, Osiris, 2003.

Kiss, Csaba – Csillag, Sára: *Szervezeti kultúra.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.

Klein, Sándor: *Vezetés- és szervezetpszichológia.* Budapest, Edge 2000 Kft. Kiadó, 2002.

Málovics, Éva: *Szervezeti viselkedés II.* Szeged, Juhász Gyula Felsőoktatási Kiadó, 1999.

Máramarosi, András: Szervezeti kultúra típusok a ’90-es évek végén Magyarországon: Empírikus kutatás. *Vezetéstudomány,* 33, no. 6 (2002). 2–16.

Qiunn, Robert E.: *Beyond Rational Management.* San Francisco, Jossey Bass, 1988.

4. Performance of Organisations, Characteristics in the Public Sector

Currently, the system of public administration is undergoing a significant transformation, since the state reform reached this area first, the changes here are the fastest and often the most “painful”. The rethinking of the tasks of the state and the rationalisation of the institutional structures makes it essential, first of all, to carry out strategic tasks, followed by process modernisation and organisational development tasks derived from this, since efficient and at the same time performance-oriented operation is expected of public administration organisations in our country.

The purpose of this chapter is to define the concept of performance, to define the content elements of performance management, performance measurement and performance evaluation, and to learn about their relationship and differences. It then briefly presents the concepts of a good state and good public administration, then the relationship between indicators and performance in public administration, and finally it covers the presentation of the two most commonly used performance management methods and their application possibilities in public administration.

4.1 Performance

The *performance* is always the result of some activity. At the same time, performance consists of *qualitative* and *quantitative* elements related to the performance of tasks assigned by the organisation.[85]

The literature on performance discusses two approaches. *Efficiency,* as the achievement of goals, is defined as the external dimension of performance, and *economy* (the expenditure used for the sake of the achieved result) as the internal dimension of performance. Based on these, performance clusters can be defined, such as economy, efficiency, quality, innovation.[86] Efficiency is a concept related

[85] Bakacsi Gyula: *Szervezeti magatartás és vezetés*. Aula Kiadó, Budapest, 2004.
[86] Wimmer, Ágnes: *A vállalati teljesítménymérés az értékteremtés szolgálatában, a működési és a pénzügyi teljesítmény kapcsolatának vizsgálatában*. Budapest, BKAE, 2000.

to the output of the organisation's activities, which expresses whether what the organisation does is satisfactory. Economy, on the other hand, shows whether the way the organisation performs is satisfactory, this can be measured by the amount of resources required to produce a unit of product.[87]

The concept combining efficiency and economy is based on the relationship between the amount of input and output, where performance can in principle be broken down to the level of business units and activities. However, the rise of the importance of non-material assets that determine performance requires an approach that is related to the entire organisation, its key resources, and also takes risks into account.[88]

The *performance evaluation system* is a set of methods suitable for measuring and evaluating the extent and manner of contribution to organisational performance.[89]

The *performance management system* is a means of achieving organisational, group and individual performance, which is based on strategic, tactical and operational goals and levels of performance planned within an agreed framework.[90]

When examining performance concepts, it is important to distinguish between its levels: we can interpret *organisational, group and individual performance* levels. By breaking down organisational performance, they first arrive at group-level performance, and then by further breaking it down to the smallest unit, individual performance. At the same time, it is clear that although the impact of individual achievements cannot be directly perceived at the organisational level, without these achievements there would be no organisational performance. It follows from this that in order to evaluate performances, it is necessary to delimit the different levels. In this process, the performance must first be determined at the organisational level, and then the contribution of individual organisational units, groups and individuals to the performance must be derived from this.[91]

87 Chikán, Attila: *Az értékteremtő folyamat. Az értékteremtő folyamatok menedzsmentje.* Budapest, Aula Kiadó, 2004.

88 Bounfour, Ahmed: *The Management of Intangibles. The Organisation's Most Valuable Assets.* London, Routledge, 2003.

89 Gyökér, Irén – Finna, Henrietta: *Teljesítménymenedzsment.* Educational support material. Budapest, BMGE, 2008.

90 Veresné Somosi, Mariann – Hogya, Orsolya: *Teljesítménymenedzsment.* Budapest, Nemzeti Tankönyvkiadó, 2011.

91 Gyökér–Finna (2008): op. cit.

The components of organisational performance are human resources (knowledge and competences, motivation, job roles, specific circumstances), organisational strategy, applied technology, external environmental influences, and the quality and quantity of resources.[92]

Due to the complexity of the performance management system, it is a series of steps that show a kind of cyclicality. The first phase of this is the definition of strategic goals and goal hierarchy, from which individual goals can then be derived, which must be aligned with organisational needs and mutually accepted. The individual development plan supporting the objectives requires a "customised" design, which also serves as a basis for evaluation and review. In this way, feedback can be formed to determine new strategic and individual goals. It is an important requirement for reviews to be regular, stimulating and development oriented.[93]

The process of performance management integrates the phases of the classic management process in a way that is coordinated with specific goals. Its peculiarity is that it is impossible or very difficult to draw a sharp boundary between the individual phases, and the transition is usually realised iteratively. Due to its complexity, its successful implementation requires a number of management skills, which have different contents for each step.

The purpose of *performance measurement* is to provide information on the achievement of the organisation's goals and the results of management activities. A tool to increase efficiency, improve communication, encourage and better understand employees.[94]

In order to get closer to our goals, continuous monitoring of performance is essential. During the measurement, various errors may come to light, and by eliminating them, the organisation's operational processes are perfected, i.e. the learning process takes place, thus contributing to increasing the organisation's performance. However, finding the most suitable method(s), determining what, when and how to measure is far from an easy task.

One of the main reasons for the operational problems of organisations is that they cannot implement their strategy. They would need tools that would

[92] Veresné Somosi – Hogya (2011): op. cit.

[93] Veresné Somosi – Hogya (2011): op. cit.

[94] Gál, János: *A Balanced Scorecard módszere és gyakorlata a stratégiai tervezésnél és teljesítményértékelésnél. Stratégia a vállalkozások és az intézmények vezetési gyakorlatában.* Budapest, Infocity 2004.

help them find the source of the problem and, in addition, outline the possibility of a solution. *Integrated performance measurement systems* help with this by trying to judge the operation of the organisation from several interrelated points of view.[95]

Traditional measurement methods mostly provide managers with information related to past performance, as opposed to integrated performance measurement methods, which are much more future-oriented. In this way, managers can also influence the future performance of the organisation. Traditional measurement methods are understood to mean those that mostly use financial indicators to measure the performance of organisations, thereby approaching the issue of performance from the perspective of the owners' expectations.

The *integrated performance measurement methodologies* use both financial and non-financial indicators. Non-financial indicators can already be suitable for capturing and measuring the "invisible" assets of organisations (e.g. intellectual capital, customer base). The performance models therefore also explicitly contain the cause-and-effect relationships between the standards. We will return to these later.

4.2 Good governance

What should a competitive public administration look like today? The easiest way to answer the question is with three concepts: be *effective, efficient* and *committed,* i.e.:

- It is *effective,* so it implements the planned activities and achieves the results. It serves citizens and companies with high-quality services through programs, legislation and government instruments.
- It is *efficient,* in economics, the concept of efficiency can be examined from two sides: achieving a defined goal with the smallest possible expenditure or achieving the best possible result with a given expenditure.
- It is *committed,* which means that those in the public service perform their work fairly, accountable, contributing to the service of the public to the best of their abilities, with appropriate respect.[96]

[95] Veresné Somosi – Hogya (2011): op. cit.

[96] Boros, Anita et al.: *Versenyképesség és közigazgatás.* TM 70 workshop study. Corvinus University of Budapest, 2010.

The goal follows from this: that the public administration meets the needs of society with the lowest possible resource expenditure and the highest possible quality.

If we examine the question systematically, we can say that the goals of public administration can be achieved in the most effective way if it organises the processes between the goal and the result in the most rational way possible. In this case, the goal is to create a "good state", the condition of which is an efficiently functioning public administration.

Meeting the ever-increasing needs of citizens, monitoring the achievements of technology, and managing the effects of the economic crisis are all new tasks for the public administration that can only be realised through a professional organisational system.

However, rational public administration cannot be realised in any other way, only if the organisation of the public administration works well, which is not possible without the professional functioning of the organisations. The subsystems of the "Good State" and the place of organisations in it are illustrated in Figure 40.

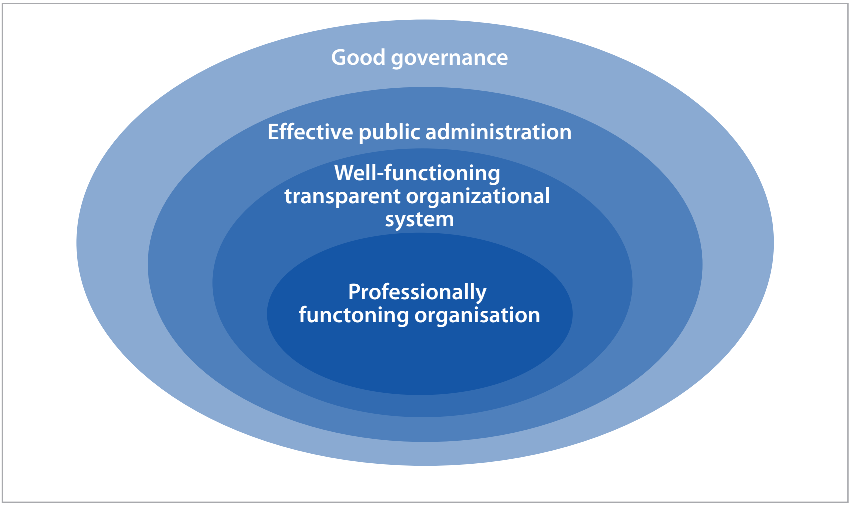


Figure 40: Subsystems of the good state
Source: Compiled by the author

The realisation of the "Good State" therefore requires the development of the organisations of public administration, since the rationalisation of the organisational system of the public administration can only be realised on the basis of the effective operation of the individual organisations.

The *organisational efficiency* – with reference to business organisations – can be characterised as follows:

- The entire organisation, its more important units, and individuals organise their work in order to achieve specific goals and plans.
- Organisational forms follow functions, the problem, task or project determines the organisation of human resources.
- Decisions are made by those who have the right information, regardless of where they are located in the organisational structure.
- The managers' incentive and punishment system takes both short-term profit or production performance, growth and development of subordinates and viable work groups into account.
- Communication is not distorted either horizontally or vertically. People are generally open and confrontational. They share their knowledge of the essential facts and their feelings.
- Activities that unnecessarily lead to gain for one individual or group and loss for another are minimal. There is a constant effort at all levels to handle conflict situations in such a way that they are seen as problems to be dealt with using problem-solving methods.
- In relation to tasks and businesses, conflicting opinions are common, but little energy is spent on clarifying conflicts between people, but there are methods to resolve them.
- The organisation and some of its components are units in mutual relation with each other and the larger environment. The organisation is an "open system".
- It is considered important – and the management strategy supports this – that every person or unit in the organisation should be helped in order to preserve its integrity and individuality.

- The organisation and its members also work with the action research method.[97] It is common practice to include a feedback mechanism so that individuals and groups can capitalise on their experiences.[98]

The *effectiveness of public administration* is explained in more detail in the Magyary Program, in which it is defined with the following terms:

- *Successful.* The execution of a task is successful if the set task is fulfilled to the expected extent. Formal and substantive performance is a separate issue in this context.
- *Economical.* Economy no longer only takes into account the result to be achieved, but also the costs incurred to achieve the result. According to this, a task execution is economical if the achieved results and the expenditures for the activity are as planned, or the ratio is better.
- *Effective.* Task execution only affects the subject of the task in the rarest of cases, and the effect may necessarily change over time. Accordingly, in the case of efficient task execution, it does not cause any changes in time, space and circumstances as a whole that degrade the task itself in whole or in part, or the expected result (for example, acceptance or rejection of a measure by public opinion, or disproportionate environmental damage).
- *Secure (resilient).* In order for a task to really work effectively, it is necessary to plan the implementation and model it as part of, during which several possible outputs can be considered, and several execution

[97] Action research is practice-oriented research following a specific methodology, characterised by cooperation between researchers and research clients (representatives of the organisations that are the subject of the research), as well as the incorporation of the experiences of cooperation already in the research process, with follow-up and feedback. The preliminary theoretical and practical knowledge of the researchers, the practical experiences of the clients, the mutual learning process of their local knowledge and experiences shape the course of the research itself. During action research, development built into the process often takes place, which is aimed at solving the research problem in practice. The results of the action research not only represent new knowledge for the client of the research but are also used in the direct research process.

[98] Beckhard, Richard: *A szervezetfejlesztés stratégiája és modelljei.* Budapest, Közgazdasági és Jogi Kiadó, 1974.

methods can be planned accordingly. In the event of an obstacle, additional versions can thus be used flexibly, and performance can be ensured without having to keep unnecessary additional resources on standby.
- *Monitorable.* The process can be followed and influenced by the person entitled to it. This conceptual element also includes the requirement of transparency, control and accountability of the activity.
- *Adaptive (evolving).* In addition to planning, the role of feedback is also important in the process, since continuous development and improvement are only possible in this case. The execution of the given task acquires its meaning and value as part of a larger process, so it is necessary to take into account what kind of return it has in this context, what kind of useful, new solution and experience it brings. This can further increase efficiency. In fact, it is expected – precisely because of competitiveness – that the task execution solution is truly effective, which is capable of development, can be improved the fastest and most efficiently among the possible competing solutions, which in the majority of cases – since the task execution itself is a tool – does not mean other than optimal adaptation to new conditions.[99]

Comparing the two approaches, it can be seen that the elements of organisational efficiency can be well integrated into the system of modern public administration, the goal of which is effective, transparent and efficient operation.

4.3 Defining indicators

Before examining the indicators, it is definitely worth clarifying the concept of performance. Any activity is characterised by its performance from a measurement and evaluation point of view, on the one hand it means the achievement of the set goal, i.e. the result of the activity, on the other hand, the concept also includes the examination of the use of the scarcely available resources during the implementation. The performance of an organisation can therefore be grasped

[99] *Zoltán Magyary Public Administration Development Program 11.0.* (MP 11.0). Budapest, Ministry of Public Administration and Justice, 2011; *Zoltán Magyary Public Administration Development Program 12.0.* (MP 11.0). Budapest, Ministry of Public Administration and Justice, 2012.

from at least two aspects: by the *effectiveness* and *efficiency* of the organisation. The concept of effectiveness characterises goal achievement, i.e. it answers the question of what, while efficiency shows the how of implementation. Both terms are used in a comparative rather than an absolute sense.[100]

An important question is what the object of the measurement is. An organisational unit, activity or service is characterised by its performance in terms of measurement and evaluation. *Performance* is a goal-oriented action that has inputs (resources used) and some output (products or services). From a measurement point of view, organisational performance can be broken down into the following elements:

- *Economy:* the quantity and value of the resources (inputs) used for the activity under investigation or for the operation of a given organisational unit. This interpretation of performance is very common in the public sector, just think of how often it happens that, in case of a given institution, the operation is characterised by the annual budget or even the number of employees working there.
- *Efficiency:* input–output relationship. When examining efficiency, we seek the answer to the question of whether a given amount of output (manufactured product, service) was created using the least possible input, and the question can also be asked the other way around, i.e. whether the maximum possible output was realised from a given amount of input. The measurement of efficiency assumes that inputs and outputs can be compared with each other, that resources and produced goods and services can be measured (mostly in monetary terms).
- *Effectiveness:* relationship between output and result. In this interpretation, organisational output (goods and services) is a tool for achieving outcomes. Results are changes that occur in behaviour, abilities and attitudes as a result of an output. Analysing effectiveness, we look for the answer to the question of whether the organisation is able to achieve its set goals.
- *Equity:* beyond the above, an important aspect of performance is a concept that goes beyond the organisational level and can capture the combined performance of several organisations (e.g. a sector). The justice

[100] Kiss, Norbert – Révész, Éva: Teljesítménymenedzsment a közszektorban. In Antal, Zsuzsanna et al.: *Közszolgálati szervezetek vezetése.* Budapest, Aula Kiadó, 2011.

or fairness of the distribution of results and effects often appears as an aspect to be investigated in the public sector.[101]

The key terms related to the above three performances: the equivalents of economy, efficiency and effectiveness all begin with the letter "e", which is why the literature collectively calls this approach the "3E concept".

Additional aspects of the interpretation of performance have also appeared in the public sector, which mostly help to capture performance beyond the organisational level, at the regional or sectoral level. The justice or fairness of the distribution of benefits (equity) often appears as the fourth element, so this is the "4E concept".

Enforcing the aspect of fairness is clearly not the responsibility of a single organisation, but the task of several organisations or even an entire industry or sector.[102] The span of performance in the public sector: an analytical framework according to Bouckaert and Halligan is shown in Figure 41.

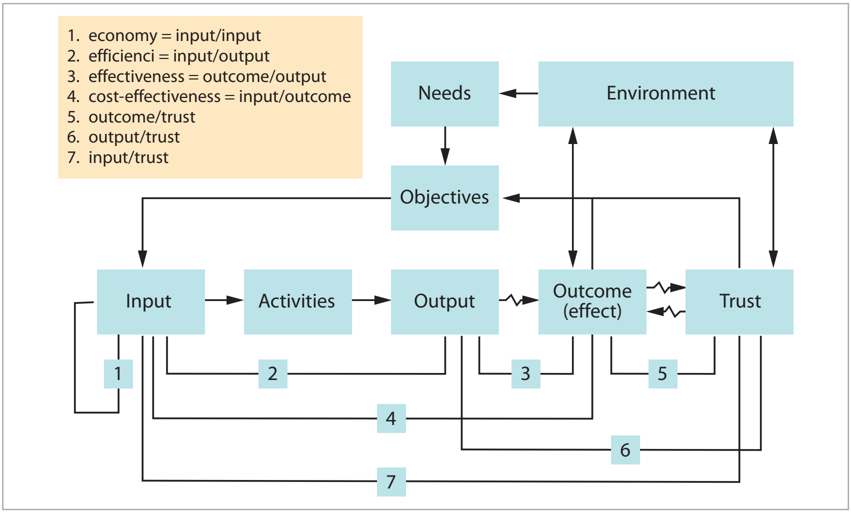


Figure 41: Performance management in the public sector
Source: www.vincenzovignieri.com/essay-performance-management-in-the-public-sector/

[101] Kiss–Révész (2011): op. cit.
[102] Kiss–Révész (2011): op. cit.

For example, a municipality may aim to spread the use of e-government, so for this purpose it develops services (output) that citizens can access online. In this case, the result is that, due to the new services, more and more citizens choose online administration. Of course, it is not necessarily true that online administration will spread significantly as a result of the new services, since this is also influenced by other factors (for example, the proportion of digital knowledge and internet access among the population). Moreover, an organisation can be efficient (for example, it develops new online services using relatively few resources), but it is not at all certain that it is effective at the same time. Perhaps the new online service is not sufficiently user-friendly or too complicated, which is why customers are reluctant to choose this path. In this example, the aspect of fairness means whether everyone involved has an equal chance of accessing this new service, for example, whether there is an accessible version of the website (e.g. easy to use for the visually impaired).[103]

However, during organisational development activities, we usually aim to meet the expectations of the "5E concept". This is also derived from the initial letters of the terms, i.e. for the organisation to be economic, efficient, effective, ethical and environmental.[104]

How to *measure performance* is also a key issue from the point of view of control. Financial and accounting data serve as the main source of performance measurement in business organisations. In public administration, however, in many cases it is not possible to express the performance aspects important to the institutions in money, and often not even the resources used. That is why, among non-profit organisations, non-monetary figures and *indicators* are particularly important in the quantification and evaluation of performance. Indicators (metrics, numbers) are tools for condensing information and serve to represent performance quantitatively. In practice, there are many indicators that can be expressed in quantitative and qualitative units, as shown in Table 10.[105]

103 Kiss–Révész (2011): op. cit.

104 Rónay, Miklós: *Szervezetfejlesztés a közszolgálatban.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.

105 Kiss–Révész (2011): op. cit.

Table 10: More important indicators showing different dimensions of performance

Indicator type	Interpretation	Examples
Input indicator	Characteristics of resources used	Annual budget of a given institution (amount); number of employees (persons).
Process indicator	Characteristics of the transformation process	Turnaround time (minutes); compliance with process standards (yes/no, %).
Output indicator	Products and services created	Number/proportion of those who have completed vocational training in public administration (per capita vs. %); number of passports completed by the deadline (pcs).
Result indicator	Direct consequence or longer-term effect of the output	Satisfaction of the managers of the vocational training participants regarding the usability of the training (based on a questionnaire).
Efficiency	Input/output	Cost of producing a passport (amount/piece)
Effectiveness	Result/output	Rate of realisation of subsidised developments (= number of completed development projects/all subsidised development projects, %)

Source: Kiss–Révész (2011): op. cit.

