

## Entrepreneurial Municipal Governance in Slovenia

By Miro Hacek

*This article explores applied research carried out among directors of municipal administration in Slovenia and offers recommendations to promote increased entrepreneurial governance at the local level.*

### Introduction

Organization of municipal administration is the domain of the municipal representative body or mayor and encompasses a number of working posts, a detailed organizational structure and the possibility of independent decision-making delegated to the head of municipal administration.<sup>1</sup> In addition, how municipal administration is organized also depends on the competencies of a municipality, its size and its ability to organize and provide sufficient funding for administration. Already, differences among municipal administrations in the country are immense, as the number of employees varies from two to 500 or more.



It is precisely due to this impression of inefficiency that there is today worldwide demand for more efficient public expenditure and cost reduction, more expedient operations and higher quality and more citizen-friendly services. In the context of modernization, municipal administration should satisfy numerous objectives – better and more efficient organization of work, reasonable economic expenditure (and fundraising), improved employee motivation, a more citizen-centric focus, competition among public service providers, higher-quality performance and professionalism and improved openness, transparency and automation of administrative tasks.

Almost all Slovenian municipalities (depending on their size) are organized according to the same model, with the same structure of departments and working posts. Nevertheless, it is possible to abandon, at least in part, the otherwise well-rooted bureaucratic or line-of-command organizational structure. In the aftermath of local government and public administration reforms, municipal administration has streamlined its administrative tasks and placed increasing emphasis on government's service mission. Accordingly, this demands the introduction of more modern methods of organization that help ensure these outcomes. This article analyzes the results of an extensive empirical research project carried out among directors of municipal administration (DMA) in Slovenia on attempts to introduce such principles at the municipal level.<sup>2</sup>

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<sup>1</sup> The municipal administration is composed of one or several organs of municipal administration, which are established by the municipal council, acting on the proposal of the mayor, after adopting a general act with which the council stipulates its internal organization and spheres of action. The mayor is the head of the municipal administration, yet the related work is most often managed by the director of the municipal administration (sometimes the secretary of the municipality), appointed and discharged by the mayor. The mayor controls, directs, and gives instructions regarding management of the municipal administration.

<sup>2</sup> In order to display the current administrative capacity and capability of Slovenian municipal administrations, we quote the results of the empirical research project *Governing Capacity and Coalition-Building within Slovenian Municipalities*, which was conducted by the Faculty of Social Sciences (2007). One hundred eighteen DMAs (out of a total of 210) were

**Applied Research Findings**

***Workforce Motivation***

Workforce motivation involves a reciprocal relationship that on one hand benefits the organization in attaining its desired *output* and, on the other hand, benefits employees as well – through such means as compensation, additional options for education, the granting of a company phone and car, and the like. The survey reveals that a variable part of salary (bonuses) is offered in 45.8 percent of Slovenian municipalities as an important incentive; in 71.2 percent of Slovenian municipalities an element of stimulation is said to be additional education; 39 percent of municipalities that responded to the survey allow their employees to use company mobile phones and company cars, while 14.4 percent also use various other forms to encourage greater work quality (see Table 1).

**Table 1: Methods for Motivating Employees (Multiple Answers Possible)**

	YES		NO	
	(N=)	%	(N=)	%
Stimulative variable part of salary	54	45.8	64	54.2
Possibility of additional education	84	71.2	34	28.8
Use of a company mobile phone and car	46	39	72	61
Other	17	14.4	101	85.6

(N=118) Source: *Research Project Governing Capacity and Coalition-Building, within Slovenian Municipalities (Faculty of Social Sciences 2007).*

***Quality Control***

Only suitable control over work quality enables the effective evaluation of the work done and, as a consequence, leads to suitable rewards based on individuals’ work results. A mere 25.6 percent of municipalities claim they employ different forms of control over municipal administrations’ performance. Of this 25.6 percent (thirty), 33.3 percent (ten) note that quality is measured by the Common Assessment Framework (CAF) model, and another 33.3 percent claim they use various other quality checking methods. Moreover, 16.7 percent (five) of the municipalities say that quality is assessed based on the International Organization for Standardization (ISO) standard (see Table 2).

**Table 2: Control over the Quality of Work in Municipalities**

	Yes, we perform	No, we don’t perform anything			
		(N=)	%	(N=)	%
Do you perform any form of quality control in your MA and what kind is it?		30	25.6	87	74.4
ISO Standard	5	16.7			
CAF	10	33.3			
Other	10	33.3			
We don’t perform, Don’t know	5	16.7			
Total	30	100			

Source: *Research Project Governing Capacity and Coalition-Building within Slovenian Municipalities*

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surveyed in this research.



