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Contents

Governments and Democracy

- Social Determinants and E-Disclosure: Empirical Evidence From Spain** 557
Benedetta Gesuele, Federico Alvino
- One-Stop Shops Reform in China as Sequencing: A Case of Chuzhou City** 564
Lisheng Dong, Zhiqin Shou, Tom Christensen, Martin Painter

Economics and Political Studies

- The Relationship Between High Education and Labor Market in Western Balkan Countries** 579
Snežana Dorđević
- Maastricht Treaty in the Shaping and Development of the Common Foreign and Security Policy (CFSP)** 596
Snezana Bardarova, Drasko Atanasoski, Zoran Temelkov, Oliver Filiposki, Aneta Stojanovsk

Management Issues and Innovation

- E-Documentation as Medical Services Quality Determinant on the Private Dentist's Surgery Example** 605
Joanna Rosak-Szyrocka
- Can Demographic Characteristics Influence Perception on Internal Control System?** 611
Mohamad Afzhan Khan Bin Mohamad Khalil, Anuar Bin Nawawi, Nurmazilah Dato' Mahzan
- Human Resources in Public Administration in the Czech Republic** 617
Libuše Měrtllová, Zdeňka Dostálová

Social Determinants and E-Disclosure: Empirical Evidence From Spain

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In the last few years, new communication tools have been changing the relationship between administration and citizens in order to enhance public accountability that is essential for government transparency. Public accountability and transparency on the web are topics that have attracted the interest of several scholars, who have begun to investigate the determinants of disclosure. The local government's websites have become the main channel for communication with stakeholders and the most important disclosure tools. This paper explores the use of websites by local governments; especially, its aim is to find out which social determinants predict the diffusion of e-disclosure in the public sector in light of agency theory and neo-institutional theory. In particular, the paper contributes to increasing the literature on the e-disclosure, moreover, the scoring system for the e-disclosure analysis in public local government is proposed. The analysis is carried out on a sample of local governments (LGs) in Spain during 2012.

Keywords: social determinants, e-disclosure, public communication

New communication tools have been changing the relationship between Public Administration (PA) and citizens in order to enhance the transparency, participation process, and accountability. Nowadays, the local government's websites have become the main channel for communication with stakeholders and the most important disclosure tools. This paper explores the use of websites by Spanish Local Governments (LGs), especially, its aim is to find out which social determinants predict the diffusion of e-disclosure in the public sector. The Spanish sample has been chosen because the Spanish LG is characterized by profound autonomy. The legislation, in Spain, about public communication is poor but, at the same time, the municipalities seem to be moving forward e-disclosure.

Public accountability and transparency on the web are topics that have attracted the interest of several scholars, who have begun to investigate the determinants of disclosure. In literature, the most commonly applied frameworks are agency theory and neo-institutional theory. Through these theoretical approaches, the paper analyses the e-disclosure determinants, proposing the scoring system for the e-disclosure analysis that considering different type of disclosing information by LGs, unlike majority other studies. Moreover, this study just chooses to explore the effects of social determinants on transparency via web by LGs. The structure of this

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paper is as follows: Section 2 introduces the literature review about e-disclosure in PA; Section 3 presents the research design; Section 4 describes the methodology applied and results of the analysis; finally, Section 5 discusses the results and the last section presents the conclusion and the future research prospective.

Literature Review

The disclosure via web (e-disclosure) by LGs has been the object of interest of many studies through two major theoretical backgrounds: agency theory and neo-institutional theory. The major studies speak that the demographic, economic, financial, and social variables can affect the disclosure in the LG. For example, Moon and Norris (2005) explored the effect of managerial innovation on the adoption of e-government in municipal government. Laswad, Fisher, and Oyelere (2005) examined, in Spanish municipalities, as political competition, size, leverage, wealth municipal, visibility through the press and the type of government were the variables associated with voluntary disclosure. In a similar way, Serrano-Cinca, Rueda-Tomas, and Portillo-Tarragona (2008) showed that size, political will and citizen's income level all affect public disclosure. Jorge, Moura e Sá, Pattaro, and Lourenço (2011) using institutional theory framework analysed socio-demographic, economic, and political factors that affect municipalities' transparency levels. Alvarez, Domínguez, and Sánchez (2010) analysed the effect of political factors on influencing the disclosure on the municipalities' webpage. The Gandia and Archidona (2008) study showed that disclosure levels depend on political competition, public media visibility, and the access to technology and educational levels of the citizens. Albalade (2010) explored the effects of economic, social, and institutional determinants of LG transparency in Spain.

Guillimòn, Bastida, and Benito (2011) contributed to increasing the literature on government transparency by analyzing the impact of political and socio-economic factors on financial transparency in light of agency theory and fiscal illusion theory. Lepore and Pisano (2012) explored the determinants of internet-based performance reporting (IPR) released by Italian sample, they analysed relationship between IPR and some economic and social determinants. Taipale (2013) explored the use of e-government services in a special way, the aim of his study was to discover which economic, social, and geographic factors can predict the use of e-government service in public sector. On the basis of previous literature, in this study, the author chooses to explore the effects of only social determinants on transparency via web by LGs.

Research Design

With the aim to explore the effects of social determinants on transparency via web by a sample of Spanish LG, in light of agency theory and neo-institutional theory, this study identifies several social determinants, as independent variables, and models one e-disclosure index (e-D Index) as dependent variable. The e-D Index is based on websites contents in order to measure municipalities' transparency level. The use of disclosure index to measure municipalities' transparency level has been developed in many previous studies (A. C. Garcia & G. Garcia, 2010; Serrano-Cinca et al., 2008; Laswad et al., 2005; Gandia & Archidona, 2008; Guillimon et al., 2011; Yu, 2010). In this study, the e-D Index is composed of three different areas of disclosure: institutional area that regarding information about civil servants, organization chart, and wages; management area that regarding information about administration, investee companies, and administration contact; financial and economic information, information about cash, financial-economic index, and disclosure reports. In other words, the index tries to take into account some different aspects which may be of interest to citizens.

The e-D Index is obtained by adding the items included in each of three sections (Formula 1). For every item is assigned a score that varies of 1 when this item was disclosed on the websites and a score of 0 otherwise. The final score assigned to each municipality varies from 0 to 12. Its average is 6.93, its minimum value is 1, and its maximum is 12.

Formula 1:

$$e - D\text{Index} = \sum_{i=1}^3 \text{Ist}_i + \sum_{i=1}^3 \text{Man}_i + \sum_{i=1}^6 \text{FinEc}_i \quad (1)$$

In the study, the author identified a group of social determinants which can be explored as: gender (Gen), metropolitan status (Met St), economic activity status (Ec Ac St), media interest (Media Int), Internet visibility (Int Vis), political polar (Pol Polar), and female (Fem).

Some studies present contradictory results about the effect of gender on the e-disclosure (Verba, Norman, & Joe, 1978; Albalade, 2010; Taipale, 2013). Numerous studies predicted that men are more active social and political role, for these reason, they are more interested in the information disseminated on the web. Therefore, it can hypothesize that: H1: There is a positive relationship between Gen and e-disclosure (e-D).

Many studies (Norris, 1984; Norris & Demeter, 1999; Reddick & Aikins, 2012) considered that the relationship between Met St and e-disclosure exists. The central idea is that the country governments tend to be larger in size than municipal government and so hypothesizes that: H2: There is a positive relationship between Met St and e-D.

The literature suggests that there is a relation between disclosure in public entity and citizens' economic status based. The central idea is that in the highly industrialized country, people have higher economic status based, so they have more access to new technology (Yu, 2010; Albalade, 2010). H3: There is a positive relationship between Ec Ac St and e-D.

The use of newspapers, television, or media in general can influence the agency relationship between voters and politicians (Lepore & Pisano, 2012; Lim & McKinnon, 2003; Zimmerman, 1977; Verba & Norman, 1972). The media can be used by politicians to provide information to citizens regarding their activities (Lim & McKinnon, 2003), reducing the information asymmetry with voters. However, media have usually their own interests which could not coincide with those of citizens and politicians; as a consequence, they could decide to publish exclusively information about gossips, fraud, and corruption in order to increase their diffusion (A. C. García & G. García, 2010). As a consequence, local authorities could decide not to disclose information through internet in order to avoid using such information in inappropriate and opportunistic way by media (Laswad et al., 2005; A. C. García & G. García, 2010). In this research, it has measured the media interest perceived by each municipality and the following hypothesis is: H4: There is a positive relationship between media interest and e-D.

Previous studies show that internet visibility is a critical factor of disclosure in affording to the agency relationship between voters and politicians (Laswad et al., 2005; Lepore & Pisano, 2012; Lim & McKinnon, 2003; Zimmerman, 1977). These studies obtained mixed conclusions. In some researches, the information disclosed via web is not focused on local government authorities' performances usually due to gossips and fraud; differently other studies consider that more visibility on the web promotes the municipalities to disclose more information. In the present study, internet visibility is considered a relevant aspect in e-disclosure because the municipalities which larger use of internet are subjected to larger stress by internet users. For this reason, they are more inclined

to use their webpage to disclose information. On these bases, the author hypothesizes that: H5: There is a positive relationship between internet visibility and e-D.

The politicians are able to influence some aspects of administration culture as e-disclosure. In literature, in general, politicians are not encouraged to adopt the most transparent practices (Alvarez et al., 2010; Guillimon et al., 2011), even if several studies show that the different political ideology may support a different e-disclosure style, for example, the major party political style can affect e-disclosure municipalities (Alvarez et al., 2010). The following hypothesis is: H6: There is a positive relationship between political polar and e-D.

In previous literature, the major gender as a key variable that able to influence the disclosure on municipalities' webpage. The scholars support that there is unequal social and, in special way, political participation between men and women (Guillimon et al., 2011; Verba et al., 2004; Anderson, 1975). Nowadays, the improvement of general social condition and the several initiatives for reducing the gender different, have changed this situation, on the basis of these consideration, the following hypothesis is formulated: H7: There is a negative relationship between female and e-D.

Methodology

This section introduces the information about the sample, data collection, analysis, and results.

The sample under investigation is a set of Spanish LG higher than 50,000 habitants during 2012. The sample is composed of 145 municipalities. The total of sample population is 52,093,704 and the minimum and maximum correspond about 50,098 and $3.2133e + 006$. The average of income per capita is 15,094 and the minimum and maximum are 10,173 and 27,004. The data were gathered from Spanish National Statistics Institute (NSIs).

Following the social determinants are described. Gender is the number of men over the total local population. The data are collected from NSIs (Albalate, 2010; Moon & Norris, 2005). Metropolitan status is related to type of government. In this study, it is considered as a dummy variable. Its value is 1 when the city under investigation is country government, otherwise its value is 0 when the city under investigation is municipal government (Norris, 1894; Holden, Norris, & Fletcher, 2003; Moon & Norris, 2005; Albalate, 2010). Economic activity status is the value of economic activity per capita. It draws on the NSIs database (Albalate, 2010). Media Int and Int Vis are data collected by google. Media Int may be descriptive factors to regard the interest of media about municipalities. In this study, it is a dummy variable. Its value is 1 when there is presence of municipalities' news on google, otherwise its value is 0 (there is absence of municipalities news on google) during 2012.

Int Vis is considered as the popularity of webpage; it is measured by number (Laswad et al., 2005; Lepore & Pisano, 2012; Lim & McKinnon, 2003; Zimmerman, 1977). It is collected from google. Pol Polar is considered as political ideology of municipal ruling parties. In Spain, there are two main national political parties, for this reason, the Pol Polar is considered as dummy, and it assumes value 1 when the ruling part is the popular party (right) and value 0 when the ruling party is socialist party (left) (Alvarez et al., 2010; Guillimon et al., 2011). The Pol Polar data are collected by municipalities' webpage. Fem is considered as the mayor gender, and this date is collected from municipalities' websites. It is a dummy variable, its value is when mayor is woman and value 0 when mayor is men. The descriptive statistics on independent variable are described in the following table (see Table 1).

Table 1

Descriptive Statistics Independent Variables

	Average	Median	S. Dev	Min	Max
Gen	4.01987	0.506	42.3137	0.46575	510.03
Met St	0.26897	0	0.44496	0	1
Ec Ac St	0.16	0.07	0.33	0	5.33
Media Int	0.77	1	0.54	0	1
Int Vis	43.22	42	0.23	3	209
Pol Polar	0.77	1	0.54	0	1
Fem	0.77	1	0.54	0	1

Results

The following table shows that there is not a strong correlation among the independent variables (see Table 2).

Table 2

Correlation

Gen	Met St	Ec Ac St	Media Int	Int Vis	Pol Polar	Fem	
1	0.1373	0.9128	0.0343	0.0767	0.0453	-0.0426	Gen
	1	0.3067	-0.1481	0.5478	0.1438	-0.0794	Met St
		1	-0.0613	0.0808	0.0701	-0.0483	Ec Ac St
			1	0.0719	-0.1299	-0.3703	Media Int
				1	0.1456	-0.0942	Int Vis
					1	0.0742	Pol Polar
						1	

Considering strong correlation absence, the author tests the hypotheses on the sample under investigation through the following OLS regression model:

$$e - D = \alpha + \beta_1 \text{Gen} + \beta_2 \text{Met St} + \beta_3 \text{Ec Ac St} + \beta_4 \text{Media Int} + \beta_5 \text{Int Vis} + \beta_6 \text{Pol Polar} + \beta_7 \text{Fem} \quad (2)$$

where:

Gen: gender; Met St: metropolitan status; Ec Ac St: economic activity status; Media Int: media interest; Int Vis: internet visibility; Pol Polar: political polar; Fem: female.

Table 3 shows the findings from the OLS regression model. The relation among Gen, Met St, Ec Ac St, Media Int, Int Vis, and e-D is supported. The relation among financial Pol Polar, Fem, and e-D is not supported.

Table 3

OLS Regression Model

				T		
	Sign	Coefficient	Error Std.	Statistics	P-value	
Const		3.8631	1.03699	3.7253	0.00028	***
Gen	+	0.0303003	0.0171809	1.7636	0.08003	*
Met St	+	2.56065	0.840977	3.0449	0.00279	***
Ec Ac St	+	3.98804	1.6063	-2.4828	0.01424	**
Media Int	+	1.79192	0.843495	2.1244	0.03543	**
Int Vis	+	0.0222375	0.00682277	3.2593	0.00141	***
Pol Polar	+	0.610707	0.639943	0.9543	0.34161	
Fem	-	-0.352457	0.706066	-0.4992	0.61845	

Table 3 to be continued

Observation	145		
R2:			
0.315100			
R2 adjusted:	0.280105		
Statistical significance	1% (***)	5% (**)	10% (*)

Notes. ***: error < 1%; **: error < 5%; *: error < 10%.

Conclusion and Future Research Prospective

The aim of this research is to explore the effects of social determinants on transparency via web in a sample of Spanish LG in light of two theoretical frameworks: agency theory and neo-institutional theory. The analysis results show that the hypotheses supported are: H1, H2, H3, H4, and H5.

Gender (H1) positively affects e-disclosure (p-value = 0.08003) according to neo-institutional theory framework. Literature frequently considers gender as a determinant of e-disclosure, according to previous studies, men are more active in social and political activities (Albalate, 2010; Moon & Norris, 2005). They are more politically or leadership engaged. About this last assumption, the author highlights that these results may change in the near future. H2 is statistically significant (p-value = 0.00279). Literature suggests that there is the relation between disclosure in public entity and metropolitan status. The central idea is that the country governments tend to be larger in size than municipal governments and, according to agency theory, the larger the local entities are, the more information is issued (Yu, 2010; Albalate, 2010). Economic activity status (H3) positively affects e-Disclosure (p-value = 0.01424). The central idea is that people have higher economic status have more access to information communication technology (Yu, 2010). Moreover, the politicians have an incentive to improve the economic conditions of the country, and as a consequence, they show this improvement to stakeholders. H4 (media interest) is supported (p-value = 0.03543). H5 is supported (p-value = 0.08538), the use of media, like that of newspapers or television, has an important role in influencing the agency relationship between voters and politicians (Lepore & Pisano, 2012; Ingram, 1984; Zimmerman, 1977). For example, politicians can use media to provide information to citizens concerning their activities (Ingram, 1984), reducing the information asymmetry with voters. Also H5 (internet visibility) is supported. The fundamental consideration is that the municipalities which larger use of internet is subjected to larger stress from internet users (Laswad et al., 2005; Yu, 2010; Ingram, 1984; Lim & McKinnon, 2003).

In order to improve this analysis, the author is collecting data about educational citizens' level. In fact, as previous studies showed, educational citizens' level is an important determinant of e-disclosure.

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One-Stop Shops Reform in China as Sequencing: A Case of Chuzhou City

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The paper describes the action trajectory and the value concept of e-government service innovation in Chuzhou City, Anhui Province during 2006-2012. The background, value orientation, innovation, and reconstruction results as well as implementation strategy of the sequence of four rounds of reorganizing a one-stop shop structure are analyzed. From the perspective of overall efficiency of government services, some recommendations are put forward to break fragmented services of local government. At the level of central government, ideas and future directions have been discussed. In this respect, the Chuzhou City Government has been a pace-setter. Last year, it launched a new round of government reorganization. The aims are to realize every ordinary matter by applying one examination and approval and one review exercise; further increase the rate of on-spot handling; and try to ensure that for every complex matter, the three steps of reception, examination, and approval procedure should be completed in five days.

Keywords: government service delivery, one-stop shop, administrative service center, administrative approval system, e-government

The first “one-stop” administrative examination and approval center was introduced in China in 1999. By the end of 2011, 31 provinces (or autonomous regions and municipalities directly administered by the central government) had set up 2,912 “one-stop” administrative service centers. Of these, 10 were provincial centers, 368 were city centers, and 2,534 were county centers. In addition, 30,337 towns or townships had set up so-called residents’ service centers.

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Initially, these centers were not set up top-down. Rather they were an innovation of the local government in the process of administrative reform. There were no relevant national laws or regulations. The centers in different places differed in the nature of administrative set-ups, functions, and jurisdictions. Some were dispatched offices of government departments; some were temporary agencies; and some were service rather than administrative units. A limited number of items were given to the centers for examination and approval while the majority of items remained handled by respective government departments, meaning divided functions and accountability. Some centers were merely reception or relay rooms of applications for administrative approval. But some centers housed officials representing most government departments and handled most items of administrative examination and approval, thus becoming the only entity of the given level of government performing administrative examination and approval functions.

Chuzhou City Government was the first in Anhui Province and among the first in China in experimenting on consolidating administrative examination and approval functions in one center or “one-stop shop” and has been in a leading position in innovating the administrative service of local governments. Since 2004, the city government has relied on the City Administrative Service Center to implement the reform that concentrates all administrative examination and approval functions onto one section of each department and locates all such sections at the center. From the point of view of the center, all administrative examination and approval items and public service items should flow through the center, which should be authorized to carry out these functions.

During 2006-2012, in order to promote the construction of “the big city” and optimize the environment of economic and social development, the Government of Chuzhou followed a “two-wheel driven strategy”, i.e., “synchronization between electronic administrative services and the reform of administrative approval system”, and carried out four rounds of government reorganization. The rate of cases handled by the “one-stop service center” has been increased from 53% in 2005 to 93% in 2012; the average case handling time has been cut from 16 days in 2003 to four days. Before the reform, 3,603 pre-conditions had to be met before the cases could enter the service center. The reform removed 515, or 14%. The Chuzhou Government has achieved the reform targets of “reducing pre-conditions by 10%” and established “four-one” service centre (one window receives applications, one-stop approval, one handling process, and one window receives fees) and standardized service processes.

We will focus on the following research questions:

- (1) What are some of the main features of the different phases or sequences of the reform process concerning organizing and improving the working of the one-stop shops?
- (2) What is typical of the content of the reform sequences and their effects?
- (3) How can we understand the reform process based from an instrumental structural perspective and the main features of the reform waves of new public management (NPM) and post-NPM?

Through analyzing Chuzhou’s reform of administrative approval system and the innovative practice of the government reorganization and reform, this paper will present the background of institutional innovation, analyze the ideas and strategies behind the reorganization, discuss the ways and means of technological innovation, and explore the thinking behind the reform.

Theoretical Basis

Government reform or reorganization deals with the redesign of organizational structures to improve

efficiency, speed, and quality of services, i.e., in this case different reform or redesign sequences of the governmental service structures and the gradual improvement of the one-stop-shop type of organization. Structural redesign can best be understood from an instrumental structural theory taken from organization theory (Egeberg, 2012; March & Olsen, 1983). According to Simon (1957), the formal structure of an organization, in this case, a governmental service structure will channel the thoughts and actions of the members. So changing goals and policy will lead to redesign of the structure to fulfill the goals through changing practice.

Governmental redesign can use a combination of two dimensions (Gulick, 1937). “Vertical specialization” says something about the division of power or influence in a hierarchy. Leaders will overall have most power on top of the organization and have heavy coordination tasks, while mid-level leaders will control and coordinate less, but have important tasks as go-betweens between top and bottom in the organization. Executive officers will have limited influence and more specific tasks, for example, related to service provision. A vertically integrated structure is often described as a “flatter” structure, with fewer levels. One-stop shops ideally require such a flat structure in order that key work processes can be undertaken and completed close to the client interface. “Horizontal specialization” deals with how functions or tasks are divided and differentiated at each level, whether organized on the basis of purpose, process, clientele, or geography (Gulick, 1937). Essentially, a one-stop shop proposes prioritizing clientele and geographical principles of specialization over purpose or process. In some cases, process specialization may also be proposed, such as “receiving the dossier” or “filing the dossier”, but the actual work is passed on to horizontally specialized agencies. In an ideal one-stop shop, functions and tasks would be both integrated and decentralized so that the client can get on-the-spot responses and decisions to problems that cross functional boundaries and involve multiple processes, such as approvals for building developments that require different kinds of technical appraisal and require consideration of different engineering, environmental, and social concerns. However, given the varied technical and other complexities of many problems, the potential for functional integration is limited, meaning that the horizontal coordination process in a specialized structure becomes a highly critical feature for realizing the aims of a one-stop shop. Both vertical and horizontal specialization can be intra-organizational or inter-organizational (Egeberg, 2012).

Another aspect of organizational design is a physical structure, which may have both a technical and a symbolic side (Goodsell, 1977). Information and communication patterns will be influenced by the physical structure. The technical part, which we focus on, deals with whether governmental actors or functions/tasks are co-located or not, which can be related to whether they are in the same building or not (Egeberg, 2012). The symbolic part deals with what government would like to signal with the physical structure, for example, using authority or service symbols (Goodsell, 1977). Recently, a new dimension of physical structure has become vital for administrative processes, namely, the extent to which physical distance might be overcome by effective use of information and communication technologies (ICT). ICT networking seems to promise a new kind of structure. ICT in some visions promises both to diminish physical separation of administrative units and also to speed coordination (i.e., overcome both physical separation and horizontal specialization), but it is problematic that these outcomes are achievable solely through the use of ICT.