Creating and interpreting appropriate indicators is not an easy task. A good indicator should meet the following criteria:

- *Reality check:* are we really measuring what we originally wanted to measure?
- *Focus test:* are we only measuring what we wanted to measure?
- *Relevance test:* are we using the right performance indicator to monitor the desired performance dimension?
- *Consistency test:* will the people performing the measurements always collect the data in the same way?

– *Accessibility test:* can the data required for the measurement be easily found and recorded?
– *Clarity test:* is the interpretation and meaning of the indicator clear?
– *Consequence test:* will someone react to changes in the indicator?
– *Timeliness test:* is the data available quickly enough and with sufficient frequency to respond?
– *Cost test:* is the given indicator worth as much as it costs to produce it?
– *Playability test:* can we expect that the use of the indicator will encourage undesirable behaviour?[106]

It can also be seen from the above that performance measurement and evaluation requires great expertise and significant methodological knowledge, so it is not only the manager's task to design and operate such a system. When exercising the control function, managers are responsible for setting goals, formulating the main expectations, and in case of differences, for making the appropriate decisions. In order to create well-functioning measurement systems, carry out analyses and comparisons, and operate reporting systems, managers now have an apparatus that can apply well-established methods.

It is also worth clarifying the relationship between *performance measurement and evaluation* and *performance management.* The concept of performance management is broader than measuring and evaluating organisational performance. While in the case of the latter, the manager evaluates and interprets the results of the measurement primarily for himself, performance management is a management process aimed at performance improvement that covers the entire organisation and affects all organisational members. In addition to measuring and evaluating performance, it also includes the organisational communication of goals and expectations, as well as the motivational system that develops the performance of organisational members and feedback to organisational members.[107]

Another essential feature of performance management systems is the integration of strategic (long-term) and operational (short-term) operations by breaking down the goals set out in the organisational strategy to the level of daily operations. Figure 42 summarises what has been said so far about the performance management concept, i.e. the integrated performance management.

[106] Kiss–Révész (2011): op. cit.
[107] Kiss–Révész (2011): op. cit.

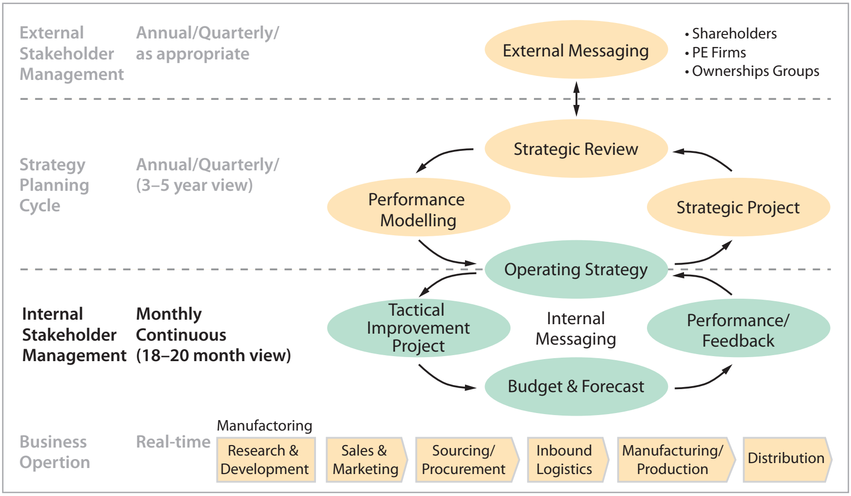


Figure 42: Integrated Performance management system at the organisational level
Source: www.qualitymag.com/articles/92952-the-benefits-of-integrated-performance-management

The strategic level of the performance management system helps to concretise and then communicate the long-term and mostly generally formulated strategic objectives throughout the organisation. The connection between the strategic and the operational level is created by the preparation of the operational plan derived from the strategic goals (the budget in the case of public organisations).

4.4 Performance evaluation system

Evaluation means much more than control. The *evaluation* is a feedback-based process that helps the achievement of organisational goals, during which standards are established in advance for the characteristics of the evaluated unit (e.g. activity), whose current values are measured and compared with them and in case of deviation, intervention is carried out.[108] The evaluation process is illustrated in Figure 43.

[108] Kiss–Révész (2011): op. cit.

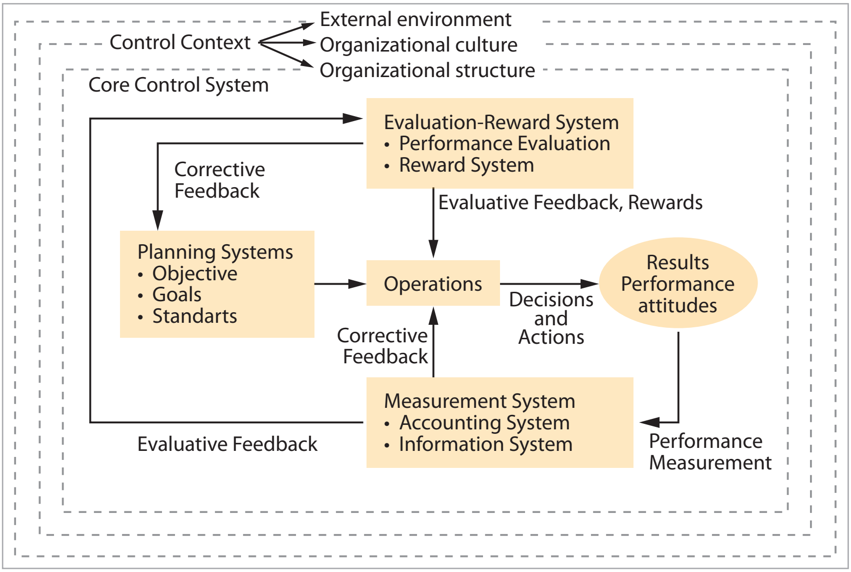


Figure 43: Performance evaluation system
Source: www.semanticscholar.org/paper/THE-EXISTENCE-AND-ROLE-OF-FORMAL-AND-INFORMAL-IN-Karlsson-Lukka/36ba2420138d1d361b42aa84388adff399fe333a

Organisational goals are typically formed during planning, in the process of setting goals and making strategies. The standards refer to the measurable and evaluable characteristics of the general organisational goals broken down to the level of the evaluated unit. "Evaluated unit" can be several things, an entire organisation, an organisational unit (e.g. a department), or even a single individual. Standards can be created in many ways: there are *quantifiable* and *non-quantifiable* standards. Quantifiable standards e.g. different indicators. Non-quantifiable standard e.g. description of different procedures or even standards of conduct.

Measurement is required to check compliance with standards. The comparison means the comparison of actual values and standards and the analysis of the causes of possible differences. Intervention will take place if the deviation is significant.

In the following, we review the two most commonly used indicator systems: *Balanced Scorecard (BSC) model* and *Performance Prism (PP) model.*

4.4.1 Balanced Scorecard

The Balanced Scorecard (BSC) model was developed by theoretical and practical specialists Robert S. Kaplan and David P. Norton in the 1990s as a result of several years of research. After its creation, it quickly became popular, and many companies began to use it successfully.

As already mentioned, previously the performance of organisations was mainly determined based on financial indicators, but rapid changes in the economic environment and business processes and strategies required the modernisation of analytical tools and the application of innovative techniques. As a result, the BSC was created. The key to its popularity is that it is simple, clear and provides answers to the most essential driving problems. It encourages the company management to develop a strategy based on stable foundations, and then takes care of its communication, as well as its breakdown into concrete goals for the smaller organisational units. The essence of the balanced indicator system is that it derives its goals and indicators from the mission and strategy of the organisation – *along four aspects.*[109]

The aspects of BSC are as follows:

1. *Customer aspect:* the company always strives to make its customers/clients as satisfied as possible, thereby this can increase profits. Therefore, the study and measurement of customers' aspects and needs is an important aspect.
2. *Learning and development aspect:* organisations are operated by the people working in them. Therefore, the stability and productivity of the working personnel is an important aspect. If the staff is untrained and/or dissatisfied, the performance of the entire organisation will deteriorate.
3. *Operational processes aspect:* if the operational process is grasped only through traditional financial indicators, a lot of important information remains unnoticed, which is why it is necessary to study and measure the organisational operation.
4. *Financial aspect:* the three groups of variables – customer, learning and development, operational – should be emphasised with much greater weight and the financial indicators should be subordinated to them.[110]

[109] Kiss–Révész (2011): op. cit.
[110] Kiss–Révész (2011): op. cit.

In the case of all points of view, the following must be identified: the goals and the indicators that make them measurable, the expectations related to the indicators (target values), and the measures necessary to achieve the expectations. The aspects of the BSC are illustrated in Figure 44.

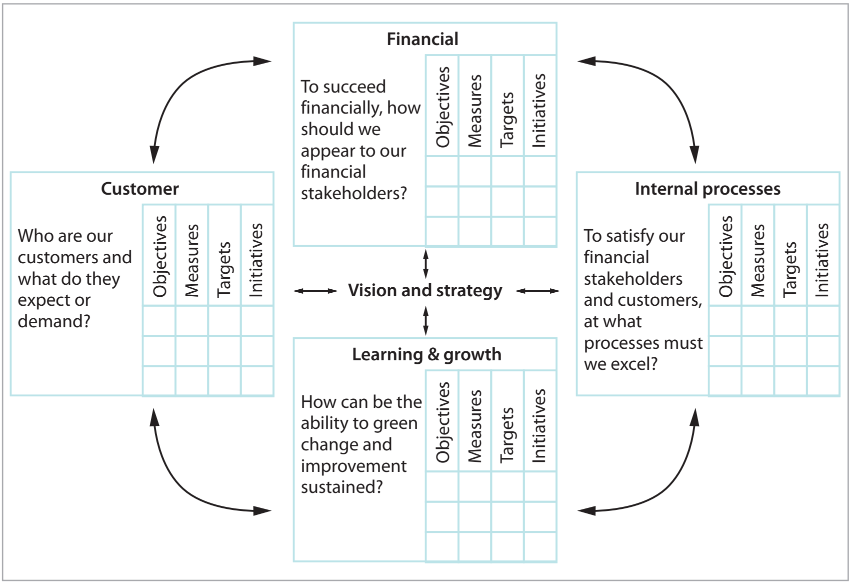


Figure 44: The Balanced Scorecard framework
Source: www.mdpi.com/2071-1050/7/11/15243

The application of the BSC in the business sector is justified by the changing operating environment: global competition, the increase in the role of innovation and knowledge-based industries, closer connections with customers and suppliers, and the segmentation of customers. As a result of these changes, the long-term effectiveness of companies can only be ensured if they monitor and influence long-term performance factors, i.e. they think in multidimensional performance models. In the public sector, the changes listed above are not nearly as radical as in business life – these factors therefore do not sufficiently explain why it is advisable to use BSC in public sector organisations. But perhaps there is no need to explain: since in case of non-profit organisations, public administration institutions and public services, financial performance is not of primary importance (although it is undeniably important), and performance expectations are mainly formulated in other dimensions (e.g. service quality), it naturally becomes a tool that seeks to balance performance expectations of different natures (especially if we take into account the often "excessive" budgetary approach).[111]

4.4.2 Performance Prism

The Performance Prism (PP) is currently one of the most comprehensive and modern performance philosophies. The method was developed in the second half of the 1990s by practical experts with the cooperation of the Andersen Consulting staff. The method is based on the stakeholder theory, and its focus is on the values provided to the stakeholders.

Based on the methodology of the performance prism, the construction of the performance management system must be started with an analysis carried out according to the organisation's stakeholders: it is necessary to map the needs and expectations of each stakeholder group towards the organisation, i.e. how to satisfy them. However, it is not only the knowledge of the expectations of the stakeholders that is important for the organisation, but also the contribution of the stakeholders to the operation of the organisation. It is important to know what a given organisation can expect and what kind of support it can count on from the various stakeholder groups. The relationship with the stakeholders is therefore a mutual relationship, it works well if it is "fruitful" for both parties.[112]

The performance prism is a five-factor, three-dimensional model:

Factor 1: stakeholder satisfaction
Factor 2: stakeholder contribution
Factor 3: capabilities
Factor 4: processes
Factor 5: strategies[113]

The structure of the model is presented in Figure 45.

[111] Kiss–Révész (2011): op. cit.
[112] Kiss–Révész (2011): op. cit.
[113] Neely, Andy et al.: *Teljesítményprizma.* Budapest, Alinea Kiadó, 2004.

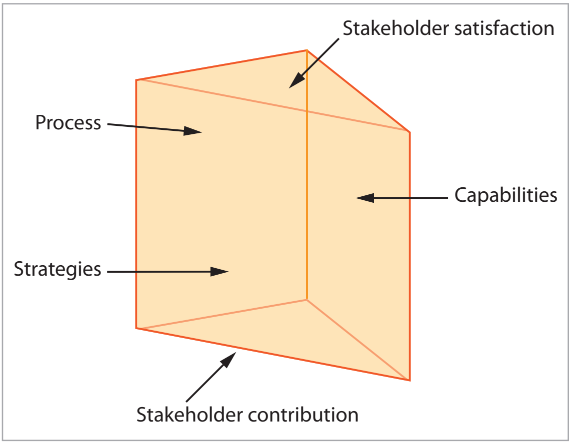


Figure 45: The performance prism
Source: www.accaglobal.com/an/en/student/exam-support-resources/professional-exams-study-resources/p5/technical-articles/performance-prism.html

The revealed expectations and needs determine the strategic goals that the organisation must follow; the achievement of strategic goals depends on the operation of organisational processes, which requires appropriate organisational and individual skills. These five groups of factors (stakeholders' satisfaction, stakeholders' contribution, strategy, processes, capabilities) give the five sides of the "prism". This method is therefore also balanced in the sense that it takes all stakeholder groups into account during the analysis, as well as by creating a map of success factors (i.e. with the causal connection between stakeholders, the organisation, strategies, processes and capabilities) in addition to evaluating past performance it also includes future value-creating factors in the performance management system.[114]

4.5 Performance management in the public sector

The four points of view originally proposed by Kaplan and Norton are not a set in stone rule: it is advisable for every organisation to use as many points of view as

[114] Veresné Somosi – Hogya (2011): op. cit.

they can use to describe their strategy in a sufficiently precise but still manageable way. In case of public service organisations, the question of modifying the originally proposed points of view may arise because, unlike business organisations, it is often problematic to determine who the consumers (buyers) of the organisation's services are. Those who use the service (and maybe even pay some for it, but by no means the realistic price), or rather the financiers who pay the institutions for the ordered services? Is it possible to harmonise the expectations of the above two groups from the point of view of customer performance?

Examining the BSCs created in public institutions, it is possible to filter out the general practice that the group of service users and financiers appear in separate perspectives. Instead of "customers' point of view", we often come across names such as "citizens' or clients' point of view", "public service" or "community point of view". The interests of the financiers, on the other hand, can be well represented in the financial perspective, which retains the original name: while in business organisations the return expectations formulated by the owners appear here, in the public sector these "return expectations" take the form of, for example, minimising the need for support, or own revenues increasing its ratio. The effective operation of the organisation is a goal to be achieved in this sector as well, so the point of view of operational processes essentially retains its "original" (usual in business organisations) content – the same statement also applies to the "learning and development" point of view, which primarily focuses on human resources and organisational information focuses on systems development.

It is also possible to imagine a solution where, next to the four "traditional" points of view, the relationship with financiers is added as a fifth (and the name of the customer point of view changes according to the previous paragraph). This is appropriate for organisations where the income from the service and the support represent approximately equal weight in the financing. This solution can also be expedient in cases where a significant part of the organisation's income sources comes from private donations – in this case, it is difficult to display the objectives that serve to attract the widest possible range of donors from a financial point of view.

In case of the examined organisations, not only the names of the points of view change, but also the relationships between them – this peculiarity follows directly from the fact that the basic purpose of these organisations is significantly different from that of business organisations: they are not created to achieve profit, but to achieve community goals.

The consequence of this is that the financial point of view – although undeniably and increasingly important these days – cannot stand at the top of the hierarchy of causal relationships. In terms of practical implementations, there are two *typical solutions:*

- the point of view of the clients (users, beneficiaries, community) is at the top of the hierarchy, thereby acknowledging that financial instruments are really only instruments that are necessary to achieve social goals
- juxtaposing the viewpoints of clients and financiers and prioritising long-term, comprehensive goals from the mission of the organisation[115]

The local government adaptation of the BSC appears following the framework of the Balanced/Public Scorecard (BSC/PSC), which corresponds to the internal processes/operation point of view. It has *two innovation focus areas* below:

- On the one hand, "communication innovation", which means the involvement of a wider circle of interest representatives (e.g. civil organisations, the population) in communication and joint work in the framework of cooperation. This contributes to ensuring the unimpeded flow of information, breaking down barriers to the information supply of the actors involved, and increasing the efficiency of information transfer and the transparency of information flow.
- On the other hand, "process innovation", considering that the planned development of the mechanism and process of vertical and horizontal cooperation is realised.[116]

In the model, the following factors – identified on the basis of BSC/PSC – are typical:

1. *Encouraging community-based problem solving.* Provision of a platform based on vertical and horizontal (community) cooperation developed and applied on an experimental basis with the involvement of additional territorial and settlement interest representatives and the civil sector, with extension to additional areas of expertise, taking into account the "inclusive factors" (e.g. creation of mechanisms for involvement, cooperation, dialogue, also with regard to marginalised groups).
2. *Increasing efficiency.* Increasing the efficiency of coordination mechanisms (information flow, cooperation).

[115] Kiss–Révész (2011): op. cit.

[116] Ministry of the Interior: KÖFOP-2.3.4-VEKOP-15-2016-00002 *Monitoring Municipal Developments with Attention II.* Research report. 2018.

3. *Fostering beneficial relationships.* Involvement of relevant actors in the coordination mechanism.
4. *Civil society involvement in the processes.* Involvement of the civil sector (civil organisations, population) in the planning mechanism for regional development.[117]

The local government adaptation of the Public Scorecard points of view is illustrated in Figure 46.

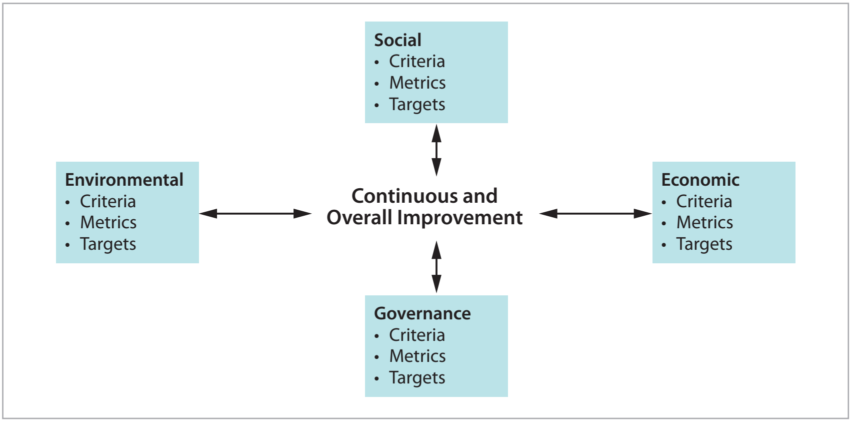


Figure 46: Local government adaptation of Public Scorecard
Source: www.sciencedirect.com/science/article/abs/pii/S026427511400002X

There are four fundamental differences in the structure of public sector and private sector balanced scorecards:

1. Mission Alignment
2. Budget Alignment
3. Customer Perspective
4. Financial Perspective

Differences between private and public sector Balanced Scorecards are illustrated in Figure 47.

[117] Ministry of the Interior (2018): op. cit.