**Quality Management**

Related to and partly overlapping this is the question concerning approaches to modern forms of management, which was answered by 117 DMAs: 72.6 percent of these directors admit using none of the modern managerial approaches, 7.7 percent use the CAF, and 5.1 percent use some business excellence model; the *benchmarking* method and ISO standards are used by 4.3 percent of DMAs, and 2.6 percent use TQM (Total Quality Management). The remaining 5.1 percent of DMAs use various other modern managerial methods (see Table 3). Two municipalities even employ two different modern managerial models simultaneously.

**Table 3: The Use of Modern Forms of Management in Mas (Multiple Answers Possible)**

	YES		NO	
	(N=)	%	(N=)	%
Business Excellence Model	6	5.1	111	94.9
Benchmarking	5	4.3	112	95.7
ISO Standard	5	4.3	112	95.7
CAF	9	7.7	108	92.3
TQM	3	2.6	114	97.4
Other	6	5.1	111	94.4
None of the stated options	85	72.6	32	27.4

(N=117) Source: Research Project Governing Capacity and Coalition-Building within Slovenian Municipalities (Faculty of Social Sciences 2007).

**Information Technology**

In a period of intensive automation at all levels of social life that aims at facilitating the everyday life of an individual and work processes, municipal administrations are no exception when it comes to the adaptation and use of information technologies and tools. However, only 33.9 percent of Slovenian municipalities use information and organization software systems to assist in the organization of work in their administrations. Among the different software packs available on the market, the most frequently used is SAOP (18.9 percent of municipalities), followed by SAP with 8.1 percent; Vasco is used by 5.4 percent of municipalities, and 2.7 percent of municipalities use Navision, Pantheon or Birokrat software packs. Also, 65.8 percent of municipalities indicate they use other software – e.g., Microsoft Office Suite, etc. In sum, we can conclude that the described state of work organization is not very encouraging.

Another important element of the automation of administrative processes, this time in relation to users, is the use of electronic mail for communication with customers. According to the survey results, 46.6 percent of municipal administrations regularly use e-mail to communicate with citizens, 48.5 percent use it occasionally and 5.1 percent of municipalities do not use e-mail in order to communicate with citizens. A majority of Slovenian municipalities (82.9 percent) also have their own web sites (Kvas 2006, 46), although a majority of these sites are designed only for top-down, management information purposes, and municipal administrations don't expect (or want) feedback from their citizens. A majority of municipal web pages also offer e-opinion polls and e-suggestion boxes – but web pages of only several large municipalities offer a variety of 2-way, e-governance transactions.

### ***Leadership Attitudes towards Entrepreneurial Management***

Entrepreneurial principles in municipal administration have, apart from their concrete objective aspects, an important subjective component on the attitudes of DMAs as well. Directors generally agree that the way in which work is performed in municipal administration must be adapted to entrepreneurial principles; yet relatively high individual deviations can also be detected. The DMAs are a little less inclined to the idea that the execution of public services should be left to the private sector. A high level of agreement persists among DMAs regarding the statement that the leadership of municipal administrations should dedicate more time to their employees; and the same is true of the view that municipal administration leaders should pay more attention to developing individuals' own managerial abilities (see Table 4).



DMAs agree much more that they must be independent in their decision-making and that expert decisions must not be affected by any political influence. In addition, they quite uniformly agree that the introduction of competition would contribute to greater operational efficiency. However, when estimating the possibility of handing over the provision of services to the private sector, one could say that DMAs see mutual competition within the public sector as the more appropriate

form of competition than the actual ceding of services to the market. The directors also express a relatively high level of agreement with the statement that the work of municipal employees should be precisely stipulated by legislative and sub-legislative acts. Interestingly, the directors agree most that municipal employees must act for the benefit of residents, indicating an awareness of the importance of bringing services closer to users. In addition, the directors partly agree that users/residents should have a decisive influence on the definition of work results.

Answers to the questionnaire indicate that respondents agree in part that users' needs must be defined according to predetermined methods and that services should be suited to users' needs as much as possible. The DMAs partly agree that a user's satisfaction with a service is a more important criterion of success than the revenue a municipal administration creates by performing its services. But, in reality (see Krivic 2010, 37) there are no developed tools to measure the satisfaction of users with municipal services. A large majority of municipal administrations still use our ancient *Book of Compliments and Complaints*; only several larger ones offer other tools (common assessment framework, online assessment) for evaluation of municipal services to all members of the community.

Partial agreement among DMAs can also be found for the need to know the costs of every service provided, whereas the degree of agreement is somewhat less as to whether a system for monitoring the quality of work should necessarily be formalized. Also, DMAs generally agree that ensuring success requires cooperation among all municipalities and employees in constant contact with users should take an active role in decision-making on important matters. Equally, DMAs partially agree that the state should delegate more service provision responsibility to local communities.