Table 1 shows how the formal and physical dimensions can be combined. The ideal one-stop shop or one-window coordinated governmental organization is one that integrates services formally and physically.

This means that for example, in a municipality with one city hall, the users go to one window only, whatever the service they are seeking and that the employees can help them with any services by using instrumentally the coordinated back-offices. In such a system, it will always be a question how much coordination or integration is needed and whether the structure is too complex.

Table 1

Combining Formal and Physical Structure in Governmental Organizations

		Formal structure	
		Integrated, low specialization	Divided, strong specialization
Physical structure	Integrated, co-located	One-stop shop, one-window, both formally and physically integrated, all work processes decentralized and integrated behind one door (one door, one key)	Physically integrated, but not formally—work processes internally fragmented both horizontally and vertically (one door, many keys)
	Divided	Formally integrated and decentralized but physically spread structure (one key, many doors)	Fragmented structure (many doors, many keys)

Another combination is that services are co-located but formally disaggregated. This means that there is one door (or window), but fragmentation behind the door (“one door, many keys”), which of course is simpler than fragmentation for the users, but more demanding than a fully integrated service. Examples can be that each specialized unit or service, like social or tax services, has one window in the same building in a locality where you can get anything sorted out. One variety of this integrated model is that each governmental unit allows a physical integration or co-location of one or more of their functions/tasks, while the others are kept separate. If the service they co-locate are the same, which would be an advantage for the users and better than if there are different tasks from different organizations co-located.

A third combination is merging or integrating one or more organizations formally but working through units that are physically disaggregated. This could mean a governmental organization at one level that has spread its units physically or a central organization with regional or local branches spread geographically. The fourth combination is the fragmented structure, both formally and physically.

The use of ICT in government organizations overall is meant to ease the interaction and information in and between organizations, but has also a dynamic and complex coupling to formal and physical structure. In the ideal one-window type of system, it could be an important precondition for the system to function. It could be even more crucial in a governmental organization where there is physical co-location but formal separation, i.e., the different organizations may have different ICT systems, but physical nearness can partly compensate for this feature. It becomes even more critical in a physically disaggregated structure or a completely disaggregated structure. To make it even more complicated, the organization of the ICT function itself could either be very specialized, following each unit, or rather broad, covering more units.

Recent reforms of all kinds have at the global level followed similar patterns under the influence of NPM and a succeeding “post-NPM” wave. How are these reform waves related to the dynamics of formal and physical specialization and coordination? NPM had from the start in the early 1980s a focus on organization redesign, building on a basis of neo-institutional economic theory and management theory (Boston, Martin, Pallot, & Walsh, 1996). The basic message was that a fragmented design would increase efficiency and make the roles of institutions and positions clearer with better accountability. Vertically, NPM focused on structural devolution, meaning strong vertical specialization with delegation of authority from the centre of government (Christensen & Lægreid, 2001). Horizontally, NPM stressed increased specialization in non-overlapping

functions or roles, including ownership, administrative, regulatory, policy developing, purchasing and providing services, etc. Taken together, this meant a very fragmented structure. NPM also had elements of physical fragmentation, like delegating authority and moving units and functions from the center to lower governmental levels. NPM focused ICT as an instrument for being more user-friendly also and often argued that ICT solution could compensate for formal and physical fragmentation.

Post-NPM is built on other organization design principles (Christensen & Lægheid, 2007). The basic idea is that coordination is better than fragmentation. Vertically, it decreased specialization, focused on more control of subordinate levels, units and leaders and favoured formal structural integration and increased central capacity and coordination. Horizontally, post-NPM stressed de-specialization and integration through mergers, cross-sectoral programmes and projects and so-called “super-networks” and “collaborative” arrangements to solve better “wicked issues” like poverty, environmental problems, immigration, and social and health concerns. Physical co-location was also part of the equation in some countries. Concerning ICT, it was often argued that coordinated, complex formal structures could use ICT as a compensatory measure to increase information flows and interaction.

One paradox with the two reform waves is that they both focus on efficiency, but with different structural instruments. NPM with structural fragmentation is argued to be the most efficient because of unambiguous functions and roles, fostering increased competence, but also proximity to clients. Post-NPM is seen as efficient because of integration and coordination with a view to saving resources, removing overlapping functions and making communication with users more coordinated and easy.

The idea of the one-stop shop originally arose in private business organizations in US in the 1920s and 1930s. In the 1970s and 1980s, it remerged in the public sector as service centers (Wettenhall & Kimber, 1996). In a newer version, it had a breakthrough with Centrelink in Australia in 1997, which applied a comprehensive model to coordinate a wide range of ministerial regional and local services (Halligan, 2008). It was later followed by many similar structures in other countries. Centrelink itself was integrated into Department of Human Services in 2011, a typical post-NPM move. One can say that the form of one-stop shop has elements of NPM in its service orientation, meaning focusing users and their interests through user participation, choice and surveys, but in service declarations and in focusing on performance management. But the basic idea of structural integration and coordination in one window is definitely related to post-NPM.

Context

The Historical Background

Around the year of 2000, some Chinese local governments set up “one-stop” administrative service centers. The original purpose was to attract foreign investment through simplifying the regulations and procedures. In 2001, influenced by the international pressure of China’s accession to the WTO (World Trade Organization), the State Council launched the reform of the administrative approval system. Many local governments accelerated the establishment of “one-stop” centers, then took this as a major vehicle of administrative reform, mainly manifested as new operating modes taken within the current government structures, such as joint administrative approval among departments, handling official business by “one-stop” services and so on, as well as changes to government’s work styles and image by improving the efficiency of administrative services

In time, the broader aim of improving service delivery for the general public was stressed more prominently. In 2004, the central government adopted the concept of “service-oriented government” and promulgated and implemented the Administrative Licensing Law. This indicated the direction and provided a legal basis for the construction of administrative service centers and government process reengineering. The basic values and ideas of service-oriented government came from NPM and New Public Service movements in the West, which emphasized a transformation from “public rights-centered” to “public service-centered” administration, advocated the spirit of public service, enhanced the dignity and value of public service, laid emphasis on civil society and citizenship, and stressed dialogue and cooperative governance among government, community, and citizen. Since 2000, Liu Xirui and Zhang Kangzhi, two Chinese scholars, have put forward the concept of “service-oriented government”, receiving widespread attention from both academia and governments. In 2005, for the first time, reference was made to “a service-oriented government” in a Government Work Report (Wen, 2005), which was approved by the National People’s Congress (NPC) to become a state policy. In 2007, the report of the 17th Communist Party Congress stated clearly: “... accelerate the reform of administrative system, construct a service-oriented government” and promote the “super-department reform”. Thus, it provided an important guidance for administrative reform in China (Dong, Christensen, & Painter, 2010).

The essential characteristics of an administrative service center are structural adjustment of the power of institutions, mergers of functions, cutting back on overstaffed offices, improving service functions, and the transformation of government functions to achieve a one-stop service (Christensen, Dong, & Painter, 2008). It reflects two kinds of basic logics of China’s administrative reform. Firstly, the organizational logic emphasizes the improvement of organizational efficiency and the optimization of structure, and its deeper meaning is the reduction of administrative functions. Secondly, the functional logic emphasizes the appropriate scope and boundaries of government administration and services, the rational relationships among governments, market, and society. Its deeper meaning is the decentralization of government powers, including shedding powers altogether to social units or economic entities.

However, without an overall redesign of the state administrative system as a whole, administrative service centers, at least in the early days, encountered many difficulties in the process of their operation and tended toward formalism—that is, some new forms appeared on the surface but most business carried on as usual. Some of these new forms were only partial versions of one-stop shops. Most administrative service centers set up around 2004 were transitional in nature—“administrative reception centers” rather than fully functional government service centers. The comprehensive government service center in one location was in principle the next step.

The Administrative Licensing Law of China (2004) provided a legal basis for the reform of the administrative examination and approval system and had significant reference value for the service items and work mechanisms of government service centers. It laid down a legal foundation for further innovation and development.

Features of the Initial Stage in Chuzhou

The Chuzhou City Administrative Service Center was formally established in December 2001. In the first three years, the aims of the center were to be more user-friendly overall, improve the efficiency of approval, and build a “clean government”. It tried hard to make project approval more open and better organized, and to

improve the service quality and service performance level, primarily by placing more service items into the center and constantly strengthen its service capacity. All administrative departments were required to transfer suitable items to the center with 172 items designated to be moved to the center at first. By the end of 2004, the items handled by the center reached 95.

With the emphasis on improving the efficiency of their one window service, the center accelerated the approval process by shortening the workflow, reducing the steps of approval, and empowering the window. Key achievements included: firstly, consolidating internal functions through setting up a specialized office in the center. The Chuzhou Public Security Bureau, for example, set up the Administrative Approval Office there, centralizing and coordinating its approval function, implying a post-NPM integration and physical reallocation. A second achievement was to shorten case handling time by accelerating the pace of work. In three years, the 14 service windows at the center reduced the promised time for handling cases. A third outcome was to simplify the registration of new enterprises through coordination of all departments concerned. The Chuzhou Industrial and Commercial Bureau implemented the method that “the bureau receives the applications and informs other relevant bureaus, all bureaus concerned simultaneously examine and approve the applications within the specified period of time”. The previous separate steps of “reception, preliminary examination, review, and approval” were integrated into “one review and one approval”. As a result, the time span of new business registration was shortened.

The service center also took measures to inform clients of the progress of handling the applications: printing and making available forms, touch-screen terminal system for queries, telephone enquiry and a person on duty answering questions on the spot. The center also made public the service items, procedures, deadlines, required application materials, fee charge standards, and regulation stipulations. The e-government infrastructure and facilities were created, including intranet, tailor-made office software, and connection to internet. Many service windows steadily improved service, for instance, an appointment system for the clients with large numbers of cases. The center improved efficiency and quality of service by implementing operation and fee charge management systems, examining and assessment system of staff and the on-site service process. During this period of time, 274,000 approval items were handled by the center, of which 155,000 items or 57% were handled on the spot, 119,000 items were dealt with on schedule.

In the first three years of the center, it was still in the stage of exploration and development. The office space was insufficient and items under its jurisdiction were inadequate. Efficiency needed to be improved, there were cases of abuse of examination and approval power and after-hand supervision was deficient. The center’s e-government platform was weak in function and could not handle cases online and background processing standards were not uniform. The relationship between the proper departments and their windows at the center had also yet to be smoothed out, because the mother department often under-cut the function of the window service, reflecting tensions of physical reallocation.

Summing up, the initial period of the center represented an innovation in the way that the approval function from different departments was gathered physically together, but organized in parallel and not integrated. The potential improvements, therefore, seemed to be three, moving more of the examination and approval function inside each department away from head office to the service center, meaning more delegation, and integrating more the parallel widows in the center, while also moving overall more functions to the center.

Four Stages of Public Service Improvements in Chuzhou

The First Development Stage of Reform (2006-2007)

In 2006, the online service platform for administrative examination and approval was launched. In order to deal with the situation under which capital construction projects were burdened with too many steps, over-complicated procedures and too many categories of fee charges of administrative examination and approval, the center compiled and implemented the “one table system”, which uniformly collected 24 kinds of fees or taxes that used to be collected by 11 departments. In June 2007, a new reform programme of administrative examination and approval system was introduced that separated examination and approval from routine management and connected the responsibilities to power. The ultimate aim was a wholesale top-down redesign programme to make all administrative structures “flatter”. In order to achieve the success of the first official regulatory reform, the municipal government established a special leading group and designated a deputy mayor to coordinate the implementation of the programme. By the end of 2007, each of 26 departments (out of the total of 29) that moved into the center had set up an administrative examination and approval office, appointed directors, began to use the special stamps for this purpose, enlarged authorizations of the windows and augmented the e-government functions. So more participating departments joined the center and their activities became more coordinated. The center created an online examination and approval platform, which made available the service item directory, “one table system” and “six points of transparency”. It also standardized its window service and made more information available.

The Second Development Stage of Reform (2008-2009)

In 2008, Chuzhou City Government enforced the “three reductions” reform to achieve the “three-one” goals, that is, to reduce one fourth of project materials, to reduce one fifth of approval steps, and to cut by one-half of the commitment time of processing projects; and constructed “four platforms”, namely, the infrastructure projects joint approval platform, the “one table system” platform of enterprise registration, the “three-one” online approval platform which connects with three levels of service centers of the city, the counties, and the townships on the internet; and government information dissemination platform.

In 2009, the “three-one” goals were set to reduce at least 30% of administrative licensing for projects, to cut at least 30% of investment approval projects, and to shorten at least 30% of the time of administrative approval on the basis of existing commitment.

In that period, the Chuzhou City Government issued many government documents, such as the scheme of project process reengineering, the notice on “cleaning up” projects, the implementation measures of joint approval for infrastructure projects, the institutions of deepening “two concentrations in place, two arrangements in place” system with some supervision and inspection reports, the project fee charge methods and standards, and the applications of “one-table system”. Especially, for improving the one-stop service model, the construction and application of the joint examination and approval online platform for infrastructure projects supported the innovation of joint approval system, the formation of the horizontal collaborative service mechanism among government sections in the center. At the same time, a new “one-stop” e-government service platform was created, characterized by “customer orientation”, virtual team joint approval, and coordinated service. Table 2 shows the service performance change comparison between before and after the one-stop service innovation in the infrastructure project administrative approval procedures.

Table 2

Performance Variations as Evaluated Before and After the “One-Stop Service” Reform

The serial approval procedures of infrastructure projects		The joint approval procedures of infrastructure projects	
Items (Procedures)	Before the reform	Items(Procedures)	After the reform
Serial review of the virtual team from related departments	20 days	The joint administrative approval procedures of infrastructure projects	5 days
Serial review of project drawings by the virtual team from relevant departments	20 days	Joint review of project drawings by related departments	5-10 days
Serial acceptance of the project by the virtual team from relevant departments	90 days	Joint acceptance of the project by the virtual team from relevant departments	30 days
Relevant project documents issued respectively by Land Bureau & Real Estate Bureau	2-3 days	Project documents issued jointly by Land Bureau & Real Estate Bureau in the center	2-3 hours
Relevant project charges or fees are collected respectively by each relevant department	20 days	Project charges or fees collected jointly by a specialized agency in the center	7 days
Project registration	3 days	Project registration	2 hours

The Third Development Stage of Reform (2010-2011)

In 2010 at the time of the new round of government office reshuffles, the city government implemented the principle of “fixing functions, offices, and establishment quotas” and decided that wherever possible all administrative examination and approval functions in a given department should be concentrated on one office; this office should be located at the center and the director should work at the center. As a result, 29 departments out of 45 did so. Meantime, another measure taken at this stage was the establishment of office of joint administrative examination and approval that brings together several departments related to the approval of capital construction project, which potentially increased internal coordination at the center.

In addition, by resorting to the e-government service platform, the Chuzhou City Government developed and implemented the four standardized service system of “one registration form, one reception window, one consolidated fee collection, and one time delivery of approval” for the key sectors like establishment of enterprises and capital construction projects, key items such as fire prevention, environmental protection, prior examination like drawing verification and middleman service, and key links like testing and inspection. These measures alleviated the problems of too many prior examination items, too many fee charge items, and too many administrative fee charge items in the name of guarantee down-payment.

By 2011, all other administrative approval sections and workflow steps in Chuzhou had been transferred to the authorized office in the center, in order to resolve some prominent problems such as slow government document flows, the difficulties in verifying engineering drawings, the poor quality of intermediary services, etc. One hundred and thirty-six administrative examination and approval items were transferred to the center and the intermediate links of handling applications were moved to the back-office of departments. The measures included authorizing the windows, after hand approval, arranging the office hours of leaders for handling examination and approval cases, and online handling.

The Fourth Development Stage of Reform (2012-the Present)

The focus of the reform after 2012 was placed on “cleaning-up” the pre-conditions for accepting applications for administrative approval and consolidating jurisdictions over administrative approval by implementing “one authorized office in charge of approval, one authorized executive in charge of approval, and one designated stamp of approval”. Chuzhou Government called for more 10% reduction of pre-conditions, more than 20%

cases to be handled on the spot, and more than 30% rate of merging approval functions. Relying on the e-government service platform, Chuzhou Government Service Center also optimized some business processes.

Summing up the Development of the Reforms

In the first stage of reform, the strategy of electronic administrative service was formulated, and an intelligent platform of administrative approval service was deployed focusing on project specification, propelling “two centralization, two arrangements”, and constructing a vertical flat administrative system and “one-stop” service environment. In the second stage of reform, taking advantage of an efficiency campaign at the city level, the government focused on streamlining, optimizing the process of commitment items, and forming a mechanism of an improved service management system. In the third stage of reform, a “one-stop” virtual service mode and e-government platform of unified or joint examination and approval system was given priority, and a cross-sector collaboration service process was optimized; making use of the opportunities of main leaders’ visit to the center with an intention to remove obstacles for items on the way of entering the center. At the same time, against the background of complaints from enterprises about issues of delays, obstacles in blueprint review, and poor intermediate services, it attached importance to moving forward endorsement, adjusting institutional structure, and improving the service chain based on the “one-stop” e-government platform. In the fourth stage of reform, in response to the requirement of environment optimization by the municipal government, the pre-conditions of item approval were addressed accordingly and item service specification was further optimized.

The multi-rounds of reforms have some typical features with regard to formal and physical changes. First, more and more of the examination and approval functions were moved to the service center, meaning physically relocated. This meant also more and more delegation of authority from the departments to the “window” offices at the centers. Second, the center managed gradually to coordinate and integrate the window services more, by making them more formalized by law and more integrated through e-government measures, for example, an online one-stop service platform for construction projects’ joint approval. Third, e-government was used to increase transparency toward user and the public, through making available more information of the services.

Analysis

We now move on to analyze some of the features of the reform process, its content and emerging effects, based on the theoretical point of departure. Compared with an ideal integrated one-stop shop, as discussed in the theory section, two measures were particularly challenging: first, moving more functions to the center and second, integrating the functions more, instead of having mostly parallel window services. In sum, in a broad perspective the centre falls into the upper right corner of Table 1, i.e., physical co-location, but not fully formally integrated. This type of development has the advantage that parallel service windows might learn from each other, i.e., they are specialized in the same way and co-located. However, the disadvantage is that the service windows might struggle with their relationship to the mother department, i.e., not get enough autonomy to make speedy decisions.

Generally speaking, in the Administrative Service Center, there are four types of service projects: (1) projects to be approved on the spot; (2) projects to be approved within the promised time; (3) projects to be handled by more than one department; and (4) projects needing approval of higher authorities. “Instant”

projects can be handled by a business unit at once or they should be resolved within a working day in the center. In contrast to instant projects, “commitment” projects refer to those ones that cannot be coped with immediately or in a working day because of their relatively complex procedures and pre-processed conditions, and should be handled by the approval service section in the center according to the required conditions and legal provisions. “Joint” projects mean those ones that must be processed in a coordinated programme by some related authorities in the service center within a specified time. “Higher authorized” projects are accepted at the “one stop” reception through initial examination with recommendations of approval or rejection, a trial of an authorized office from a relevant back-department, as well as reviewed by the chief executive officer of the respective departments, and then transferred to the higher authorities for approval.

Usually, such a center has a higher proportion of instant projects and commitment projects than the other two types. If processing or handling conditions of commitment projects are not too complex, they can be turned into an instant project through reduction and optimization of their pre-conditions, process links, and processing time as well as clarifications of the submitted documents by the applicants. Therefore, the ratio of instant projects is a performance indicator of the direct reaction of administrative service center.

It can be seen from Figure 1 that the ratio of items immediately handled has changed over the years. It suggests at least at first glance that every round of reform and reorganization has substantially achieved a “one-stop” service performance by creating the conditions for many cases to be treated in a simplified and speedier manner.

The founding principles of the center, as discussed earlier, entail coordinating examination and approval in each department, a willingness to move this function to the center, then integrating and coordinating this function in the center, and meaning the centralization of the functions of administrative approvers. Overall, this implies delegation of authority from the departments to the center. Setting up the “one-stop” service center to provide a coordinated process service brings a new mechanism of administrative approval. At present, there are 45 departments in Chuzhou center (22 departments in 2005), the ratio of department entering the center is 80% (48% in 2001); the number of the administrative approval items can be handled in the center is 616, 93% of all approval items (53% in 2005). There are 29 single departments, and 16 cooperative departments.

Even though the reform rounds represent a move in the direction of a fully integrated one-stop shop, there is still a long way to go. The Chuzhou Center has created an operation system called “four-ones”, which are “one window to accept applications for approval, one-stop handling, one coordinated process service, and one window to charge fees”, so there are four parallel windows organized according to a process principle, meaning different aspects of the application and approval process. In the process of combining the result-oriented service with control of the service process, government gradually also embeds institutional arrangements such as administrative service quality standards, accountability, behavioral norms, and cooperative mechanisms, which are collaborated and deployed by government center and legal departments. Meanwhile, in the course of institutional planning and innovation, governments also meet the requirements of upstream authorities such as Anhui Province’s requirement of promoting local government service standard 2010, to promote the environment of e-governance service. Institutionalization and standardization are the basis of cooperative service, making the information transparent, and unifying the varied service rules. All these can improve the effectiveness of overall government service.

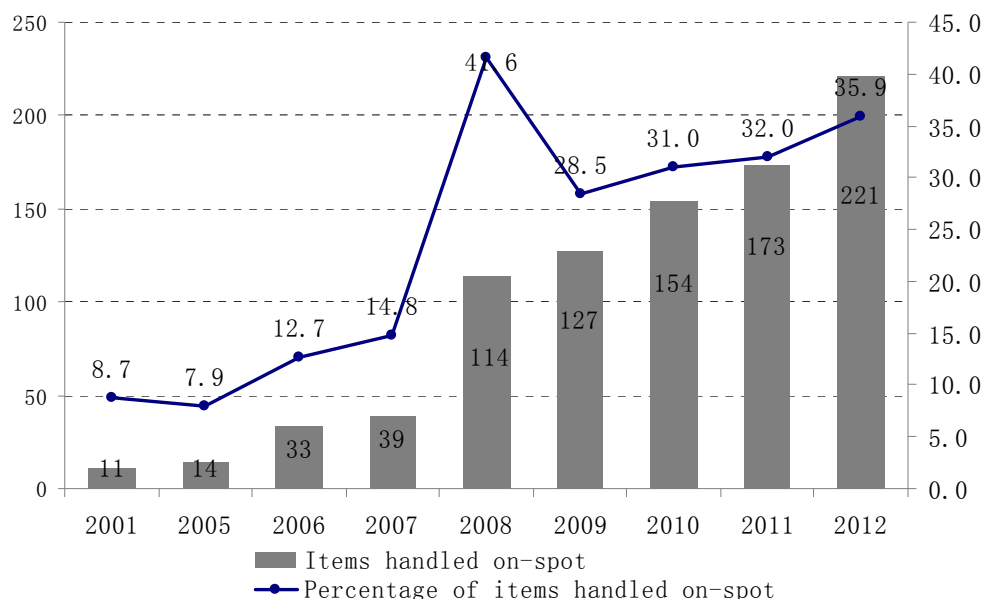


Figure 1. The share of matters handled immediately and ratio changes over the years in Chuzhou Center (%). Note. Items in 2008 do not include those coming from the provincial government.