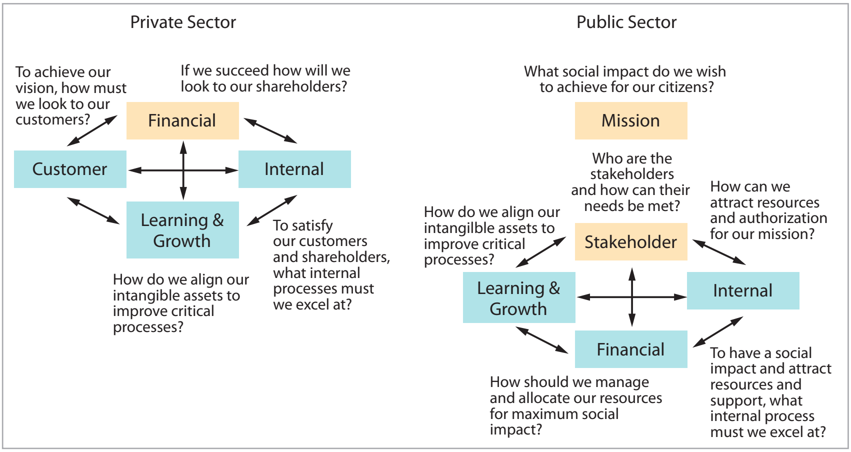


Figure 47: Differences between private and public sector Balanced Scorecards
Source: https://freebalance.com/en/blog/pfm/how-to-apply-the-government-balanced-scorecard/#pll_switcher

For public sector organisations, the performance prism can be a particularly well-suited model due to its stakeholder approach. Based on what has been said so far, the proper adaptation of methodologies that work well in the business sector and in the public sector is often hindered by the fact that the clearly identifiable key stakeholders (e.g. owners, customers) and their expectations are difficult for public sector organisations to interpret. Therefore, in many cases, a public institution cannot do anything with models optimised to meet the needs of owners or customers. The performance prism does not define in advance (not even implicitly) the most important stakeholders and organisational goals but leaves it up to the organisation to find all of these by applying the stakeholder approach.[118]

Whichever path we follow, the development of public administration quality and performance, and the strengthening of the values of an efficient, ethical and innovative public service organisational culture, cannot be realised without the application of modern management techniques. The fundamental condition for increasing quality and reforming operations is not only the formulation of goals and the designation of values to be followed, but also the conscious application of

[118] Kiss–Révész (2011): op. cit.

organisational and management methods that meet the specificities of the public sector. At the same time, it is necessary to monitor, measure and evaluate the changes (also accepted by international standards), which can also be realised with the help of management models adapted to the public sector.

Due to the methodological diversity, it is difficult to formulate general recommendations about the success factors of the application of performance management. In addition, the practices of individual countries are quite different from each other in terms of whether or not performance management tools are used in the public sector, and if they are, what expectations the government places on individual institutions in terms of performance-oriented operation. OECD member countries, for example, introduced performance-oriented reforms with different goals, different methods and very different application strategies.

The objectives of applying performance management can be the following:

- supporting the internal management of public institutions, improving their efficiency and effectiveness (inward)
- supporting the budgeting process and resource allocation decisions
- improving transparency and accountability (outward)
- achieving savings[119]

Despite the diversity of approaches and methodologies, more and more authors are trying to evaluate the application of performance management in the public sector, and are drawing attention to possible pitfalls and limitations. It is not possible to make everything measurable, i.e. performance indicators are only one – albeit important – source of information. In the case of complex, difficult-to-quantify activities, it is especially complicate and, therefore, very expensive to define performance indicators.

Summary

In the chapter, starting from performance, the methods of its management, measurement and evaluation were introduced. Then followed a brief presentation of the concept of a good state and good public administration. The relationship between indicators and performance in public administration was interpreted. Finally, the presentation of the two most frequently used management methods and the analysis of their application possibilities in the public sector were concluded.

[119] Kiss–Révész (2011): op. cit.

Review questions

1. *Why is it important to measure and evaluate the performance of organisations?*
2. *What are the main characteristics of a good state and good public administration?*
3. *What is the difference between economy, efficiency and effectiveness?*
4. *Describe the interpretation framework of performance management in the public sector.*
5. *What do the 3E, 4E and 5E concepts of performance management mean?*
6. *Present the perspectives of the Balanced Scorecard (BSC).*
7. *Present the perspectives of the Performance Prism (PP).*
8. *How can BSC and PP be adapted in public administration?*

Definitions

Balanced Scorecard (BSC): a balanced strategic indicator system that derives its goals and indicators from the mission and strategy of the organisation – along four aspects.

Control: a process that is based on feedback and helps to achieve organisational goals.

Index/measurement number/indicator: a tool for condensing information, which serves to represent performance quantitatively.

Performance evaluation system: a set of methods suitable for measuring and evaluating the extent and manner of contribution to organisational performance.

Performance management system: a means of achieving organisational, group and individual performance based on strategic, tactical and operational goals and levels of performance planned within an agreed framework.

Performance Prism (PP): performance philosophy, five-factor, three-dimensional model.

Performance: the result of some activity, which consists of qualitative and quantitative elements related to the performance of the tasks assigned by the organisation.

References

Bakacsi, Gyula: *Szervezeti magatartás és vezetés.* Budapest, Aula Kiadó, 2004.

Beckhard, Richard: *A szervezetfejlesztés stratégiája és modelljei.* Budapest, Közgazdasági és Jogi Kiadó, 1974.

Ministry of the Interior: KÖFOP-2.3.4-VEKOP-15-2016-00002 *Monitoring Municipal Developments with Attention II.* Research report. 2018.

Boros, Anita – Courrier, Anne-Elisabeth – Kristó, Katalin – Temesi, István: *Versenyképesség és közigazgatás.* TM 70 workshop study. Corvinus University of Budapest, 2010.

Bounfour, Ahmed: *The Management of Intangibles. The Organisation's Most Valuable Assets.* London, Routledge, 2003.

Chikán, Attila: *Az értékteremtő folyamat. Az értékteremtő folyamatok menedzsmentje.* Budapest, Aula Kiadó, 2004.

Dobák, Miklós – Antal, Zsuzsa: *Vezetés és szervezés.* Budapest, Aula Kiadó, 2010.

Gál, János: *A Balanced Scorecard módszere és gyakorlata a stratégiai tervezésnél és teljesítményértékelésnél. Stratégia a vállalkozások és az intézmények vezetési gyakorlatában.* Budapest, Infocity, 2004.

Gyökér, Irén – Finna, Henrietta: *Teljesítménymenedzsment.* Educational support material. Budapest, BMGE, 2008.

IFUA Horváth & Partners: *Folyamatmenedzsment a gyakorlatban.* Budapest, Alinea Kiadó, 2006.

Kiss, Norbert – Révész, Éva: Teljesítménymenedzsment a közszektorban. In Antal, Zsuzsanna – Drótos, György – Kiss, Norbert – Kováts, Gergely – Révész, Éva – Varga-Polyák, Csilla: *Közszolgálati szervezetek vezetése.* Budapest, Aula Kiadó, 2011.

Neely, Andy – Adams, Chris – Kennerly, Mike: *Teljesítményprizma.* Budapest, Alinea Kiadó, 2004.

Rónay, Miklós: *Szervezetfejlesztés a közszolgálatban.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.

Veresné Somosi, Mariann – Hogya, Orsolya: *Teljesítménymenedzsment.* Budapest, Nemzeti Tankönyvkiadó, 2011.

Wimmer, Ágnes: *A vállalati teljesítménymérés az értékteremtés szolgálatában, a működési és a pénzügyi teljesítmény kapcsolatának vizsgálatában.* Budapest, BKAE, 2000.

Zoltán Magyary Public Administration Development Program 11.0. (MP 11.0). Budapest, Ministry of Public Administration and Justice, 2011. Online: magyaryprogram.kormany.hu/admin/download/8/34/40000/Magyary-Kozigazgatas-fejlesztesi-Program.pdf

Zoltán Magyary Public Administration Development Program 12.0. (MP 11.0). Budapest, Ministry of Public Administration and Justice, 2012. Online: magyaryprogram.kormany.hu/admin/download/d/2c/40000/Magyary kozig fejlesztesi program 2012 A4.pdf

5. Public Organisations Development

The most important goal of the development of public administration organisations is to replace the instinctive processes of management with awareness, as well as the systematic involvement and strengthening of organisational knowledge. It is important that the administrative organisational system operating in a constantly changing environment not only performs its tasks, but also consciously reflects on the changes. It is also worth examining how a public administrative organisation, whose task is not only to follow environmental changes, but also to generate and manage them in certain cases, can become the engine of change. In order to implement them, it is necessary to create knowledge-intensive institutions that are able to provide the conditions necessary for this. Different perspectives of organisational formation offer opportunities for these.

The purpose of this chapter is to describe the perspectives of organisational formation and examine their adaptation possibilities in public administration organisations. Among the models and tools used during organisation formation, the most frequently used classic methods are presented first: the *Systems Intervention Strategy (SIS)* and the *Organisational Development (OD)* trend. Then, the operation of another model, *Closed Cycle Management (CCM),* is reviewed. Finally, the application possibilities of the above approaches for public administration organisations are examined.

5.1 Perspectives of organisational formation

In recent years, public administration reform processes, organisational development projects or modernisation trends (e.g. knowledge management, network research) have generated many changes in the life of public administration organisations. These not only raise simple questions of (re)organisation, but also generate complex development and change processes that must be handled in a different way than the traditional one. In addition, externally motivated changes sometimes take place in parallel with other organisational formation processes, so their conscious management becomes more and more important.

The classic organisation formation models – System Intervention Strategy and Organisational Development – have already appeared in public administration, but only in isolation in connection with the development project of a single organisation. (The two methods differ fundamentally in that, while SIS is aimed at solving the so-called “complex” problems of the organisation, OD is aimed at the so-called “confused” problems, as will be explained in more detail below.)

5.2 Methods of organisational formation

In practice, organisational formation, organisational planning and organisational development are often used as synonymous concepts, even though these three concepts, although related to each other, have different orientations:

- *Organisation formation:* is a comprehensive activity aimed at permanently changing organisational structures and rules of conduct.
- *Organisational planning:* aimed at changing and regulating the formal characteristics of the structure (primarily using organisation science methods).
- *Organisational development:* influencing and changing the behaviour and motivations of organisational members (primarily using behavioural science methods).[120]

Based on the clarification of these three concepts, the relationship between them can be easily determined, and the “formula” showing their relationship can be written:

Organisation Formation = Organisation Planning + Organisation Development

Organisation Formation is therefore a comprehensive activity, which includes *Organisational Planning* aimed at changing the formal characteristics of the structure, and *Organisational Development* influencing the behaviour, emotions and thinking of organisational members, i.e. a combination of these. The conceptual and content definitions of Organisational Planning and Organisational Development, based on their goals and effectiveness, are presented in Table 11.

[120] Watson, Lewis: *Planning and Managing Change.* Milton Keynes, the Open University Business School, 1993.

Table 11: Comparison of organisational planning and organisational development

Organisation Planning	Organisation Development
Conceptual and content definition	
It is primarily aimed at changing the structural-formal characteristics of the organisation and focuses on the mental planning and recording of lasting responsibilities, powers and connection (coordination) rules.	The effort to influence organisational members, which focuses on changing knowledge, attitudes, motivations and behaviours.
The "tool of management" for successful operation, i.e. management is a direct participant in the operation of the tool.	The trend of behavioural science oriented, organisational sociology and organisational psychology.
The business, management and organisational science category.	The organisation is the space for the interactions of organisational members (individuals and groups).
Identities and differences between goals	
Establishing a balance between stability and flexibility of the organisation (ensuring constant conditions for effective operation, quick adaptation to changed external and internal conditions).	The humanisation of work and the creation of opportunities for the self-realisation of organisational members.
One of the basic conditions for creating adaptation is the discovery of organisational reserves or the elimination and minimisation of organisational redundancy.	The development of organisational members' flexibility, innovation skills and ability. Creation and maintenance of organisational personality and organisational identity.
Efficiency aspects	
Primarily at the level of the organisation.	Approached from the individuals.
The indicators expressing organisational stability are the organisation's clear company-defining and implementing activities and capabilities: – clear sub-objectives – consistency of responsibility – authority – task scope – the possibility of coordinating sub-goals	The indicators that express individual development: – the growth rate of knowledge and skills levels – the attitude of the organisational members to the problem, tasks, activities – changes in behaviour

Source: Compiled by the author

Based on the table, the essential differences between the two concepts are clearly visible. (In practice, organisational development is most often used, but of course elements of organisational planning and development are also used.) Whatever it is, the so-called present-future model, which is also used during strategy creation, can be used as a framework for the process, as illustrated in Figure 48.

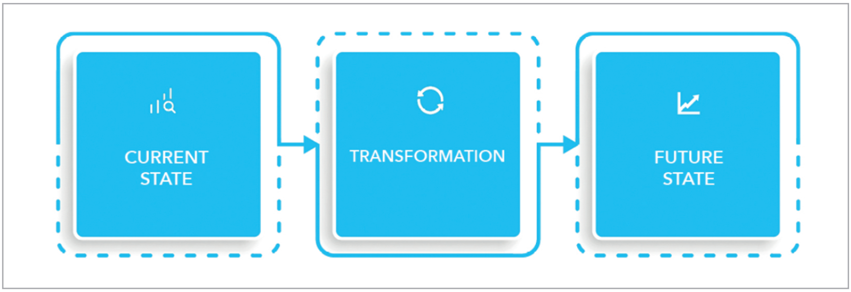


Figure 48: The process of organisational transformation
Source: www.aihr.com/blog/organizational-transformation/

In order to reach the desired state, which is the goal of organisational formation, managers may face many problems. The basis of the problem is that there is some goal state that we want to reach, but we do not know exactly the path leading to it; the problem is always subjective and relative. Two large groups of problems can be distinguished: these are the so-called "messy problems" and the so-called "difficult problems".

- The most important characteristics of *messy problems* are that when they occur, it is not possible to talk about clear and unambiguous problems, and their treatment is also uncertain, they usually affect several people. If it is still possible to solve them, the time interval is long, and it can have uncertain and serious consequences. The problem is further aggravated by the lack of a system of tools to be used. Problems of this type do not arise as a separate problem, but rather as a result or consequence of another problem.
- In the case of *difficult problems,* the situation is not as worrying as in the case of messy problems. Their most important characteristics and demonstrable differences compared to messy problems are that managers are faced with well-defined problems. That is why they can be solved within a foreseeable period of time, even by choosing from several alternatives,

and the consequences are predictable and avoidable. Another important feature is that the solution can be algorithmised, which means a method consisting of permissible steps, instructions, and detailed instructions that are suitable for solving a problem that has arisen.[121]

A comparison of the messy and difficult problem types is presented in Table 12.

Table 12: Comparison of messy and difficult problem types

Messy problems	Difficult problems
It is not clear, unstructured	It is well defined and structured
There is no solution	There can be several solutions
Long time horizon	Foreseeable time frame
Questionable priorities	Clear priorities
Uncertain, serious consequences	Predictable, avoidable consequences
Problems involving multiple people	Predictable relationships of interest
There is no tool system to use	The solution can be algorithmised

Source: Compiled by the author

At the same time, the juxtaposition of the concepts of "messy" and "difficulties" has become an alternative to "soft" and "hard" approaches. Accordingly, the following solutions are possible:

– the "soft" *approaches and methods* (complexity, involvement, uncertainty, diversified solutions, wide time horizon, complicated interests, etc.) are typical for dealing with messy, i.e. confusing problems
– in case of difficulties, i.e. complicated situations and problems, "hard" *approaches and methods* (quantity, well-describable goal relationships, isolation, etc.) can be effective.[122]

The success of organisational formation is ensured by the combined application of the two approaches. The emotional charge and the calculation difficulty determine the dominance of one or the other approach, as shown in Figure 49.

[121] Watson (1993): op. cit.
[122] Farkas, Ferenc: *Változásmenedzsment.* Budapest, KJK KERSZÖV, 2004.

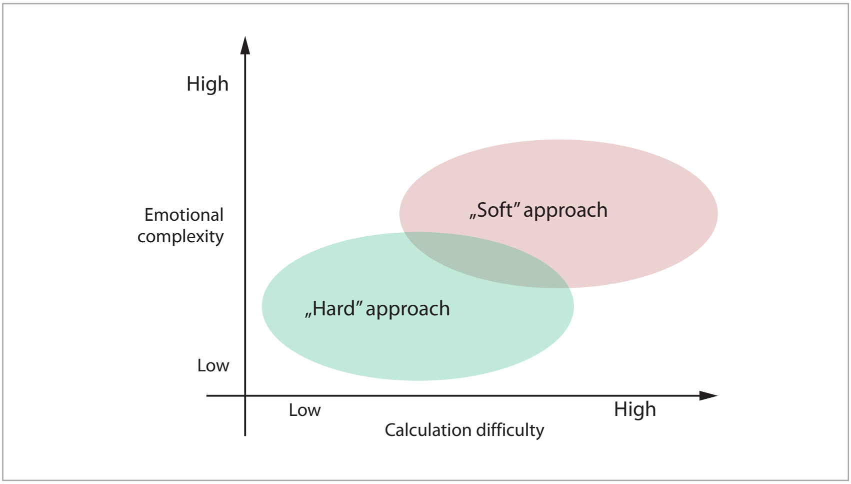


Figure 49: Comparison between "soft" and "hard" approaches to problem solving
Source: Compiled by the author based on Watson (1993): op. cit.

Based on the characteristics of the change situations – the emotional charge and the technical complexity – the organisation can therefore have "solid" and "plastic" problems.

The nature of the problem is related to the strategy of adequate organisational formation:

- In case of "solid" problems, the so-called strategy following a "hard" method: the problem and regulation are dominated by the objects, it can be described and quantified, this is the Systems Intervention Strategy (SIS).
- In case of "plastic" problems, the so-called strategy following a "soft" method: the problem and the solution are centred on the person, striving to minimise resistance, this is Organisational Development (OD).

The aspects of choosing an organisation formation strategy and their solution, depending on technical complexity and emotional charge is illustrated in Figure 50.

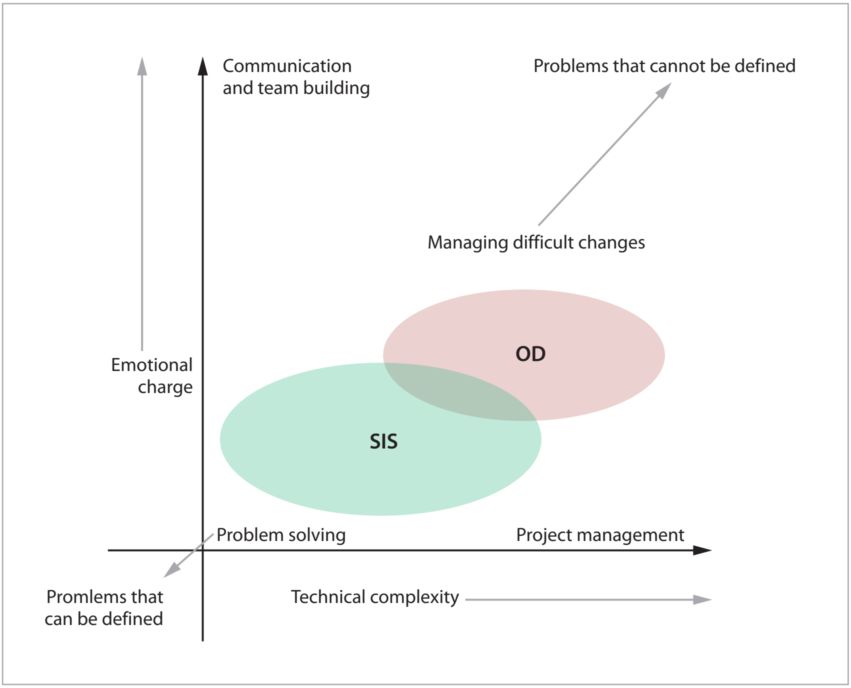


Figure 50: Organisation formation strategies and solutions
Source: Compiled by the author based on Watson (1993): op. cit.

5.2.1 Systems Intervention Strategy (SIS)

The so-called "hard" method, which uses a systemic approach, can be used from physical and technical problems to problems affecting individuals. The process, stages and steps of SIS are presented in Table 13.[123]

[123] Watson (1993): op. cit.

