

# Business Administration Development and Management

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Annotation. *The objective set forth in this report was provoked by the idea to define the common areas and differences between the so called business administration, which serves private business, and the administration in public institutions of state management and local government self-management bodies.*

Key words: *business administration, public sector, administration, state (public) management, local government self-management*

## I. INTRODUCTION

It becomes clear from analyses of the status and development trends of Bulgarian administration and the perspectives for development in the public sector during the past years that the role of administration will continue to grow. It is now necessary more than ever under these circumstances, to improve the operation and quality of public management systems.

The objective set forth in this report was provoked by the idea to define the common areas and differences between the so called business administration, which serves private business, and the administration in the public institutions of state managements and local government self-managements. Of interest in that regard are opportunities to borrow effective forms and mechanisms from the functional behavior of business administration, and have them transferred, though in some adapted version, to the field of public services. Simultaneously, that process of borrowing can also grow in reversed direction. The basis of the common areas between both administration types is formed on the grounds of their operation under identical circumstances – requirements, stimuli and limitations of the broad market space.

The present report presents and substantiates the viewpoint that *high-quality management of human resources includes also achieving of correct and rational use of public funds where accent is placed mainly on binding of program budgeting, to the necessary human resources for execution of priority governmental programs.*

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## II. MODERN CONCEPT OF BUSINESS ADMINISTRATION IN PUBLIC ADMINISTRATIONS

### II.1. SUMMERY OF CRITICISMS OF THE TRADITIONAL ADMINISTRATIVE -BUREAUCRATIC SYSTEM

Regardless of all “implemented” reforms during the past years the image of public office remains rather negative. One of the main issues of modern society is lack of awareness of the numerous processes and mechanisms of public administration.

Among the *most popular negative ideas of employment at public offices*, are the following:

- Public administrative structure as an organization is strongly hierarchical and at the same time closed system, which results in a rather long process of decision-making within the organization, in an environment of worsened communication.

- Public administrative structure does not support mobility and flexibility in operation, and thus fails to improve the quality and renewal of administrative staff through systematical attraction of perspective and highly qualified staff possessing new capacities as flexibility, adaptiveness and preparedness to work in a changing environment.

- As long as public administrative structure remains impersonal and anonymous no credit can be given to any individual effort and initiative;

- Public employees (especially such at middle and higher levels) receive stimuli inadequate to their efforts, and in most cases suffer from lack of motivation.

Growing criticism comes not just from the outside – from society, but also from the inside of public administrations. Administration employees also want changes and reforms because they understand that the image of bureaucratic administration does not fit into the new style of public management due to its too many rules, slow procedures and insufficient stimuli for individual development.

Nowadays, the commonly accepted opinion still contains two ideas about public employees’ motivation: <sup>1</sup> As regards the first idea, the stereotype envisions an “unmotivated public employee who comes to work late, takes prolonged breaks, leaves work early and as a rule, does not operate particularly conscientiously...” In fact, almost all serious research works show that this first assumption is

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<sup>1</sup> Acc. to Baldwin, J. Norman Baldwin, “Public versus Private Employees: Debunking Stereotypes”, Review of Public Personnel Administration, Vol. 11, No . 1-2, 1990-1991, p. 63

simply wrong. Public employees are not lazy. An earlier research by Baldwin shows that there is much evidence of equal motivation of employees at the public sector (Public Employees), especially at senior management level – head of departments and higher, for identical, and in some cases greater consideration, and for similar values, in comparison to employees at the private sector (Private Employees) despite the differences in moral obligations. Public Employees demonstrate sustainably higher level of education, and they are equally efficient, seek higher security, and are not “lazy, incompetent and unethical relatives to Private Employees”. Generally, Public Employees do not deserve the stereotypes which stain their image. Society perhaps is just in the habit of noticing irresponsible and incompetent Public Employees more readily because “open management” allows a closer and more critical monitoring of the public sector than the private sector.

As regards the second idea, many people believe that taking of public office is rather a matter of vocation, a sense of duty, and not a profession. Consequently, Public Employees possess high morals in order to serve society, and are hence motivated by various aspects of the job, as compared to Private Employees.