In Chuzhou, the e-government service platform has become a core carrier of “one-stop” service. Decreasing hierarchy and increasing collaboration of equal departmental partners have participated in creating better infrastructure for the flow of inter-department information. This combines information technology with the government process reengineering, restructuring the information and service, and building the virtual platform and operative mode. Workflow management system via the e-government service platform and resource information catalogue system of government service resources play a supporting role in the optimization of the follow-up work and creating a collaborative structure. Workflow management system is not only the design of business process, technology tool of management and optimization, but also the supervision platform of tracking the business process. Government service resources embrace core software components which include database information such as service items, service process, service standard and service guide, service catalogue system, and the architecture of the front desk business service.

The Chuzhou Government leaders have been key drivers in promoting the reform of administrative approval system and e-government service. Their actions particularly since 2006 have been responses to social changes, international and national trend in government reforms, and public demands. From the perspective of strategic development of e-government services, and in line with the basic rule of “coordinated planning” and “taking fast but small strides”, Chuzhou Government has fully brainstormed the programme of every round of reconstruction before it got started, handling minor problems, conducting researches and initiating mobilizations, providing strong support and guarantee with corresponding policies and regulations.

Government process reengineering requires general support of the public and a high level of satisfaction from the service users. Therefore, before each round of reform, the Chuzhou Center has conducted in-depth research and drawn on advices and suggestions made by enterprises, general public, and all parties concerned. Based on this, existing problems have been discussed in depth to set aims and work out feasible work plans. Some items are difficult to be handled temporarily due to sluggish reform progress or insufficient conditions. In particular, the fifth reform strengthened its social foundations. It not only justified and legitimized its existence

but also paved the way for its implementation and outcome consolidation, and protected the public rights to know, to supervise and to participate as well.

Since 2006, Chuzhou Government has tried its best to rationalize the administrative approval items. There were 13,778 items being cleaned up in 393 government departments or agencies in Chuzhou, 3,844 of these items were rationalized by municipal department and 9,934 by eight counties and urban districts. Through rationalizing, Chuzhou has cancelled 147 items, decentralized 19 items; municipal items (not including provincial project decentralized to municipality) were reduced to 130 items (296 items in 2006), the reduction ratio was 56%, which optimized government functions. Meanwhile, through “three compressions” government rationalized pre-conditions and further clarified the boundaries of administrative approval. All these improved the process and also consolidated the foundation of providing quality e-government services.

The revolutionary changes of e-government service involved both process reengineering and reorganization of government organization functions, which inevitably clashed with the existing system featured by function-centric compartmentalization, because the foundation of compartmentalization system is contradictory with the service strategy of “one-stop” e-government. The conflict between the two kinds of administrative service paradigms results in the complexity of local government process reengineering environment and the chronic reengineering process, and determined the limitations of local government process reengineering.

The innovation capability of government reorganization was, however, limited to the transfer of departmental approval authority, process optimization, and simplification of approval elements. If there is no institutional arrangement of “top-level design” of government structures, the fundamental institutional interest pattern will remain hard to break. Therefore, at present, Chuzhou City is deploying and implementing the sixth round of process reengineering, the theme of which is to regulate the window actions of administrative examination and approval, and the main content of which is to implement the “one-three-five” handling system of administrative approval services. This means that ordinary matters should be handled immediately through a “one-examination, one-approval” system and the ratio of handling matters on premises should be raised; complex items should be handled within three levels of reception, review, and conclusion, the whole process should last no more than five days.

Overall Service: The Future Value Orientation of Local Government Process Re-Engineering

So far, the Chuzhou Center has framed an overall process-based service relying on a high performing e-government platform and laid the foundation for a framework of offering efficient and convenient public services for the grassroots. But the services offered by the local government service center are limited only to service projects. And the trans-regional administrative items and those stemming from vertical government departments are yet to be handled through a process-oriented and an overall-service framework. This can be attributed to the fact that the e-government projects initiated at an early stage by government agencies lack a “top-level design” anchoring, which resulted in “electronic lords” featured on different standards of government resources and a fragmented service pattern. Therefore, the front office one-stop center and the largely unreformed back-end systems coexist, which seriously affects the promotion of local overall administrative services, as can be seen from the ratio of the items handled immediately (only 36% in 2012).

From a technological viewpoint of e-government, although government can leverage the information share and business cooperation between the front system and the backstage system through information exchange technology, and can transfer fragmented services to overall services, the existing institutional barriers and national vertical sector interests are insurmountable divides. Furthermore, overall services by using information exchange technology are not seamless and are bound to affect the effectiveness of overall services. This gives the system overall a hybrid character, combining strong sectoral government organization while delegating some tasks to the service center.

The reforms in Chuzhou have tried to move in the direction of post-NPM measures and modifying fragmentation and sectoralization in the structure. They embraced the ideal of inter-organizational or multi-level cooperation, the scope of which may cover any government agencies or governments at all levels. The reforms aimed at modifying increasingly serious fragmentation in the public sector through advocating the application of an interactive, collaborative, and integrated management approach. However, for achieving the targets of government overall service performance improvement, depending only on local administrative capacity and innovations by local government is not enough. This points to the need to continue to intensify the structural reform of the administrative system, adopt the strategy of “top-level design” and legal measures to break the traditional organizational boundaries at the levels of central government as well as provincial and local government.

At the level of central government, ideas and future directions have been discussed. In May 2013 at the national TV conference on further transforming the government functions, Premier Li Keqiang required to take the reform of administrative examination and approval system as a breakthrough point. He further elaborated this point in his annual government work report to the NPC in March 2014, requiring to “further streamline administration and delegate more power to lower-level governments” and “cancel or delegate to lower-level governments an additional 200 plus items requiring State Council review and approval” in 2014. He announced that the government would,

Introduce a system to list all items over which government review and approval are required and release the list to the public. No items not on the list will be subject to government review and approval. We will also comprehensively sort out items requiring nongovernmental review and approval. (Li, 2014)

In this respect, the Chuzhou City Government has been a pace-setter. In August 2013, it launched a new round of government reorganization. The aims are: (1) to realize every ordinary matter by applying one examination and approval and one review exercise; (2) to further increase the rate of on-spot handling; (3) and to try to ensure that for every complex matter, the three steps of reception, examination, and approval procedure should be completed in five days.

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The Relationship Between High Education and Labor Market in Western Balkan Countries

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This paper deals with the relationship between high education and labor market in Western Balkan countries. Having in mind that all these countries are in transitional process, suffering from poor economics, poor level of investments, and high unemployment rates, it would be wise that the governments and political elites put the quality of knowledge high on agenda, regarding it as the vital incentive instrument for economic and social development. All social and political subjects should be devoted to procuring good quality of knowledge, which is sensitive to the labor market's needs in all fields. This study attempts to find answer on the question why it is not so, making qualitative and quantitative, empirical research. It analyzes the relationship between high education and labor market's needs, identifies main factors which influence this relationship, focusing on main influence of political interests and values. The paper presents rare good cases, as lessons from experience for the future.

Keywords: high education reforms, research, labor market, entrepreneurial governments, Western Balkan countries

In contemporary globalised world, the knowledge is an important comparative developmental advantage, and therefore all developed countries pay great attention to education as investment in development. It is essential for each country to create political consensus that this field is of the highest national importance. It demands developed strategy, devotion of all political and social stakeholders to the implementation of accepted goals, and to procurement of sustainable policy.

In Western Balkan countries, this topic is only partly on agenda, very often lacking social and political consensus and devotion. The quality of high education often neglects the practical use of knowledge. Investments in research are very modest, and these countries have weak economic development, oriented mostly on foreign investments, and less on their original research and innovation potentials. The main objective of this study is to identify various social, political, and economic factors which impact on such condition, to explain the main reasons of such influence, and to present alternatives through good examples, as encouragement and incentive for change.

This study has three parts: The first one presents the relationship between high education and labor market in the world and Europe; the second one deals with the situation in Western Balkan countries, presenting the processes of democratization, modernization, and system reforms, as the ambience for analyzing the relationship between high education and labor market. This part opens all core questions relating to the possibility of these countries to stimulate economic and social development; the third part presents examples of good practices, in order to stimulate this policy topic as national priority in these countries.

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The Sense of the Relationship Between High Education and Labor Market in World and in Europe

Europe as a region in globalised world has advantage of cultural variety and richness, democratic political order, certain level of social welfare provided by public sector, modern economies that procure excellent goods and services, which are by quality among the best in the world, excellent technology, excellent educational systems, etc. As knowledge is very important developmental resource in contemporary world and economy, European region has an important comparative advantage in the quality of human capital—it has highly educated citizens.

In Europe, great efforts are permanently invested in procurement of stable, democratic institutions, decision making processes (transparent, inclusive, responsible, and professional), stable and prosper economy, sustainable development and welfare to citizens. European countries for the last three decades have paid great attention to modernization of public sector (upgrading management potentials, strengthening professionalism, stimulation of competitiveness by including private sector in production and delivery of public services). These processes consider permanent monitoring, measurement and upgrading the quality of public services in accordance with citizens' needs (Lorrain & Stocker, 1997). As state and local governments are important regulators of political and economic ambience, and the main policy makers, these processes highly influence the process of policy-making in the fields of high education and economic and social development. Technology changes make possible establishment of e-government, the creation of excellent data bases which are available to each person, and which are the base for creation of good public policies (evidence-based policy-making). E-government makes possible direct influence of citizens on government, greater availability of information (transparent and responsible government), higher sensitivity of the policymakers for citizens' needs and public interests, as well as more efficient participation of citizens in all phases of decision making. Europe takes care of democratic values and culture, as important factors of good social and personal life on this continent (Gi Haug, 2006).

In this context, Europe pays special attention to the development of educational system, and especially high education, research, innovations, and application of knowledge and development.

Therefore, Europe develops Bologna educational system and is devoted to making connections between high education and labor market. In such a way, it tries to replay on the demands of contemporary globalised society in which the knowledge quickly outdated, and consequently, there are needs for permanent learning and upgrading existing knowledge. Following good examples of other developed countries (USA, Australia, and Canada), Europe pays special attention to the concept of lifelong learning, hoping that its human capital would be more competent in competition for better, more creative, and better-paid jobs on labor market. A part of these processes is the analysis of the transformations which cause development of technology in the production of all goods and services (Lorrain & Stocker, 1997).

In the process of developing the relationship between high education and labor market, Europe made European Classification Frame¹. In last two decades, the qualifications are regarded from the point of effectiveness and applicability of this knowledge in practice. Now they are based on formal criteria and

¹ Europe made an analysis on the structure of working places and positions in enterprises and organizations, the structure of educational levels in Bologna process and created optimal European Classification Frame which is functional and flexible enough. It established eight educational levels as adequate for covering high education and training. In september 2006, European Commision prepared final propose of EOK which is adopted by European Parliament and Council in 2007.

standards, regarded as outcomes, and finally, they are comparable, which makes easier the movement of human resources, capital, goods, and services on the whole European space (Komnenović, Lažetić, & Vukasović, 2010, p. 27).² In the process of making good and sustainable qualification frame, all important social stakeholders have been involved.

European Qualification Frame (EQF) precisely defines movement from one to the other qualifications, the qualifications are described on the base of learning effects, which is the very base for creation of the national qualification frame of member states. In this way, the free movement of students (consequently, in the educational system has been developed integrated system of transfer and accumulation of credits), making possible comparability of human resource qualifications (general principles and procedures for evaluation of non-formal and informal learning are developed, as well as recognition of professional qualifications and Europass), procuring open labor market for all citizens.

The ambition of European countries is to upgrade the level of citizens' education, to develop efficient concept of long life learning, to procure more efficient movement of people, capital, goods, and services, permanently analyzing and upgrading EQF as instrument.

Western Balkan Countries

All Western Balkan countries have ambition to integrate in the European Union (EU), and therefore, the process of transition can be seen as fulfillment of European standards in the field of political, economic, and social system. Up to now, these transitional processes are only partly successfully changed and a lot of jobs still ought to be done, for reaching the given standards.

Historical Background

Western Balkan countries, except Albania, are parts of the former State of Yugoslavia. This country was pretty specific: Socialist order with self-government type of relations, which stimulate high citizens' participation in decision making processes. It was non-block aligned country, active member of Non-alignment Movement (one of three founders) devoted to development of poor and undeveloped countries in the world. Yugoslavia had very good relations with Western countries, and especially with Europe, and a number of European institutions had status of observer or aligned member.

In economic system, some market principles and instruments had been included, which other socialist countries did not have at that time. This fact beneficiary influenced the development of economy, stimulated international cooperation and procured good relations with primary technology sources.

The fall of socialism (Berlin Wall) ought logically to lead to integration this country to EU, but instead of that, the conflicts of republican leaders over the power pushed the country in terrible civil war and dissolution of Yugoslavia on several independent states during the 1990s and at the beginning of 2000.

The war in former Yugoslavia (from 1990 to 2000) led to destruction of economy, economic sanctions which blocked economic development, nationalistic and authoritarian regimes developed in all countries,

² Qualifications have been observed before by input (duration and the type of education) and now by the results with certain flexibility (besides formal education, there is included non-formal education, as well as informal learning gained through working process as unintended consequence). One could not compare former qualifications because they were based on professional evaluation of professors (various attitudes, methods, and theoretical approach, neglecting practical use of this knowledge). As the whole world is nowadays tightly connected, it is not strange that European Qualifications Frame has been signed by a number of developed countries from other continents (USA, Canada, Australia, New Zealand, and some Asia countries, etc.).

jeopardizing human lives, rights, and democratic values, therefore, a huge number of citizens left the country.

Albania was a socialist country, pretty isolated from other socialist countries [not part of SEV (The Council for Mutual Economic Assistance, English abbreviation COMECON, CMEA, or CAME)] but also from the rest of the world. It was under power of very authoritarian leader, Enver Hodža and their isolation strongly influenced economic development, human rights, democratic values, etc. For a long time, Albania had problems with underdevelopment and poverty. With the fall of socialism, this country entered the process of transition, democratization, economic development, and building civil society.

After 2000, the process of normalization and reconciliation started in the region. All countries entered transitional processes, democratization of political system and institutions, building legal state, strengthening market economy and institutions, privatization, etc., and important factors of all these processes represent strengthening democratic values, development of civil society, and democratic political culture.

In transition processes and adoption of basic standard for integration in EU, the countries of this region had up to now various results. Croatia integrated in EU in the summer of 2013 while the other countries made various success: Serbia has a status of attendance member, Montenegro and Macedonia have status of candidate for association (Montenegro started negotiations and Macedonia still did not) while Bosnia and Hercegovina, Albania and Kosovo are in status of potential candidate for association (Kosovo has got this status although five members of EU did not recognize it as a state). Besides, obvious advancement in reforms and in development, this region belongs to the least developed regions in Europe.

Important part of the reforms are changes in high education system, which consider transition to Bologna system, adopting new way of work, strengthening competition in high education market, privatization, creating greater number of HE (high education) institutions, offering greater number of programs, as well as enrollment of greater number of students (massification).

This study put in center of analysis the quality of high education and its sensitivity to labor markets needs. Implicitly, this topic considers opening a number of questions, such as:

- (1) Modernization of the state considering decentralization, strengthening local government capacities, development of partner relations between state and local governments;
- (2) Democratization of government meaning citizens' participation in decision making processes at all levels (state and local governments);
- (3) Quality of economic institutions, markets' freedom, economic competition, and solving problems regarding various types of monopolies;
- (4) Modernization of public sector, upgrading entrepreneurial capacities of government, quality of administration, reform of public enterprises and including private one in producing public services, cooperation with private sectors [public private partnership (PPP) and other forms of cooperation].

Political reforms. Western Balkan countries have a number of similarities and transition process leads to democratization of political system, as important precondition for development of democratic society. Bertelsmann Transformation Index points out the basic reform weaknesses for period 2000-2011.

In political system, weak and unstable democratic institutions, weak legal state, centralization, hierarchy and lack of partnership relations between the state and local government, weak civil society, autocracy, marginalization of citizens (poor participation) and the corruption.

Evaluation of the condition of legal state as value which guarantees security of citizens' life and property³, as well as stability of democratic institutions and devotion to its development in countries of this region has been marked from five to eight, which means that these countries ought to do a lot more on strengthening democratic institutions, procedures, and democratic culture in general. Huge system's problem represents weak division of power with high dependence of judicial branch. Executive government and centers of power hold judicial government in dependent position, using it as an instrument for prosecution of political opponents and for protection of members of their own parties. This behavior makes great deviations in the system and the correction in this field is the precondition for returning citizens' trust in justice, in the rule of law and in democratic institutions⁴.

Political parties in these countries often develop authoritarian models of governing and management, often concentrate huge power in narrow party groups and "cultivate" blurred public finance, which overflow in system institutions. Therefore, it is justified to conclude that parties are the source of corruption and the demolition of democratic procedures and institutions.

In the last 10 years, it is obvious advancement in the countries of this region on upgrading citizens' participation in decision making processes. It is important factor of democracy and is a part of further system's democratization, modernization, and decentralization⁵. Upgrading citizens' participation in decision making processes upgrade their sense of belonging to society and content with the quality of public services (phenomena named paradox of public services, Đorđević, 2012, p. 368)⁶.

The governments in these countries have a number of problems such as: the lack of strategic planning, weak coordination, poor data bases, poor quality of creation and implementing of public policies, and poor learning from experiences.

In public sector, a number of problems exist like: a number of monopolies in economy and political relations, poor quality of management as well as the functioning of the system, insufficient decentralization, dependant local government, poor efficiency in using resources, etc.

The state and local governments are also important employers in these societies but there exist a number of problems: poor quality of professionalism, as well as dignity and respect of public employee in society (political dependency, poor wages, and poor opportunities for career development) as well as the lack of merit system in the employment process, make all these positions insufficient attractive⁷.

The Western Balkan countries are pretty corrupted societies and political elites are highly involved in these processes (systemic corruption)⁸. Corruption makes development harder and de-stimulates citizens for

³ Therefore, the mark for condition of legal state is not encouraging: Kosovo is marked with 5, Albania with 6, Bosnia and Hercegovina and Montenegro with 6.8, Macedonia and Serbia with 7 and Croatia 8. Stability of democratic institutions as well as devotion to its development is evaluated with weaker marks: BIH 5.5, Kosovo 6, Albania 7.5, while Serbia, Croatia, Macedonia and Montenegro got 8.

⁴ Comparison shows that quality of division of power is evaluated in similar scope: best mark has got Croatia with 9, then Serbia, Montenegro, BIH, and Kosovo with 8, and something weaker Albania and Macedonia. Position of judicial branch is evaluated with weaker marks: for Serbia, BIH, and Montenegro 6 and Croatia with 7.

⁵ BTI mark for citizens' participation for BIH 7.5, for Kosovo and Albania 7.8, Montenegro and Macedonia 8, Serbia 8.3, and Croatia 8.8.

⁶ Đorđević, S. 2012. Renaissance of local government, comparative models. Belgrade: Cigoja.

⁷ See Bertelsmann Transformation Index, retrieved from <http://www.bti-project.org/country-reports/ecse/>, visited on September 12, 2013 (Report for 2012).

⁸ The corruption index for these countries is: for Kosovo 2.9, Albania 3.1, BIH 3.2, Serbia 3.3, Macedonia, Croatia, and Montenegro 4. Retrieved from <http://www.transparency.org/cpi2011/results> (visited on September 12, 2013, 17h). A great number of corruption affairs in all countries of this region approve this fact.

paying transitional cost⁹. Most media are dependent on political (and tycoons) interests and influence, diminishing democratic capacities of these societies.

For the relationship between high education and labor market is very interesting and indicative data on quality of management, efficiency in using resources, quality of creation and implementation of public policies, etc. These countries are not very efficient in using resources, because political interest of narrow groups is more important than public interest. This data are the indicator for exaggerate influence of party and political centers and insufficient influence of market mechanisms in redistribution of resources¹⁰. Quality of management and capacity for steering development are also poor in the whole region. Preparedness to learn from decision making and building consensus in public policies, as well as sustainability of the policy and programs are evaluated as important qualities for all fields. Therefore, the sustainability of the policies, programs, and projects is evaluated for Albania and Kosovo with 5, for Montenegro, BIH and Macedonia 6, Serbia 7, and Croatia 8.

Economy and labor market. This region belongs to less developed regions in Europe [GDP (Gross Domestic Product) per capita represents 30%-40% of EU 27 average]. Period between 1990 and 2000 was (at least for ex-Yugoslav countries) extremely hard. Countries stagnated, the economy was destroyed, the prime technology contacts have been lost, the quality of education fall down because of poor investment in it, etc. Part of the problem is serious destruction of working and social values and creating idols from criminal cycles which made personal wealth during the wars by robbery, criminal, gambling, trade with drugs, people, etc. (ideal of easy life without work).

From 2000, the process of normalization, recovery, and reconciliation started but slower than expected.

In the field of economy, it is hard to procure good conditions for investment (legal state, independent judicial branch, good government, efficient administration, e-government, clear and simple procedures and regulations) and capability of investment's attraction in the countries of this region is pretty weak. In these societies, there is not developed consciousness on the importance of research and innovation, research sector is underdeveloped, the economy itself invests poorly in researches and development. Therefore, the economic development does not focus on home research potentials but on the attraction of foreign investments, which is real problem in the time of crises.

Representatives of economy complain that they have not adequate data about human resources, as well as potential employees lacking knowledge and skills important for the work. Their knowledge is predominantly too abstract, theoretical, sometimes outdated, they have not practical experiences and skills.

Unemployment rate is extremely high in these countries (see Figure 1, data for 2010): Kosovo 35%, Macedonia 32%, BIH 28%, Serbia 23%, Montenegro 20%, Croatia and Albania 13% each (11% in EU 27).