Table 13: Stages and steps of SIS

Stages	Steps
Diagnosis	0. Entering the system 1. Description of the system 2. Definition of goals and limits 3. Developing the measurement of the objectives
Planning	4. Development of solution possibilities 5. Modelling the solution possibilities
Implementation	6. Evaluation of solution possibilities 7. Design of the implementation strategy 8. Implementation of the planned changes

Source: Compiled by the author

The content of each stage and step is as follows:

0. *Entering the system.* This is where the disturbance is recognised and the decision to change is made, more precisely, a decision is made as to whether or not the intervention should take place.
1. *Description of the system.* In this step, the most important thing is to understand the change, as well as getting to know other people's views about the problem and possible solutions, i.e.:
   - delineation of the problems causing confusion (usually most problems within the organisation are complex problems, because they affect the entire organisation)
   - clarifying the connections between subsystems
   - understanding the structure of the disorder
   - deciding what goals the change serves to achieve
   - the arrangement of systems and subsystems according to possible topics
   - description of the structure and behaviour of the relevant systems (modelling)

   The tools used to describe the system can be:
   - system maps (visual presentation of elements and subsystems)
   - impact diagrams (presentation of the relationship between elements)
   - cause-and-effect diagrams (showing the cause-and-effect relationship of activities)

- input-output modelling (presentation of the relationship between inputs and outputs)
- flowcharts

2. *Definition of goals and limits.* A goal can be, for example, the desired structure or behaviour of the system after a change, and a constraint can be a structural or behavioural characteristic of the system that we want to avoid. It is necessary to measure the achievement of the goals and the observance of the limits. Measurement: means the creation of a scale through which we can determine the level or extent to which we have achieved the set goal, or to what extent we have complied with a limit.
3. *Developing the measurement of the objectives.* The so-called "hard goals" are generally measurable, for which the degree of quantification must be established. The measure is a tool with the help of which we can estimate the extent to which a modification alternative contributes to the achievement of an objective. The so-called "soft goals" cannot be quantified. In this case, it is necessary to develop a ranking or weighting system that enables the comparison of modification options.
4. *Development of solution possibilities.* In this step, we examine the possibilities and the entry of new possible variants. It is advisable to develop as comprehensive solutions as possible. The tools and techniques used to find solutions can be:
   - screening techniques: observation, interview, questionnaire, document analysis, working day photography, customer traffic analysis, function frequency analysis, job scope analysis, business process analysis, etc.
   - group creative techniques: brainstorming, 6-3-5 method, NCM, Philips 66, Delphi procedure, etc.
   - methods of improving operations: Ishikawa analysis, Pareto analysis, Tree diagram analysis, PEST analysis, SWOT analysis, quality improvement, benchmarking, etc.
5. *Modelling the solution possibilities.* In this step, it is important to examine the structure, behaviour, and operation of solution options and variants. Modelling can be done using the following methods:
   - physical models (architectural, experimental piece)
   - sample pieces (products, mock-ups)
   - computer simulation models

- cash flow for costs
- experimental production lines (laboratory-scale processing)
- scale plans, drawings
- modelling of returns on capital flows: cost-benefit analyses (minimisation of costs with maximum benefit)
- corporate plans or strategies (each plan is a development solution proposal)
- plans for the organisational structure
- diagrams etc.

6. *Evaluation of solution options.* In this step, the solution proposals are evaluated according to the established criteria. For this, for example, the evaluation matrix can be used, in which one dimension contains the measure of goals and performance (indicators), and the other contains the solution alternatives.
7. *Design of the implementation strategy.* In this step, the best proposals are selected, and the implementation of the changes is created. The possible implementation strategies are:
   - the "big bang" model: shutting down the old system at the end of the working day, the next day the working day starts with the new system (the method carries many risk factors)
   - the trial recording model: the introduction of the system is preceded by the implementation of a small-scale experiment (the method gives the opportunity for redesign and modifications)
   - the parallel operation model: the old and the new system are maintained and operated in parallel (the method is reliable, the risk is small, but it is expensive)
8. *Implementation of the planned changes.* This includes the following activities:
   - the movement of human and other resources (planning of timings and distribution of tasks)
   - management of the process (selection of stakeholders and division of responsibility)
   - monitoring the process (reviewing the plans and modifying them as necessary)
   - managing resistance to change (based on adequate strategies and tactics adapted to the situation)

The process, stages and steps of SIS are presented in Figure 51.

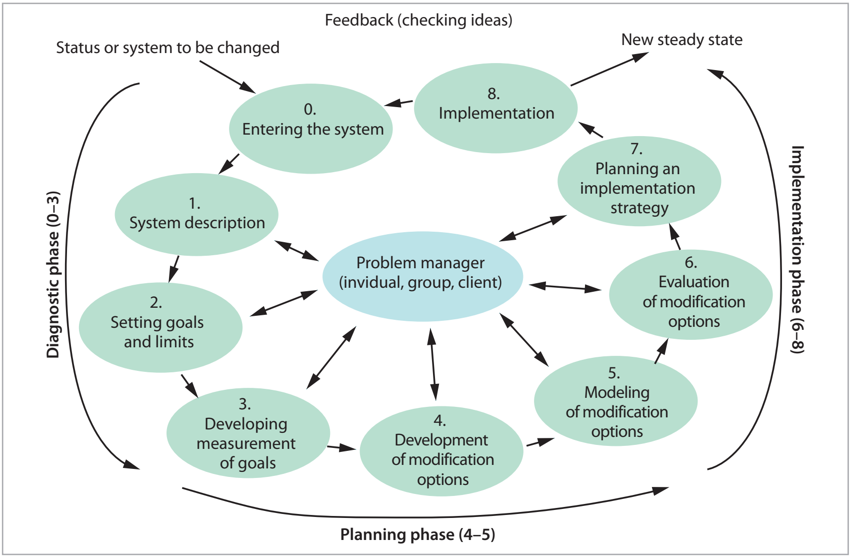


Figure 51: The SIS process: stages and steps
Source: Compiled by the author based on Watson (1993): op. cit.

5.2.2 Organisational Development (OD)

Behavioural science-oriented organisational development, the so-called "soft" method, which is aimed at the development of organisational culture. Its goal is that the changes serve both the overall growth of the organisation and the personal development and well-being of the organisational members. Characteristics of the method:

- a broad, long-term, mid- or long-term approach
- it is based on the discoveries and methods of behavioural science
- more process-oriented than goal-oriented
- it assumes a facilitator
- participatory[124]

[124] Watson (1993): op. cit.

Its basic philosophy is as follows:

- respect for people (respect for human dignity)
- trust and support (effective and unified organisations are characterised by openness, credibility and trust)
- balance of power (effective organisations put little weight on hierarchical authority and hierarchy)
- confrontation (open handling of problems)
- participation (those affected by the change will be more committed to the implementation of the change, the more they were part of the decisions that prepared the change)

The general model of OD is problem identification – analysis–feedback–action–evaluation. The process, stages and steps of OD are shown in Table 14.[125]

Table 14: The OD process: stages and steps

Stages	Steps
Diagnosis	1. Encountering environmental changes, problems and opportunities 2. Recognising the impact on the organisation
Stakeholder involvement	3. Understanding the impact on the organisation (learning, training) 4. Involvement and mobilisation in the programs (handling the needs of the participants)
Detailed diagnosis	5. Defining the purpose of the change
Change	6. Change and development activities
Evaluation, confirmation	7. Evaluation and confirmation of plans and programs

Source: Compiled by the author

The advantages of this method are as follows:

- problem-oriented
- minimises resistance (because it is participation-oriented)
- the result can be evaluated concretely (e.g. the newly developed behaviour can be compared with the diagnosis)

[125] Watson (1993): op. cit.

Organisational development consultants intervene in the organisation's internal behavioural processes with the help of training, which can be:

- off-the-job training (personality development, conflict management, decision preparation, team development, handling unexpected circumstances – survival training, etc.)
- on-the-job training (performance that can be evaluated while learning, evaluation of the work process, etc.)

The members of the organisation can directly relate what they have learned to the requirements of the workplace, and performance can be evaluated even while learning.

The process, stages and steps of OD are shown in Figure 52.

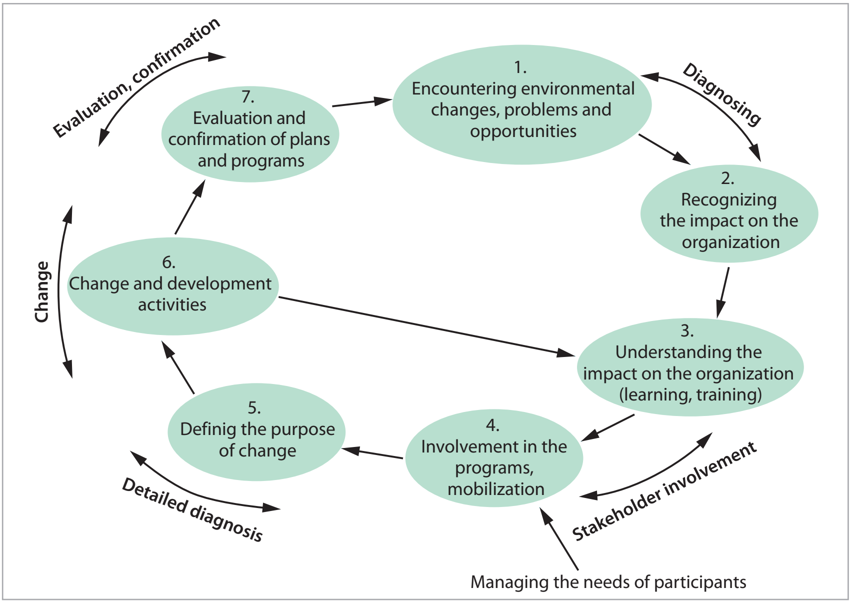


Figure 52: The process of OD

Source: Compiled by the author based on Watson (1993): op. cit.

5.2.3 The Closed Cycle Management Model (CCM)

The essence of the Closed Cycle Management (CCM) model is to apply the so-called feedback principle, but it is much more than that. It expands the traditional "one-cycle" management and identifies and describes the meaning and content of the organisation's operative, strategic and learning management cycles. With a kind of "organisational engineering" approach, it unfolds the products of the elements of the "circles" of this management – the functions and activities organised into processes – and through them their connections to each other. The relationships of the elements that serve each other fit into each other like gears.[126]

The operation of the entire CCM model is illustrated with two graphic models:

– *Circular model (Figure 53)* – It depicts the three management cycles and their elements in a circle and connects the related elements with arrows. Both the elements identifying the management functions and the arrows showing the connection are independent entities in the model.

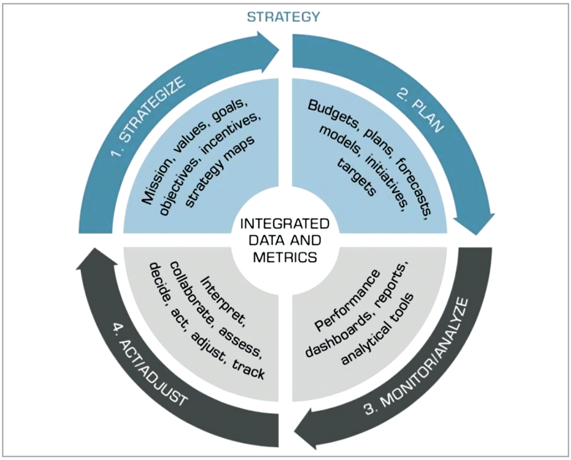


Figure 53: Circular model of CCM
Source: http://rbi.edu.in/2020/06/13/business-performance-management/

[126] Gáspár, Mátyás – Tevanné Südi, Annamária: Zárt ciklusú stratégiai menedzsment (ZCSM) rendszer megvalósítása az önkormányzatok működésében. In Tózsa, István (ed.): *Önkormányzati szervezet és működéshatékonyság: A stratégiaalkotás.* Budapest, Nemzeti Közszolgálati Egyetem Közigazgatási Továbbképzési Intézet, 2020.

– *Tabular model (Figure 54)* – Same content as the circular model; CCM elements and connections – an even clearer illustration, avoiding the perception of cyclicity, but with regard to the content, it is "well read", semantically more vivid.

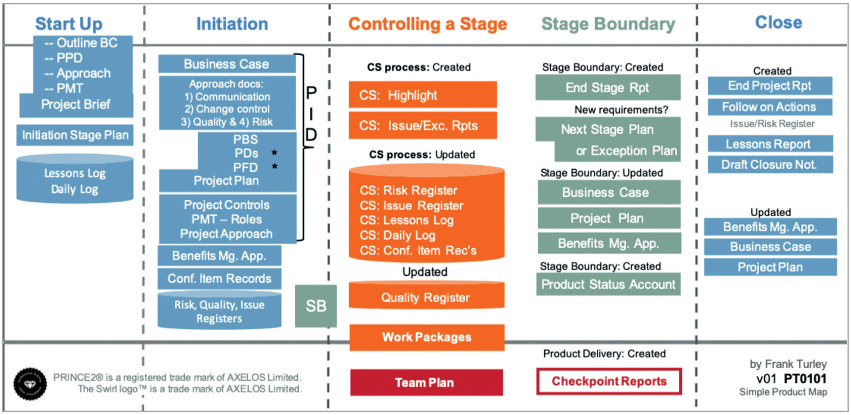


Figure 54: Table model of CCM
Source: https://cduebooks.pressbooks.pub/prince2/part/management-products-and-processes/

In the circular and tabular model of the CCM, among the three management cycles (learning, strategic, operative), organisational competencies appear in the *learning cycle.* Among the cycle elements, they directly play a decisive role in the planning – *competence requirements* and implementation – *competence development* phases, but also indirectly in the evaluation – *competence evaluation* phase. In the CCM model, the development program of the three-level – community, organisational, personal – competencies of the public administration appear as part of the management development strategy.[127]

[127] Gáspár – Tevanné Südi (2020): op. cit.

5.3 Development of public organisations

It is becoming more and more characteristic of the operation of public administration organisations that they have to perform tasks that have never been done before, and in addition, they are given opportunities for development that they do not have experience in implementing. For the sake of effective operation and development programs, it becomes necessary to integrate new competencies into organisational processes.

One of the keys to the success of these organisations is how they recognise, raise awareness, utilise and develop, i.e. manage, their *competencies.* In case of institutions and offices, we start from the importance of *organisational resilience,*[128] the defining element of which is personal and organisational competence, as well as its management.

The *competence-based organisational model* serves to achieve this. This model is based on the relationship between what effects and relationships should be developed taking into account the new competencies required for resilient, i.e. public administrative organisations that can respond flexibly to changes. The model can be applied to partially centralised, bureaucratic organisations typical of the public administration environment, where the development of competencies may be necessary primarily due to changes in the central structure and the regulatory environment, as well as the performance of strategic tasks.

Through the application of the competency-based organisational model, the public administration organisation works more effectively if it is endowed with *key competencies* that not only respond to challenges, but also proactively improve its performance and effective operation. The main characteristic of the competency-based structure is, for example, that instead of the task or work, it puts the person in the centre, highlights them from their anonymity, and organises the activities around their abilities, which are also defined on a competency basis.

The new competences acquired through *organisational learning* create the opportunity for the leaders of public administration organisations to be able to continuously renew themselves by learning the new approach, to master

[128] The meaning of resilience is flexible resistance. This somewhat paradoxical concept simultaneously means the load-bearing capacity of a system (person, organism, immune system, ecological system, etc.) and its permanence, i.e. its stability against change. We can talk about resilience when the system forms a new equilibrium state in a flexible way and stabilises at a higher level in a new state.

and then convey to the partners the positive effects of the synergies inherent in the cooperation, and to be able to represent sustainability and reciprocity in all circumstances principles. The process of establishing a competency-based organisation takes different time, depending, among other things, on the extent of changes required, but primarily incremental, i.e. slow and gradual, changes should be expected.

5.3.1 Development of public organisations based on SIS

Returning to the organisational formation methods discussed at the beginning of the chapter, let us first review the possibilities of organisational development based on SIS in public administration. Without claiming to be complete, the two most common methods are: *Business Process Reengineering (BPR)* and *Lean Management (LEAN).* The following is a brief presentation of them, first with a general and then with a public administration focus.

In recent decades, various methods have been sought in order to renew the processes of organisations. Successful European and American companies have found the answer to the development of operations and management in the complete reorganisation of processes. This is *Business Process Reengineering (BPR),* i.e. the method of full system transformation.

BPR is a radical tool for transformation. Its application is appropriate when a radical transformation or change of direction is required. It is characterised by the fact that it redesigns several processes, most often the key processes of the entire organisation, as well as their structure. BPR examines the organisation's mission and goals to be achieved, and then develops the optimal processes necessary for this.[129]

A fundamental rethinking and reorganisation of processes can result in a spectacular improvement in important indicators of organisations such as quality, cost, service quality and the speed of reaction to changes. Relying on the experiences gained in business organisations, the methodology can also be tailored to public service institutions, subject to appropriate criticism and adaptation, of course.

[129] Budai, Balázs: *Az e-közigazgatás elmélete.* Budapest, Akadémia Kiadó, 2004.

Among the root causes of process organisation and modernisation processes, the existing system is so outdated that it can no longer be repaired, in addition to the frequently changing activity structure, the need to make basic tasks more efficient, the need to modernise management structures (this includes forming decision-making more flexible and faster), the need to carry out the supporting (administrative, internal service provider) activities at an appropriate level and cost-effectively, as well as the updating and redesign of the legal regulations.[130]

The achievement of the above objectives can typically be realised in the form of process modernisation projects. The main steps of BPR are:

- Organisational screening
- Results evaluation
- Changing the affected processes or radically introducing new processes

The modernisation goals of the processes of public administration organisations in the framework of the goal triangle model are presented in Figure 55.

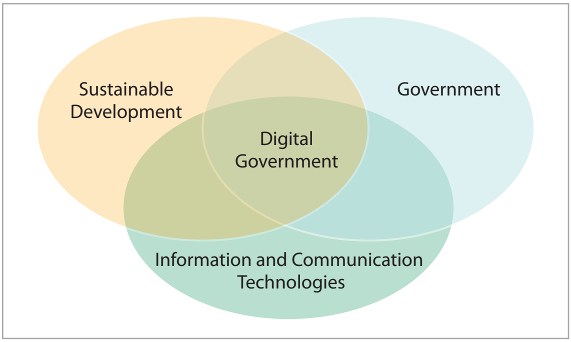


Figure 55: The goals of public administration process modernisation
Source: www.frontiersin.org/articles/10.3389/fbloc.2019.00027/full

Bureaucratic functioning in offices appears primarily in the processes. The goals and results of public administration are connected by operational processes. Every public administration case has a work process, and the totality of these work processes gives the operation of the public administration. It can also be

[130] IFUA Horváth & Partners: *Folyamatmenedzsment a gyakorlatban*. Budapest, Alinea Kiadó, 2006.

said that a work process takes place between the input and the output. The input can be a submission, and the output can be a decision, measure, etc.

If the processes between input and output in the office are poorly organised, complicated and opaque, work loses its efficiency.

Constant review of processes is necessary. The procedure may change, the number of submissions may increase, the composition or number of personnel may change. These are all factors according to which the existing processes must be updated from time to time. Constant change and the customer-oriented nature of public administration require work processes that contribute as much as possible to efficient task performance.

An example of process simplification using the BPR method can be seen in Figure 56.

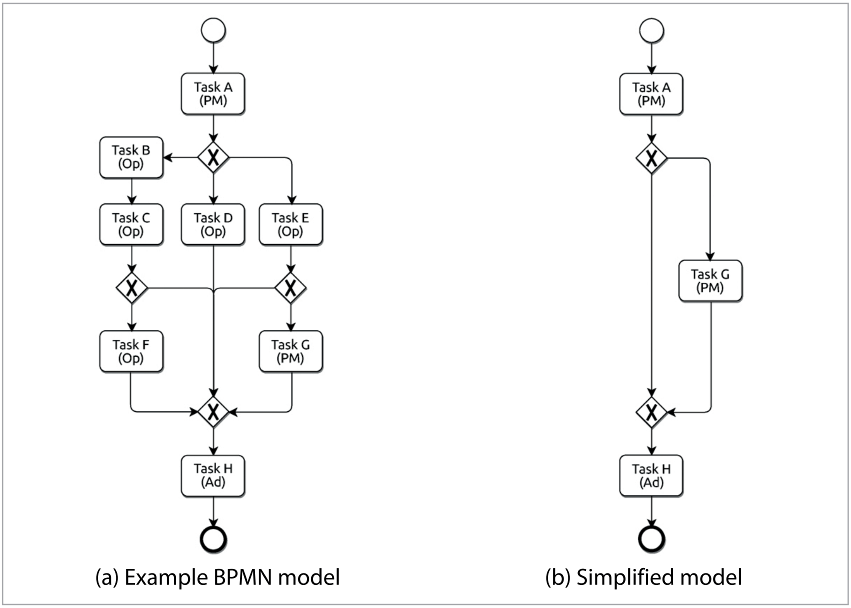


Figure 56: Example of process simplification
Source: www.mdpi.com/2076-3417/9/11/2322/htm

Process design requires the analysis and representation of already existing processes. It is necessary to reveal the process structures, and then the obtained result must be communicated in an appropriate way in the organisation.[131]

The domestic and international knowledge that can be used to lay the foundation for the process-oriented modernisation of the operation and management of public service institutions is already available in Hungary. Thanks to the radicalism of BPR, it can become suitable for responding to constantly changing environmental effects, so its proper application can lead to visible results in public administration organisations, as well.