Policy is an instrument of interaction between the general public and the political elite. Availability of “poor” policies in our country does not mean that the administration has started to self-serve itself and is in the process of survival, i.e. there is evidence of bureaucratization of the administration. Consequently, the greatest problem of the administration currently, is its bureaucratization.

In the stage of reforming of Bulgarian society the approach of systematic regulation to economy on the part of the state has proven ineffective, incl. the state’s refusal to manage the public property. After a number of painful to society mistakes one can ascertain now a definite consolidation of the positions of the various public and political forces in the country as regards *the necessity to introduce new approaches to public organizations management*. That process is a result of discord between the administration and the people (people are not born bureaucrats but become ones later on, depending on the environment in which they perform).

Thus, the main conclusion to arrive at is as follows: there is a crisis in traditional management resulting from inefficiently and ineffectively operating administration. Therefore: *We do not need yet another reform (whatever it may be); we need a basic change to the system – a transformation.*

## II.2. ADEQUACY AND EFFECTIVENESS OF PUBLIC ADMINISTRATIONS VERSUS PRIVATE SECTOR ADMINISTRATIONS

The defined weaknesses show the inadequacy of bureaucratic management as regards the new system of values of public management characteristic for the beginning of the 21<sup>st</sup> century – efficiency and effectiveness,

high quality of public services and due respect of taxpayers who are customers to these services; flexible organizational behavior and timely and adequate response to the changes and challenges to public environment.

The negative results in most cases are due to the combined effect of a number of factors, as budget-funding limitations on administrative activity, irrationally planned reform activities, and administration’s poor image.

*Consequently, public organizations create the idea of self-serving, self-sufficient, slow mechanisms of hierarchical structure instead of organizations whose features are statutory order, stability, justness and reliable protection from corruption and favoring.*

The effectiveness of operation of the organizations is defined as the ratio of factual results obtained by the help of available resources, and the maximal results, which might be obtained by their help. The distinction to be made between adequacy (the level of obtaining of results as an absolute measure of performance) and effectiveness (performance of work by the help of certain resources), is of exceptional importance.

To make an assessment of the activity and performance quality in public organizations<sup>2</sup>, one should use two groups of parameters. One is technical effectiveness, which characterizes achieving of the organization’s objectives. The usefulness of that approach is in the possibility to formulate the organization’s objectives as criteria of effectiveness. In quantitative expression, the effectiveness factor is the quotient between factual result and objectives (eventually the standard) of the public organization. Economic effectiveness characterizes the cost-effectiveness and is traditionally defined as a ratio between end results obtained and costs substantiating them, or vice versa. It is related to the volume of provided services, the latter provided in the availability of certain resources.

Public organizations will normally have better results than private ones, as much as it concerns clearly formulated policy of respect, non-discrimination, worthiness at the workplace, and equality. Quite often, public organizations achieve higher results in employment of cadres, and in the methods of participation, and in management, and also in informing their employees on all aspects of their work. *State positions will be always criticized for not being able to achieve the specific public objectives and tasks.*

*It is the author’s opinion that administrations will never be able to compete with private-sector companies concerning flexibility because they have been designed to guarantee stability, standardized attitude, and promptness. As a matter of fact, there exists a certain contradiction between the need to offer more services, and the nature of the administrative apparatus – regulated by law. It can be thus concluded that a public administration differs from a private company as regards some aspects like their objectives, internal and external pressure, capacity for solving of issues, and approach to challenges.*

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<sup>2</sup> Paul, D., Effectiveness of public management (Эффективность государственного управления), М., 1998., p. 227

### II.3. EMERGENCE OF THE CONCEPT OF “NEW PUBLIC MANAGEMENT”

Revival of institutions and institutional renewal is put forward as primary objective of the administrative system. The programs of transformation aim to have the activity of the government as regards central and territorial management become more efficient and effective, the quality of public services raised higher, and the public sector made more flexible in its responses and strategically better oriented as regards external changes.

