



ENHANCING GOVERNMENT'S PUBLIC INSTITUTION CAPACITY AND COMPETITIVENESS BY GOVERNANCE IN PARTNERSHIP

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Abstract *Paper deals with issues regarding how is possible increasing the capacity and competitiveness of the government's public institution by governance in public-private partnership. The research topic falls in neo Weberian state modernization increasing the share of participatory democracy. The main question which leads the investigation is how should be possible to reduce bureaucracy and increase efficiency and effectiveness of government's public institutions using knowledge learned by management logic and instruments. It is well known that the legal entity of government's public institution complies national regulatory of public administration and its leader is appointed by political power. In the same way, the public administration reform's main direction is going to public management. In this sense, paper examines theoretical considerations at two science areas as the public administration and science of management. In this respect, paper expects by public private partnership inside of governance as managerial instrument to enhance the government's public institution capacity by enlarging it with the organization potential taken in governance and its competitiveness by co-evolution with it. In the correspondence principle taking into account theoretical considerations in field of sub national governance, paper presents the stages of development of governance in public private partnership for a government's public institution in an original concept.*

Key words:

Governance,
partnership,
capacity,
competitiveness,
government's public
institution

JEL Codes:

H1, M00

1. Introduction

Paper's contribution to enhance government's public institution capacity and competitiveness is based on management theory and practice. In the correspondence principle with the knowledge provided by theory of management, this paper sustains that the competitiveness of business organization is a result of management. From this point of view, the business organization competitiveness means *flexibility, adaptability*, considered as functional aspects of its competitiveness and better *quality of products and services delivered* meaning this its competitiveness by results.

In order to consider public institution competitiveness summing functional competitiveness and competitiveness of results obtained by increasing quality of products and services delivered (Serbanescu, S. *et al*, 2013), governance in partnership should be an efficient "vehicle" for transfer best practice from partners taken inside of partnership through the phenomena known as "co-evolution".

From the point of view of political science, the proposal and conclusions of this paper need the

support of redistribution of political power through public-private partnership that ensures the participation of society expertise to increase administrative capacity and competitiveness of the public institution and provides information on the axis from the bottom up. By present, the public institution gains advantages in public administration through corporate governance and partially by procedural efficiency validated through performance management tools inside of public management.

Paper is a theoretically research using documentary analysis method mainly of public administration literature, of political sciences, but in the same way of management science, using various tools as synthesis, comparison. Paper partially achieves descriptive aspects and has conclusive character coming to the help of management decision makers of government's public institution, showing methods and management tools necessary to ensure procedural efficiency-oriented management and a way of knowledge transfer.

Interpretive epistemological issues presented in this paper lead to a deeper understanding of some aspects of fundamental values of the phenomena of governance in partnership, hardly quantifiable, under which it is

conceivable formal knowledge transfer in the institutional environment.

Based on knowledge learned by transversal analyses of literature and on own expertise of author paper formulates plan of implementation of governance in partnership at public institution. These aspects are exploratory in nature designing objectives, activities for starting project of governance in partnership of a public institution.

2. Implementation barriers of governance in partnership at public institution

At the public institution, the application of modern management models depends primarily on the political leadership capacity limits. According to Dunn (1998) “scientific knowledge is ignored in favor of practical knowledge”, because of politicians, which often has no preparation or availability understanding of scientific documents. In specific cases, it can be seen positive cooperation between science, politics and participation policies, solving problems by consensus. Such problems are related to environmental protection, which “translates politics into science,” (Dunn. W, Hisschenmoller, M. 1998). Scientific instruments for analysis were taken from the private sector management. The political analyzes have become important tools for informing power.

Public administration theory criticizes some managerial independence of the public management, considering that this diminishes the political decision-making power and contrary to the principle of representative democracy in whose name the political management appointed at “public institution does not meet democratic legitimacy” (Lynn, L. 2004).

Literature of public administration considers “important changes” in public institutions are taken by the political leaders as a kind of *redistribution of power* through public managers trying to maintain actually situation without design perspectives of development. Theoretically, “post bureaucratic paradigm considers valuable public argumentation and deliberation of public manager, creating a high mission and strategic planning implementation, commitment to quality, investing in human resources *but not without political opinion*” (Barzelay, M. 1992). Management of public institutions remains so between two related traditions, namely, *political and administration*.