Nowadays, more and more can be heard about the *Lean Management (LEAN)* concept, which conquers not only factories, but also the product planning and logistics processes of manufacturing companies, and more and more non-manufacturing companies are also talking about the application of the system. In addition, the economic crisis encourages company managers to look for possible ways out. Adopting Toyota's lean system and "slimming" processes appears as a realistic possibility. The primary goal of the Lean Office methodology is to eliminate the waste inherent in activities and thereby support value-creating organisational activities.

The *5 basic principles* were formulated, which have been followed by the introductions to the Lean philosophy and methodology ever since:[132]

1. It must be determined which activities contain and do not contain added value from the customer's point of view.
2. The chain of all activities necessary for the production of the product or service, the value stream and the losses must be identified.
3. The value stream must be made continuous, without interruptions, diversions or stops.
4. Only what the customer requires should be produced: the development of a pulling system.
5. One should constantly strive for perfection, through the continuous detection and liquidation of losses.

[131] IFUA Horváth & Partners (2006): op. cit.

[132] Womack, James P. – Jones, Daniel T.: Lean Thinking. Banish Waste and Create Wealth in Your Corporation. *Journal of the Operational Research Society,* 48, no. 11 (1996).

Determining the value is the first and most important principle of the Lean approach, because without it, it is not possible to foresee whether the product/service will be saleable or a loss itself, and the value process cannot be identified, and its steps cannot be qualified for value or losses in terms of their contribution. Perfection can be interpreted for any part of the process, the point is that the result represents a verifiable improvement at the process level.

The essence of the Lean process is that we do not transform the entire process, only improve and optimise it. The approach of Lean is to focus on the production of value.[133]

Losses can be found in the operation of every organisation, which can be temporary or long-term. In both cases, Lean Management strives to eliminate losses arising from various causes from the system in the most efficient way.

The following are considered losses:

– activities that add no value, only cost and time
– symptoms (the root of the problem must be found and eliminated)
– the concrete losses

Any activity that uses raw materials, resources, time, energy or space, but does not contribute to satisfying the needs of the customer is a waste. In general, a loss is any raw material, resource time, energy or space used by a new or non-value-added process.

The activities can be divided into three categories in terms of added value-generating capacity:

– activities producing added value
– losses that are necessary in terms of current operations, but do not generate added value
– unnecessary, non-value-added losses

The possible ratio of the activities in terms of added value-generating capacity is illustrated in Figure 57.

[133] Rónay, Miklós: *Szervezetfejlesztés a közszolgálatban.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.

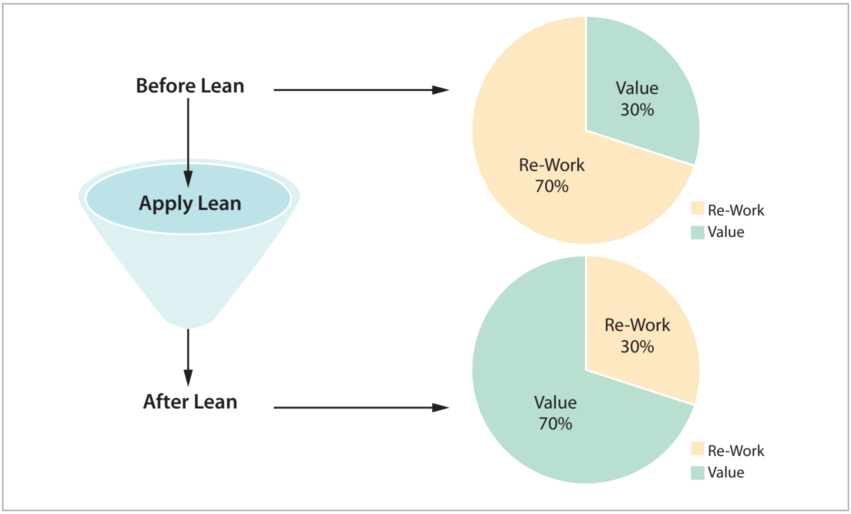


Figure 57: Values and losses at work
Source: https://leanforu.com/how-much-loss-you-bear-due-to-re-work-in-your-business/

During the reduction of losses, the method designates a logical path:

- activities producing added value – does not require changes
- losses that are necessary from the point of view of current operation, but do not produce added value – reduction, change
- unnecessary losses that do not produce added value – elimination

After completing these steps and "simplifications" in public administration organisations, it can only be said that a system of organisational activities is being operated that works to serve the needs of customers and the public with the least possible losses.

The analysis is carried out purposefully, from the point of view of the problem to be solved and the quality indicators determined in advance. From the questions/answers asked during the problem exploration (check-list method), the weak/strong points can be revealed, which, after further investigation, will lead to the root of the problems, or even their solution.

Changing the conditions of one process indirectly affects other processes, as well. Therefore, after projecting the change ideas determined during the process analysis onto the operational factors of the organisation, the development program aimed at solving the problem is created.

No matter which SIS method is used during organisational development, there are many tools and techniques available in the various phases of the process, such as, group creative techniques and operational improvement methods. These are summarised in Table 15.

Table 15: Techniques supporting organisational development using SIS

Screening techniques	Group creative techniques	Operational improvement methods
Observation Interview Questionnaire Document analysis Workday photography Customer traffic survey Job analysis Process inspection	Brainstorming Delphi method 6-3-5 method NCM method Philips 66 method Open Space World Café	Ongoing improvement Benchmarking Isikawa analysis Pareto analysis Tree diagram analysis SWOT analysis PEST analysis

Source: Compiled by the author

5.3.2 Development of public organisations based on OD

Returning again to the organisational formation methods discussed at the beginning of the chapter, let us now review the possibilities of organisational development based on OD. The following is a brief overview of the concept, followed by an examination of the application possibilities, first with a general and then with a public administration focus.

According to the classic definition, organisational development is a planned, organisation-wide, top-down effort that aims to increase the efficiency and viability of the organisation, through planned intervention in organisational processes, using behavioural science knowledge.[134]

The processes mentioned by Beckhard include decision-making processes, communication system and style, relationships between individual groups, leadership conflicts, goal setting, and planning methods. The point is that in order to make the operation of the organisation more efficient, the behaviour of

[134] Beckhard, Richard: *A szervezetfejlesztés stratégiája és modelljei.* Budapest, Közgazdasági és Jogi Kiadó, 1974.

the members of the organisation and their relationship with each other must be changed by changing people's attitudes, values and way of thinking.[135]

In view of the OD model, organisations are made up of people who have their own set of goals, aspirations and interests, so it is clear that the relationship between individual organisational units is influenced not only by formal, rational factors, but also by hidden factors such as behaviour, emotions, group norms, values. In the literature, Goldman, Schein, Daft refer to this phenomenon as the so-called organisational iceberg model. The iceberg model vividly shows that the visible, conscious organisational structures, systems and rules are the prominent, visible part of the iceberg, while the norms, expectations and desires based on unconscious emotions are the hidden part of the organisation.[136]

The visible and invisible part of the organisational iceberg is illustrated in Figure 58.

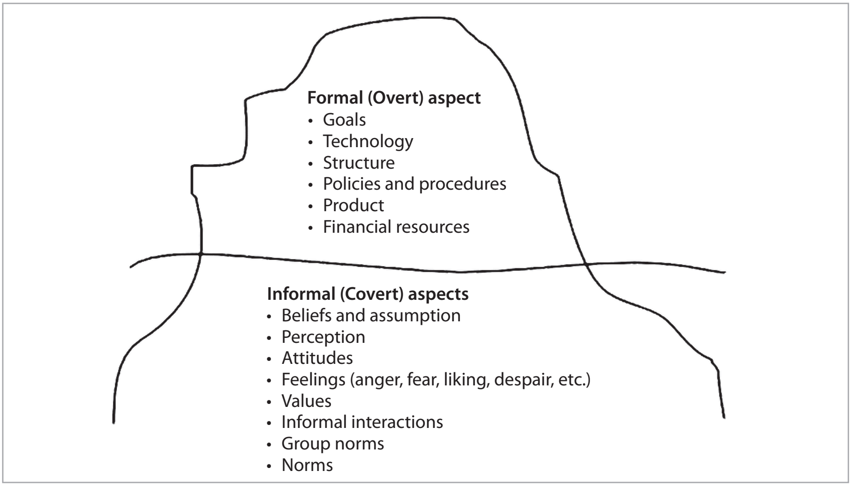


Figure 58: The organisational iceberg model
Source: www.researchgate.net/publication/220890741_Towards_a_Human_Processual_Approach_of_Business-IT_Alignment/figures?lo=1

[135] Barlai, Róbert – Csapó, Edit: Szervezetfejlesztés és stratégiai vezetés. *Könyvtári Figyelő,* 43, no. 2 (1997).
[136] French, Wendell L. – Bell, Cecil H. Jr.: *Organization Development. Behavioral Science Interventions for Organization Improvement.* Upper Saddle River, Prentice Hall, 2009.

At the tip of the iceberg are the formal, visible aspects that are an important part of the efficient functioning of organisations. According to the iceberg theory, the invisible, "underwater" part is the most important part of the organisational operation, while the visible, "prominent part" of the iceberg is the less important part. The two parts are an inseparable unit.

The uniform development of the two components is the key to effective organisational development. After all, even if the people in the organisation are satisfied, if the processes do not work properly, the appropriate IT background is not established, and the opposite is also true, even if there are fast processes and the appropriate infrastructural background in the office, if the employees there are dissatisfied.

Based on all of this, the goal of organisational development can be:[137]

- renewal of the organisation, making organisational learning more effective
- development of the organisation's problem-solving ability, development and implementation of creative solutions
- increasing the adaptability of the organisation, enhancing flexibility
- creating harmony between organisational levels and its further development
- development of both the organisation and the individual

The logical chain of the organisational development process can be defined, which includes the following elements:

1. preparation, assignment, agreement
2. data collection, screening, analysis, diagnosis
3. intervention, intervention, trainings, structured discussions, actions
4. summary of results, evaluation, activities related to the future, follow-up

The organisation development profession currently distinguishes between two types of consulting roles:

- *the resource consultant,* who acts on behalf of the client, obtains information, conducts an investigation, plans, proposes, and comments on various systems and procedures (so he or she answers the "What" question)

[137] Szilágyi, Zoltán: *Szervezetdiagnosztika és szervezetfejlesztés.* 2015.

– *the process consultant,* who is the agent of change, pays attention to the processes, helps in problem solving, teaches methods (so he or she pays attention to the "How" question)[138]

The structure of the organisational development program is as follows:

1. *Preparation:*
   - assignment phase
   - organisation screening
2. *Organisational development training:*
   - team building (socio-emotional phase: improving communication, developing cooperation, improving social skills)
   - teamwork (task-solving phase: adequate "human technology" for group task solutions)
3. *Follow-up:*
   - evaluation and conclusion of the implementation processes (actions) following the organisational development training, as well as the results[139]

Whichever OD method is used during organisational development, there are many tools and techniques available in the different phases of the process, such as organisational diagnosis tools and organisational intervention techniques. These are summarised in Table 16.

Table 16: Tools and techniques of organisational development using OD

Organisational diagnosis tools	Organisational intervention techniques
Structured interview Questionnaire Force field analysis SWOT analysis Critical success factors Scales of satisfaction	Workshops: – Future planning workshops, strategy and goal-setting workshops – Change, career and performance management workshops – Workshops aimed at organisational culture development and improvement of organisational processes – Feedback workshops

[138] Szilágyi (2015): op. cit.

[139] Gazdag, Miklós: Szervezetfejlesztés és emberi erőforrás fejlesztés. In Gazdag, Miklós – Szatmáriné Balogh, Mária (eds.): *Személyügyi ABC. Aktuális gyakorlati tanácsadó cégvezetőknek és humánerőforrás menedzsereknek.* Budapest, Verlag Dashöfer Szakkiadó Kft. és T. Bt., 1999.

Organisational diagnosis tools	Organisational intervention techniques
Structured interview Questionnaire Force field analysis SWOT analysis Critical success factors Scales of satisfaction	Trainings: – Integration and team building trainings – Skill development trainings – Special professional skills training – Formal OD training sessions – Leadership trainings Off-the-job trainings On-the-job trainings Executive coaching

Source: Compiled by the author

5.3.3 Development of public organisations based on CCM

Before reviewing the critical elements of the operation of a *Closed Cycle Management* model, we must examine the question of what basic capabilities – *competencies* – are required for its implementation. In the following, we present the competence prerequisites necessary to ensure the operation of the CCM model:

- *Personal competences* – The knowledge, attitude, practical skills, motivation and culture of all actors in management – political and professional leaders, colleagues, partners, representatives of stakeholders, the interested and involved part of citizens – enable them to be part of the operational processes of public management, its various activities.
- *Organisational competences* – The organisations of the contributing institutional system – office, partner institutions – must have special abilities and conditions that enable and guarantee that they are able to perform their management roles in a properly regulated and organised, supported by methods and techniques – institutional – way to operate their operating processes.
- *Community competences* – Local self-governance – self-organisation, public management – is the right of the community of electors of the settlement, for the enforcement of which the law[140] itself already provides a number of competences – e.g. responsibility, publicity, cooperation,

[140] Act CLXXXIX of 2011 § 3(1) on Local Governments in Hungary.

self-organisation, information, expression of opinion (e.g. local referendum), participation, self-care – order.[141]

The CCM[142] which is a three-level management model based on the principle of feedback, provides the opportunity for the latter. The model consists of an *operative, strategic* and *learning cycle* and is based on the recognition that the relationships between the elements guarantee the operation of the management system and its closure.[143] Inserted into this model, we present the role of personal and organisational competencies in the operation of public administration organisations, as well as the possibilities for their development.

In the following, based on the CCM model, within the framework of the Learning cycle, the *competence requirements* (planning phase), *competence development* (implementation phase) and *competence evaluation* (evaluation phase) will be presented – with a focus on public administration.

In connection with the CCM model, we can distinguish three milestones of *organisational competence management:*

1. *Planning – competence requirements.* Assessment of strategically important areas of public administration and identification of the organisational competencies that can be assigned to them. Compilation of competency catalogues and competency profiles reflecting the expectations and values of organisations contains the competencies broken down into individual jobs and the expected and precisely formulated behaviours associated with them.
2. *Implementation – competence development.* The use of the established competency model enables the conscious development of competencies within the organisation. (E.g. by using the competence profiles related to the jobs, the directions for increasing efficiency and performance and development can be accurately described, thereby increasing effectiveness.)
3. *Evaluation – competence evaluation.* Public administration competencies are measured and compared at the individual, organisational and

141 Gáspár – Tevanné Südi (2020): op. cit.

142 The original name was later changed by the authors to Closed Cycle Strategic Management (CCSM), however, since one of the levels of the model is strategic, in this case we use the former.

143 Gáspár – Tevanné Südi (2020): op. cit.

community level. The validity of the competency profiles can be checked in parallel with the measurement.[144]

Since managers are "key people" in organisations, they play a "key role" in the functioning of organisations. Consequently, the *competencies of managers* are crucial for the organisation, so we must deal with them separately. In their case, the essence of the concept of resilience, i.e. flexible resilience, is that a leader can effectively manage changes by flexibly adapting to them and switching to a higher level of operation in line with the circumstances, and also maintaining stability.

Organisational resilience can therefore primarily be strengthened by *competence development,* especially by the development of managerial and expert competences, one of the important tools of which is training and continuing education. In the longer term, this will indirectly affect the organisational culture so that the public administration organisation can simultaneously meet the requirements of legality, social and efficient organisational operation.

External and internal communication of organisational competencies is also important, as well as awareness, since "it is not enough to be good, it must also look good". In this regard, it is important to increase the *trust index*[145] both inside and outside the organisations, this can facilitate the integration of *community competencies* into organisational competencies, which also has a positive effect on organisational public administration resilience.

5.4 Selection of methods

The purpose of public administration organisational development is to create organisations that are properly structured, their processes are properly designed, and the operation stipulated in the law corresponds to the operation in reality. Competent managers, appropriately selected, dedicated employees work in the office, who find challenges in their tasks and are recognised for their work. If all these conditions are met, it is possible to move to the next level, from which there are also many ways to further increase efficiency.

[144] Gáspár – Tevanné Südi (2020): op. cit.
[145] A number measuring trust in the organisation.

Which method is chosen depends on external and internal factors, such as the context, available resources, competences, expected strength of resistance from organisational groups, etc. A more radical path can be chosen (e.g. to deal with a crisis), in which case the Systems Intervention Strategy (SIS) must be used, or an incremental one (e.g. in case of a consolidated situation), in which case Organisational Development (OD) must be chosen, and if we strive for a continuous, complex solution, the Closed Cycle Management model (CCM) should be followed.

If we choose any one of the wide range of methods available to us, important aspects are awareness, application with comprehensive consideration of contexts, and last but not least, "customisation". The latter means appropriate adaptation to the particularities of the given public administration organisation, and only this can ensure the success of organiszational formation.

Summary

In the chapter, the perspectives of organisational formation were first reviewed, from the classical models (Systems Intervention Strategy, Organisational Development) to the more modern (Closed Cycle Management), and then the possibilities of their adaptation in public administration organisations were examined. Finally, with regard to the choice of method, basic principles to be followed were formulated.

Review questions

1. *What organisation formation methods do you know?*
2. *Describe the difference between organisational planning and organisational development.*
3. *What are the characteristics of the System Intervention Strategy (SIS)?*
4. *What are the characteristics of the Organisational Development method (OD)?*
5. *What are the characteristics of the Closed Cycle Management model (ZCM)?*
6. *What types of problems do we use the SIS and OD methods to treat?*
7. *What is the role of competencies in organisational development?*
8. *What should be paid attention to when adapting organisational formation methods in public administration?*

Definitions

Closed Cycle Management (CCM): a three-level management model based on the principle of feedback, which consists of an operative, strategic and learning cycle, and is based on the recognition that the relationships between the elements guarantee the functioning of the management system and its closure.

Competence – triple meaning: 1. authority, jurisdiction; 2. expertise, skill; 3. aptitude, ability.

Organisation formation: a comprehensive activity aimed at permanently changing organisational structures and rules of conduct.

Organisational development (OD): influencing and changing the behaviour, behaviour and motivations of organisational members (using behavioural science methods).

Organisational planning: aimed at changing and regulating the formal characteristics of the structure (primarily using organisational science methods).

Organisational resilience: the system of the organisation flexibly forms a new equilibrium state and stabilises at a higher level in a new state.

Resilience: flexible ability to withstand. This somewhat paradoxical concept simultaneously means the load-bearing capacity of a system (person, organism, immune system, ecological system, etc.) and its permanence, i.e. its stability against change.

System Intervention Strategy (SIS): aimed at changing and regulating the formal characteristics of the structure (e.g. with regulatory methods).

References

Barlai, Róbert – Csapó, Edit: Szervezetfejlesztés és stratégiai vezetés. *Könyvtári Figyelő,* 43, no. 2 (1997).

Beckhard, Richard: *A szervezetfejlesztés stratégiája és modelljei.* Budapest, Közgazdasági és Jogi Kiadó, 1974.

Budai, Balázs: *Az e-közigazgatás elmélete.* Budapest, Akadémia Kiadó, 2004.

Farkas, Ferenc: *Változásmenedzsment.* Budapest, KJK KERSZÖV, 2004.

French, Wendell L. – Bell, Cecil H. Jr.: *Organization Development. Behavioral Science Interventions for Organization Improvement.* Upper Saddle River, Prentice Hall, 2009.

Gáspár, Mátyás – Göndör, András – Tevanné Südi, Annamária: *Mindenki fontos! A helyi közösségi önkormányzás esélyei, a közmenedzsment új irányai.* Budafok-Tétény Önkormányzata, 2011.

Gáspár, Mátyás – Tevanné Südi, Annamária: Zárt ciklusú stratégiai menedzsment (ZCSM) rendszer megvalósítása az önkormányzatok működésében. In Tózsa, István (ed.): *Önkormányzati szervezet és működéshatékonyság: A stratégiaalkotás.* Budapest, Nemzeti Közszolgálati Egyetem Közigazgatási Továbbképzési Intézet, 2020.

Gazdag, Miklós: Szervezetfejlesztés és emberi erőforrás fejlesztés. In Gazdag, Miklós – Szatmáriné Balogh, Mária (eds.): *Személyügyi ABC. Aktuális gyakorlati tanácsadó cégvezetőknek és humánerőforrás menedzsereknek.* Budapest, Verlag Dashöfer Szakkiadó Kft. és T. Bt., 1999.