The desired fundamental change and the crisis of traditional bureaucracy lead to the emergence of the concept of “*new public management*” directed to increasing the effectiveness and efficiency of the public sector. That concept is based on the idea that management in the private sector instrumentally surpasses management in the public sector, which gives rise to the necessity of creative transfer of modern management approaches, methods and means in the public management. The idea is to introduce competition and market discipline in public organizations, and thus stimulate more effectively the utilization of public resources.

The new public management imposes complete change both to the organization of public institutions, and to the well established model of their management. From the implementation of radical changes based on the new public management and public entrepreneurship, a turn should be expected regarding the role of the state, and its “unloading” from unnecessary functions. The common objectives for reorganization of public management and administration are being implemented in a number of countries and involve these countries in a difficult process of changing the culture and viewpoints as regards the ways of institutional transformations.

Another contemporary manifestation of the concept of “new public management” is the experimental development of networks (market, information or for public services) as an alternative to traditional hierarchical structures.

The comparative analyses of number of researchers contain sufficient arguments on the grounds of which it can be summarized that the new public management is a contemporary basis for various alternatives to the changes – both to the philosophy of public management, and to the model and organization of administrative transformations, and the administrative culture of public administration. Yet in order to apply the approaches and methods of public management, administration managers will need the introduction of substantial corrections to the organization and management of public enterprises. Simultaneously, the need of transforming the bureaucratically organized public establishments demands a change to the organization and style of performance of administration managers, who should increasingly perform as “public managers”, and also changes to the culture, style and mentality of the employees within the public organizations.

*It can be concluded on the grounds of that that a marked feature of the new public management nowadays is*

*the requirement of a complete change within the organization, management and culture of public institutions in order to turn them into more flexible, responsible and effectively operating units. In that logical relation it is necessary to detail the analysis at basic management alternatives level, based on the concept of “new public management”, in order to look for the most suitable one in each of them, in view of formulating the approaches and means of institutional transformation of public management and administration. Here, that does not concern just the mechanical introduction of standard models from the private business sector but involves the selection of a new types of management approaches and instruments complied with the mentality, level of competence, management traditions and culture, etc., of the public authority bodies and their administrations. In all cases though, the principal requirement is to have the administrative management – as a result of the transformation – turned by all means into much more effective and efficient as regards public interest, and be also citizen-friendly, and consistently provide flexible balance of interests of the state and of the civil society.*

The synthesized information provides grounds to derive several *basic alternatives for public management transformation*, namely implementation of systems for market management, flexible management and de-regulated management in public organizations:

- “*Market management*” alternative. Here, the issue is in what way the implementation of this model as a standard for effective social distribution of public goods and public services affects the role of state bureaucracy, which practically means balanced combination of public and market methods of administration. Certainly, it has to be considered that some of the public goods and services cannot, due to their nature, be distributed by the market principle because they are characterized as commonly usable and with equal access (e.g. defense of the external country borders). That alternative suggests also the necessity of structural changes – creation of a new position of “Public manager” in view of the opportunity for realization of market activities in circumstances of increased administrative environment competitiveness.

- “*Flexible management*” alternative. This involves availability of fewer units, via the application of program management (budgeting by programs instead of budgeting by ministries);

- “*De-regulated management*” alternative. This reflects the need to have fewer internal rules influencing the already solidified models and negative administrative practices;

The organization of the so suggested *administrative re-engineering* of public organizations should involve:

- defining of projects (policies) complete with timeframes and responsible persons, and not strategies;
- defining of the objectives of these projects;
- forming of teams for the projects;
- development of models of the projects;
- forming of re-engineering committee, including: responsible manager (for the defined project), project team (for the defined within the project processes), project coordinator;

- implementation of training of the team;
- providing of the necessary premises (provisions);
- experimenting;
- implementing the projects in the administrative practice.

In its implementation, *administrative re-engineering* should include the following elements:

1) *Managerism*, where one achieves optimal management of human, material and financial resources, from the viewpoint of society;

2) *Agencification*, where administration is divided into administratively serving (spending) and resource collecting (revenue-collecting);

3) *Competition* via implementation of specific instruments:

- External competition (European practice), where control is exercised on the part of the revenue-collecting administrative structures (tax officers) by certain persons - agents (against consideration based on percentage participation), representing the availability of two tracks: private, plus monitoring;

- Internal competition (German practice) setting of limits by sectors (departments) depending on the project needs and realization of structural policies (logistics of expenses), i.e. optimization of costs on administrative services.