Regarding the structure of unemployment in the whole region, the young population represents a huge part of unemployed (see Figure 2): Kosovo 75%, BIH 58%, Macedonia 54%, Serbia 47%, Montenegro 38%, Croatia 32%, and Albania 28% (23% in EU 27).

Besides economy, state and local governments are also great employers. They fail to modernize administration and employment processes still burden with political, friendly, and relatives' relations. The government in these societies still is not prepared to implement merit system in process of employment, advancement in career, to develop and stimulate team work, to affirm professionalism, etc.

⁹ Retrieved from <http://www.transparency.org/>.

¹⁰ BTI for efficiency in using resources is for Albaniju, BIH, and Kosovo 4.8, Serbia, Croatia, Montenegro and Macedonia 6.

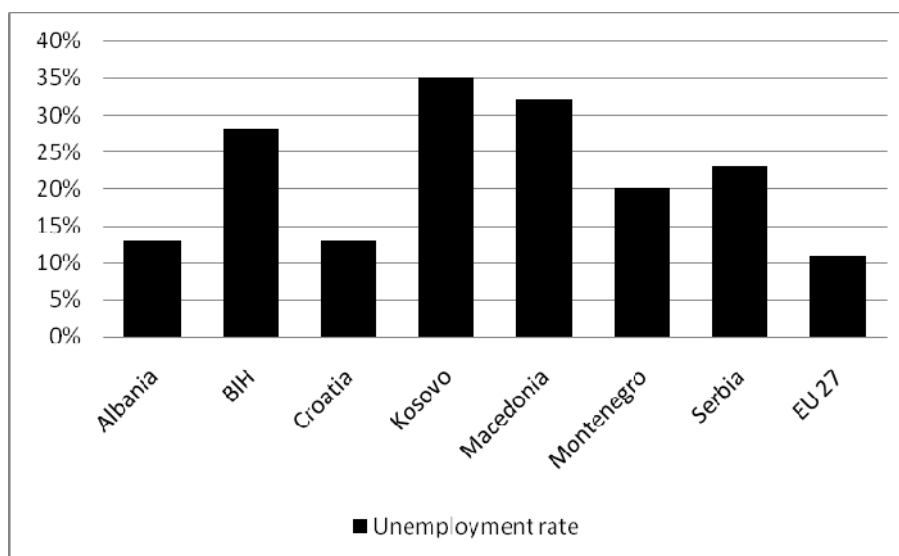


Figure 1. Unemployment rate (2010).

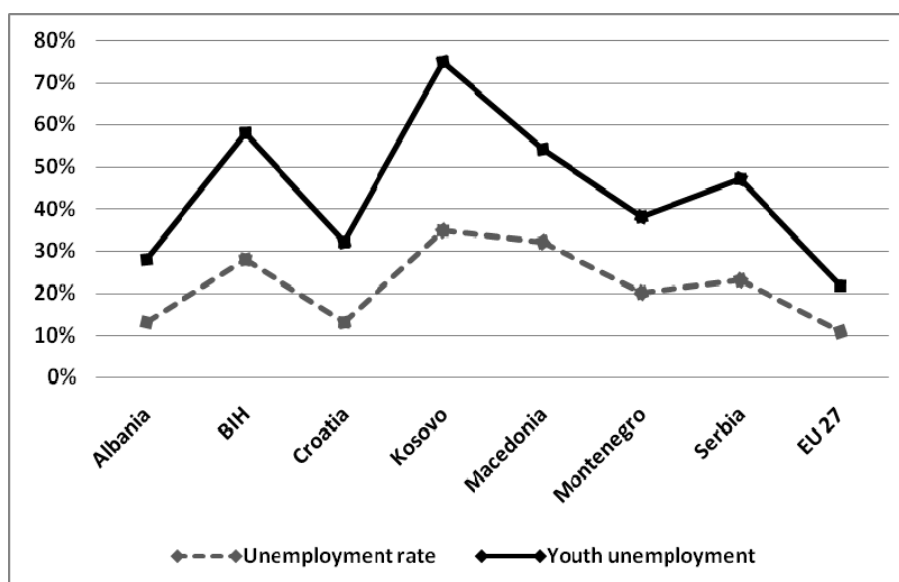


Figure 2. Unemployment rate and youth unemployment rate (%).

Therefore, the whole region burdens with permanent brain drain, especially of young educated people who cannot find adequate jobs on the base of their knowledge and working efforts (Horvat Vedran, 2004; Arandarenko & Will, 2012).

HE Policy-Making

In the field of high education, there are poor data bases in all countries in the region. In some countries, the conditions are better, in some countries, the conditions are worse, but it would be possible to conclude that there do not exist evidence-based policy-making. This is a huge problem for the whole system and it is of a huge importance to set this question in future as one of priorities.

All Western Balkan countries reformed system of HE and implemented Bologna system (strategies and laws are adopted). The credit transfer system has been implemented, the educational program has been enriched

with greater scope of elective courses, and the practice has been involved in education program. The whole program and each discipline limit the burden for students, and simplify evaluation process (greater number of exams, etc.).

Formally, the quality of lectures and the work of the whole institution have been evaluated (more internal than external evaluation). Regarding the fact that evaluation was not adopted as normal function in the system as a whole, it is quite understandable that it is not adequately implemented in this policy field, too, and it is a great deal miss the point with poor capacity to be used for corrections.

In HE system, great change was introduced by the process of liberalization of HE market giving license to private high education institutions (further, HEI). In this way, it is procured certain competition in this field, a greater number of educational programs have been offered, students got more choice for studies, and in all countries of the region is recorded greater students' enrollment (massification). It is good consequence regarding the need for upgrading the number of highly educated citizens in these countries. Educational institutions started competition for students, market, and funds.

The state often ignores private HEI, it does not support them by finance and treats them like institutions which are not of state interest. Public HEI hardly accepts competence from private sector which threatens their former monopoly on HE market. A lot of them made conspiracy to create monopolies (it is often forbidden for professors from public universities to lecture on private and vice versa).

The state often has problematic attitude to HE. Mostly, it let representatives of academia lead the process of reforms, but with appearance of problems, state pretty often imposes the solutions which are not productive, in spite of university community's dissatisfaction.

Such conflict appears in giving licenses (or accreditation program) to private HEI although they do not reach main standards (by corruption or bribe). Sometimes, the state makes decisions which break Bologna standards. Good example is accepting students' demand that four years of study by old program can be recognized as master with the right of these students to enroll at PhD programs (Serbia). The other example is accepting students' demand to be discharged of paying tuition fees (Serbia and Croatia) or rigorously cutting tuition fees (Macedonia and Albania) paying no attention to the hole in HEI's budgets¹¹.

Sometimes, state adopted laws in this field without public debate, or adopted law in the middle of debate, ignoring opinions of representatives of HEI (Macedonia)¹².

The state, in this field, like in other public policy fields, still learns how to make consensus, to create good and sustainable solutions and policies, to solve conflicts and upgrade the welfare of the society.

Relationship to labor market. Private HEI, which could not exist without preparedness of students to pay tuition fees for their studies, makes huge effort to explore labor market, to enrich programs with knowledge and skills which are necessary for jobs.

Public institutions are pretty often arrogant toward labor market, considering that the theoretical knowledge is sufficient for work in all conditions. The similar attitude has HEI's leadership and having in mind that the quality of management in these institutions as well as in the whole system is poor, it is not unusual that this kind of activities is neglected (Olsen & Maassen, 2007).

The state itself has no consciousness of the needs to regulate HE in a better way (the way of financing

¹¹ Such cases are evidenced in almost all countries in the region (Macedonia, Croatia, Serbia, Montenegro, Albania, etc.).

¹² It is stressed that in such a way was adopted very poor law with bureaucratic solution regarding measurement of professors quality of work.

programs or institutions, the regulation of professors' engagement, stimulation of cooperation of private and public sector, etc.) and to stimulate establishing dialog between high education and labor market.

Implementation of Bologna system partly upgraded efficiency of studies but did not make educational programs more applicable. With Bologna, fall the number of students who lost the year or are in delay with obligations, but the data are still not good. Drop-out rate is still pretty high: In Croatia is 41%¹³, in Serbia around is 50%, in Montenegro is 56%, and for Macedonia, Albania, and Kosovo, there is no data. This condition is caused by demotivation of students who do not see the purpose and applicability of the program knowledge as well as the inflexibility of educational program which do not make possible easier transfer of students from one to other program (Jarić & Vukasović, 2009).

Students often complain on overly abstract and theoretical knowledge, poor contact with practice and the representatives of employers confirm that statement stressing that candidates lack applied skills, communication skills, team work skills, etc. Public sector did not reform and as employer often has no vision on what kind of knowledge would be useful for administration to demand that contents in programs from HEI.

Good example is the effort to modernize public administration with new public management skills. There is a gap between old occupations and new needs which are hardly involved in the system. These knowledge and skills are part of educational programs in a number of faculties, but on public competition for these positions, these skills are not demanded. For a number of occupations (for example, chief executive officer and manager in local government), the lawyers are demanded in order to control legality of acts (programs of law faculties are rarely enriched with this kind of managerial knowledge and skills). This profession in other developed countries demands these skills and lawyers are not the only profile for it. Although laws (Serbia and Montenegro) exist city manager as position, for getting this position, it only demands high education (not managerial skills) and it is used as a prize for political supporters (Miller & Đorđević, 2005; Đorđević, 2014).

Creation and adoption of educational programs are left to HEI. Small number of countries demands social stakeholders including in this process (Macedonia stipulated that such participation is precondition for adopting program). Other countries have not such demand but still some universities develop that kind of practice with very good benefits for students and business involved in the process.

Mobility as one of Bologna aims, is only partly reached in these countries. For example, in Croatia and similar in other countries, about 2% of students participate in exchange program (average in EU 27 is 8%). In exchange process, students have problem with poor recognition of the curricula and organization of studies from their home HEI; on the other side, for guest students in Western Balkan countries, the greatest problem is language.

National qualification frame. The sense of national qualification frame is to define precisely aims and applicability of qualifications, to upgrade the consciousness of students (what to learn and why) and employers (what kind of qualification is available in national and international labor market), to upgrade education availability for socially vulnerable groups, to facilitate accreditation and mobility, as well as recognition of alternative way of getting qualifications, to define way and procedures for advancement and to identify recommendations (Arandarenko, 2012; Arandarenko & Nojković, 2007). National Qualification Frame (NQF)

¹³ Šćukanac Ninoslav. 2013. Higher Education and Research in Croatia. P. 13.

enables good classification of professions, and in educational system, makes easier quantification and standardization to procure comparability and evaluation of credits.

In Western Balkan countries, the creation of NQF took long time, the process is often stopped without any reason, and main stakeholders are not ready and motivated for it, because there is a missing strategy, devotion, and political preparedness (Jelinčić, 2009).

All countries work on this document (NQF), a lot of them signed Lisbon Treaty (Montenegro in 2010), some of them even adopted it (Albania in 2011, Serbia and Croatia in 2013)¹⁴.

Lifelong Learning Program is just in concept, and rare institution offers it. Percent of individuals including in this program is very low and incomparable to average of EU 27.

Investments in Research

In Western Balkan countries, the field of research has been neglected. Public, university, economy, and public sector do not understand benefits of research and innovation for development. Additional demotivation is in fact that investment in research can be of uncertain results, but still demands high investments and research efforts.

In all countries, research institutions are mostly public (government and HEI, 80%)¹⁵, while only small percent is private. For example, in Serbia (and similar is in other countries) is only 18%, 4% of these institutions are private (average in EU 27 is 54%).

Most of these countries adopted strategies for development of technology and science with aims to balance HE with the needs of labor markets. These aims left mostly poorly reached¹⁶.

Investment in research per capita (GERD) (gross domestic investment in research and development), like this value as a percentage of GDP, represents good indicators of research potentials. In Serbia is 0.76%, in Kosovo is 0.7%, in Croatia is 0.8%, in Macedonia is 0.99%, in Montenegro is 0.4%¹⁷, in Albania¹⁸ and BIH is only 0.2% (Branković & Babin, 2011, pp. 86-108). The crises decrease investments in this field, but still it is unacceptable small. The problem is clearer when these percentages are compared with 2%, which is average in EU 27. Having in mind total sum of budgets, these differences significantly grew up. Data show that in all these countries, only small part of these investments go on research, predominantly money goes on equipment, machines, maintaining, and wages.

Policy makers often do not see connections between these poor investments and brain drain, which is terrible for the development of these countries¹⁹.

¹⁴ For example, in Serbia still in summer 2008 started process of making NQF, working group was established by Ministry of Education, the draft was adopted on National Council, public debate was held in 2009 and suddenly all has been stopped, until 2013 when it was adopted in Parliament. See also, *Hrvatski kvalifikacijski okvir-Uvod u kvalifikacije* (eds. Lučić, R. B., Rogić, A., Šigir, M., Dželalija, M., Hitrec, S., Kovačević, S., Krešo, M., Lekić, M., Mrnjauš, K., Križanac, M., Štajduhar, M., and Tatalović, M.), 2009. Vlada Republike Hrvatske, Zagreb.

¹⁵ Serbia, Croatia, Macedonia, and Montenegro.

¹⁶ Croatia adopted Strategy for 2006-2013. Serbia adopted Strategy for 2010-2015 and set up aims like to invest in research from 0.3% to 2% GDP and upgrade the share of private sector in R&D from 18% to 50%.

¹⁷ National Report, p. 22.

¹⁸ Data pointed that Albania invest in research and transfer of technology and knowledge. See: Xhaferri Elona, Branković Jelena 2013. Higher Education and Research in Albania, p. 35.

¹⁹ Data from Bertelsmann Transformation Index 2012, points out that Serbia is the country which is highly in the region stressed with brain drain (from 183 countries only Guinea Bisao has a greater rate of brain drain and leaving of educated young people). Retrieved from <http://www.transparency.org/cpi2011/results> (visited on September 12, 2013, 17h).

Lessons From Experiences/Good Practice (Incubator Business Centers, Science Technology Parks, and Innovative Centers)

Western Balkan countries have been slowly developed the consciousness of knowledge as main developmental resource in contemporary world. Investment in education and research is still insufficient, innovation is not a priority although strategies stress its importance, and the relationship between university, as producer of knowledge, and labor market is hardly developed.

Government's Activities

States in this region, confronted with weak economy and the need to stimulate economic development have in charge various activities. They regulate this field (adopt strategies, laws, and decisions)²⁰, create policy of technology and science development, establish institutions for support (agencies for regional development, funds, etc.), make network with main stakeholders, facilitate their cooperation, and procure a set of services like subsidies, taxes' release or decrease, etc. In the first stage, all states insist to procure support from central level (need to control finance resources), however, in time, they understand that local governments are stakeholders of huge importance for stimulation of economic development.

Local governments has important role in creating stimulative and friendly environment for investments. Precondition is obtaining political and economic autonomy for local governments, in order to have all instruments which are important for economic development. In countries in this region, a number of more or less visible battles for local government autonomy are still present. Finally, all countries have property, but still in some elements insufficient real and financial autonomy (Đorđević, 2012)²¹.

Local governments in all circumstances try to attract investments, and procure new jobs for their local community. They offer good infrastructure, good regulation, simple and short procedures, efficient and friendly administration, network of important stakeholders like business, university, NGO (Non-Governmental Organization), etc. Some local governments score excellent results and the main reasons for success are entrepreneurial potentials of local political leadership (Greasley & Stocker, 2009, pp. 125-137).

In such a way, healthy competition has been established between local governments, which stimulate them to upgrade their skills and knowledge, to use various instruments and upgrade economic development and social welfare for the citizens. One of the important system factors, which helps this process, is the right of local governments to have direct elected mayor, and all countries in the region have it (Serbia had directly elected mayor from 2002, but law in 2007 left this possibility only for cities).

System Ambience and Instruments

State and local governments use various instruments (legal, economic, organizational, managerial, etc.) from classical to some new, entrepreneurial:

- (1) Good regulation, clear rules and simple procedures, and good created contracts;

²⁰ For example, strategy on technology and science development, on research, on regional development, law on science and technology parks, on incubator business centers, etc. Financial autonomy means original taxes, and legal regulation of percentage and formula of state transfers.

²¹ Real autonomy considers sufficient competencies, right to decide of optimal model of organisation, to create and implement optimal public policies for their circumstances, to use managerial instruments, etc. Financial autonomy of local government considers: (1) right of local government to have, to collect and decide on the scope of original taxes; (2) legally defined share (in percent) of the state budget procured for state transfers to local governments as well as; (3) legally defined formula for the redistribution of these transfers.

(2) Release or decrease of tax or fees (fiscal federalism), financial stimulations, municipal bonds, revolving fund, local bank, etc.;

(3) E-government and friendly administration (for example, one-stop shop);

(4) More complex instruments like: free zones, incubator business centers, business improve district, science and technology parks, greenfield and brownfield investments, etc. (Đorđević, 2009, pp. 78-84)²².

Direct foreign investments are primary factor of economic development in these countries, and they try to make best possible ambient for business. Nowadays the demand for investments, as well as the competition for it, is great (especially in crises) and capital has opportunity to select best places. It follows three functional principles searching for resources (cheap and good human resource and sufficient natural resources), market for goods and services, and greater efficiency with the access to new market or with scope economy²³.

Investment can be greenfield (it is expensive but often has the best results) and brownfield (using empty, neglected old enterprises, military building, and their infrastructure: roads, water and sewage system, power, phone, IT network, etc.). Often they have to invest in cleaning soil, green spaces, etc.

The role of local governments and agencies for LED (local economic development) is to investigate new investment possibilities, to evaluate which type of investment is optimal, and to prepare and make best possible offer for investors.

Activities of the University

The third main stakeholder in these processes is university. Public universities in this region participate in projects within the EU funds through the Tempus, Erasmus Mundus, and the Framework Program for Research and Development (FP6 and FP7) (Šabić Norbert, 2012, p. 13). Universities try with more or less success, to contribute to creation of more applicable knowledge in order to stimulate social development²⁴.

They establish centers for career development, in order to establish a link between the employers and students, to procure practice and, to improve the level of employability for graduated students. Some of good examples in the region are:

University of Tuzla (BIH) has established the Business Start-Up Center at the university to promote and develop the idea of entrepreneurship with students on graduate and postgraduate studies.

University of Montenegro cooperates with the Union of Employers and the Institute for the Black Metallurgy in Nikšić (business and technical cooperation) procuring professional practice for students, especially with new materials and new products, mutually use of laboratories, and office space for seminars. Business offers suggestions for enrichment of study programs, development of master's and doctoral theses, etc.

Some universities are pretty active in promotion of entrepreneurial culture. Excellent examples are UNESCO (United Nations Educational, Scientific, and Cultural Organization) Chair and Entrepreneurial Institute for South Eastern Europe (Novi Sad and Serbia). Together with student center for career development

²² Đorđević, S. 2009. Handbook for stimulation of local economic development. Belgrade: Čigoja, SKGO (Standing Conference for Municipalities and Cities in Serbia).

²³ Scope economy means that production of some goods and services is profitable (optimal quality and price) only when reach certain scope (quality of units and the number of clients). This is one of important economic indicators which facilitate estimation which level of government should procure certain services (economic side of subsidiary principle). On that base, one municipality can understand that complex projects, like for example building waste disposal, should be implemented in cooperation with other municipalities, cities, or even by the engagement of the counties and the region.

²⁴ WBC Regional Model of University-Enterprise Cooperation, 2010. University of Kragujevac, WBC-VMnet Project Kragujevac.

and faculty for techniques, they organize various trainings for development of entrepreneurial culture, skills, and knowledge and innovation culture (Stanković, 2006).

University of Zenica (BIH) established scientific and technological park, developed innovative and entrepreneurial activity with students, helped in creating research for master's and doctoral dissertations that are needed by the industry [SME (small and medium enterprises) from region], and stimulated students to work on business plans, to establish innovative enterprises, etc. (Branković & Babin, 2011, pp. 86-108).

A number of universities upgrade their capacities for stimulation of entrepreneurship: develop information technology, create good data base, establish connections with government and business, civil society, business, and create master and PhD programs based on market's needs. They also establish innovative, scientific and technology centers, with students and graduated as active participants in research and work (Šabić Norbert, 2012).

Some of good practice examples are: Innovation Center for Information Technologies (2002, Niš) which deals with information and communication technology (ICT) in industry and support of SMEs in implementation of innovative research results.

In Macedonia, business innovation center has been established in a number of cities, with the cooperation of university: Kruševo, Prilep, Makedonska Kamenica, Delčevo, Štip (1997), Strumica, Ohrid, and Veles (2000), and later they develop in incubator business centers²⁵.

In Novi Sad (Serbia), the Technology Transfer Center (TTC) established in university, was the first step toward creation of the science and technology park (Šabić Norbert, 2012).

Institute Ruđer Bošković, Zagreb (Croatia), with University of Zagreb, founded the Center for Technology Transfer Ltd (1996). The Technology Transfer Office has been established at University of Zagreb (2008) and, within the Tempus project similar office has been established in Split (2007).

Besides good examples, generally it is possible to conclude that universities which are active in this field, face a numerous problems. There is still low awareness regarding the importance of innovation for economic development. Public, decision makers, universities, and even private sector are not prepared to make efforts for development of these activities. This is the reason why strategic aim to establish cooperation between university and labor market is poorly implemented. It is implemented through certain projects but dissemination of good practice is still unacceptable rare.

Complex Forms of LED

For all stakeholders (state, local government, university, and business) are especially demanding to establish incubator business centers, clusters, as well as business, science and technology parks.

Incubator business center offers support to business start-up because the greatest number of business failed in the first phase because of the bad conditions. This center offers working space free of charge, equipment, mutual administration, support in management, councils, tax release for two or three years, investigation of markets, promotion, trainings, etc. Practice in the region pointed out that there is a lack of resources for investigation of markets, for promotion and trainings (Vasiljević Dušan, 2012).

There are a number of good practices in this field.

The Business and Technology Incubator is a partnership among the four technical faculties of the University of Belgrade, Palilula municipality, and the Democratic Transition Initiative. It supports business development in the early stages, and includes students and graduated in this processes.

²⁵ This project was supported by the European Business Innovation Network.

Novi Sad Incubation Center (2003) developed later in science and technology park, is a joint venture of the Vojvodina Investment Promotion Fund, University of Novi Sad, Free Trade Zone and “Alma Mons” agency for SMEs development. Forty-four registered enterprises (spin-offs) in high-tech areas play an essential role in Novi Sad economic development. It offers a positive image of entrepreneurship promotes business incubation concept, contributing to changing a negative attitude toward personal initiative, innovation, and risk-taking.