IFUA Horváth & Partners: *Folyamatmenedzsment a gyakorlatban.* Budapest, Alinea Kiadó, 2006.

Kádár, Krisztián: *Stratégiai tervezés a közigazgatásban.* Budapest, Nemzeti Közszolgálati Egyetem, 2013.

Kiss, Norbert – Révész, Éva: Teljesítménymenedzsment a közszektorban. In Antal, Zsuzsanna – Drótos, György – Kiss, Norbert – Kováts, Gergely – Révész, Éva – Varga-Polyák, Csilla (eds.): *Közszolgálati szervezetek vezetése.* Budapest, Aula Kiadó, 2011.

Rónay, Miklós: *Szervezetfejlesztés a közszolgálatban.* Budapest, Nemzeti Közszolgálati Egyetem, 2014.

Szilágyi, Zoltán: *Szervezetdiagnosztika és szervezetfejlesztés.* 2015. Online: https://docplayer.hu/4507473-2-8-szervezetdiagnosztika-es-szervezetfejlesztes.html

Watson, Lewis: *Planning and Managing Change.* Milton Keynes, the Open University Business School, 1993.

Womack, James P. – Jones, Daniel T.: Lean Thinking. Banish Waste and Create Wealth in Your Corporation. *Journal of the Operational Research Society,* 48, no. 11 (1996). Online: https://doi.org/10.1057/palgrave.jors.2600967

6. Public Management – Future Trends

Several research confirm that we develop in stages, and that progress requires new ideas, a lot of energy, openness and enthusiastic, committed colleagues. It is therefore an obvious conclusion that one of the most important tasks of a successful organisation is to increase its *ability to innovate and change.* But what does this mean in everyday life? What must be done, and what can be done, for the sake of renewal and development?

One of the basic conditions for innovation is that individuals, teams and organisations are in an active state, and that everyone gives the best of their knowledge and abilities to work together on a daily basis. So, what is needed for this active state, and building on it, for progress, continuous development and positive change to be realised again and again? Where and what is the role of organisational culture and management and the leaders of organisations in this?

In addition, how do organisations change, in what direction do they develop, and finally what will the organisations of the future look like? Maybe the new model is already ready? Could it be that the organisations of the future are already around us, just waiting for the right moment for them? What can we learn from "start-ups" and what can they learn from public administration organisations? Is there anything in which the public sector performs better than the actors of the business sector, that is, can we learn from each other in this dimension as well?

In the chapter, alternative organisational models are presented that look for the answer to what influence conscious activities have on the general ability of the organisation to change and thus develop. Finally, the development possibilities of future public administration organisations are examined in the light of modernisation efforts.

6.1 Reform or innovation?

The nature of the public service everywhere in the world is such that it rarely undertakes comprehensive modernisation of itself. Therefore, the organisations managing the public service must periodically define the main directions and methods of the necessary changes in independent programs.[146]

[146] Kádár, Krisztián: *Stratégiai tervezés a közszolgálatban.* Budapest, Nemzeti Közszolgálati Egyetem, 2013.

The reform tasks can basically be divided into two types, according to which there are routinely recurring immanent tasks stemming from some administrative-organisational principle, which can necessarily never realise the ideal-typical state, but can only approximate it. These include, for example, simplification (de-bureaucratisation, deregulation), streamlining (rationalisation) office work, and improving the quality of service. On the other hand, there are the institutional-structural transformations, re-regulations, task and authority reviews related to comprehensive reform processes, which require one-time or gradual but closed measures.

It is advisable to achieve the modernisation of the public service by applying the two main methods simultaneously or consecutively. In the initial period, the *comprehensive public service reform* to be carried out in fundamental issues, as well as the *continuous rationalisation of the administrative operation* within the transforming system framework, appear at the same time. After the completion of the comprehensive public service reform tasks, in addition to solving one or two reform topics that necessarily arise in every government cycle, the focus of modernisation shifts to the continuous rationalisation of the structure and the rationalisation of the public service, the main goal of which is to promote more efficient, simpler and cost-saving public service operation within the already established framework.[147]

The comprehensive public service reform tasks, as well as the thematic administrative sub-reforms that arise in a given government cycle, can be ordered and implemented in a top-down manner through laws and other legislation. In this process, the government should be given a prominent role, as well as special professional and organisational assistance. Especially considering the fact that, due to the preservation of existing administrative positions, the heads of the relevant public service apparatuses are often opposed, and with their open or passive opposition, they can block or slow down the public service reforms. Therefore, reforms affecting the public service can only be successfully implemented with strong government political and parliamentary support.

Another way to renew the public service is the continuous rationalisation and modernisation that spreads from the bottom up and expands, which will increasingly characterise the modernisation of the public service after the basic reforms. In the modernisation-type process, it is primarily not the basic tasks of the public service, but the sub-tasks of the public service, task-solving methods, and the details of the administrative operation of the public service bodies that

[147] Kádár (2013): op. cit.

need to be transformed. These administrative changes are mainly innovations that start in a specific place, but they must be consolidated regionally and nationally, spread nationally and where justified, be assisted by legislation or financial means. Continuous modernisation should promote the fact that the given public service body is able to directly adapt to the rapidly changing needs of its environment and can adapt its own organisation and procedures in those areas where there are no central regulations. During the comprehensive public service reform, a priority task should be to gradually build up the system that creates organisational and procedural frameworks and interests for the continuous renewal and self-modernisation mechanisms of the public service by reallocating the existing resources.

The different methods described above are defined by juxtaposing reform and innovation – although their common element is change in a positive direction – along the following criteria, which is summarised in Table 17.[148]

Table 17: Comparison of reform and innovation

	Reform	**Innovation**
1. Direction	Top down	Bottom up
2. Initiator	Public service management	Members of the apparatus
3. Scope	The system as a whole, or the part relevant to system-wide operation	A subfield that can be understood professionally, a specific methodological issue
4. Institutionalisation of changes	Planning – preliminary evaluation – introduction	Suggestion – conception – spread
5. Device system	Managerial, typically legal	Spread, information sharing within the network
6. Partnership cooperation	Typically, during the planning process	Typically, during the implementation
7. Obligation (sanctioning)	Characteristic	Not characteristic
8. Evaluation	System level, following	Continuous, simultaneous with the application, individual and connected back to the network

Source: Kádár (2013): op. cit.

[148] Kádár (2013): op. cit.

Whichever way we follow: whether separately or based on each other,[149] the development and impact assessment of public service quality and performance, and the strengthening of the values of an effective, ethical public service organisational culture cannot be realised without the application of modern management techniques. The fundamental condition for increasing the quality of public service and reforming the public service is not only the formulation of goals and the selection of values to be followed, but also the conscious application of organisational and management methods that correspond to the characteristics of the public sector. At the same time, it is necessary to monitor, measure and evaluate the changes (also accepted by international standards), which can also be realised with the help of management models adapted to the public sector.

The changes brought about by the above-mentioned factors will be examined further on through the possibilities of adapting two models – the *Administrategy* based on the success of the leader and the *Teal m*odel following the evolution of the organisations – with regard to public service organisations.

6.2 Administrategy – Success of the leader?

According to the creators of the model, Kisilowski and Kisilowska, well-functioning public service institutions are the engines of a country's development, creating a customer-friendly and predictable environment for citizens and institutions to manage their affairs, and for businesses to operate in a predictable and competitive manner. However, in the countries of our region, after the regime change, the transformation necessary to create an ideal environment was not achieved. This reform primarily requires ambitious, creative and talented managers and leaders who manage their department or office according to a well-thought-out strategy. The *administrategy method* offers comprehensive help for this. Its premise is that successful policy wonks, i.e. fanatical public service experts, work in a successful office, and it demonstrates in a practical, step-by-step way how to effectively apply management techniques already tested in the private sector for their personal and professional development.

Based on the empirical study of managerial careers, the administrategy distinguishes three basic individual success models:

[149] For example, the reform can be based on innovation, or the reform can push the public administration organisation to innovate.

1. *The recognised expert* develops his knowledge and skills in a well-defined area, gathers experience and becomes a specialist. The inevitability of his professional knowledge guarantees him stability even in the midst of political storms, and his main motivation is the possibility of meaningfully influencing the environment in accordance with his professional convictions.
2. *The political climber* uses his or her work in professional administration to gain experience, he or she wants to demonstrate his or her potential to political leaders, since his or her primary motivation is to advance in the government structure, for which he or she even takes the risk inherent in political engagement.
3. *The business traveller* treats the time spent in the public sector as an investment of time suitable for gaining managerial experience and contacts that will facilitate the establishment in the private sector, after which he switches to the better-paying business life. However, it is not uncommon for a person to switch between the public and private sectors several times during their career.[150]

The model follows a simple definition in terms of management strategy: if an activity, employee or cost:

– does not contribute to the public policy solution they prefer, or
– does not increase their political capital, or
– does not improve customer satisfaction

then it is not in line with the strategic goals and does not increase the social benefit created by the office either. Managerial priorities can be determined along the lines of the three factors above – *good solutions, political support and customer satisfaction*.[151]

The authors place administrategy, i.e. proactive public service management priorities, in a matrix:

1. The "rocket launchers" are the opportunities that are most likely to create social benefit and take our career to a higher level. They bring both

[150] Kisilowski, Maciej – Kisilowska, Izabela: *Administratégia. Hogyan érjünk el sikereket közszolgálati vezetőként?* Budapest, HVG Könyvek, 2017.
[151] Kisilowski–Kisilowska (2017): op. cit.

short-term and long-term benefits. The most creative employees should be entrusted with their implementation.
2. The "side wings" are less spectacular or forward-moving elements, but neglecting them means a serious risk, so the time spent on them must be rationalised.
3. The "raiding units" are initiatives that do not strengthen our current position, but represent a significant investment for the future. The ability to take advantage of these is one of the main qualities of a proactive manager, accordingly, discretion and an innovative attitude are key when managing them, it is worth entrusting employees who are happy to undertake riskier gap-filling activities.
4. The "patrols" are non-negligible initiatives, usually prescribed by law, whose role is not necessarily visible from the point of view of our present and future development, but it is worth considering them as a learning opportunity.[152]

The leadership priorities of the administrategy are illustrated in Figure 59.

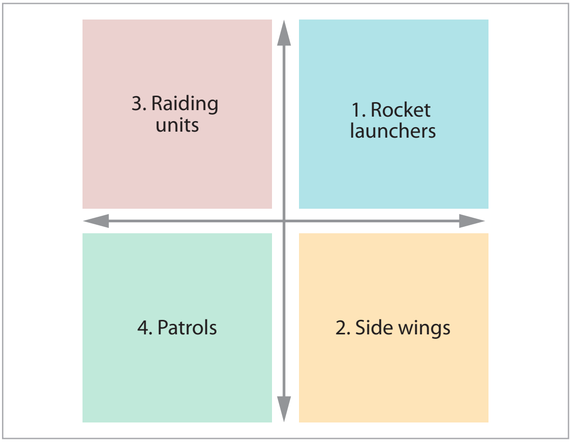


Figure 59: The priorities of the proactive public service manager
Source: Kisilowski–Kisilowska (2017): op. cit.

[152] Kisilowski–Kisilowska (2017): op. cit.

The above matrix has its equivalent mapped to each of the three key factors (good solutions, political support, customer satisfaction), and they show the strategy to be followed when projected onto each other. The authors then summarise their most important practical suggestions in three times ten steps, which will not be detailed here.

The main message of the administrategy is that the state will only be able to become efficient if the people who make up its institutions are satisfied both personally and professionally. What is more, it can be stated that the strategic approach creates opportunities on several levels, from the success of a nation in the global economy to the success of a public manager in professional competition.

6.3 Teal model – Success of the organisation?

Throughout history, ever more efficient and complex organisational models have been coupled with the constantly developing human consciousness. This development progresses continuously and exponentially, and today we are also experiencing a turning point. Laloux claims that organisations and human communities themselves are beings with their own evolutionary goals and, as such, are at different evolutionary levels. It makes the steps of evolution more tangible with colours and metaphors. At the peak of organisational evolution today are organisations called *Teal,* in which success and development are created by cooperation based on trust.

According to the evolutionary model, organisations have several operating models, and Teal operation represents the highest level among them. The author examines each operating model in four different areas: individual and group relationships, as well as internal experiences and external actions. These four elements form a matrix system in which the characteristics of the following operational models can be drawn:

- *Red: impulsiveness.* Such a system can operate successfully in chaotic conditions. The main value is respect for power and the division of labour. There are predatory type leaders.
- *Amber: conformity.* This organisation is able to plan for the long term and create stable structures. Its main values are thinking in a long-term perspective, stability and strict regulation in terms of processes and roles

as well. There are authoritarian leaders who control the organisation from above.

– *Orange: effectiveness.* Efficiency is above all else – if they understand how the machinery works, greater performance can be achieved. It considers innovation and reliability to be its main values, and recognition depends on everyone's talent, knowledge, diligence and performance, in other words, on their "merit". Leaders are task-focused, goal-oriented and decisive.
– *Green: diversity.* In such a system, acceptance, cooperation and communication make things work. It is characterised by value-oriented operation, considers empowerment and maintaining good relations with key players important. In management – and thus in the organisation as a whole – consensus seeking, service to others and mutual participation are emphasised.
– *Teal: evolution.* The organisation is seen as a living being. It is accepted that consciousness has developmental phases, and that everyone is somewhere along this developmental path. The main values are continuous, living interaction with the environment, unity with oneself and complete independence. The tasks of management are divided among the participants, for this they consciously develop and maintain trust. Motivation and the reference point for correct actions are provided by internal measure and conscience.[153]

The organisations of the Teal model and its characteristics are illustrated in Figure 60.

It is an organisational model that is completely different from the usual mode of operation. Basically, in terms of power and human relations, it places the leader-subordinate relationship on a new foundation in a completely new democratic framework, breaking down the traditional hierarchical organisational structure, strengthening creativity, self-management and personal fulfilment through empowerment and involvement.

[153] Laloux, Frederic: *A jövő szervezetei.* Budapest, Aquilone Kiadó, 2016.

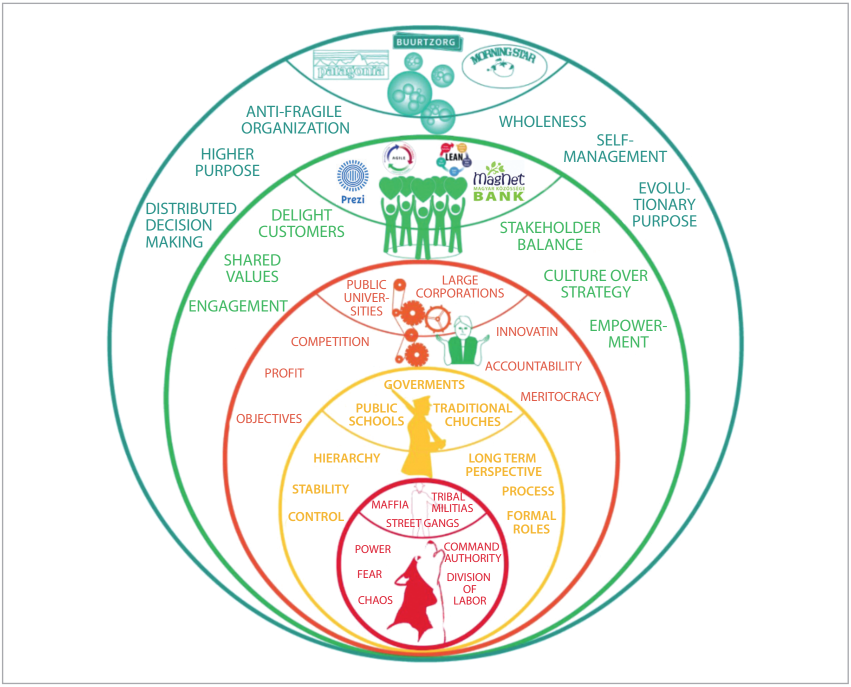


Figure 60: Organisations of the Teal model
Source: Laloux (2016): op. cit.

The *three basic pillars* of the model are:

1. *Self-management.* Everyone in the organisation can make decisions independently in matters related to their work, but with strict adherence to certain rules. Since all processes are transparent for everyone, and the rules also support successful decision-making, the whole thing is not as risky as we might think at first, and in fact, it leads the entire organisation in the direction of stability and security. In today's organisations, the manager plays the role of parent, and the employee plays the role of child. At Teal organisations, the practice of self-management helps employees to work together in adult–adult relationships. There are no middle managers in the classical sense, but rather mentors who help the processes to work everywhere in accordance with the new model.

2. *Completeness.* Today, it is typical of most organisations that three-quarters of the personality must be left outside the threshold when someone comes to work. In traditional organisations, a pre-defined role model usually has to conform to what is expected in the given organisational culture. It defined what and how to do as a subordinate, as well as what exemplary leadership behaviour is. An important goal of Teal organisations is for everyone to be present at the workplace with their full personality, not to play a role or perhaps try to please someone in the hope of a possible reward later. Since there is no formal organisational hierarchy, there is no need to climb the ladder at all costs, and this usual role-playing game becomes redundant due to the basic operation.
3. *Evolutionary purpose.* This means that they work for a higher purpose than profit, they do something that serves the well-being of the individual, the community, or the environment. In Teal organisations, the leader does not set the goal so that the others can then realise it. The "leader" rather sensitively observes the direction in which the organisation develops independently. The organisation is organically shaped by the community of employees and the external environment. According to experience, the company operates more and more in such a way as to best support the personal development of the employees and the development of the community; and have a developmental effect on the external environment (nature and society). We would not think so, but experience shows that as a side effect, efficiency and profit also increase.[154]

The model also offers practical tools to create workplaces where individual and group organisational development is at the centre. Development needs a space where energy is not diverted by organisational politics, fear and mistrust.

It is a very important concept that no "colour" is better than the other, every perspective carries valuable thoughts. However, experience shows that newer perspectives are more effective in dealing with the problem of increasing complexity. This does not mean that these paradigms are necessary in all cases and that only Teal organisations can be effective. Success looks different from each perspective. According to the model, the characteristic of public service organisations is Amber, i.e. conformity, and they usually run into their own

[154] Laloux (2016): op. cit.

limitations when the environment changes and new challenges require a new approach. That is why they need to develop, i.e. become knowledge-intensive organisations where knowledge workers work and, in some cases, manage themselves and their work.

6.4 Where is the public management developing?

The review of the previously presented approaches provided a way to get to know the management theories born from the research of recent years, which contribute to a better understanding of the "anatomy" of organisations, in general and in the case of the public service, and to be able to more successfully answer current questions.

Theoretical management models are meant to increase the ability of organisations, i.e. to ensure continuous development in addition to effective and efficient operation. At the moment, there is no unified position to answer the question of what model to follow in terms of the public service organisations of the future, the available methods and tools are not a "sure recipe" for success.

What characteristics will the public service organisations of the future have? A possible answer to this is provided by Plant's *holistic post-bureaucratic model,* the characteristics of which – in comparison with those of bureaucratic organisations – are summarised in Table 18.[155]

Table 18: Characteristics of bureaucratic and post-bureaucratic organisations

Bureaucratic organisation	Post-bureaucratic organisation
Organisationally focused	Citizen focused
Hierarchical, position-dependent power	Power based on leadership
Regulation-focused	Human-focused
Independence	Cooperation
Status quo focused	Change-focused

Source: Rosta (2012): op. cit.

Plant focuses the holistic approach primarily on strategic planning. It suggests that a successful approach perceives all elements of the process as an integrated

[155] Rosta, Miklós: *Innováció, adaptáció és imitáció. Az új közszolgálati menedzsment.* Budapest, Aula Kiadó, 2012.

system through a holistic strategic framework. In addition, it focuses on reviewing the gaps that may arise in the development of a holistic framework in the public sector environment and seeks ways to overcome these gaps to ensure a successful strategic planning process.[156]

Finally, quoting the words of the great classic of public administration, Zoltán Magyary: "…public administration is just as much administration as private administration, therefore public administration must meet the requirements of economy and efficiency in the same way."[157]

Summary

In the chapter, some alternative models were reviewed, which are intended to increase the capacity of organisations to innovate and change, i.e. to ensure continuous development in addition to effective and efficient operation. Currently, there is no unified position to answer the question of what model to follow in terms of future public administration organisations, the available methods and tools are not a "sure recipe" for success. The known models can be selected and adapted, and even must, in order to be successfully applied and the change to be realised.