4) Decentralization – as a manifestation of striving to bring administration closer to citizens, and participation of society in management.

There is the issue of realization of correct link between basic alternatives, and offering of basic instruments. That concerns complete balance at their application, without total denial of positive sides and effects achieved so far. The process of establishing of the operation of public administration on the basis of scientifically recognized instruments as described here above should be objective. *In that sense the main conclusion to be derived out of this paragraph is that it is necessary to totally exchange the administrative model and not just improve (modernize) it yet again.*

#### II.4. PROGRAM BUDGETING AS INSTRUMENT FOR BUSINESS MANAGEMENT IN PUBLIC ORGANIZATIONS

Administration is just an instrument in a policy and does not have independent objectives. It follows the objectives set forth within that policy.

Bulgarian administration is a functional administration (of functional type), organized on the basis of functions and on repeating activities defined in advance. That is the simplest manner of administrative performance because it is directed to the maintenance of existing abilities of the employees, and not development of new abilities, i.e. policies cannot be improved, which is due to the lack of back-feeding. In this case, there is performance of employees by law and not in accordance with a specific

policy, and so the labor of public employees is not rationally utilized. This approach of functional model has been long abandoned in Europe while the attempts to revive functioning administration in Bulgaria, are still continuing.

In Bulgaria, there are no correctly structured administrative basic policies and there are only basic institutions (Ministries) on the grounds of which they are not incorporated in the public administration as an instrument for increasing of its capacity.

*The basic conclusion is that it is necessary to make a transition to program management, which includes taking of certain decisions on the part of the state body, validation, planning, organizing, personalization, coordination and control. Certainly, this is not a one-time process but a continuous one.*

Program management is an instrument for political management, where against each policy there will be a solution to an issue (public need). The specified conclusion of exchanging the model of public management is substantiated to a great degree also in view of the current availability of global economic crisis. Program management is especially necessary in risk conditions. In that sense all approaches suggested here below are actually reforms to a new public management, in the availability of balanced link of need – political strategy – program – budget.

The policy for transformation of public management and administration should be perceived as a product of the political process on the grounds of which it is necessary to proceed to program managements instead of budgeting by ministries and of revival of functional administration.

*Program budgeting is an instrument for achieving of good management. In that sense, it is recommended to:*

- develop structures in accordance with the necessity to apply and realize certain policies (projects) and not “eternal;” structures (Ministries);

- guarantee the “inviolability” only and singularly within the framework of the project (implementation of the policy);

- apply the Japanese method of motivating the staff by additional remuneration based on length of service within the same administration (administrative project) as a token of loyalty to the administration.

The specific features of the suggested *alternatives for transformation* impose in turn the individual identification of a set of instruments:

- transition to process approach for application of administrative policies;

- innovation to the behavior of administrative employees;

- decreasing the number of hierarchical levels by means of combining of operations and/or simplifying (integration) of operations;

- operation of multidisciplinary teams – a project team with an assigned temleader;

- positioning of administrative processes by contractors and subcontractors, and also by place of execution;

- reducing the number of approvals, check-ups and control among the various units;

o combining of decentralized and centralized administrative processes.

In view of all these statements it can and should be surmised that it is necessary to optimize the number of staff and functionality of the organization-management structure of public organizations. In that sense it is suggested in short- and middle-term – year 2010-2011 (2012 – 2015) – to optimize the number of staff in two stages: stage one by the end of the year 2010 and stage two – by the end of 2012.

The new figures (suggestions) look like that:

1) Total reduction of staff – in number and scope, in accordance with the logistic schedule of costs and structure – functional analysis, which is to be undertaken independently by the administration managements, at the availability of lower threshold limits of remuneration to staff members, and to the budget of the relative projects (stages one and two).

2) Reduction to the number of senior staff at managing positions within the scope of stage three in number and scope, in accordance with the logistic schedule of costs and structure – functional analysis, which is to be undertaken independently by the administration managements (stage one), where at stage two it should be possible to remove the “doubling” positions of deputy-minister (deputy mayor).