Even so, the new public management in Europe targeted the transformation of state structures in a neo Weberian form through the modernization of political power and public administration structure. Pollit (1997) found that neo Weberian state is conservative by supporting national character and government transformation. In general, the literature considers that

neo Weberian state supports less change in the structure of political power as such maintain capitalism, or even aggressive global capitalism, “the administrative elites are influenced to weaken the command and control system of bureaucracy” (Lynn, L. 2008).

The general picture described makes almost impossible conceptual transfer of complex management from business organization to public institution. But the partnership with private entities inside of governance should be a useful managerial instrument to use *knowledge* from management practice and to influence the decision makers *thinking* and *logic* by sticking expertise.

Paper emphasizes too some theoretical barriers in public management practice limited by theoretical concepts of *political sciences*, where the managerial authority is appointed by political power in the name of *democratic legitimacy and legality*. In his capacity of exercising leadership at the public institution do not like redistribution of power, maintaining its political leadership just by administration this entity (Manin, B.1987).

The theory of political sciences claims *representative democracy* instead *participative democracy*, political decisions against technocracy and intrusion of management science, knowledge and science at default state apparatus (Lynn, L. 2004).

3. Good practice of partnership

Against these general attitudes empirically examples tells ((Halligan 2012) about the good results obtained by the governance of public-private-partnership in taking decisions or about policy formation in consultation with specialized civil parties, but stressed the issue of maintaining accountability by the public institution to society.

On the other hand, the practice of partnership between state power and businesses are historical claims. Examination of state “pseudo governance” in partnerships between XV and XIX centuries, showed the existence of cooperation between some structures of power and the private sector to achieve common goals. So the principle is not an absolute novelty. Some studies also found historic partnerships core of change behavior of “power” representatives (Beinhocker, D.E. 2006; Warsh, D. 2010; Landes, S.D. 1998) and adopting mental model of vision and leadership from the practice of business organizations. We learned that these inflection points in the evolution of behavior were preceded by periods long enough that political power mental processes form a new vision for change and adoption of alternative models of leadership. These inflection points on historical behavior of governments

are results of "integration of knowledge" from society. In this respect, *knowledge transfer* from society to power structures has a long history and marks the sequential development of state structure, first of all, after changes the *mental model* of state leaders about leadership.

In this respect, the governance through public-private-partnership, proposed to increase the capacity of the public institution and increase its competitiveness is new just as a management tool used deliberately, indicating a different sense of initiative to participation. If historical partnership between business organizations and government was initiated by the private sector, by the modern state governance in partnership initiative belongs to political power offering the opportunity to private sector to participate in policy formation and uptake activities of public institutions. In this way should be effective the theoretical approach of future policies made "by public through public for public" (Reinecke, W. 1998).

Paper in accordance with those published by Roy (2006) based on empirically researches shown the interdependence between governance competitiveness and growth at macro economic level. In this general frame, paper sustains that if increasing the capacity of the public institution by governance in partnership is evident, its contribution to increasing the competitiveness of the public institution is implicit and difficult to discover. The partnership with private sector gives public sector knowledge and expertise through participation of private experts to policy formation and taking over executive activities, which can shape attitudes and behaviors of government's public institution to the concept of procedural efficiency. Informing decision makers by the bottom-up axis can contribute to the efficiency and effectiveness of public institution's results, what means *to do the right measure appropriate to the needs of economic sector and to take it with high efficiency*.

In this logic, the paper continues research of governance in partnership of government's public institution with the objective of better understanding problems and identifying managerial potential in it that can make an important contribution to enhance competitiveness of government's public institution.

4. Analytical logic of governance as management tool

The analysis of literature documenting the sub-national governance showed that, for the implementation of state governance in partnership, the main condition is functional rule of law; good quality of institutions and property rights is provided and respected by law (Kaufman S., 1987).

We learned from the practice of states with strong democracy that the implementation of state governance in partnership was possible as a manifestation of *participatory democracy* in a development stage. Given the possibility by the higher political culture of nation as a frame for modernization of state institutions, even so public private partnership with the government's public institution should occur a major change in the functioning of public institution. In paper opinion transaction costs should be reduced by agreement of all interest resources to make the change. In this sense it is a need to know real effects of governance for sustaining the changes.