Review questions

1. *Why does an organisation need to develop continuously?*
2. *What is the difference between reform and innovation?*
3. *What alternative organisational models are there?*
4. *What is the basic principle of administrategy?*
5. *Which type of organisation carries the characteristics of public administration organisations in the Teal model?*
6. *What are the characteristics of a bureaucratic organisation?*
7. *What are the characteristics of a post-bureaucratic organisation?*
8. *Why is innovation important in public administration?*

[156] Rosta (2012): op. cit.

[157] Magyary, Zoltán: *Magyar Közigazgatás*. Budapest, Királyi Magyar Egyetemi Nyomda, 1942.

Definitions

Bureaucratic organisation: Weberian organisation characterised by hierarchy; clear division of labour, precisely defined powers; expertise; regularity; file-likeness.

Bureaucratic: the rigid behaviour shown in the administration, which adheres to the regulations in all cases.

Innovation: professional development, creation of innovation, realisation of a new idea.

Post-bureaucratic organisation: an organisation that has less power (and money), while citizens empowered by technological progress have more.

Reform: the transformation of the old through the active introduction of a new idea or principle.

References

Kádár, Krisztián: *Stratégiai tervezés a közszolgálatban.* Budapest, Nemzeti Közszolgálati Egyetem, 2013.

Kisilowski, Maciej – Kisilowska, Izabela: *Administratégia. Hogyan érjünk el sikereket közszolgálati vezetőként?* Budapest, HVG Könyvek, 2017.

Laloux, Frederic: *A jövő szervezetei.* Budapest, Aquilone Kiadó, 2016.

Magyary, Zoltán: *Magyar Közigazgatás.* Budapest, Királyi Magyar Egyetemi Nyomda, 1942.

Plant, Thomas: Holistic Strategic Planning in the Public Sector. *Performance Improvement,* 48, no. 2 (2009). 38–43. Online: https://doi.org/10.1002/pfi.20052

Rosta, Miklós: *Innováció, adaptáció és imitáció. Az új közszolgálati menedzsment.* Budapest, Aula Kiadó, 2012.

This page intentionally left blank

7. Development Projects in Hungarian Public Service – Case Study

"The right person for the right job!" – it is a well-known slogan that refers to a shared interest of both employees and employers. It is important for the employees to find jobs that suit them, as well as for organisations to fill positions with people with the right competencies. It is also in the interest of public administration organisations to attract, integrate and retain quality workforce, therefore career guidance, mentoring and talent management should be part of any integrated human resource management system. The project entitled *Strategic Support for Staff Replenishment of the Competitive Public Service* provided an opportunity to develop the complex human resources management system. In the framework of this, needs assessment research was carried out, and based on these, development concepts and programs were developed, the aim of which is to ensure a talented, qualified and motivated workforce in the sector.

The purpose of this chapter is to present the potential for development through the investigation of the replenishment of public service human resources management. First, we will review the induction of change, i.e. the new demands of employees and employers generated by the digital age. After that, it will be looked at the responses to the changes raised by the Hungarian public administration, i.e. the development programs of the last period, as well as the results promised by them.

7.1 New needs of employees, or what does the digital generation want?

In the public service, employees belonging to different generations work in the same way as in other sectors, so it is worth paying attention to their impact on competitiveness and the service approach. First, let us briefly review the characteristics of each generation and their needs as employees.

The basis for intergenerational research is that different generations have different characteristics, have grown up in different eras, and have been exposed to different social, cultural and political effects. The generation theory was founded by American historians William Strauss and Neil Howe in their book entitled *Generations* (1991). They claim that the pattern manifested in the vision of the world, values and behaviours of successive generations cyclically repeats itself. According to them, such a cycle (saeculum) takes about a lifetime, 80 years, and consists of the following stages:

- *High ascension* – a post-crisis period when new institutions are consolidated, and individualism is pushed into the background. Such an era was, for example, the rise of the West after the Second World War.
- *Awakening* – individual autonomy is born from the desire for personal authenticity, which weakens the institutional system. For example, the Hippie era of the 1960s in America, which brought about a new awakening of consciousness.
- *Unravelling* – institutions are weakened and individuality dominates. Such was the United States economic recovery from the mid-1980s to the Millennium.
- *Fourth turning* – the reorganisation of society, which culminates in the dismantling of an outdated institutional system and in the commitment of individuals to a new group. It can happen peacefully or aggressively.[158]

According to Strauss and Howe, these periods have their own human archetypes: the type of the ascension periods is a *prophet* who aspires to new values, in the subsequent awakening the freedom-seeking *nomads* followed by wealth-making *heroes* during the unravelling, and finally the artists who are socialised in a post-Crisis world. Every period lasts about 20 years and has a generation that is currently full of energies. The authors also point out that the prophet and the hero are dominant generations, that is, they play a decisive role in development, while the nomad and the artist suffer more from the transformation, and therefore, they are recessive generations.[159]

Based on the theory of Strauss and Howe, the four generations that shape our present era are: Baby Boomers, Generations X, Y and Z:[160]

- The *Baby Boomers (prophets)* were born after the Second World War and socialised in that period. They are characterised by respect for authority, humility and a high degree of adaptability. From the active workforce, it is most difficult for them to keep up with technological development. They have a basic need for a long-term, secure job, and they love factual, fair

[158] Szabó, Attila: *A generációs elmélet spiráldinamikai értelmezése.* 2015.

[159] Szabó, Attila (2015): op. cit.

[160] Howe, Neil – Strauss, William: *Generations. The History of America's Future, 1584 to 2069.* New York, William Morrow & Company, 1991.

and past-performance evaluations. They have grown up in the traditional frontal school system, and it is difficult for them to get used to online learning; many of them tend to stay away from computers.

- The members of *Generation X (nomads)* lived through the change of the political regime, the spread of the Internet and the computer, as well as the appearance of mobile phones as children or young adults. They are mostly characterised by career, status and financial incentives like flexible forms of training, small group trainings, retreats and partying.
- The members of *Generation Y (heroes)* have already been born into the world of consumer society and technical innovation. Looking at their parents' hard work, they explicitly reject hard, meaningless work, hierarchy, respect for authority, and they can be motivated most by self-realisation. Work-life balance is very important to them. They love workplaces where they have flexibility, competitive challenges and can make independent decisions. They can learn anywhere, using any sources, but prefer high variety. Even more importantly, the systems should be individual, interactive, computer-supported and flexible.[161]
- One of the key features of *Generation Z (artists)* is the change of values. The information is available to them at any time, but as they have not learned critical thinking, they tend to believe everything they read on the Internet. Their risk is the highest in this regard, as their opinions and judgments are often determined solely based on the readings on the Internet.[162] In addition, due to the high degree of openness, they develop relationships with strangers in no time, while reducing the presence of long-term real friendships in their lives. Some researchers even predict the disappearance of the digital generation.[163]

The concepts of digital native and digital immigrants were introduced by Marc Prensky in his article "Digital Natives, Digital Immigrants" published in 2001. Digital natives, also known as the digital generation, born after 1995, are basically thinking differently and processing information from their environment in a different way than previous generations do. They are used to having all the

[161] Schäffer, Beáta: *A legifjabb titánok. Vezetőknek a Z generációs munkavállalókról.* Budapest, Boook Kiadó, 2015.
[162] Tari, Annamária: *Z generáció.* Budapest, Tericum Kiadó, 2011.
[163] Schäffer (2015): op. cit.

information at their disposal (since they can watch almost everything on the Internet immediately), they like to deal with several things at a time and they are more effective in teamwork and networking than alone. They need immediate confirmation and frequent rewards. However, they are also more self-conscious, aware that knowledge will be the key to their livelihood.[164]

As far as the world of work is concerned, Baby Boomers, Generations X, Y and Z are the active workers. Research has shown that different generations are characterised by differences in their relations to technology, workplace change, loyalty and remuneration:

- *Technology* – Baby Boomers are insecure about technological innovations and do not trust themselves. The members of Generation Y are much more responsive, addicted to the Internet, and use the technological tools in their everyday life and work. Members of Generation Z can use several things at once, confidently, and share their attention.
- *Changing jobs* – Baby Boomers are afraid of the complications caused by the change of workplace, rather they avoid doing so, thus extending the time of tolerance. Generation Y believes that it needs to stand on several legs and can build more than one career. About the youngest Generation Z there is no feedback on job changes, as even its oldest members are only 19 years old.
- *Loyalty and remuneration* – Due to the loyalty of the Baby Boom generation, remuneration is calculated by them over longer terms. Generation X, in a hedonistic manner, expects immediate remuneration, while the younger ones require pay based on their performance, according to their own market value. The members of the older generations accept that the interests of the workplace are more important than their own, so they are extremely loyal. Generation X is more attached to the working community, groups and individuals. The younger ones are loyal to their own network of relationships, to themselves and to the brands.
- *Relationship to the hierarchy* – Generation Z does not believe in hierarchy, only respects, and recognises acquired knowledge, thus favouring knowledge-based leadership. It is important for Generation Y to have enough freedom and responsibility from its leader. The members of

[164] Prievara, Tibor: *A 21. századi tanár.* Budapest, Neteducatio Kft., 2015.

the older generation tend to believe in the respect for the position and authoritarian leadership, so they expect to get the basic respect.[165]

However, Éva Szabó also draws attention to the need for adequate and effective social skills and coping strategies for success at work and for life. With this, the digital generation seems to be difficult to cope with. Though they seem extremely confident, often even smug, they tend to be isolated because of the excessive digital communication. Research by Chou and Edge also showed that the more time someone has on Facebook, the more unhappy is with his life and the less he feels valuable.[166]

After examining the characteristics of the digital generation, we will focus on the needs of public service employers in the digital era.

7.2 New needs of employers, or what does the organisation need in the digital age?

Over time, the ever-increasing human existence is coupled with increasingly efficient and complex organisational forms. This development is constantly progressing, and we are currently experiencing a turning point, where the place of extensive development is taken over by the intensive one, and efficiency is an increasingly important factor in addition to effectiveness. These changes generate new features for organisations.

In addition, new management functions appear in the organisations resulting from the changes in the workforce characteristics. They are the following:

- *Competency-based Management* – A series of activities aimed at realising organisational goals, enabling the design and provision of the required competency resource set, the rational use and development of the available competency potential, and thus the continuous improvement of employee performance.

[165] Szabó, Szilvia: A vezetésmenedzsment innovációja – új kihívások a közszolgálatban. In Belényesi, Emese – Koronváry, Péter – Szabó, Szilvia: *Közszolgálati szervezés- és vezetéselmélet.* Budapest, Dialóg Campus, 2019. 151–168.

[166] Szabó, Éva: *A digitális szakadékon innen és túl. A tanárszerep változása a XXI. században.* 2015.

- *Generation Management* – A new management function that organises HR activity based on generation (age) characteristics.
- *Leadership Management* – Managing management functions in the organisation's successful operation and their methods.
- *Quality of Life Management* – Creating a liveable job.
- *Employer brand* – It is based on specific offers that an organisation communicates to current and potential employees, which is a special recruitment tool.[167]

Employers have the same interests in recruitment as the employee, i.e. the *compliance* of the individual with the chosen career or position. Career guidance also affects recruitment and selection systems, as it facilitates potential recruitment, advancement in the organisation and reduces risk factors. The goal of planning organisational recruitment is to acquire and retain good employees: attracting and selecting professionals who can be the most suitable for the future job.

Here an *employer brand* can help that builds on specific offers that the organisation communicates to current and potential employees. The quality of the special recruitment tool determines how the current workforce performs and what kind of employees the organisation can involve. From a labour market point of view an organisation is successful if employees consider it more attractive than what a competitor offers.

It is also important to consider *career perspectives* that examine the individual and organisational dimensions of the career. We can say that the goals of the organisation and the individual motives are equally important, no one is ahead of the other, but they are closely related. Goals and objectives on both sides can be achieved if they help and reinforce each other. Collaboration in practice can only work effectively if individual and organisational goals coincide.[168] Organisational and individual career perspectives are compared in Table 20.

The spread of the competency-based approach is closely related to the realisation that the key issue of modern HR management is the selection, development and retention of the best workforce, and thus the continuous improvement of organisational performance. Nowadays, the quality and performance of human resources has become an essential factor in the success and social recognition of the public sector.

167 Szabó (2019): op. cit.
168 Szabó (2019): op. cit.

Table 19: Comparison of organisational and individual career perspectives in the digital age

Organisational career perspectives	Individual career perspectives
Determining the future personnel needs of the organisation	Determining the individual's abilities and interests
Planning career paths	Planning life and work goals
Evaluating individual abilities and training needs	Evaluating alternative paths within and outside the organisation
Matching organisational needs and individual capabilities	Exploring changes in interests and goals as life stages change
Auditing and developing the organisation's career system	

Source: Compiled by the author

The Bill Gates Foundation assessed the skills of the 21st century, i.e. what competencies prospective employers expect from future employees. These five 21st century competencies that people need to acquire before entering the labour market are the following:

- *Collaboration* – i.e. students must learn to work in pairs or in groups, to take shared responsibility for their work, and to make common decisions.
- *Knowledge building* – it is also necessary for students to learn how to build new knowledge, even by combining knowledge from several subjects.
- *Reasonable and reasoned use of ICT* – i.e. not to always use the latest technologies at all costs, but to be able and willing to handle these tools according to the pedagogical purpose.
- *Solving Real Problems and Innovation* – i.e. students must master the ability to find solutions to real problems in the out-of-school world.
- *Self-regulation* – the ability of students to plan and redesign their work under predetermined conditions.[169]

[169] Prievara (2015): op. cit.

Based on all these, a very serious change of attitude is needed in the field of training, to ensure that the digital generation will enter the labour market with these competencies.

In the following, let us see what demands the public service makes of employees, i.e. civil servants, and how it can support the employment of the digital generation in public institutions.

7.3 Comprehensive concept for competitive public administration and replenishment of public service human resources

Although we often talk about competitive public service and the competitiveness of public administration, even today it is not clear how competitiveness can be interpreted in the case of the public service. The uncertainty is even more true if the question is posed in the way that the relationship between the contribution of civil servants and the competitiveness of a country can be demonstrated in an exact way. The difficulty of interpretation is usually caused by the fact that in the case of the public service there is no competitive situation in the market sense, because there is a lack of market competition and individual profit making. Instead, serving the public interest, equalising social differences, equal access to public services, etc. are formulated as goals. Competition manifests itself in another sense, usually in the form of a struggle for resources. The results achieved in this, however, are actually degrading economic competitiveness.[170]

According to the Public Service and Public Service Development Strategy, competitiveness in public administration must be achieved by the simultaneous application of four aspects:

- *In terms of public administration,* competitiveness means that, on the one hand, state operation requires lower costs for citizens, businesses and other organisations, and on the other hand, it is more efficient in terms of internal operation.
- *In an economic sense,* the criterion of competitiveness should mean that the state should not hinder the life of businesses, but should rather help

[170] Hazafi, Zoltán: A stratégiai munkaerő-tervezés és a HRM-fejlesztés szerepe a versenyképes közszolgálat utánpótlásának biztosításában. *Pro Publico Bono,* no. 2 (2017). 48–83.

them, more so than in other countries. This means, on the one hand, the development of the service nature, and, on the other hand, the reduction of the administrative burden to the lowest possible extent.

- *In a social sense,* public administration is competitive if it not only facilitates but also helps the everyday life of the population, but at least does not hinder it in any way. Priority should be given to helping people's relationship with work, as well as the part of their lives related to starting a family and maintaining a family. In this case too, the focus is on the implementation of service-based operation.
- *From the point of view of legislation,* public administration is competitive if the system of legal regulations provides a stable, interpretable and enforceable environment for all actors. The over-regulation of certain areas and procedures must be reduced, a more transparent, compact and liveable legal environment must be created and maintained with the means of deregulation, and quality legislation must be kept in mind.[171]

There is a need for trained, dedicated staff in the civil service, so it is crucial to ensure succession, to put the right people into the public service and to retain a professional workforce. The Public Service and Public Service Development Strategy 2014–2020, created in this spirit, emphasises the need to attract talented young people to the civil service careers and integrate them to career paths, as well as the need to develop the selection and further training system of public service managers and the importance of developing a professional management culture. All this can ensure high-quality, competitive public services and the achievement of organisational goals, as well as the creation of attractive working conditions for those who come from outside.[172] The elements of the recruitment of civil servants are shown in Figure 61.

[171] The Government of Hungary: *Közigazgatás- és Közszolgáltatás-fejlesztési Stratégia 2014–2020* [Public Service Development Strategy 2014–2020]. Budapest, 2015. 9.

[172] Belényesi, Emese – Kriskó, Edina: *A pályaorientációs képzés szerepe a közigazgatás utánpótlásának biztosításában.* Tájékoztató kiadvány. Budapest, Nemzeti Közszolgálati Egyetem, 2018.

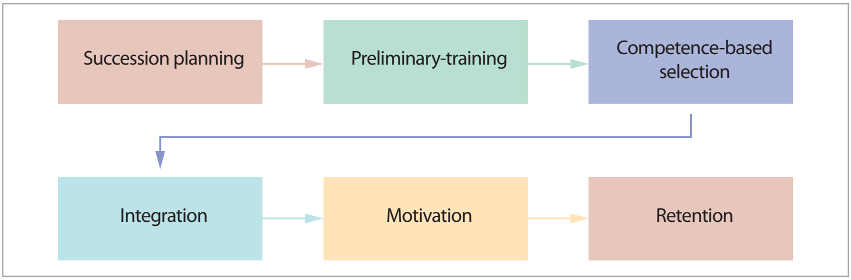


Figure 61: Elements of public service supply
Source: Belényesi–Kriskó (2018): op. cit.

To implement the strategy, the project entitled *Strategic Support for Staff Replenishment of the Competitive Public Service* was established. The aim of this was to develop human resource management tools for attracting, integrating and maintaining a career in the public service, and to develop governmental, organisational and personal public service competencies that ensure the operating conditions of careers.[173] The goals of the project and their alignment with other strategic goals are summarised in Figure 62.

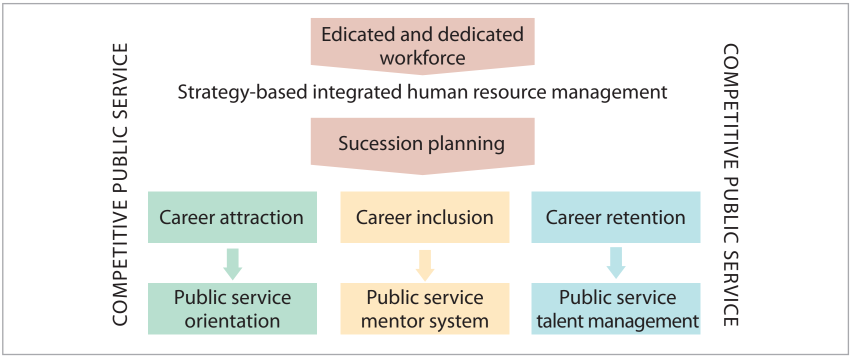


Figure 62: Strategic elements of a competitive civil service staff supply
Source: Compiled by the author based on Szakács (2018): op. cit.

[173] Szakács, Édua: *A pályakezdők beillesztését támogató mentori rendszer bevezetésének lehetőségei a közszolgálatban.* Tájékoztató kiadvány. Budapest, Nemzeti Közszolgálati Egyetem, 2018.

Considering the triple goal system of creating a competitive workforce, the following detailed developments were targeted:

1. *Career attraction:*
   a) internal law enforcement and public administration knowledge are included as optional subjects in the secondary school curriculum
   b) new policing and public administration professional qualifications are being prepared
   c) a new system is being developed for the selection of those who are preparing for a professional career, the focus of which is competence
   d) public service careers are promoted at various events
2. *Career inclusion:*
   a) a mentoring system is established at public administration and law enforcement organisations
   b) the law enforcement leader selection system will be further developed and introduced for positions performing management tasks, and with the appropriate transformations it will also be developed for public administration
3. *Career retention:*
   a) HR systems supporting career change and interoperability will be developed
   b) the knowledge base and website of the public service human resources will be developed
   c) the KÖZSZTÉR, i.e. organisational performance evaluation is introduced
   d) the KSZDR data repository system will be created, which will support personnel decisions and activities[174]

Within the framework of the project, a national needs assessment research was carried out in 2018 in all three areas – attraction to public service careers, integration into careers, retention on track, as a result of which, several concepts have been developed. Some of them have already been implemented while some others are still in progress.

[174] Hajnal, György: *'A versenyképes közszolgálat személyzeti utánpótlásának stratégiai támogatása'. Esettanulmány egy magyar ESZA támogatással megvalósult projektről az „ESZA-támogatások előrehaladásának értékelése a közigazgatásban" (PAPA) tanulmány keretében.* Luxemburg, Az Európai Unió Kiadóhivatala, 2020.