There are also less successful stories. Two business incubators operate in Tirana and Shkodra (Albania) failing to be sustainable after three years of operation. This one in Tirana operated 18 years, opened 19 businesses and employed only 52 people and the other, in Shkodra for six years, operated mostly as a place for rental areas employed more than 150 workers. Better examples are five centers of agricultural technology transfer (also in Albania), working as cluster, incubator and innovative centers. They support the direct transfer of agricultural technologies to farmers by testing, adapting, and introducing new agricultural practices, methods and materials, research on problems raised by local farmers, training of farmers, students, etc.²⁶

Macedonia has a number of incubators²⁷, but the only self-sustainable is Strumica Incubator. It is located in the abandoned military building, financed by tenants’ rent and services offered within and outside of the incubator: business consulting, accounting, financial, legal, management and administrative services, promotion, information of financing possibilities, and different trainings for the employees. Assistance in the business planning process and in the process of securing loans from banks is also offered²⁸.

Innovation Center of Banja Luka (BIH, Serb Republic, established in 2006) focuses on three main elements: business incubator, consulting, and training, and has good results.

Agency for local economic development ZEDA (Zenica Economic Development Agency), established by Zenica municipality (2004, BIH) follows, the development priorities of the municipality and creates partnership of all stakeholders for preparation, coordination, and implementation of projects.

Sarajevo Economic Regional Development Agency (SERDA) (BIH) has a mission to create a positive environment for sustainable economic development in Sarajevo macro-region.

Clusters are network of SME which offer goods and services for great enterprises. There are a number of cluster programs in the region. In Serbia, project “Cluster Development Support” started in 2007, and by the end of 2008, 24 clusters operate.

Albanian Software Cluster composed of 12 members that operate in the field of information technology, software, and information consultancy services, etc. Cluster that covers industry of Leather Goods and Shoes (Albania) is successful story of profitable joint ventures making huge profit to this industry and companies in the cluster.

Science, technology, and business parks are special, prepared land offered for investors to start business. The sense of the parks is to facilitate process of finding business space and to stimulate economic development. It is a very good instrument for cooperation between business and research and scientific centers.

²⁶ Co-ordination of Research Policies With the Western Balkan Countries, Innovation Infrastructures Albania, 2011. Retrieved from <http://WBC-Inco.net>, pp. 35-42.

²⁷ The most important incubators in are: YES incubator in Skopje (support to young people), SPARK incubator in Bitola, and the WB incubator in Strumica, and two additional start up centers (later ought to become incubators) are operating in Tetovo and Skopje.

²⁸ See: Business Incubators in Macedonia, 2012, In Capacity Building Towards Knowledge Based Economy, Austrian Development Cooperation, part 4, pp. 11-20.

Some of good examples are: Institute Mihajlo Pupin, the largest and oldest institute in the area of ICT technologies in the South-East Europe has intensive international cooperation that enables active participation of staff in the European research projects [FP (fellowship program), Interreg, COST (Cooperative Radio Communications for Green Smart Environment), EUREKA (European international educational program), etc.]. Vinca Institute of Nuclear Science (Belgrade and Serbia) carries out fundamental, developmental, and applied research in natural, technical, and technological sciences, and cooperates with universities.

The Center for Virtual Manufacturing (Serbia, 2006) is a scientific research center founded by Mechanical Engineering Faculty in Kragujevac. It is an efficient industrial science link, which has already more than 800 members from the WBC (Western Balkan countries) region (large companies, SMEs, R&D organizations, NGO, Agencies for SMEs, entrepreneurs, experts, managers, engineers, researchers, students, etc.).

Science and Technology Park STeP Ri (Rijeka, 2008) is established by University of Rijeka, the City of Rijeka and Primorsko-goranska County to boost economic development through the synergy of scientific, technological, and entrepreneurial resources. Spin-off companies were founded at the university.

Technology Park Zagreb (Croatia) is the first technology park for high technologies in Croatia (1994). It acts as an entrepreneurial incubator, and helps small entrepreneurs to realize their entrepreneurial initiatives in the early stages of growth and development.

Problems in Managing and Sustainability of Incubators and Parks

It turns out that incubators and parks often have serious problem because of insufficient developed entrepreneurial culture, poor quality of management (knowledge and skills), and political changes which stop all projects and activities of previous government.

In great number of cases, steering committee (board) does not understand the sense of steering and has ambition to manage. In the process of selection of manager, this procedure becomes ambiguous, the criteria are left and acceptable political person is selected. Unfortunately, this person has insufficient knowledge and skills for managing incubator/park, and the final results are very poor.

Pretty often incubator or park stops its activities after leaving of donors, because raising money skills in these countries is poorly developed. It is therefore pretty strange that local governments in this region did not establish revolving funds, as instrument for procure sustainable finance for capital projects (Đorđević, 2009b).

Conclusions

Researches in this field (pretty scarce)²⁹ pointed out to some conclusions:

In universities and business cooperation, the lack of effective connection is obvious. There are not enough legal and financial instruments of cooperation to stimulate development, although strategies and other documents stress its importance for development. A number of projects started, a number of institutions established to have in charge these activities, but the final results are poor.

Most of universities are predominantly oriented on academic knowledge, curricula are too much theoretical and insufficiently oriented toward professional practice and experience. Educational program rarely develops entrepreneurial culture and skills, lacking to prepare students for practical activities. Students often complain on lack of IT, communications, and team work skills in education programs as well as employers.

²⁹ WBC Regional Model of University-Enterprise Cooperation, University of Kragujevac, WBC-VMnet project Kragujevac, January 2010.

Therefore, it is of a huge importance to disseminate further the practice of some universities to include social stakeholders (employers, enterprises, private and public organizations) in process of development of curricula at universities. It would be useful to accept good example of Macedonia to stipulate legal obligation for HEI for such activity. Although it is evidently beneficial activity, it is not very developed and dominantly is insufficient practice.

Universities which try to be active in this field, are hard to attract social partners (business chamber, regional development agencies, etc.) which often do not see this relationship as important. It should develop public awareness on benefits which come from this kind of cooperation.

Universities often consider SME for the best partners for cooperation, but it turns out that this cooperation is hard to develop because they have different long-term perspectives. SMEs are predominantly oriented on practical solutions and on reaching smaller financial results.

It turns out that universities have the best cooperation with MNC (multinational companies) branches for which this kind of cooperation is part of long-term strategy and business policy. They alone have excellent equipment and infrastructure, enough educated servants for good cooperation with university (professors and researchers) as well as sufficient financial resources for project implementation.

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Maastricht Treaty in the Shaping and Development of the Common Foreign and Security Policy (CFSP)

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For the European Union (EU), it discusses how to deliver (great project) European unification. Motivated by the idea that the association of European countries is a far better alternative to the previous mutually confronted Europe, a project called EU in the following decades led to the emergence of a new, unprecedented work on European soil—EU. In its present form is the product of more than 50 years of evolution of European integration, which today despite initial six Western European countries including the former main rivals Germany and France include 27 member countries of the union, as well as many other countries with candidate status for membership in the EU. Seen in the development context, the union is not a preconceived model of the association of European countries, but is the product of a complex multiple decade-long process of integration in which different actors are involved. Within this process, depending on the achieved level of integration, the union received a different shape. In its present form and name as the EU, it occurs even in the early 90s of the last century, long before it passed through small-scale forms of integration.

Keywords: security, integration, EU (European Union) policy, countries, agreements

European Union (EU) through its decades of development going through multiple forms first appears as a form of closer integration in two major industrial sectors—sectors of coal and steel through the European Coal and Steel Community (ECSC), established in Paris on April 18, 1951, and March 25, 1957 in Rome, European integration expands atomic energy sector within the European Atomic Energy Community (EUROATOM) and the same year was upgraded with a more extensive form of economic integration within the European Economic Community (EEC).

Today's EU is made up of three separate towers which include:

- (1) European Community;
- (2) Common Foreign and Security Policy (CFSP);
- (3) Cooperation in the field of justice and home affairs.

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Momentum for integration through the creation of three communities in the 1950s is the result of a desire to terminate recurrent habit of bloody conflicts between states, as a feature of European politics in the past, which culminated in the Second World War. In this sense, the political military elites were forced to seek a new over-national European political structure in which the realization of the national interest was no longer left to be concern only individual states, in European history proved to be a painful and extremely destructive¹. For a longer period of duration of the so-called “Cold War” in Europe, the initiative and initial assistance from the United States through so-called “Marshall Plan”, the integration within the European Communities had a function to create a political and security umbrella for the Western European democracies in terms of the former East European liner headed by the former USSR (Union of Soviet Socialist Republics), as a block of integrated members of equivalent traditions and related internal systems. Security dimension of European integration continues after the end of the Cold War and the dissolution of the USSR, aimed at meeting the new challenges and achieving new goals, so that security feature is introduced in the structure of today’s EU as an important segment of the second pillar EU CFSP of the EU.

Brief Overview of the History and Development of Foreign and Security Policy

Security Policy of the EU dates back to before the creation of the European unification. After two world wars in the first place was the creation of a European structure of peace through integration. The first step was the establishment of the ECSC (April 18, 1951, in Paris), the industries of France, Germany, Italy, and the Benelux countries (Belgium, Netherlands, and Luxembourg) associated with the production and use of coal and steel as basic raw material arms that are considered as important for leading the war, placed under a high authority. Buoyed by the success of the ECSC, senior representatives of the member states undertake to find forms and methods of deepening and widening integration. Despite initiatives to expand the integration processes have emerged and suggestions for the creation of a military-political union, after the Second World War, Europe ruined lost its leading position in the world and the USSR and the United States because of the military power that manifested in the war and his contribution to the victory over fascism first broke out as a military, political, and economic force. After acknowledging the situation in Europe, the U.S. Secretary of State offers U.S. aid to the reconstruction and development of Europe, and has been accepted for reconstruction and development program of Europe known as the Marshall Plan on June 5, 1947. North Atlantic Treaty was established on April 4, 1949 in Washington which was formed a military alliance of the U.S., Canada, UK, France, Italy, Belgium, Netherlands, Luxembourg, Norway, Denmark, Iceland, and Portugal. After three years, the agreement joined Greece and Turkey, and in 1955 joined Germany and Spain. The creation of the North Atlantic or the NATO (The North Atlantic Treaty Organization) alliance led to a new phase in relations between states separated from Europe and the world. Well firstly ensuring peace countries of Europe and the world is taking place within the UN (United Nations). Afterwards projects European Defense Community (EDC) and European Political Community (EPC) fail due to loss of votes in the French National Assembly. In 1953, the French Government presented a draft agreement for the establishment of a European Defense Community with a common army and defense minister. Draft for approval by Parliament of the ECSC was ratified by more countries members but not the country that proposed the draft—France. The same fate suffered the draft establishing the European political community—EU. This

¹ Stephen Weatherill, “Law and Integration in the European Union”, Claredon Press Oxford, 1995.

union according to the concept of the proposers should be not only one of the communities, but also the beginning of a real federalization of Europe and it should be sorted ECSC and the European Defense Community. The reasons for the failure of these initiatives are extremely radical and zealots were offering solutions of which were not in line with the realities of which was then Europe. Namely, European countries were not ready for such a radical supranational step.

Maastricht Treaty on EU—Legal Basis for Establishing the European CFSP

The end of the Cold War and the dissolution of the Soviet Union (1990/1991) radically changed the security and political environment and reduced European dependence on American protection. Experiences with the new regional conflicts contribute to setting up an independent European security policy agenda that integrated policy. By the Treaty of Maastricht CFSP, under the title of European political cooperation, and after it was renamed the European CFSP. The name defines its main goal—saving EU foreign policy interests, independence, security and defense policy, ensuring peace, the strengthening of democracy, rule of law, human rights and freedoms, political dialogue, sending peacekeeping forces separation, and resolution of crises military hot spots in Europe and in the world. Its activity is particularly increased after the disintegration of the USSR, the Yugoslav Federation and other countries of the Middle East with the process of independence and the creation of independent states, followed by military conflicts. EU by sending peacekeeping and humanitarian missions and rapid reaction forces neutralized further escalation and spread of hostilities and endeavor to secure peace through political dialogue. Intergovernmental Conference, held in Maastricht on December 9-10, 1991, finished by then major reform of the Treaties of Rome. The idea of the EU has been realized with the Treaty establishing the EU on February 7, 1992. Community by a predominantly economically integrated institution that is based on political cooperation, then develops in the Union, with the new EU agreement covering the CFSP and cooperation in the field of justice and home affairs—CJHA. EU countries agree on the introduction of the CFSP as the second pillar of the EU, with the prospect that grows into a common defense policy. The Treaty of Maastricht certain basic guidelines and determinations through established permanent cooperation between EU Member States in the field of CFSP and important and sensitive issues is no unanimity on positions taken and decisions and taking joint actions especially in defense and security purposes. The EU Treaty pays great attention to foreign and security policy, which is one of the pillars of the EU. Founding treaties of the European Economic Community, the right to conduct foreign and security policy was kept in the exclusive competence of the member states. In such circumstances, the exercise of foreign policy cooperation was provided on the basis of political consensus. Thus, the EU went political cooperation in the sphere of foreign policy, having no legal basis and support in the founding treaties. But, with the Single European Act—SEA since 1986, it built a new part, under title: provisions for European cooperation in the field of foreign policy, in member 30. Member states of the EU are obliged to strive for joint formation and realization of European foreign policy, i.e., undertake to define and implement a European foreign policy. To this end, they undertake on any matter of foreign policy, which is a common interest to be informed and consulted in order to ensure their mutual influence on resolving issues through their joint impact of harmonization and approximation of their views and taking joint measures².

² Art. 30, point 1 and point 2 of the Single European Act (EEA).

Legally relevant process on the CFSP is heading five of the treaty on EU, which includes provisions that, in addition to external governing and security policy, and that members of J. 1 to J. 11.

Article J. 1 formulates the basic obligations of the union and its members in the process of defining and achieving the CFSP, whose main objectives are:

- (1) Protection of common values, fundamental interests, and independence of the union;
- (2) Strengthening the security of the union and its members in all forms;
- (3) Protecting and maintaining peace and strengthening international security in accordance with the Charter of the UN—UN and the principles of the Final Act of the Conference on Security and Cooperation in Europe Helsinki and objectives of the Paris Charter;
- (4) Promotion of international cooperation;
- (5) Development and strengthening of democracy and the rule of law and the principle of the rule of law and respect for human rights and fundamental freedoms³.

The means for achieving these goals are defined in Article J. 2 and J. 3 as two types of joint cooperation activities and joint actions. Namely, with these members, the objectives of foreign and security policy are left to the European Council and the Council. The European Council defines the principles and basic guidelines for conducting the CFSP, i.e., it unanimously decides the issues which will be the subject of joint action and unanimous decision-making in relation to the objectives and the required duration, resources, implementation procedure, and conditions of common stock. Based on the basic guidelines of the European Council, the Council shall adopt the necessary decisions for the definition and implementation of the CFSP. European Council unanimously adopts decisions on matters subject to joint activity, taking into account the union's unity and action. Given the opportunity for the eventual implementation of the decisions, it relating to common foreign shares with a qualified majority. Legal commitment of the member states of the union with decisions for the implementation of joint actions in the process of formulation and implementation of individual national foreign policies⁴, which in order to prevent undermining the effectiveness and coherence of harmonized positions with unexpected unilateral actions of individual members. Member states have the option of unilaterally taking foreign policy decisions in emergencies, provided that compliance with the general objectives of the common stock and informing partners about the nature of the assumed act, as well as the opportunity to review the quality of appropriate joint action in case drastic change of circumstances that have influenced on definition⁵ and the possibility of adopting special solutions for certain member states of the union encountered serious problems in the implementation process shared mandated activities⁶.

Council meeting may be convened at the request of a member state or the commission, and in emergencies, the President of the Council may convene a session on its own initiative or at the initiative of the commission or a member state, within 48 hours or in the shorter term. Committee on Political Affairs, political affairs composed of directors constantly monitor international activities in the field of CFSP, participate in defining attitudes by giving opinions and suggestions to the Council, and the care and implementation

³ Art. J. 1, point 1 and point 2 of Treaty on EU.

⁴ Art. J. 2 point 4 of Treaty on EU.

⁵ Art. J. 3 point 3 of Treaty on EU.

⁶ Art. J. 3 point 7 of Treaty on EU.

determined policy, respecting the powers of the president commission⁷. The EU policy in the field of CFSP is defined in common positions and solutions to common stock. In general, position determines the relationship of the EU to a particular question and the steps that you take the EU and the member states to resolve by defining the general position of the Council, member states shall harmonize national policies with the general position. Very efficient tool to influence EU international relations and the politics of other countries, represents solutions for common activities⁸. Decisions on joint activities oblige the member states, as for building custom views and activity.

From the foregoing, it appears that as well as within the process of European foreign policy co-EFP, and within the process of European CFSP, the subject of the institute (joint action) is not an entity, a whole (EU), but its constituent member states of the union. The same applies in respect of the holders of joint positions⁹. The member states are obliged to inform and consult each other in relation to the relevant foreign policy issues. Common position formulated in the meetings of the European Council, which is responsible for deciding whether to accede to define common positions¹⁰.

The State Party Council is responsible for implementing the CFSP. The Treaty on EU specified obligations arising from the CFSP shall be binding on the member states of the union: Mutually informed and to inform the Council on any matter that is of common interest to foreign and security policy to coordinate all activities in international organizations and at international conferences, so they are obliged to act in concert to protect the positions and interests of the EU, if there are changes in the foreign policy conditions or problems related to the implementation of certain measures arising from EU joint actions and the member states should adopt measures derogating from the decisions of the EU Member State which is obliged to inform the Council that after analysis accepts adequate solution, all member states are required to actively support the EU's foreign and security policy, to refrain from any actions that contradict the interests of the union or likely to weaken their effectiveness as a unifying force in international relations¹¹.

An important novelty introduced by the Treaty on EU is the act of inclusion security—security aspects of foreign policy, intending to lead to the creation of a single European defense policy, which over time could lead to a common European defense¹². Joint defense system with the agreement does not regulate, but only logs as perspective. Real structure, on which the union could rely on a common defense policy, would be WEU (Western European Union), which until then existed only in documents without any real activities. In time signing EU Treaty, WEU members (member states of the European Communities: Germany, France, UK, Italy, the Netherlands, Belgium, Spain, Portugal, and Luxembourg). Other three countries which are Greece, Denmark, and Ireland are members of European Communities but not members to the Western Union, which was a formal obstacle to the inclusion of the WEU in the structures of the European Communities. Here is the reason why in the Declaration on WEU adopted by the Treaty on EU, the nine member states of the European Communities and the WEU, addressed only to those that are members of the European Communities to join Western Union or to gain status monitors. Another problem represents Turkey, Norway,

⁷ Art. J. 8 of Treaty on EU.

⁸ Art. J. 3 point 4 of Treaty on EU.

⁹ Art. J. 2 of Treaty on EU.

¹⁰ European Council common foreign policy stances determines unanimously, with the exception of procedural issues as cases involving Art. J. 3 point 2 of Treaty on EU.

¹¹ Art. J. 1, J. 2, J. 3, and J. 5 of Treaty on EU.

¹² Art. J. 4 of Treaty on EU.

and Iceland, who were members of the WEU but not in the European Communities. Exit found in resending these three countries to the status of associate members, was performed and organizational changes in WEU and thus began the transformation of the WEU in the defense component of the EU. However, agreement makes distinguish between issues of defense with simple, less important security implications. Latter as painful in terms of individual defensive reliability of each of the member states is the basis for the formulation of common positions. First and after the entry into force of the Maastricht Treaty, it remains sphere of exclusive jurisdiction of each country. Incidentally, joint actions producing implications for the field of defense and security are subject to explanation and implementation of the WEU¹³. Treaty refers to the necessary cooperation of the WEU and NATO¹⁴, i.e., substantial consistency European CFSP with the obligations arising from the North Atlantic Treaty. Enabling WEU in the structure of the EU, it does not come to the termination of already close links with NATO. Treaty on EU, because the EU has not got its own defense-policy instruments, Western Union has been declared an integral part of the development of the EU. This is an opportunity for the EU to submit a request to the WEU to prepare and implement decisions and actions of the EU concerning security policy, i.e., related defense. Council, in accordance with the institutes of the WEU was authorized to determine the necessary practical measures for implementation of the identified tasks¹⁵. WEU remains an independent international organization, whose cooperation with the EU is governed by the Declaration on WEU, which is one article of the Treaty on EU. According to the declaration, the WEU will be developed as the defense component of the EU and as a means to strengthen the European leverage Atlantic alliance¹⁶. For the purpose of creating optimal conditions for cooperation and coordination of activities between the EU and the Western Union, the WEU headquarters from London was transferred to Brussels, where is the headquarters of the commission, more remedial authorities and administration of the EU.

Article J. 5 of the Treaty on EU establishes the normative basis of the diplomatic representation of the union as a whole vis-à-vis the outside world. Namely, who is responsible for representing the union in foreign policy relations in general is the chairman of the union. The general principle applies to the representation of the union in international organizations and international conferences. Only exception to this is the international conferences about all states. In such situations, the present member states have an obligation to inform the absent member states. The latter principle applies in relation to the work of the UN Security Council. The permanent members are obligated to provide defense of the positions and interests of the union, without prejudice relative to its responsibility under the Charter of the UN. Cooperation of the diplomatic and consular missions of the member states of the union with the missions of the Commission of the European Communities

¹³ The WEU was established by the Brussels Treaty, signed on March 17, 1948 by the UK, France, Belgium, Netherlands, and Luxembourg, in order to remove the sense of insecurity Western states security plan before the military expansion of the SSSR (Union of Soviet Socialist Republics) (Robertson A. H., *Constitutional Developments in the Council of Europe*, 1964, p. 111). Brussels Treaty in 1954 was modified and became the legal basis of the so-called WEU, designed under its own kappa cover and the Federal Republic of Germany (R.G.H. "Western Union: political origins", *The World Today*, no. 4/1949, pp.170-183; Robertson A. "The creation of the Western European Union"). Western Union remained of marginal importance to the organization in 1984 when the national parliaments of the member states of the European Community adopted the draft agreement for the revival of the WEU as a European defense forum.

¹⁴ NATO was formed as a defensive organization of a regional type of April 4, 1949 by the States Parties to the Brussels Treaty, Denmark, Ireland, Italy, Norway, Portugal, and the United States (Beugel E. H. op.cit. p.253 et.seq).

¹⁵ Art. J. 4 point 2 of Treaty of EU.