Effects of state governance and partnership models are treated only partially in very few papers. In this situation not knowing precedent studies result, paper formulates opinion about governance contribution to competitiveness of government's public institution using some knowledge learned by Kaplan and Norton (2004) for economic organizations. Respecting the general conditions shown in formulating competitiveness strategy, paper makes the following remarks. *Competitiveness* is primarily perceived by increasing institutional *efficiency*, understood as the ratio between executive capacity increasing by governance in partnership on the same organizational structure, organization *effectiveness* by addressing the priority of the major problems of society, and increasing *flexibility* of public institution based on information obtained from stakeholders, through the information received by axis bottom up. Analytically governance in partnership can increase functional competitiveness of government's public institution and its competitiveness through results.

The paper argues that through partnership public institution earns knowledge necessary adapting mental model on management, increasing the likelihood of transfer of knowledge and managerial methods from business organization, growing the probability modeling institutional culture through synergy of parties.

In this logic, increasing competitiveness of government's public institution may be attested by the results of policy making activity and solving society's problems. These qualitative results are hardly quantifiable and create effects in time. According to the present paper, the governance in partnership can improve the competitiveness of at least four aspects of government institution, namely:

- increase *stakeholder satisfaction* through direct products and services provided which are based on information obtained through the axis of bottom-up and include needs of society;
- increase management *efficiency* and problem-solving in institution portfolio by *increasing* the

administrative capacity of the public institution and *performance management* orientation towards procedural efficiency, *decreases the cost* by outsourcing,

- increase the *effectiveness* of products and services developed by prioritizing policies which have maximum utility in business,
- assure the *capture of external knowledge* and its *integration* into public institution through business intelligence as a result of co-evolution between the participants and the environment with capabilities that reacts.

5. Possible effects of governance at macro level

Effects of governance in partnership on internal procedures and internal institutional environment are perceived difficulty outside of it. For the discovery of changes in the inner workings of the institution, paper focused on identifying and reviewing literature that connects procedural performance with public institution's governance. It is theory of sustainable governance developed by Bertelsman Stiftung Foundation (2011) which equivalent good governance with *policy performance* and with improving the *quality of democracy*. The theory sustains that due to procedural performance are increasing the *executive capacity* and *executive responsibility*. In terms of participatory democracy are assured access to all society actors to formulate the best policies, theory considers increasing the *strategic capacity of the government and social groups* as *direct effects* of state governance in partnership.

The theory developed by Bertelsman Stiftung institutionalizes cooperation between public and businesses at procedural performance. In this respect, the authors argue that top-down approach of government in management can not be maintained through governance in partnership, possibly "governmental actors' changes that in a co-arrangement between hybrid structures that combine state institutions, businesses and society". In this way is solved the penetration of civil society expertise in *non hierarchical decisions* designed to manage society's problems.

Researching barriers to implementation of state governance in partnership theory finds interdependence between the implementation success and culture of *decentralization of state*. In high welfare states with robust democracies, it was found that the decentralized state uses easily and successfully the governance in partnership (Hirst, P. 2000).

Compared to these concepts, part of the public administration literature notes that in European young democracies at public institutions redistribution of

power is confused with the feeling to reduce the influence of political power both in policy and administration, less controls (Kristof, L. 2004). Maintaining power in order to keep command - reply type of leadership is regarded as a relic of the socialist system. It is possible due to access to power of people from old nomenclature of state party who keep the old type of leadership, or others who have not taken advantage of the power of the state party but want to exercise a similar power against those who were part of the old powers (Kristof L. 2004). Neither of the two types of leaders does not want redistribution of power obtained.

As a result, according to present paper, in democracies, the change of mentality on reducing the authority and *representative democracy* using driving patterns that ensure civil society participation in policy formation and implementation activities requires reconsideration of the concept of *participatory democracy* in favor of conceptual models and training leading results-oriented and procedural performance.

In conclusion, the practice of state governance in partnership requires *changes of mental paradigm on management*. It is needed both the change of attitude of political power and maturation of pro-active civil society, along with strengthening participatory democracy.

The literature in the field of governance, based on empirical findings in co-evolution of sub national governance and competitiveness of the nation in countries with strong democracy, interconnects some *effects* due to governance with increased *competitiveness of the nation* (Cuckovic, N. 2009). Published empirical relations not check for Romania. One explanation for this may be that the Romanian government has not turned into post public management in the stage of the accession to the EU and to date, no governance in partnership did become general practice in the state administration.

In this logic, implementation at government's public institution the governance in partnership in Romania can provide potential for increasing the competitiveness of the nation, also found empirical examples in the literature.