7.3.1 Making the public service career more attractive – career orientation

The purpose of the needs assessment related to public service career guidance was to find out the opinions and needs of the relevant actors of career guidance, and then to provide direct input for setting up the public service career guidance system with the help of evaluative analysis and professional advice on the collected information.

Based on the results of the needs assessment research, it can be concluded that career guidance training in the public service is needed, but at the same time it must be properly promoted so that the information about it reaches the public service bodies and a wide range of citizens. The special characteristics of the track, the elements that are attractive, must be presented so that those truly attracted to the values that the public service represents could choose this career. In addition, it is worth introducing high school students as potential applicants to the diversity of jobs that are available in public service organisations.

Relevant actors and their role in public service career guidance training:

- *Public service managers* – organisational experience and expectations.
- *Public service HR professionals* – human resource management knowledge and experience.
- *Policy leaders (Ministry of the Interior)* – professional management.
- *University lecturers, researchers* – development of research results and methodology.
- *School leaders, teachers* – pedagogical knowledge and experience, direct contact with students.
- *Secondary school students* – target group of training, potential applicants.[175]

The relevant actors of public service career guidance training are shown in Figure 63.

[175] Belényesi–Kriskó (2018): op. cit.

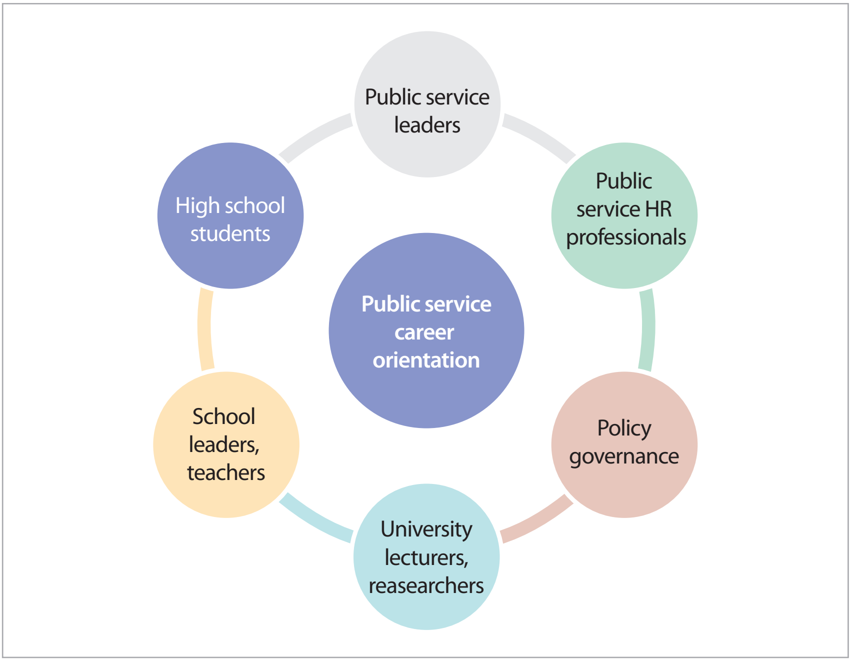


Figure 63: Stakeholders in public service career guidance training
Source: Belényesi–Kriskó (2018): op. cit.

The introduction of the public service career guidance training in the secondary school education system, i.e. that of the elective subject of *Public Service Knowledge,* the emphasis should primarily be put on strengthening the practical professional knowledge that most career starters lack. Another important goal of the training is to develop analytical and synthesising skills and social competencies, which will help students to integrate into their future workplace and to cooperate with colleagues and clients. Participation in public service career guidance training is certainly beneficial: it contributes to informed decision-making, and much more prepared young people can leave schools, which is beneficial not only to them, but to any employer.

7.3.2 Integration into the public service career – mentoring system

The purpose of the needs assessment related to integration into the public service career was to get to know the integration practices of the organisations and the good practices already in operation. In addition, it was important to learn about the practice of the organisations regarding career starters and to map the organisational needs related to a possible mentoring program, the mentors' competencies, their selection and training.

The methodology of the mentoring system was developed using the results of the needs assessment research. The duration of the mentoring process is 3 months, the stages and purpose of which are as follows:

- Stage 1: 1–2 weeks
  - *Contacting* – helping the mentor and the mentee to get to know each other, establishing a relationship of trust, supporting the mentee's positive organisational reception.
  - *Orientation* – developing the mentee's basic knowledge of place and personality; acquisition of basic organisational knowledge, knowledge of organisational values; getting to know the most important work processes, supporting participation in work-related training.
  - *Goal setting* – summarising the experiences of the orientation period, mutual feedback between the mentor and the mentee; clarifying the goals of the mentoring process, compiling development goals; scheduling the mentoring period.
- Stage 2: 1–2 months
  - *Active inclusion* – supporting the mentee in the practical acquisition of the most typical professional tasks, in the integration of the values of the organisational culture and in the reception of the members of the direct organisational unit.
- Stage 3: 1 month
  - *Supportive integration* – supporting the mentee in professional development, helping to acquire complex tasks; supporting the organisational retention of the mentee.[176]

The process of the public service mentoring system is illustrated in Figure 64.

[176] Szakács (2018): op. cit.

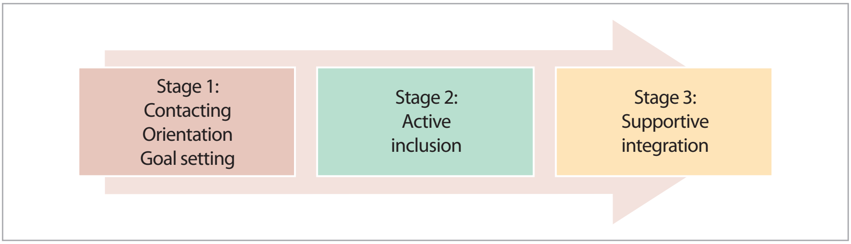


Figure 64: The process of the public service mentoring system
Source: Compiled by the author based on Szakács (2018): op. cit.

The primary goal of the mentoring system is professional development and organisational integration; it offers an opportunity to validate the organisations' own solutions within a defined structure with a flexible construction. It is necessary to operate an organisational unit responsible for coordinating the operation of the mentoring system: the participating organisations manage mentoring in cooperation with them. The selection of mentors is competence-based, and the opinion of the organisation's leader, self-assessment and objective competence measurement all play a role in the selection. The training of mentors is complex and practice-oriented, and they receive ongoing expert support for the performance and development of their tasks.

7.3.3 Keeping on the public service track, advancing – talent management

The aim of the needs assessment related to public service career was to find out how to define managerial talents, how to select them, whether there is a need to support managerial talents, what method is best suited for this, and how this relates to other systems of recruitment.

Using the results of the needs assessment research, the process of the public service talent management system was developed. The process is divided into three stages: leadership talent selection, talent development and talent aftercare. The three stages are preceded by the selection and preparation of talent mentors.

The recommended duration of the program is 3–6 months, depending on individual circumstances and opportunities. Such unique factors and circumstances may be e.g. the urgency of becoming a leader, the number and frequency of organisational practice opportunities, and the workload of the talent mentor and managerial talent. The stages of the process and their objectives are as follows:

- Stage 0: *Selection and preparation of talent mentors* – internal selection, central preparation, survey.
- Stage 1: *Selection of leadership talents* – internal selection, central preparation, admission to the program.
- Stage 2: *Leadership talent development* – preparation of a talent development plan, individual development and training, mid-term evaluation.
- Stage 3: *Aftercare of managerial talents* – final evaluation, aftercare, career support.[177]

The process of the public service talent management system is illustrated in Figure 65.

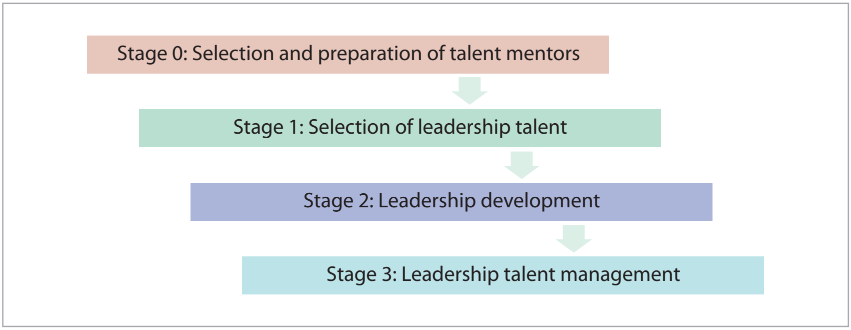


Figure 65: Process of public service talent management
Source: Compiled by the author based on Krepelka (2018): op. cit.

One of the effective tools for the recruitment of public service leaders is talent management, which is proposed to be implemented with the following goals in mind:

- supporting more effective identification of public service managerial talent
- selecting and training mentoring leaders, making better use of their skills and valuing their performance

[177] Krepelka, Ágnes: *A tehetséggondozás, mint a vezetői utánpótlás egyik eszköze a civil közigazgatásban.* Tájékoztató kiadvány. Budapest, Nemzeti Közszolgálati Egyetem, 2018.

- developing cooperation between leaders and talent
- supporting more modern, well-founded selection of public service managers and entry into the managerial database
- developing the competence of public service managerial talents in accordance with the individual development needs and supporting their further training
- to increase the commitment of managerial talents working in the public service, to reduce the degree of fluctuation among them
- supporting the advancement and career development of managerial talents with the help of mentors
- making the career path of management more attractive to those working in the public service[178]

After reviewing the new employee and employer demands generated by the digital age and the development projects of the Hungarian public service, let us move on to the expected results.

7.4 What are the results of the development of public service human resources?

The objective of the development projects is to introduce a human resource management system that provides the necessary competencies for service-oriented task performance. Accordingly, the expected result is the establishment of a competitive public service, including modern public service human resources, which, in addition to the development of the existing staff, presupposes a planned, continuous and well-founded provision of supply.

The development projects contributed to the realisation of two main goals:

1. The first is to ensure *the planned staff replenishment of the public service,* with particular attention to staff retention and the introduction, operation and development of institutions that help integration. These institutions contribute to the development of a more modern human resources management, through the career support system with a new approach to recruitment (e.g. talent selection and care, management

[178] Krepelka (2018): op. cit.

selection and recruitment), as well as the HR organisation that promotes interoperability between careers in the public service.
2. The other is *the development and implementation of an information system* affecting the entire public administration system, which supports the professionalism and improvement of the efficiency of public service human resources management.[179]

The two are closely related, and the individual target areas and the professional activities assigned to them complemented each other and contributed to the realisation of the results.

However, in order for programs aimed at development to be successful in the long term, it is necessary to have professionals who know the needs and expectations of the human resources of public administration organisations, who are involved in workforce planning, personnel management, recruitment and selection, as well as future full-scale career management, and for the participation of personnel managers.

Summary

In the chapter, the new employee and employer needs, which are induced by the changes generated by the digital age, were reviewed for the first time. After that, a brief presentation of the human resource development projects taking place in the Hungarian public administration – the career guidance, mentoring and talent management programs – was explored. Finally, what results can be expected from these programs in terms of the realisation of a competitive public service was examined.

Review questions

1. *What goals do human resource development projects serve?*
2. *Why is it important to implement a competitive public service in Hungary?*
3. *Which program supported the creation of modern, integrated human resources management?*
4. *What are the pillars of labour supply?*

[179] National University of Public Service: *Strategic Support for Staff Replenishment of the Competitive Public Service.* KÖFOP-2.1.5-VEKOP-16-2016-00001. NUPS publication, s. a.

5. *Who are the actors involved in public service career orientation?*
6. *What are the stages of the mentoring process?*
7. *What are the stages of the talent management process?*
8. *What results can be expected as a result of the development projects?*

Definitions

Career orientation process – double meaning: 1. orientation and search related to different professions, navigating between different professions; 2. acquiring those personal competencies and skills that prepare the matching of person–career–environment.

Career: the time a person spends at work, his or her development, self-realisation, maximum development and fulfilment of his or her abilities.

Competitive public service – double meaning: 1. able to carry out tasks efficiently even with fewer employees; 2. increases its attractiveness as an employer.

Mentor: a person with great experience and professional recognition who provides help and guidance with a view to promoting the development of the mentee within the framework of a trusting relationship characterised by a strong bond.

Mentoring process: its purpose is to promote integration and professional development by coordinating individual and organisational goals and by transferring the knowledge accumulated in the organisational culture.

Talent management: a unified strategy that helps organisations in the present and in the future to make the most efficient use of human capital in the realisation of the vision.

Talent: outstanding abilities and performance, excellence, creativity, motivation, good problem-solving skills, intelligence.

References

Belényesi, Emese – Kriskó, Edina: *A pályaorientációs képzés szerepe a közigazgatás utánpótlásának biztosításában.* Tájékoztató kiadvány. Budapest, Nemzeti Közszolgálati Egyetem, 2018.

Hajnal, György: *'A versenyképes közszolgálat személyzeti utánpótlásának stratégiai támogatása'. Esettanulmány egy magyar ESZA támogatással megvalósult projektről* *az „ESZA-támogatások előrehaladásának értékelése a közigazgatásban" (PAPA) tanulmány keretében.* Luxemburg, Az Európai Unió Kiadóhivatala, 2020. Online: www.europa.eu/

Hazafi, Zoltán: A stratégiai munkaerő-tervezés és a HRM-fejlesztés szerepe a versenyképes közszolgálat utánpótlásának biztosításában. *Pro Publico Bono,* no. 2 (2017). 48–83.

Howe, Neil – Strauss, William: *Generations. The History of America's Future, 1584 to 2069.* New York, William Morrow & Company, 1991.

Krepelka, Ágnes: *A tehetséggondozás, mint a vezetői utánpótlás egyik eszköze a civil közigazgatásban.* Tájékoztató kiadvány. Budapest, Nemzeti Közszolgálati Egyetem, 2018.

National University of Public Service: *Strategic Support for Staff Replenishment of the Competitive Public Service.* KÖFOP-2.1.5-VEKOP-16-2016-00001. NUPS publication, s. a. Online: https://fejlesztesiprogramok.uni-nke.hu/document/fejlesztesiprogramok-uni-nke-hu/K%C3%96FOP%202-1-5%20Bemutat%C3%B3%20kiadv%C3%A1ny.pdf

Prensky, Marc: Digital Natives, Digital Immigrants Part 1. *On the Horizon,* 9, no. 5 (2001). 1–6.

Prensky, Marc: Digital Natives, Digital Immigrants Part 2: Do They Really Think Differently? *On the Horizon,* 9, no. 6 (2001). 1–6.

Prievara, Tibor: *A 21. századi tanár.* Budapest, Neteducatio Kft., 2015.

Schäffer, Beáta: *A legifjabb titánok. Vezetőknek a Z generációs munkavállalókról.* Budapest, Boook Kiadó, 2015.

Szabó, Attila: *A generációs elmélet spiráldinamikai értelmezése.* 2015. Online: http://blog.integralakademia.hu/a-generacios-elmelet-spiraldinamikai-ertelmezese/

Szabó, Éva: *A digitális szakadékon innen és túl. A tanárszerep változása a XXI. században.* 2015. Online: www.eltereader.hu/en/kiadvanyok/digitalis-nemzedekkonferencia- 2015/

Szabó, Szilvia: A vezetésmenedzsment innovációja – új kihívások a közszolgálatban. In Belényesi, Emese – Koronváry, Péter – Szabó, Szilvia: *Közszolgálati szervezés- és vezetéselmélet.* Budapest, Dialóg Campus, 2019. 151–168.

Szakács, Édua: *A pályakezdők beillesztését támogató mentori rendszer bevezetésének lehetőségei a közszolgálatban.* Tájékoztató kiadvány. Budapest, Nemzeti Közszolgálati Egyetem, 2018.

Tari, Annamária: *Z generáció.* Budapest, Tericum Kiadó, 2011.

Tari, Annamária: *#yz Generációk online.* Budapest, Tericum Kiadó, 2015.

The Government of Hungary: *Közigazgatás- és Közszolgáltatás-fejlesztési Stratégia 2014–2020* [Public Service Development Strategy 2014–2020]. Budapest, 2015. Online: www.kormany.hu/download/8/42/40000/K%C3%B6zigazgat%C3%A1s_fejleszt%C3%A9si_strat%C3%A9gia_.pdf

Conclusion

The monograph, from a special point of view, through the lens of *contingency theory,* elaborates on the topic of public management, which deals with the situational management and development of public administration organisations. The latter is necessary due to the specific environment and operation, especially if we take into account the issue of community financing and public interest orientation. In the framework of contingency theory, we followed the logic of the determining factors present in organisations: *strategy–structure–culture–performance,* as the operation of factors that build on each other and are closely related to each other.

During the development of the *strategy,* the hierarchical planning process in the public administration must be taken into account, and the fact that an important function of the apparatus is the implementation of the program of the current government. The "derivative" strategic plan is an important starting point for the operation of public administration organisations, even if it is difficult and even not always possible or necessary to fully implement them in the turbulently changing environment. That is why it is extremely important to continuously monitor changes in the environment, review the strategy from time to time, and modify it as necessary.

The *organisation* is meant to support the implementation of strategic plans in public administration organisations: it creates the conditions for the organisational structure, processes, work, i.e. operation. Emphasising the topic of organisational structures, we can create the framework along several lines of logic: either by combining economic models or by adapting Mintzberg's models, the point is that it properly serves the realisation of the goals set out in the strategic plans.

The *culture* determines the quality of operations: even in public administration organisations, efficiency and effectiveness depend on the invisible part of the "iceberg". The structure itself greatly influences the organisational culture, but the sector also plays a decisive role in its formation. Within the public administration, similarly to other sectors, subcultures can be defined, and professional cultures can also be found, but it is important that each organisation has its own culture, which is defined by the organisational members. Thus, there may be significant differences within the sector in the case of an organisation with a similar profile.

The *performance* is the result of the previous three functions, measuring it in case of public administration organisations is quite complicated, but it is essential, the responsibility of managing community resources also requires this. The primary priority is the definition of appropriate, public sector-specific indicators, followed by measurement, evaluation, feedback and correction, if necessary. Several indicator systems are available, but it is not only important to choose the right one, but also to adapt it to the characteristics of the public administration organisation.

The various perspectives of *organisational formation* offer public administration organisations the opportunity not only to adapt to constantly changing environmental factors, but also to renew themselves. For this, we can use classical methods such as the Systems Intervention Strategy (SIS) or the method of Organisational Development (OD), as well as more modern ones such as the Closed Cycle Management model (CCM). Whichever path we follow, our choice must be characterised by awareness: effective adaptation of methods. During the adaptation, both the international and the Hungarian economic and social background, management models, and the peculiarities of the organisations of each sector must be taken into account. The adaptation model is illustrated in Figure 66.

Figure 66: A model of adaptation
Source: Compiled by the author

The *future trends* in public management are being researched by many professionals. Regarding the issue of reform or innovation, the balance is currently tipping towards innovation, given that the well-parameterised and automatable elements of public administration work are increasingly being taken over by software, the importance of repetitive human work is being devalued, while the intellectual added value, innovation is gradually appreciated. Another controversial question is whether the success of the leader or the organisation guarantees the success of the public administration. In public administration, in addition to Weber's "principle of impersonality", we often experience how much a leader's personality means, but he also achieves his success through his colleagues, i.e. the organisation, since one cannot function without the other. At the same time, we are currently witnessing a kind of transformation: the transformation of bureaucratic organisations into post-bureaucratic organisations, if only because of the impact of changes in the world.

Finally, in connection with the creation of a *competitive public service,* the development of human resources plays a prominent role, an important element of which is the provision of supplies. The tools for this are the development projects taking place in the public administration in recent years, e.g. the project entitled *Strategic Support for Staff Replenishment of the Competitive Public Service* and its pillars: the career guidance, mentoring and talent development programs, the results of which bring a qualitative change in the Hungarian public administration.

This page intentionally left blank

Does public management, i.e. the management of public interest organisations, differ from business management, i.e. the management of profit-oriented organisations, and if so, in what way? This is the question that the book in the hands of the reader seeks and provides possible answers to. It is framed by the contingency theory, which assumes that there is no single best solution and method that is equally applicable in all circumstances; that there is a need for flexibility in the methods to be applied; and that the methods to be applied in a given situation must be adapted to the circumstances. *Public Management in the Context of Contingency Theory* addresses the issue of situational management in public administration organisations, as their specific environment – its complexity, dynamics and changes – also implies a need for their managers to adapt; one possible means of doing so is the adaptive use of contingency theory.

9 789635 318827