¹⁶ Point 2 of Declaration on WEU, adopted by the 10 member states of the EU and the WEU.

as well as the cooperation of the diplomatic missions of the individual member states, in general and international conferences were legally sanctioned and within the process of European foreign policy cooperation EPS, and the Treaty on EU introduced an additional opportunity for the establishment of joint missions that share common facilities.

The institutional structure of the European CFSP is completely identical to what established in the framework of the European foreign policy cooperation. CFSP institutional hierarchy has four levels. At its peak, the European Council, which provides directives and is the highest level of decision-making in case of insurmountable differences in the opinions of the lower bodies, initiated the joint strategy and the reform proposals and is acting as spokesperson common positions in relation to the outer world and defines the principles and formulates general guidelines. Council decisions on defining and implementing the CFSP ensure consistency in the union's activities. Political Committee (PC) is the official organ of the servicing of the European CFSP, COREPER¹⁷ is a regular authority for the preparation of the Council's work¹⁸. As regards the other bodies, the Commission of the European Communities shall have the right initiatives for CFSP and retain the old status, and the European Parliament has the authority to hold annual debates about the progress in the process of European foreign and security policy, making recommendations European Council and the responsibility for answering questions asked by the European Council, as well as reports already agreed CFSP positions and has the ability to influence through rights to give consent for all important agreements EU with the third countries.

Treaty of Amsterdam for Reform of the EU—Modification of the CFSP Established by the Maastricht Treaty

Amsterdam Treaty to reform the EU contains a unique title five composed of members of J. 1 to J. 18 whose totality completely replaces title five of the Maastricht Treaty. Most of the members contained in Maastricht 2, i.e., Amsterdam Treaty is identical with those included in Maastricht 1, i.e., Maastricht Treaty. So changes that bring the Amsterdam Treaty in the field of CFSP process are neither broad in scope, nor deep its radicalism. Totality changes you can enter the Amsterdam Treaty can be divided into several groups: Despite the common positions and joint action are introduced and institute a common strategy of the member states of the union. Common strategies set the European Council on the proposal of the Council, in areas in which the member states have very important common interests. Common strategies to define their own objectives, duration, and the means must be made available by the union and its members:

(1) In the sphere of application of the common shares, the agreement provides a legal obligation for member states to address the Council and to inform about the difficulties which come in the process of their implementation and the Council obligation to consider the problems and seek appropriate solutions will not be detrimental to the achievement of the objectives of the common shares, i.e., their performance;

(2) For the first time in the sphere of foreign policy, announced an opportunity for majority decision-making in the Council, through abstention from voting to appropriate state officials is not an obstacle to conquer foreign policy decisions. If it comes to refraining from voting, it must be done with the presentation of a formal declaration calling for treaty article which allows such an opportunity. Well, so the decision does

¹⁷ COREPER is composed of civil servants employed in the national ministries of the member states.

¹⁸ Art. J. 8 of the Treaty of EU.

not oblige restrained member state, but it must be accepted that despite the fact that no decision was taken unanimously, however obliges the union as a whole, i.e., obliges states to act in accordance with the principle of mutual solidarity, not to interfere with the implementation of the decision by the union. But if the number of abstention votes of more than one third of the vote, the decision cannot be made. Determined that the qualified majority voting is possible in the following situations: adopting joint actions, common positions, or other decisions based on a common strategy; adoption decisions for the implementation of joint actions or common positions, with the exception of decisions that open military or defense implications; adoption decisions regarding procedural matters by a majority vote;

(3) Treaty of Amsterdam provides novelty enhanced cooperation between the WEU which gives more weight as an integral part of the development of the union and the EU, which remains a separate organization. Enhanced co-operation should be made in support of the WEU addressed to the EU in the framing of the defense aspects of CFSP and conversely, the EU will accordingly encourage the establishment of closer institutional relations with the WEU with ambitions to integrate the WEU into the EU, if the European Council decided in this direction. Innovations is an opportunity for “ad hoc” joint participation of all member states, regardless of the fact whether they are members of the WEU or not, in certain military actions with limited effect. Namely, things interventions in WEU called tasks Petersburg, although the Amsterdam Treaty does not use this term but by name lists: humanitarian and rescue actions, peacekeeping operations imposing peace in crisis situations and actions establish peace;

(4) A special group of novelties include the establishment of new bodies process the CFSP of the EU. It works for EU High Representative responsible for issues of foreign and security policy with the rank of Secretary General of the Council of the EU Council authorized to assist the union in matters of foreign and security policy, especially in the process of formulating preparation and implementation of policy decisions and, where appropriate, to act on behalf of the council at the request of the chairman of the union through conducting political dialogue with the treat by a separate analytical unit for planning and forecast international situation.

Conclusions

The analysis of the normative model of the European CFSP established by the Maastricht Treaty, as amended by the Amsterdam and accompanying agreements, leads to the conclusion that it was designed in an important political moment, with huge ambitions for radical step forward in the field of political integration of Western Europe, when overwhelmed feeling that something drastic must be done in order to be overcome current stage of European foreign policy cooperation. In the middle of the reform, debates that came to the fore in the Maastricht Treaty and the Treaty of Amsterdam, were under the comprehensive authority of the CFSP, more efficient decision-making structures and greater transparency of the external representation of the EU Member States.

The EU is developing a unique institution in the world which covers an entire range of possibilities for civilian and military interventions in the event of crises. With that she is on the road to more operational foreign and security policy, which would be better projected external stability and contribute to international security. CFSP has reached a significant level of differentiation and maturity. Well, if there is a general will of the participating governments and if we keep up the momentum CFSP, then member states in a position targeted, timely and operationally to respond to international challenges.

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E-Documentation as Medical Services Quality Determinant on the Private Dentist's Surgery Example

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The paper presents the modern management of health care institutions in the electronic medical document (EMD) context. Electronic medical document is in the form of software that provides a comprehensive system for the whole dentist's surgery management. The program allows for complete service of the patient in the private dentist by keeping records, archival photographs, the settlement of visits and patient registration. It has been shown that technological innovation can fundamentally change the quality of the medical services in Poland, making a revolution in the management of budgetary expenditure. Electronic medical document is a system for the citizens of the 21st century. This is a new quality in healthcare administration, reimbursement systems, and most importantly patient care. Created based on specified standards and national standards information databases, ensure the reliability and comparability of data, and can be an analytical tool for health policy planning at various levels of the administration.

Keywords: quality, medical services, e-documentation

In the contemporary world where competition is such a widely discussed phenomenon, the idea of quality has become an issue of major significance. A modern organization, regardless of its business profile, should be focused on quality, as it is the quality that constitutes the foundation of the effective business running and it is not only the contributor to its success in the market but also the indicator of its culture. Quality understood as "something that can be improved" (Skrzypek, 2000, p. 16), has also reached the sector of medical care. The current situation has been forced and at the same time facilitated by the amendment to the "Act on the Health Care Centers, the reform of the health insurance system"¹ and implementation of certain instruments into the Polish market such as ISO (International Standard Organization) standards, quality prizes, and accreditation programs.

Health care is one of the basic branches related to health, constituting a part of national economy. A client, in this case, is a patient of a medical care center who comes in an expectation of receiving a given product which is in fact a solution to his or her health problem. In the field of the health care system, the definition of a product comprises the complete set of services provided, firstly including strictly medical services such as doctors' and nurses' care, but also accompanying services, e.g., hotel or information services.

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¹ *Ustawa o ubezpieczeniach zdrowotnych* (Act on Health Insurance), Journal of Laws No. 28 of 1997 with further amendments in Journal of Laws No.117 of 1998.

Patient as a direct and external client wishes to get a high-quality service provided by the qualified personnel without any complications, in adequate and appropriate conditions. Health care workers being the internal, indirect clients want to provide medical services in accordance with the current, professional knowledge, by using proper apparatus, leading to the improvement of a client's (patient's) health condition. In the contemporary understanding,

The quality of the health care services can be reached via the knowledge and skills of the medical personnel, the conditions of hospital rooms, cleanliness, rules for visiting patients, as well as creating an atmosphere of privacy and kindness, which facilitates patients' recovery. (Wnuk, 2003, pp. 38-41)

It is very difficult to explicitly define the concept of quality in medical services. It may be stated that the quality of medical services is:

- (1) The level of meeting and satisfying patients' needs;
- (2) The level of a service's class in reference to its potential to provide patients' satisfaction;
- (3) The kind of care where the patient's measurable interest is maximized, taking into account the balance between anticipated benefits and losses accompanying the process of care at all its stages.

Nowadays, more and more medical facilities take decisions on implementing quality management systems with the target to introduce effective methods, tools, and procedures of activities, which on one hand would assure that the offered medical services meet patients' expectations with the level of quality and reliability, while on the other hand they would enable such a decrease of costs (by applying a rational economic policy) that the offered service could be competitive in terms of price, dates, or improved solutions.

Not only in Poland, clients'/patients' satisfaction has been recognized as one of the essential factors of competitiveness in the health care system, since a proper attention to it in that sector of services is currently a standard of proceeding that has a significant impact on meeting the requirements and expectations of clients/patients, and simultaneously on their loyalty. Satisfaction "is the level of meeting consumer's expectations with a given service or product" (Lisowski, 1999, pp. 16-18). The concept of satisfaction is strictly connected to quality. Client/patient using medical services anticipates a product compliant with the parameters, which were previously agreed, and with the reproducible quality level.

Irrespective of the level of clients/patients satisfaction, there is always some room for improvement. Therefore, a crucial question always arises: What else can be improved? What needs to be improved first? That is why, apart from the general level of clients'/patients' satisfaction, it is essential to make a detailed analysis of this issue in particular aspects. The client's/patient's satisfaction will depend on the extent to which the received service meets their requirements, and such an evaluation is always an individual and subjective opinion. First of all, the satisfaction comprises three elements:

- (1) The promptness of the reaction to the clients'/patients' needs;
- (2) Reliability and quality of providing services;
- (3) Proper relations.

The elements of quality, anticipated by the patient, are as follows:

- (1) Competence—a client/patient expects professionalism and high qualifications from the medical personnel;
- (2) Reliability—a client/patient needs reliable services delivered accurately and diligently, in accordance with the latest standards and ethics.

Medical Documentation

At every institution, independently of its size or also a number of employed there is functioning circulation of medical documentation. In the simplest case, it is process completely “analog”. Documentation is being created by hand during the visit of the patient in the consulting room. The doctor is writing down the interview, the diagnosis, recommendations, and the prescription by hand—similarly to referrals and additional documents (e.g., certifying, the dismissal). After finishing the visit, prepared documents are being transferred to the wardrobe, together with files of different patients. (Piecuch, 2012)

At each health care facility, medical practice nursing or midwifery is obliged by law to document the healing process and granted in connection with the health services. This obligation to the some extent is the public and private health care facilities. Ministry of Health of December 21, 2010, on the types and extent of medical treatment and how it allows you the freedom to choose the form of medical records conducted. In accordance with Article 56 of the law on health information in all the medical records created after July 31, 2014, by the health care practice: doctors, nurses and midwives, and pharmacies will have to hold an electronic form.

According to the Minister of Health keeping records in the electronic version has been greatly simplified by dispensing with the requirement to use: an electronic signature in the documents, as well as the so-called timestamps. These changes made it possible to easily and comfortably carry medical records in electronic format using commercially available software to conduct medical practice, without incurring additional costs associated with the redemption of qualified time stamps and stores, electronic signature. (Staniec, 2012)

If a decision on the keeping of records only in electronic form system should be implemented:

- (1) Protection against damage or loss of data;
- (2) Maintaining the integrity and credibility to the documentation;
- (3) Allowing instant access to documentation and protection of persons entitled—unauthorized access;
- (4) Identifying the person providing health care services and registered by it change.

A prerequisite for e-documentation is the computerization of the facility and installing an application program designed to support it. Such a program should provide data security, integrity, and credibility of the documents, unequivocal identification of the person providing health care services and registered by it changes, the creation and recorded current medical records and completing the documentation for scanning documents or research (archival documentation), electronic sharing of medical data, the possibility of printing copies, and export documentation in electronic form part or all of the data. For an electronic version of medical documents, it is necessary to develop security procedures, documentation, and processing systems, in particular the procedures for access to medical records. The rules governing the issues related to the conduct of e-documentation of an emphasis on issues of maintaining safety and security of information collected your data against loss, theft, or unauthorized use. It will be necessary also to prepare a plan of record keeping in a long time, which is particularly important because of the longer time archiving of medical records for 20 years. (Staniec, 2012)

The introduction of medical records in electronic form virtually all processes in a medical facility, from patient registration through the service during the visit, up to the settlement with the insurer. This requires a reorganization of the existing system of work. In the initial stage of documentation in electronic form, it should anticipate a prolonged operating time, patience, and slow down the pace of work.

Electronic Medical Records—Characteristics

Electronic medical records—the same as in the case of paper documents, must be created for each patient.

It has to be updated by recorder on any subsequent visit. The documentation must include all documents related to the process of benefits, such as test results, referrals, discharge card, and the patient's consent to perform surgery. Medical documentation must also include with each entry:

- (1) The patient's personal details (name, address, and social security);
- (2) Providing information about equipment provision (indicating the appropriate organizational unit);
- (3) Description of health status and provided services;
- (4) Date of preparation.

Entries in electronic medical records cannot be removed. In the event that the documents kept in electronic form shall be accompanied by documentation created in other forms, including x-rays or records created in paper form, the person must be empowered to perform digital reproduction of this documentation and place them in a computer system to ensure its legibility, access, and consistency of documentation. Electronic medical records like paper can be made available upon the request of the patient or person authorized by him (or authorized under other legislation—in the case of minors or incapacitated). Patients should be made available as a whole, in the form of integrated, with all necessary documents, and with the personal data. Sharing documents kept in electronic form may be obtained by:

- (1) The transfer of patient information storage medium with recorded documents, such as a CD with photographs of diagnostic imaging studies;
- (2) Electronic transmission of documents, such as e-mail to the patient;
- (3) Transfer printing paper—where electronic documentation is available in the form of paper printouts, an authorized person confirms their compliance with the documentation in electronic form shall bear his mark.

Documentation should allow identification by providing health care services.

If the facility uses templates medical records, they can be extremely helpful in determining the key features of the new system. They contain all the data that must be collected in the patient, and the format developed and approved by doctors working at the resort. It is worth to note that, when collecting information to specification requirements of the new system to gather all the templates that are currently in use. (Staniec, 2012)

Before preparing the system, requirements should also:

- (1) Convert all positions in the facility, which will require access to medical records;
- (2) Describe doctors working in the establishment of a “relation to new technologies”—find that some doctors will need to create an additional position (nurse/medical secretary) to direct service new system and data entry;
- (3) Test the ability of the center in the context of broadband internet access. This is a very important issue when considering the implementation of the system functioning as a SaaS (Software as a Service), as to the proper functioning of such systems has a stable and relatively fast link;
- (4) Conduct an inventory of all computer hardware—workstations connected in a network, servers or data servers, printers, and other office equipment is connected to the network (including medical equipment);
- (5) Consider the long-term development plan of a medical facility. Keep in mind that with the expansion of the medium (e.g., new branches or offices) will have to be extended, also ordered a computer system. You must make sure that the software will be procured and developed, and analyze the processes of circulation of non-medical documentation. It may be that in the area of administrative or financial records, you can enter items or a complex electronic circuit.

After initial preparation, you can proceed to the implementation of organizational planning—a process analysis of the circulation of medical information in an institution. To facilitate this, the tracing of the patient from the moment he crossed the threshold of the center, to the prescription and recommendations by the physician. (Mykowska, 2002; Kozierekiewicz, 2003; Bukowska-Piestrzyńska, 2007; Borkowski & Rosak-Szyrocka, 2010)

The introduction of medical records in electronic form entails many costs: both investment typically associated with the purchase of computer hardware, licenses for soft-ware, services implementation and training, and organizational: the involvement of people in training and implementation of the new system work, considerable reduce the cost of securing access to electronic records compared with paper documentation (for paper documentation must be closed cabinet and specially protected areas), to obtain a large amount of space occupied by paper files, almost complete reduction of costs associated with the creation of paper documents (paper, toner amortization, and printers), the ease of making and storing backups. To further “the benefits we can add the following options: performing statistical analysis of medical records in an electronic, automatic generation of statistical and accounting reporting for the Central Statistical Office (CSO) and the National Health Fund” (Staniec, 2012).

Benefits of Implementing E-Documentation

As a natural consequence of the introduction into the facility, a good computer program and electronic medical records will create a specific regime of organization (the program will not allow the procedural defect), which will significantly facilitate the flow of information. The electronic form of the history of the patient visit that makes the information contain is more transparent, clear, and structured—which is easier to read by another doctor or specialist. The electronic form of documents facilitates information flow between the consulting specialists also allows instant access to complete patient medical history at the touch of a key, without having to go to the registration or archive. Another advantage is the ability to generate printouts of all kinds of referrals (for testing, to a specialist hospital), judgments, medical certificates using forms Social Insurance Institution (ZUS EVIL) and prescriptions.

Some of the programs to carry out medical practice, as Dr. Eric, are available in the system-to-date information on whether a drug is reimbursed and how much on a specific disease. Built into the program dictionaries so-called ICD-10 codes, medical procedures, so-called ICD-9 codes and territorial Journal of the National Register of Territorial Division of the Country (TERYT) base visits, drugs, and templates to help with typical medical personnel in their daily work, reducing the time needed to complete the documentation. (Staniec, 2012)

The processing of documents in electronic form shows many advantages. These include:

- (1) Faster access to information;
- (2) The ability to instantly send it to another branch or plant;
- (3) The opportunity to do the copy for the patient;
- (4) Save space, etc. (Poznański, 2012)

Implementation of an Electronic Document in a Private Medical Dental Office

E-documents used in private dental practice allow you to manage the entire cabinet of the side:

- (1) Medical (the card also has a specialist orthodontic and cephalometric analysis);
- (2) Reception (up schedules, billing, and support for fiscal printers);
- (3) Administration.

E-documentation offers many benefits:

- (1) Allows for full service patient in the study by providing records, archival photographs, accounts of

visits, patient registration, etc., card and orthodontic periodicals;

(2) Advantage of the program is excellent work in the network, so the program can benefit both the hospital staff—doctors, reception, or administrator;

(3) Program supports fiscal printers and allows for fast printing till receipts what is your great help in the implementation of fiscal policy;

(4) Sharing program on three modules: the doctor's office, reception, and administration allow you to adjust the program for small and large offices;

(5) Program provides extensive statistics to monitor the work of all staff from the financial and medical assistance.

Summary

In summary, the introduction of medical records in electronic form entails many far-reaching consequences. To make this kind of documentation, facility in the initial period must incur considerable expense and reorganize the system of work, but in the long term, the new solution is less demanding and more cost-effective. In return, it receives first modernity and security, improving comfort and quality of work, improving the flow of patient information, and most importantly, the peace of computerization can expect health care.

Advantage of electronic solutions is that the software provider is responsible for follow-up changes in legislation and adjusting the program to the current needs and requirements of the Ministry of Health and Chairman of the National Health Fund (NHF). An example of this may be introduced from January 2012, changes in reimbursement. The problem of verifying the degree of drug coverage is no longer good doctors working in the software, such as Dr. Eric. This program automatically verifies this information for the doctor. Another benefit is a measurable reduction of the high cost of creating, maintaining, and archiving of medical records and to minimize errors in its creation, the elimination of illegible entries in patient records, especially those leaving the facility (illegible or improperly issued by the medical prescription).

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Can Demographic Characteristics Influence Perception on Internal Control System?

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The purpose of this study is to develop a reliable and valid construct for internal control system and to assess the association between respondents' demographic factors and their perception on internal control system. The fraud triangle theory underpins the development of the survey instrument. Survey questionnaires were administered to 553 respondents out of which 334 were usable responses in the Malaysian financial sector, using face to face data collection procedure. Cochran's method was adopted for sample size determination. The confirmatory factor analysis (chi square = 3.09; AGFI = 0.81; NFI = 0.89; TLI = 0.91; CFI = 0.92; RMSEA = 0.08), normality (skewness < 1.50) and reliability (composite reliability = 0.95; average variance extracted = 0.46) results were convincing. It was found that respondents' age ($p = 0.02$) and working experience ($p = 0.01$) had significant bearings toward their perception on internal control system within the Malaysian financial sector.

Keywords: internal control, fraud, confirmatory factor analysis

Fraud is a matter of severe social, economic, and political concern and the increasing pressure from stakeholders to reduce fraud over the past two decades has resulted in the development of new standards—acts and laws. Generally accepted auditing standards and the Sarbanes Oxley Act 2002 are among the examples of such legislation introduced to assist in the prevention and detection of fraud. For instance, the fraud debacle in Enron was reported in 2002, which led to the downfall of Arthur Andersen. The demise of Arthur Andersen, a global public accounting firm is evidence of public dissatisfaction with the failure to detect and prevent fraudulent activities. Thus, the prevalence of fraud damages the professional reputation of auditors, management, and the respective companies. The calamities faced by organizations such as Enron, Tyco, Xerox, and Sunbeam over the past decade have questioned the ethical responsibilities of managers, directors,

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auditors, and employees. Through the literature review, this study will undertake a systematic identification of items in the respective constructs that will help develop an in-depth understanding of how the management in the local banks can capitalise on the prevention and detection mechanisms to combat fraud. This will then improve the chances of detecting asset misappropriation schemes and reduce the problems of productivity in the Malaysian banking sector. Rae, Subramaniam, and Sands (2008) have reviewed the definition of internal control system provided by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission. They explained that internal control system is defined as a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and finally the compliance of applicable laws and regulations. It is rather disturbing to note that the auditing profession has been criticised for failing to detect, prevent, and report fraud cases once they are discovered (Hillison, Pacini, & Sinason, 1999). The occurrence of fraud throughout the years has affected stakeholders in a devastating manner; therefore, the stakeholders have pressured the auditing profession to improve the effectiveness of fraud prevention and detection (Alon & Dwyer, 2010). Despite of many controls to monitor, detect, and prevent fraud, its incidence continues to prevail. This signifies that further research needs to be conducted to further enhance knowledge in this area. There are two objectives of this study. The first objective is to develop a reliable and valid construct for internal control system which could be used by future researchers in studying fraud and ethics. The measurement of an internal control system construct will contribute to the limited body of knowledge. Second, this study also intends to research the association between demographic characteristics and perception on internal control system.