6. How to develop government's public institution governance in partnership

Stages of development of governance in partnership at government's public institution should be considered as a new strategic project. Above showed vision difficulties public institution's management on a new model of leadership and the need for self-belief about its usefulness, even besides partial redistribution

of power, but with important gain increased capacity and competitiveness of the administration.

In possession of strategic decision on the use of state governance in partnership at governmental public institution, the next steps for the integration of its activities include the *design* phase, *project implementation* and *performance evaluation*. These steps are presented in matrix form according to the objectives, activities and initiatives (Table 1) the model of governance developing is made by own conception of paper.

Stages of development of governance in partnership by government public institution are based on understanding *public interest* by this practice, which can be perceptible as *effects* of governance by stakeholders and internal functional effects, less visible organizational structure, such as management procedural performance or changes in pseudo institutional culture.

Table 1. Stages, objectives, activities and initiatives

Stages	Objectives	Activities	Initiatives
<i>Design:</i> Identifying potential participants and partners	Documentation on <i>legislation</i> : 1. White Book of Governance; 2. National law and sector profile; 3. Identifying <i>expertise</i> of business environment.	1. <i>Letter of intention</i> for public consultation in sector regulation; 2. Identifying <i>problems on axis bottom up</i> . 3. <i>Organizing meetings with targeted groups which should be representative for the economic sector</i>	1. Initiatives for ask to formulate opinion, 2. Initiatives for form working groups, 3. Initiative for governance in partnership.
<i>Implementation</i> Preparation of implementation of governance in partnership	Introducing governance in public institution management: 1. As public audit ; 2. Governance in partnership.	1. Identifying potential partners; 2. Identifying <i>executive capacity</i> of partners; 3. Identifying financial resources of partners.	1. Elaboration of partnership protocol, 2. Elaboration of functioning <i>regulation of governance in partnership</i> .
<i>Evaluation</i> - ex ante - as objectives	<i>Impact of governance</i> for achievement of objectives. <i>Publication of results</i> .	<i>Public debate on results</i> . Conclusions for enhance performance	Evaluation of governance through external auditors.

Source: Elaborate in own concept

The Head of the decision implementation of governance in partnership, according to paper should probably focus on the gain from the use of performance management through partnership that provides the increase of capacity and competitiveness of the public institution. After understanding the benefits should be captured by the public institution, the leader of institution must initiate social dialogue with private partners to form communication culture (political and public) required for cooperation in partnership. During these meetings the public part should receive information direct from the private part, as knowledge about business environment, the behavioral pattern of thought and practice.

Steps of governance implementation shown in Table 1 follow the logic of strategic management. Stages begin by strategic design, which externalizes mental model of vision formulating project. The second phase includes implementing the project activities

developed in partnership when the functioning conditions are finalized, giving a distinct role and responsibility of the parties. Considering the state government in partnership transparent management procedure, its operation requires a public system for performance evaluation, as set out in Table 1.

7. Conclusions

Research findings on state governance in partnership in Romania, compared to the existing potential mentioned in theory support the adoption of these forms of management to government's public institutions in the common interest of the parties, but also in the interest of the nation. This form of management implementation requires no special legal regulation to that existing in the field.

Currently, the issue of public private partnership in Romania is regulated by Law 178/2010 on concession both objectives and fully functioning private financing

and expertise through entity specialization (associations or foundations) in one area and recognized by the General Secretariat of the Government. The main conditions of obtaining status of *public utility* needs specialized expertise and function at least 3 years old with positive results. The status is issued by Government Decision.

The Ministry of Finance of Romania (Petrescu, M. 2010) shows that public-private partnership is extraordinary reservoir for growth. The same document praises the European Commission's position in 2004 on the implementation of these forms of cooperation between state institutions and the private sector.

Under these conditions, according to paper, the major factor of state governance through partnership formation is management's decision of government's public institution to adopt the practice of governance in partnership. This can arise from self-driving conviction of government's public institution on the expected advantages and the formation of a new mental model of the administration by management. In this process, prevails understanding of the competitive advantages of the public institution acquired by the governance in partnership with *competitive results*: as satisfaction of stakeholders in policy development and performance strategies; administration efficiency; effectiveness of services developed and integration of the external knowledge captured.

In the same way *functional competitiveness* of public institution can be perceived through procedural performance-oriented management, modeling pseudo culture of institution by availability to change, and management costs by outsourcing business. The adoption of governance in partnership presented in *Table 1* can be a practical guide for implementing this form of management.

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