3) Reduction to the number of directorates yet at stage one, through development of market-oriented staff structures (stage one).

4) Structural changes to the staff, which include transforming of vacated positions of deputy-ministers / (deputy mayors) to “public manager” positions within the structural (project) organization.

The common goal is easing and improving of administrative services to citizens and to the business.

The good *process of development of policies* should start with defining of strategic objectives and plans. It is imperative to re-define the strategic objectives of administrations at all levels, and have them publicly disclosed.

The process should also involve preparation and approval of written documents about policies and formal statements on the part of ministers, and have them presented in front of the National Assembly and the media (along with presentation on their websites) – i.e. popularization. The documents by policies should be provided with broad access at the ministries, in order to provide directives for the operation of the public organizations.

It should be noted here that privatization of public services is not suggested as a basic instrument on the grounds that the author does not consider that an effective method.

### III. CONCLUSION

In view of the stated here above it can be generally concluded that the effectiveness from operation of organizations within the public sector characterizes integrally the cost-effectiveness and use of budget costs incurred, which is reflected mainly in the current and future economic and social benefits to the society and its individuals. Consequently, there is an availability of objective contradiction between the demand for more and cheaper public services, and the bureaucracy managed on statutory grounds and in accordance with formal rules, the payment for which should not depend on the number, speed and price of provided services. For that exactly, the calls for change, innovation, flexibility, creativity and performance remain as good wishes because they are not accompanied by precise indicators for assessment of objectives and results from the reforms.

According to the author, management in the private sector as a whole does not instrumentally surpass management in the public sector but it is necessary nevertheless to create substantially new systems of state (public) management. So far, the administrative reforms undertaken in our country did not involve development and implementation of standards of serving the citizens regardless of existing regulations. In that sense it has been concluded that the state should interfere in order to remove the existing intrinsic public conflicts and pathologies.

The conclusions set forth assist the process of *identifying of the main trends in that field, and the key areas for progress*. The new thing at this point is making an attempt to define *the major priorities and support points for realization of the administrative transformation of public organizations in Bulgaria*. All conclusions set forth herein lead to the main conclusion that *a total transformation is needed (exchange of the paradigm – the model) of functioning of the public administration in our country*. It should be noted in that sense that public administration in Bulgaria is not so totally bad after all but there are some historic traditions, which are negative.

Implementation of radical changes substantiated on the new public management and public entrepreneurship should be expected to lead to changes regarding the role of the state and its “unloading” from unnecessary functions. The common purposes of reorganization of public management and administration are being implemented in a number of countries and involve these countries in a difficult process of changes to culture and viewpoints as regards institutional transformation ways.

Change is a difficult task for the public sector in which so far a certain culture has been developed, typical for organizations of bureaucratic type and substantiating behavior of the protective type. That is valid to a great extent for most organizations within the public sector in the country. Can this be achieved by traditional structures and management style? Obviously not. Urgent measures are needed, and new management paradigms, in line with the changes already occurred in the environment.

In order to have the approaches and techniques of public management applied in practice on the part of administrative managers, it is necessary to make substantial corrections to the organization and management of public establishments. Simultaneously, the need to transform the bureaucratically developed public establishments imposes changes to the organization and performance style of administrative managers, who should increasingly perform as “public managers”, and also changes to the culture, style and mentality of persons employed at public organizations.

On these grounds it can be concluded that a distinctive feature to the new public management of today is the requirement of complete change to the organization, management and culture of public institutions in order to have them turned into more flexible, responsible and effectively operating units. It is necessary to exchange the administrative model, and not just yet again improve (modernize) it.

Within the scope of the suggested concept of new public management definitions should be provided and place should be allotted to specific standards of public goods, at different levels. The newly elected government should present their specific viewpoint regarding standards for serving of citizens, and it is necessary on the other hand, to structure public policies, like number and structural hierarchy. Based on that, statements should be presented as regards specific projects, define the budgets for such projects, and also specific strategies for their realization at national and municipal level (like structural policies). Ultimately, the specific and rational model for realization of policies should be popularized.

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