Literature Review

The measurement of internal control system has been reviewed from many previous studies. The first procedure that will measure internal control systems in this study is known as segregation of duties (Amudo & Inanga, 2009; Hillison et al., 1999). Most fraud auditors must acknowledge that keeping proper accounting records is a good internal control system. This is because proper accounting records can also provide better control over inventory. Dorminey, Fleming, Kranacher, and Riley (2010) discussed that red flags or opportunities for fraud take place when policies and procedures are not well implemented. Mishra and Prasad (2006) summarised that internal control is all about policies and procedures set to ensure that an organisation's assets are safe and well protected from misappropriation. Therefore, policies and procedures should be implemented and communicated to employees in every organisation.

The literature of Orchard, Decker, and Kizirian (2007) further explains that petty cash of an organisation should be locked and auditors should review all records of petty cash to ensure that there are no misappropriations in the cash accounting. Surprise cash count on a random and unannounced basis can be an alternative to control cash fraud. Transactions must be recorded in sequence to ensure that nothing is omitted. Auditors should ensure that physical count of inventory is conducted to detect employee theft (Orchard et al., 2007). One of the most effective methods of combating corruption is imposing mandatory job rotation (Bierstaker, Brody, & Pacini, 2006). The study of Hillison et al. (1999) explained that the enforcement of mandatory vacations and job rotations is vital to strengthen the internal control system of an organisation. Employees reluctant to take vacations or show negative reactions when asked to do so could be a signal of the occurrence of fraud. Formulation of good personnel and recruitment policies is important mechanisms to

ensure that only people with high integrity are recruited. The study of Hillison et al. (1999) describes checking employee reference as a part of the internal control system that can help to prevent fraud. Screening of job applicants and proper background checks before hiring a person, are essential elements of an effective internal control system to reduce fraud. Table 1 portrays the measurement of internal control system which is derived from the literature review.

Table 1

Recommended Measurement for Internal Control System

No.	Statement
ICS1	The organisation segregates employee's duties
ICS2	The organisation keeps proper accounting records
ICS3	The organisation authorises all transactions properly in accordance with authority limits
ICS4	The organisation ensures that all transactions are supported by documents
ICS5	The organisation analyses the source documents for deposit
ICS6	The organisation analyses the source documents for withdrawal
ICS7	The organisation implements strict policies and procedures
ICS8	The organisation communicates policies and procedures to employees
ICS9	The organisation reviews cash count regularly
ICS10	The organisation ensures that there is no break in sequence of prenumbered cheques
ICS11	The organisation ensures that there is no break in sequence of prenumbered receipts
ICS12	The organisation ensures physical safeguard of cash so that it is not stolen
ICS13	The organisation ensures physical safeguard of inventory so that it is not stolen
ICS14	The organisation observes inventory counting regularly
ICS15	The organisation ensures reconciliation of accounting records with physical inventory
ICS16	The organisation ensures an appropriate staff rotation policy
ICS17	The organisation ensures staff mandatory leaves policy is implemented
ICS18	The organisation ensures cross referencing is done for potential employees
ICS19	The organisation ensures proper recording of actual time worked through the use of proper clocking system
ICS20	The organisation ensures proper authorisation procedures for wage rate
ICS21	The organisation ensures proper authorisation procedures for overtime payment

Underpinning Theories

One of the most well-known underlying theories of fraud that has been widely used by previous researchers is known as the Cressey's fraud triangle theory. According to Cressey (1953), the behaviour of fraud is motivated by three factors, mainly known as opportunity, pressure, and rationalisation. The literature of Mishra and Prasad (2006) elaborated that employees will steal if there is an opportunity for gain. The second theory that underpins this study is the self-control theory. Gottfredson and Hirschi's (1990) self-control theory represents one potential explanation of fraud offending. The theory posits that individuals with low levels of self-control are more likely to use force and fraud to pursue their self-interest. They believe that the most crucial factor contributing to crime is individual lack of self-control. Self-control theory proposes that individuals who are ineffectively parented prior to the age of 10 develop less self-control compared with other children who have better parents. This makes them prone to crime, if given the opportunity. Research has generally found that low self-control is associated with various criminal and imprudent behaviours (Muraven, Pogarsky, & Shmueli, 2006).

Research Methodology

This quantitative study used a questionnaire to obtain feedbacks from respondents. Items measuring internal control system were largely derived from the literature review. The questionnaire was divided into some sections. Primarily, questions on demographic characteristics such as age, working experience, gender, marital status, working department, position, and academic qualification were asked. Subsequently, Likert scale was used to measure the perception on internal control system as a fraud prevention and detection mechanism. Data were distributed to 553 employees working in the financial sector in Malaysia and usable responses of 334 were obtained. Simple random sampling methodology was employed and research assistants were used to enhance the response rates. Cochran's method was used and the sample size was calculated according to the recommendation provided by Bartlett, Kotrlik, and Higgins (2001). Confirmatory factor analysis was performed to satisfy the first research objective meanwhile a one-way analysis of variance (ANOVA) test was employed to achieve the second objective of this study. The analysis of variance is useful in testing associations between constructs of this study.

Analysis and Discussion

The first objective of this study is to develop a reliable and valid research instrument which could be used by further researchers in the area of interest. Table 2 portrays the results for non response bias test indicating that there are no major differences in the earlier responses as compared with the subsequent responses. This proves that the instrument is not bias and provides justification for the simple random sampling. The distribution of items and construct is also found normal as could be seen from the Kurtosis, skewness and Kolmogorov-Smirnov test. The confirmatory factor analysis was conducted and the results (chi square = 3.09; AGFI = 0.81; NFI = 0.89; TLI = 0.91; CFI = 0.92; RMSEA = 0.08) are very favourable as the indices fall within the recommended range. Finally, Table 2 also provided justifications for internal consistency (Cronbach alpha = 0.95) and convergent validity (composite reliability = 0.95; average variance extracted = 0.46) of the internal control construct. The AMOS and SPSS software were used to perform data analyses in this study. The CFA verifies that the construct for internal control system is reliable, valid, normal, and free from bias.

This study has adopted the ANOVA to satisfy the second research objective which is to assess the association between the employees' demographic characteristics and their perception on internal control system. Table 3 portrays the one-way ANOVA statistical results. The perception on the internal control system as a mechanism of fraud prevention is influenced by two of the demographic characteristics (age and working experience). Table 3 shows that an individual's age ($p = 0.02$) and working experience ($p = 0.01$) have significant associations with the respondents' perception on the internal control system within the Malaysian financial sector. Complementary to the one-way ANOVA results, the Welch and Brown-Forsythe test results were also significant for age and working experience, further strengthening the argument in favour of the associations. Other demographic characteristics (gender, marital status, position, academic qualification, and working department) have no significant association with the perception on internal control system. From further assessment of a post hoc test, people who are above 40 years old and have working experience of more than 10 years believe that internal control system can be used as a mechanism of fraud prevention and detection. The age and working experience of respondents can explain their perception on putting trust into procedures

such as segregation of duties, proper documentation, imposing mandatory vacation which could reduce the opportunity for fraud as also suggested by the fraud triangle theory. These findings also provide support for the self-control theory where age plays an important role on how one's perception or behaviour on fraud prevention and fraud control can be influenced. The second objective is achieved from the ANOVA and post hoc tests.

Table 2

Reliability and Validity Analyses of Internal Control System

Category	Name of index	Observed result	Desired result
Non-response bias (Coram et al., 2008)	Mann Whitney of construct	$p = 0.36$	$P > 0.05$
Normality (Lei & Lomax, 2005; Weinberg & Abramowitz, 2002)	Skewness of items	< 1.50	< 2.00
	Kurtosis of items	< 3.00	< 3.00
	Kolmogorov Smirnov of construct	$p = 0.78$	$P > 0.05$
	Chi square	3.09	2.00-5.00
Confirmatory factor analysis (Chinda & Mohamad, 2008; Singh, 2009)	Adjusted goodness of fit index (AGFI)	0.81	> 0.80
	Tucker Lewis index (TLI)	0.91	> 0.90
	Comparative fit index (CFI)	0.92	> 0.90
	Normed fit index (NFI)	0.89	> 0.90
	Root mean square error of approximation (RMSEA)	0.08	< 0.08
Convergent validity (Hair et al., 1998)	Composite reliability (CR)	0.95	> 0.80
	Average variance extracted (AVE)	0.46	> 0.40
Internal consistency (Zikmund et al., 2010)	Cronbach alpha	0.95	> 0.80

Table 3

One-Way ANOVA of Respondents' Demographics Toward the Internal Control System in the Malaysian Financial Sector

Demographic	ANOVA	Welch	Brown-Forsythe
Age	0.02*	0.01*	0.01*
Working experience	0.01*	0.02*	0.01*
Gender	0.30	0.30	0.30
Marital status	0.23	0.18	0.12
Position	0.12	0.15	0.10
Academic qualification	0.38	0.60	0.45
Working department	0.99	0.99	0.99

Note. * Significant p-value.

Research Implications

The first implication of this study is that investing in better internal control system is appropriate. Hiring proficient auditors, developing good documentation system, and enforcing mandatory leave is a must for the banking sector. Proficient auditors have better ability in mitigating controls and evaluating fraud incentives and opportunities. Future research may offer further insights into this opportunity. This will then help banks to reduce inspection costs and increase their effectiveness. In scrutiny of the above explanation, greater surveillance and managerial diligence in the internal control system in operations are needed to decrease

employee fraud. The theory used in this should not be conclusive and this is also one of the implications of this study. Under the fraud triangle theory, the three factors of fraud are known as opportunity, pressure, and rationalisation. Literature suggested that if there is no proper control, the risk of asset fraud is more prevalent and this was tested in a SEM (structural equation modeling). This study has opened the door to future researchers to further extend or test the model in other culture, industry, or country using the same theory.

Recommendations for Future Studies

This study could be also replicated in other countries and industries. Moreover, future researchers are recommended fill in the empirical gap in analysis assessing the relationship between internal control system and other variables (corruption, ethics, and corporate governance) using the instrument from this study. Other forms of tests such as the Pearson and Spearman test are recommended to fill in the data analysis gap.

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Human Resources in Public Administration in the Czech Republic*

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This paper informs about results of a research taking place within an internal grant of College of Polytechnics Jihlava, which is aimed at examining the efficiency in public administration from the point of view of the office workers. The research is divided into three stages which were proceeding gradually in large organisations of public administration carrying out self-government as well as state government in figurative effect. The research took place in the form of questionnaires, which were given to randomly chosen workers of the offices, and these anonymously answered 60 questions were divided into six topics: human resources, organizational capital, information capital, customer capital, performance measuring, and innovation capital. The respondents assessed the situation in the office using their own judgement. The aim of this paper is to inform about the results of this research especially from the point of view of human capital, organizational capital, and social capital in organisations of public administration.

Keywords: public administration, human resources, organizational capital, information capital, customer capital

With the arrival of the era of the knowledge society, the primary source of economic growth was no longer represented by natural resources and physical labour but by information and knowledge. The term new economy was coined, meaning information, network, digital, and knowledge economy (Truneček, 2001).

Companies providing services, especially those demanding on knowledge, started to achieve higher profits, higher market value than companies in traditional production branches of economy. Organizations of various types started to invest heavily into intangible assets like research and development or staff education and development, thus creating corresponding corporate culture and strong customer orientation with the goal to achieve maximal satisfaction of customer needs in consequent selling, providing services, and follow-up services. An important step was taken in the research project called Meritum, which was intended to:

- (1) Set a single classification pattern for intangible assets;
- (2) Document a system of management and control of companies in order to identify common European practices in measuring intangible assets;
- (3) Evaluate the importance of intangible assets for capital markets working by means of market information analysis;

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(4) Create guidelines for measuring and presenting intangible assets (Organization for Economic Co-operation and Development [OECD], 1999).

This task was accomplished and resulted in Guideline for Controlling and Presenting Intangible Assets. This guideline defines intellectual capital as a combination of human capital, structural capital, and social capital.

Human capital is defined as knowledge which is in the minds of employees and leaves an organization when significant experts leave it. Sometimes, people are also said to carry it away every day when going home from work. It is the creativity of workers, experience and skills, abilities of teamwork, motivation, loyalty to the company, satisfaction and willingness to learn, etc.

Structural capital includes organizational processes, procedures, systems, databases, and company culture. It is the use of information technologies and systems, the existence of a control center and its methods of controlling, ability of the organization to learn, having intellectual property rights, e.g., a brand. Structural capital is classified into organizational and customer capital.

Customer capital is connected with customers and includes both customer databases and customer relations. Customer capital and its developing and systematic managing have become a precondition for a company's survival and building competitive advantages along with achieving quality of provided outputs and product certification. The following figure has been taken over from Dvořáková (2007) (see Figure 1).

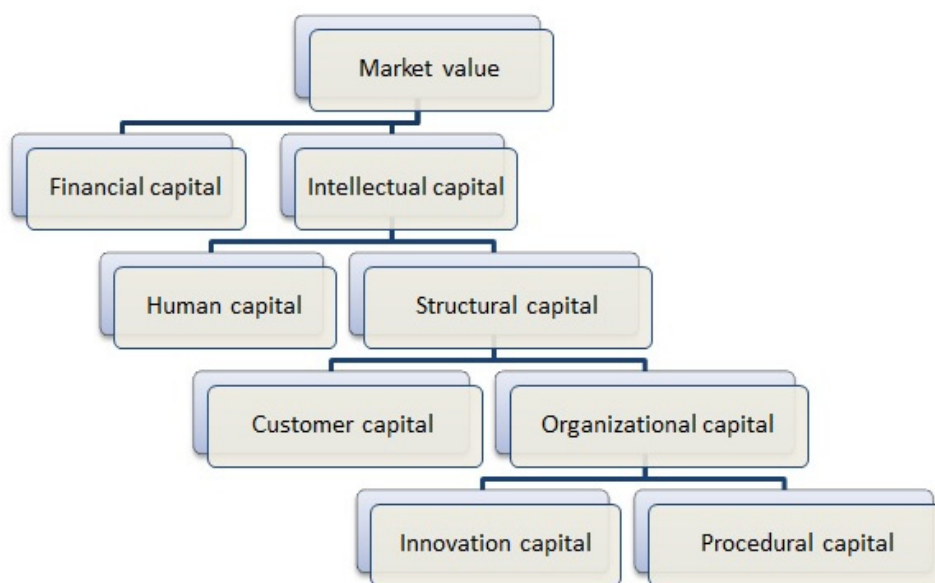


Figure 1. The Skandia market value scheme. Source: Dvořáková (2007).

People and their creative abilities in using other sources—material and financial, are the decisive factor of each company's development, both in the entrepreneurial sector and in the area of public sector. For that reason, especially large companies and companies with international capital pay the greatest attention to issues connected with raising qualification, teambuilding, with the emphasis on the flexibility of workers and their high work enthusiasm and loyalty to the employer.

These tendencies manifest themselves in the area of public administration as well, because modern public administration is the most dynamic element of institutional and functional development of the modern state

itself. On that account, constant changes and innovations are taking place in public administration with the goal to modernize it and adjust it to the current requirements for high quality and economical execution of demanded administration, and to comply with the citizens' wishes in terms of increasing the comfort of providing services and minimizing time and financial costs (Illner, Kostecký, & Patočková, 2007). This intention is closely related with the evaluation of the public administration performance, which has been dealt with in a number of developed countries for about the last 20 years in the context of both the effort to increase the efficiency of public administration and the attempt to strengthen its democratic monitoring by the public—its larger capacity of public demonstration (Smith, 1990).

There is the effort to enrich the mostly traditionally and vertically oriented public administration with interactive elements going on the contrary from below up, i.e., from citizens, their initiatives, associations, and non-governmental non-profit-making organizations to administrative bodies of power. It therefore aids the change of the relatively top-down organized public administration into a more balanced system that we could call the administration of public affairs. Economic reasons leading to public administration evaluation are connected with political motives and also the impact of the evaluation can be demonstrated not only in the area of management but also in the political area when it can influence the trust of the public to the given public administration body. Evaluation and self-evaluation of the public administration activities is now employed in the Czech Republic as well. The subject of evaluation is various aspects of activities of public administration bodies. The evaluation is carried out especially at the level of municipalities or at the central level; it has so far been executed only exceptionally at the regional level. Organizations evaluate either the aspects of their internal work, e.g., the qualification of workers and its development, employees' satisfaction and stability, level of management, etc., or their external activity, e.g., the extent, quality, price, and proper timing of provided services, helpfulness toward clients, etc.

The modernization movement in the public service under the general designation of New Public Management (NPM) has acquired global significance and developed both in the European Union (EU) member states and in the Organization for Economic Co-operation and Development (OECD) countries, approximately since the 1980s. The cause of this movement was especially scarcity of public finance, which is designed for both the state and public administration, as well as to meet the needs arising from the tasks of the welfare state and the challenges in addressing the structural policy in the context of solving the problems of the economic crisis. The driving force for the reform in the public administration was attitudes across the civil society and the business sector, in particular criticism of the size of the public sector management and quality of service performance. In the public sector, new methods of modern management were introduced in order to increase productivity and also improve the effectiveness of management methods such as total quality management (TQM), benchmarking, process management, and other (Illner et al., 2007; Kostecký, Patočková, & Vobecká, 2007).

In 2006, the government of the Czech Republic (CR) passed the strategy, Efficient Public Administration and Friendly Public Services—Smart Administration for the realization period from 2007 to 2015. Its goal is to ensure a coordinated and efficient way of improving public administration and public services using the finance from the structural funds in the programme period 2007-2013. The goal is to be reached through coordination and synergic activities within the human resources operational programme, the integrated operational programme, and national resources (Government of the Czech Republic, 2007).

Due to the fact that there had been no research of the above concept carried out in the Vysočina Region yet, the Department of Public Administration and Regional Development opted as one of the first for closer examination of both providers and consumers of services of public administration authorities in the region.

Material and Methods

The intention of the research was to address large organizations of public administration in the region and arrange for the implementation of a research which would bring answers in the form of either confirming or disproving of hypotheses aimed at overall evaluation of the level of public administration in the examined organizations. They were the Jihlava Town Council, the Regional Authority of the Vysočina Region, 25 selected municipalities and 25 detached workplaces of state administration in the Vysočina Region. The research was divided into two parts, in the first part, employees themselves carried out evaluation of their own work and conditions for public administration execution; in the other part, the research aimed at clients' leaving an office and evaluated their satisfaction with the work of officers during public administration activities and communication with clients.

In each stage of the research, the employees concerned by the research (about 30% employees) were chosen by random choice from all employees of the public administration organizations involved in the research. Via the human resources department and managers, these employees were given questionnaires which contained 60 questions. The text of the questionnaire was drawn up on the basis of available theoretical materials research and contained questions focused on personal evaluation of conditions for executing their work. The questions are divided into six topics by 10 questions, the individual topics were set to express the most typical characteristics of factors influencing the efficient execution of employees' work, performance measuring, and innovation capital. The respondents answered the questions by "Yes", "No", or other offered options, in case that they did not know the answer or were not definitely certain, they did not answer the question.

The presented results are from the first part of the research. The total of 103 respondents was addressed, which represented 30% employees of the organizations where the research took place. The questionnaires were filled in by 98 respondents, which means 95.15%. The stated results refer to the topics of human resources, basic capital, organizational capital, and innovation capital. These are topics that include fundamental areas of the company's intellectual capital. The results published in this paper are intended to point out the best and, on the contrary, the most problematic topics of evaluation. An organization is not indicated directly, it is marked Organization I.

Results and Discussion

Human Resources

The first five questions from this topic were focused on judging the level of education in an organization, the first one was oriented at processing the programme of employee education, the second one was at assessing education programmes, the third one was at educational methods, the fourth was at finding out employee satisfaction with education and qualification increasing, and the fifth one was at recording the number of days spent by training. The following two questions (the sixth and seventh) find out whether the organization has defined important values, whether these values are accepted by employees and whether they share them. The next two questions (the eighth and ninth) examine whether there is a system of employee performance

evaluation and a system of work performance management introduced. The last—the 10th question aims at the level of communication in the organization.

Questions about the level of education and workers' satisfaction with the education system are given favourable evaluation by respondents; it is obvious that most respondents evaluate the level of education as very good, also the number of answered questionnaires was significant. However, Questions 6 and 7 about defined organization values and their sharing considerable reserves in organization communication and employee awareness are evident. Likewise, the answers to Questions 8 and 9 reflect the fact that workers are not fully familiar with the problem of performance evaluation and work performance management, and the organization should deal with this topic more. The most notable is the answers to the last questions of this group, aimed at communication in the organization, only half of the workers answer that it is good, 38 workers state that there are problems, and 12 workers directly state that company communication is inconvenient. The detailed depiction of the answers of employees is shown in Table 1 and Figure 2.

Table 1

Answers of Employees of Organization I—Human Resources

Answers	Yes	No	Other options according to question	Without answer
Question 1	97	0	0	1
Question 2	88	8	0	2
Question 3	0	38	58	2
Question 4	93	3	0	2
Question 5	96	0	0	2
Question 6	70	13	0	15
Question 7	67	8	0	23
Question 8	66	18	0	14
Question 9	63	20	0	15
Question 10	48	38	12	0

Note. Source: the authors' research.

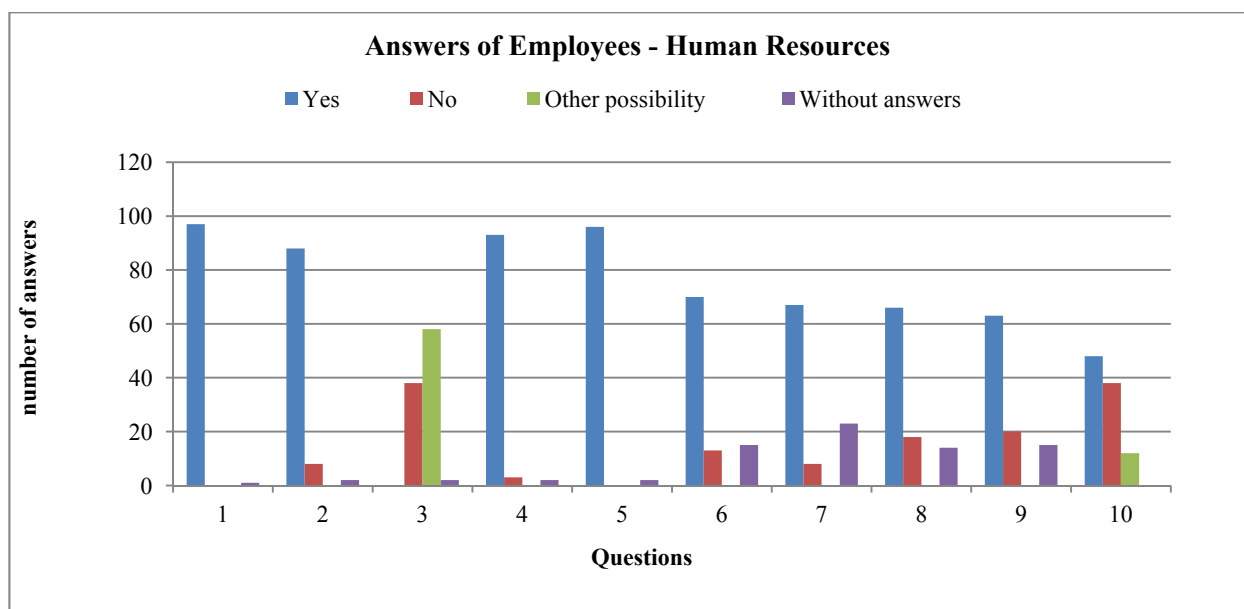


Figure 2. Answers of employees of Organization I—human resources. Source: the authors' research.

Customer Capital

Customer capital, its examination and feedback that should follow are definite one of the most important issues of both research dealing with the efficiency of a company's operation and the follow-up implementation of measures for improvement in problem areas. The first question focuses on the form of communication with the client with the options of personal communication, mediated, or non-contact one. The second question dealt with the perception of the activity of the office by the public as welcome, publicly needed, or a necessary evil. The third question examined whether the organization implements marketing and advertising events. The fourth one evaluates the approach to the client, whether workers are interested in solving the client's requirement. And the fifth question monitors whether customer satisfaction surveys are carried out. In the sixth question, employees answered the question whether they are informed with the results of these surveys. The seventh question examines whether the organization carries out customer needs surveys. The eighth question studies whether the office's website is kept updated. The ninth question then judges whether the activity of workers provides a complex solution to the clients' problems. And the 10th question evaluates whether information materials are available at the office.

From the carried out research, it is relatively clearly evident that immediate communication with the client (Question 1) as well as perception of the office activity as publicly needed (Question 2) is preferred. In Question 3, it is obvious that the office implements advertising and marketing activities to describe activities of its operation insufficiently and it has considerable reserves in improving and coming closer to the citizens' requirements. In Question 4, most employees stated that they are interested in helping the client to solve their requirements. The reserves that the organization has resulted from the question carrying out client satisfaction surveys (Question 5). In the question about evaluating these surveys and providing feedback, it is also obvious that respondents are not sufficiently informed in this respect. It is similar also in the question of systematic execution of the customer need surveys (Question 7). The last group of three questions dealing with website updating (Question 8), providing a complex solution to clients' problems (Question 9), and providing clients with understandable instructions and information materials (Question 10) were evaluated favourably (see Table 2 and Figure 3).

Table 2

Answers of Employees of Organization I—Customer Capital

Answers	Yes	No	Other options according to question	Without answer
Question 1	74	8	1	15
Question 2	7	69	22	0
Question 3	18	68	0	12
Question 4	88	1	0	9
Question 5	12	76	0	10
Question 6	10	59	0	29
Question 7	19	58	0	21
Question 8	89	2	0	7
Question 9	72	11	3	12
Question 10	68	17	0	13

Note. Source: the authors' research.

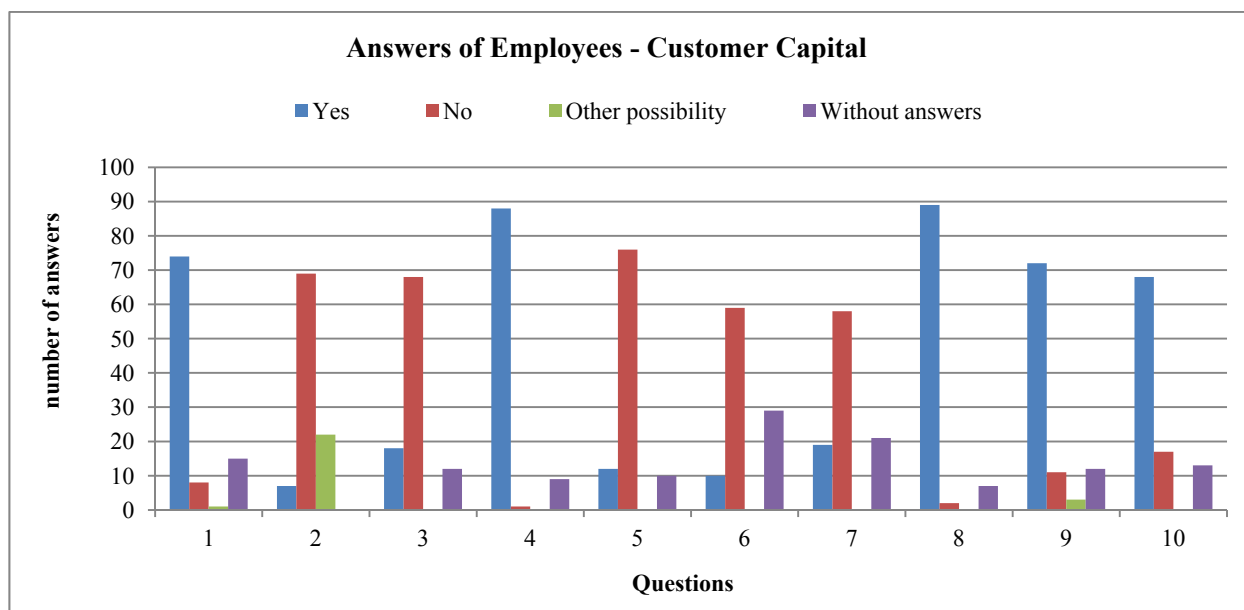


Figure 3. Answers of employees of Organization I—customer capital. Source: the authors' research.

Organizational Capital

The first question examined whether the organization is able to respond to new conditions of the environment, the second one concerned the style of subordinate workers management—autocratic, democratic, or liberal, the third question studies whether the manager is able to help subordinate in solving problems. Question 4 was aimed at personal responsibility of officers (options: I bear/don't bear responsibility, both decision-making and responsibility are collective), the fifth question examines whether the worker directly manages subordinates. The following three questions focuses on organization chart of the organization, the sixth question studies the number of levels—one, two, or three levels, the seventh one monitors whether team building is possible and the eighth one examines whether the organization chart enables flexibility in problem-solving. The ninth question inquires whether there are regular meetings of managers with workers and the 10th one aims at monitoring how to inform the workers about the organization's strategy, vision, and mission.

Good evaluation was chosen from the options of the reaction to new conditions in the environment, the possibilities of teambuilding across the organization, and the possibilities of applying new methods of work in the organization. According to the respondents, democratic management style prevails in the organization, with workers usually not bearing personal responsibility for their decisions, which also corresponds with the fact that they do not mostly manage subordinate workers. Most respondents know the organization chart of the organization (Question 6), they perceive as a multi-level structure that facilitates teambuilding and ensures flexibility in problem-solving. Regular holding of meetings (Question 9) is evaluated positively with 84 respondents stating that in their answers. On the other hand, the responses to the last question about strategy, vision, and mission of the organization show that there are considerable reserves in the communication of management and workers in the area of strategy, vision, and mission. This automatically means also reserves in workers' loyalty, their personal involvement and approach to the activity of the organization as a whole. The detailed results are presented in Table 3 and Figure 4.

Table 3

Answers of Employees of Organization I—Organizational Capital

Answers	Yes	No	Other options according to question	Without answer
Question 1	89	4	0	5
Question 2	23	58	11	6
Question 3	76	3	17	2
Question 4	7	89	1	1
Question 5	17	77	0	4
Question 6	2	4	81	11
Question 7	71	14	0	13
Question 8	74	13	0	11
Question 9	84	13	0	1
Question 10	66	18	0	14

Note. Source: the authors' research.

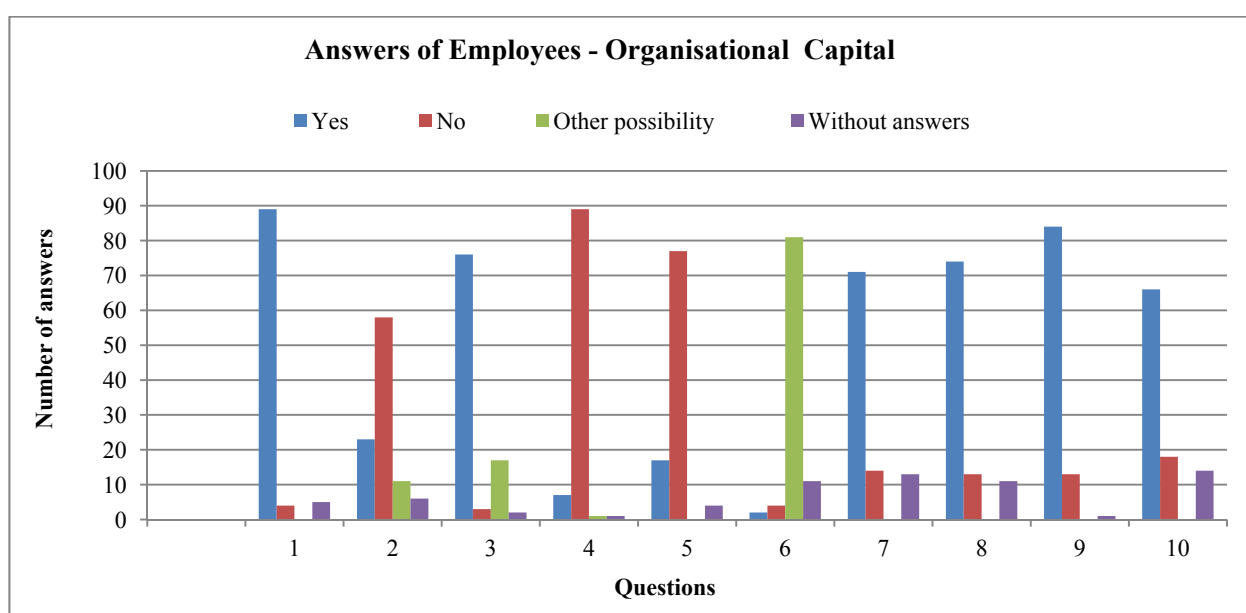


Figure 4. Answers of employees of Organization I—organizational capital. Source: the authors' research.

Innovation Capital

In the last area with the subject of innovation capital, the answers were relatively equal and also quite expected. The first question examined the possibility to apply innovation elements of work in the organization. The second one aimed at the possibility of personal influencing of innovation implementation. The third question inquired whether there is a stand-alone unit in the organization with the role to apply innovations. The fourth question studied whether the organization uses the CAF (Common Assessment Framework) method of self-evaluation. The fifth one mapped whether the efficiency of innovation changes is evaluated and in the positive case, what the frequency of evaluation is. The sixth question continued with the question whether employees are informed about the results of this evaluation. In the seventh question, there was an inquiry whether employees are rewarded for suggesting a new approach or improvement in the performed work. The eighth question was aimed at a client, i.e., whether clients can suggest innovation procedures for officer work improvement as well. The ninth question examined the usability of new innovative procedures also in other

parts of the organization and the tenth monitored whether the public is informed about the innovation in the organization.

The question about the possibility to apply innovation elements of work was answered by all respondents; they mostly state that innovation elements can be implemented. And yet, 15% of respondents can influence the innovation implementation personally, 43% cannot always influence it, and 28% cannot influence it at all. According to a majority opinion of the respondents, there is no specialized unit in the organization dealing with innovation application. The answers about the use and continuous implementation of the CAF self-evaluation method were almost identical. The answers to the questions about innovation change efficiency evaluation at the workplace and about the corresponding feedback given to employees also gave a negative impression. Neither the question whether an employee gets an extra reward for suggesting a new approach or procedure or improving performed work nor the question about using a new innovative procedure in other organizational parts of a company showed positive evaluation. Reserves can be seen also in the answers to the last question about informing the public about the innovations in the office (see Table 4 and Figure 5).

Table 4

Answers of Employees of Organization I—Innovation Capital

Answers	Yes	No	Other options according to question	Without answer
Question 1	66	19	0	13
Question 2	15	43	28	12
Question 3	15	68	0	15
Question 4	1	76	0	21
Question 5	9	64	3	22
Question 6	6	54	0	38
Question 7	23	61	0	14
Question 8	16	65	0	17
Question 9	6	20	39	33
Question 10	51	25	0	22

Note. Source: the authors' research.

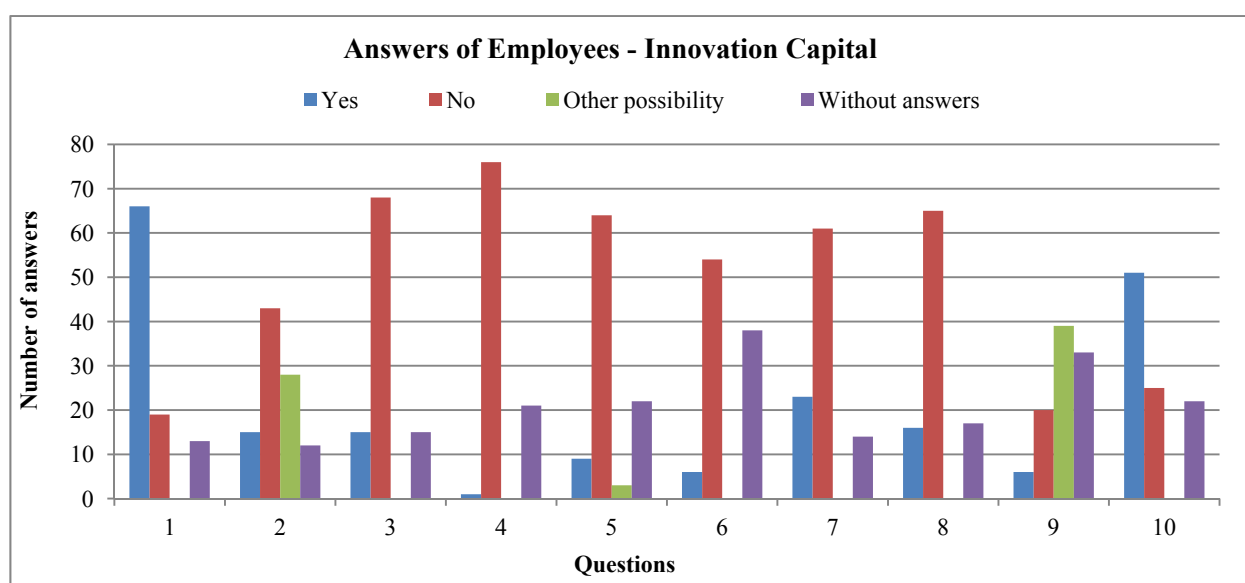


Figure 5. Answers of employees of Organization I—innovation capital. Source: the authors' research.

Conclusions

The published paper summarizes the results of the first stage of the research which carried out in the public administration organization in the Vysočina Region dealing with human resources, customer, organizational, and innovation capital.

The results can be summed up into the following conclusions.

While evaluating human capital from the point of view of qualification and education, the assessment of all questions was distinctively positive. The reserves of the organization's human capital lie especially in the area of communication and sharing the organization's values, in the system of assessing work performance, and consequently also in work performance management. The issue of communication inside the organization is a problem that it is necessary to solve as soon as possible, e.g., by the choice of suitable seminars or by implementing education financed from the European Social Funds.

In case of customer capital, the largest reserves can be seen in higher interest in the public, introducing holding marketing events of the organization (although there are discussions whether they are suitable in public administration), introducing regular satisfaction surveys of clients who are leaving the office and surveys of needs of the clients who are coming to the office. Then, it is necessary to continue working with the results of these surveys and to provide employees with feedback that will ensure improvement of the level of services provided.

In the evaluation of organizational capital, it is necessary to give positive evaluation to the possibility of the company's conforming to the changing condition, the possibility of building work teams and the prevailing democratic style of management. The area for improvement is definitely in increasing personal responsibility in implementing work tasks, a possible reduction of levels in the organizational chart of the (multilevel) organization, and improving the communication of the organization's strategy, vision, and mission to its employees.

Innovation capital of the organization is the area that received the worst evaluation. Small possibilities of personal influencing innovation implementation as well as insufficient evaluation of innovation changes efficiency, providing workers in this area with no feedback, and insufficient motivation of employees to suggest new methods of work are issues that the organization should consider and try to put right. It is necessary to ensure early responses to workers' requirements in using modern methods of work and in implementing innovative procedures to the office's activities as well as in implementing new methods of work performance evaluation and in self-evaluation of employees' work.

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Appendix

Questionnaire for Workers of the Organization

Dear workers of public administration offices:

You are presented a questionnaire of public administration efficiency research, which is to bring answers to questions concerning the conditions of performing public administration at various offices and institutions. It also strives to map the preconditions for its performance and help find areas of reserves, including suggesting measures that could lead to higher efficiency in public administration performance and better client satisfaction with its work.

1. Human resources

(1) Does your organisation have a programme of employees' development and education?

- a. Yes
- b. No

(2) Are the results of education programmes evaluated?

- a. Yes
- b. No

(3) How is employees' education provided for?

- a. Own lecturers
- b. External workers
- c. Both

(4) Does your organization find out employees' satisfaction with education and qualification improvement?

- a. Yes
- b. No

(5) Does your organization keep record of days employees spend on training and being educated?

- a. Yes
- b. No

(6) Has your organization defined values of importance?

- a. Yes
- b. No

(7) Do employees share and respect these values?

- a. Yes
- b. No

(8) Does the organization have a system of evaluating employees' performance?

- a. Yes
- b. No

(9) Does the organization have a system of managing employees' performance?

- a. Yes

b. No

(10) How would you describe communication in your organization?

a. Excellent

b. Very good

c. Good

d. There are problems

e. Inconvenient

f. No answer

2. Organization capital

(1) Can your organization react to new conditions?

a. Yes

b. No

(2) What is the management style of your superior?

a. Autocratic

b. Democratic

c. Liberal

(3) Can your superior help in solving problems?

a. Yes

b. No

c. Sometimes

(4) What is your responsibility in dealing with everyday problems?

a. Small, I practically do not have responsibility

b. I am responsible for my decisions

c. Both decision making and responsibility are collective

(5) Do you have subordinates?

a. Yes

b. No

(6) What is the organization chart of your organization?

a. Single level

b. Two levels

c. More levels

(7) Does the organization chart enable to create teams?

a. Yes

b. No

(8) Does the organization chart enable to be flexible in problem solving?

a. Yes

b. No

(9) Do you have regular meetings with superiors?

a. Yes

b. No

(10) Are you informed about your organization's intentions—strategy, vision, and mission?

- a. Yes
- b. No

3. Information capital (not treated in this paper)

(1) Do you use new methods and technologies—e.g., specialized software for keeping your agenda, e-learning, other?

- a. Yes
- b. No

(2) Are you satisfied with the work of the information system (IS) in your office?

- a. Yes
- b. No

(3) Do you have access to the up-to-date amendments of laws and regulations in your area of operation?

- a. Yes
- b. No

(4) Can you participate in trainings and seminars about the newest regulations in your branch?

- a. Yes
- b. No

(5) Can you consult new regulations at meetings of employees and management?

- a. Yes
- b. No

(6) Can you place requirements to changes of IS?

- a. Yes
- b. No

(7) Are these requirements heard?

- a. Yes
- b. No
- c. Occasionally

(8) How fast?

- a. Immediately
- b. In a week
- c. In a month
- d. In a longer period of time

(9) How is information about carried out activities kept?

- a. As a paper document
- b. Electronically
- c. Both

(10) Do you participate in innovating the forms you use?

- a. Yes
- b. No
- c. Sometimes

4. Customer capital

(1) The most common form of communication with client is

- a. Personal contact

- b. Intermediated (contact point, registry)
 - c. Contactless (electronic, written)
- (2) Does the public perceive your organization's activity as
- a. Welcome
 - b. Publicly needed
 - c. Necessary evil
- (3) Do you hold marketing events to show your office's activity?
- a. Yes
 - b. No
- (4) Is it important for you to help client with their requirements?
- a. Yes
 - b. No
- (5) Does your office use questionnaires/surveys to find out client satisfaction with your work?
- a. Yes
 - b. No
- (6) Are you informed about the results of such surveys?
- a. Yes
 - b. No
- (7) Does your office carry out market research (of clients' needs) systematically?
- a. Yes
 - b. No
- (8) Is your office's website updated regularly?
- a. Yes
 - b. No
- (9) Does your office provide clients with complex solutions to their requirements (or help, intermediation)?
- a. Yes
 - b. No
 - c. Not applicable
- (10) Do you provide clients with clear instruction materials?
- a. Yes
 - b. No

5. Performance measurement (not treated in this paper)

- (1) Does your activity have given limits and barriers?
- a. Yes
 - b. No
 - c. I don't know
- (2) Does your office use a certified register of clients?
- a. Yes
 - b. No
- (3) If you use personal contact form of communication with clients, do you use automated calling out system of service?
- a. Yes

- b. No
- (4) Is your activity quantifiable as for the number of repeating acts?
 - a. Yes
 - b. No
- (5) Does the history of your agenda performance show trends of clients' interest in your activity?
 - a. Yes
 - b. No
- (6) What performance criteria are used in your work?
 - a. Number of allocated cases per worker
 - b. Time needed for a case solution
 - c. Financial success (yield) per case (per worker)
 - d. Ratio of costs (personal and other) per worker to their benefit
- (7) Are you motivated to save time when working with a client?
 - a. Yes
 - b. No
- (8) Is the percentage of corrective measures until final termination of the case monitored?
 - a. Yes
 - b. No
- (9) Do you use benchmarking to improve your work?
 - a. Yes
 - b. No
- (10) Is the volume of agenda allocated to you adequate and manageable?
 - a. Yes
 - b. No

6. Innovation capital

- (1) Can innovation elements be applied in your office?
 - a. Yes
 - b. No
- (2) Can you personally influence innovation application?
 - a. Yes
 - b. Not always
 - c. No
- (3) Do you have a specialized unit for innovation application?
 - a. Yes
 - b. No
- (4) Does your office continually use the CAF self-evaluation method?
 - a. Yes
 - b. No
- (5) Does your office evaluate the efficiency of innovation?
 - a. Yes
 - b. No

c. If so, how often:

- i. Monthly
- ii. Quarterly
- iii. Annually

d. If so, what methods are used

(6) Are you informed about the result of this evaluation?

- a. Yes
- b. No

(7) Are you rewarded for suggesting a new approach, procedure, and improvement in performed work?

- a. Yes
- b. No

(8) Can your clients suggest innovation procedures?

- a. Yes
- b. No

(9) Is applied innovation repeatedly usable in other organization units of the office as well?

- a. Yes
- b. Partly
- c. No

(10) Do you inform the public (clients) about your innovation?

- a. Yes
- b. No

Thank you for answering the questions. We will inform you about the results of the research via your superiors and meetings.



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