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**Table 4: Attitudes to Introducing Entrepreneurial Principles into the MA's Work**

STATEMENT	Arithmetical Mean of Answer*	Standard Deviation	(N=)
1. The way the municipal administration operates must be adapted to entrepreneurial principles as far as possible.	2.88	0.804	116
2. Operative execution of services should be left to the private sector to the greatest extent possible.	2.32	0.849	117
3. The superiors must dedicate more time to working with employees.	3.35	0.686	117
4. The superiors must pay significant attention to the growth of their managerial abilities.	3.47	0.794	117
5. The director of the administration has to be independent as regard decisions within his/her jurisdiction.	3.61	0.601	117
6. Expert decisions must be free of the influence of politics.	3.85	0.406	118
7. The introduction of competition into the municipal administration's operations would help increase the employees' work efficiency.	2.92	0.822	117
8. The work of employees within the municipal administration has to be precisely set out in legislative and sub-legislative acts.	3.34	0.722	116
9. The motto of conduct of the municipal administration's employees must be "to the benefit of residents."	3.85	0.400	117
10. It makes sense for a municipal administration to adopt its own code of employee conduct.	3.40	0.696	117
11. The expected work results have to be clearly defined in advance.	3.48	0.581	117
12. Service users must have a decisive influence on the definition of results.	3.01	0.625	116
13. The exceeding of results has to be additionally rewarded.	3.79	0.452	117
14. The determination of service users' needs must be based on predefined working methods.	3.15	0.567	117
15. Services ought to be suited to the individual's needs.	3.03	0.656	117
16. User satisfaction has to represent the criterion of the effectiveness of the work of employees in a municipal administration.	3.35	0.686	117
17. The income created by individual units or sections of a municipal administration must not be a criterion of their operation's effectiveness.	3.12	0.863	117
18. One has to know the actual costs of every service of a municipal administration.	3.23	0.770	117
19. There should be a system of quality monitoring defined in written form for services performed by municipal administrations.	2.99	0.778	115
20. Co-operation among municipal administrations is critical to the success of their operations.	3.16	0.705	116
21. Teamwork is the most suitable way of working in a municipal administration.	3.55	0.565	117
22. The state has to delegate powers for the provision of services to local communities.	3.05	0.881	114
23. Employees in constant contact with users must participate in decision-making on important matters.	3.34	0.707	118

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24.	If the market provides services, the style of employees' work in municipal administrations would have to be fundamentally altered.	3.12	0.763	115
25.	The way a municipal administration works ought to be directed to the provision of resources for its own operations.	2.41	0.921	117
26.	The services performed by a municipal administration should be subject to the style of work seen in the private sector.	2.36	0.876	117

\* A measuring scale of 1–4, whereby the value 1 entails “completely disagree,” and 4 stands for “completely agree.”

Source: *Research Project Governing Capacity and Coalition-Building within Slovenian Municipalities* (Faculty of Social Sciences 2007).

DMAs chiefly follow the principle of user-oriented services, while trying to guarantee decision-making autonomy for municipal leaders and avoid any serious changes that might stem from the introduction of entrepreneurial principles. However, it needs to be stressed that large individual discrepancies exist between different DMAs, rendering it difficult to specify guidelines for possible reorganization of municipal administration along the lines of modern professional public management.

### Conclusions and Recommendations

Thus, we can conclude that Slovenian municipal leaders use rewards that are not necessarily the most stimulative and, in the vast majority of cases, do not control performance quality. The use of modern organizational and administrative tools in Slovenia has not yet become permanent, while communication with citizens via e-mail is, in the words of the DMAs, only starting to become a standard practice. DMAs in principle mostly favor a greater level of autonomy from the political municipal leadership – including independence from the mayor in managing day-to-day administrative matters.

### *Inter-municipal Cooperation*



The sole entrepreneurial principle seen to emerge thus far is openness to citizen process suggestions, as directors hold on to their classical bureaucratic roles on mission-driven issues. Nevertheless, in everyday activity, we can witness attempts to modernize the functioning of municipal administration and enhance overall effectiveness and efficiency. One such example is inter-municipal cooperation – cooperation among municipal leaders to establish one or more joint

agencies, which can be the framework for ensuring a variety of administrative tasks as well as other communal oversight functions. Clearly, many of these undertakings would otherwise be difficult to perform due to very limited financial and personal resources, especially in smaller municipalities.

There are several successful inter-municipal cooperation case illustrations across Slovenia, one of the most highly recognized being the inter-municipal inspectorate of the Koroska region. This collaboration was established by all 12 municipalities of the region – in which all municipal administrations involved share financial burden; contribute their personal, material and technological resources; share risks, knowledge and control over inspections; etc. The results of such cooperation lead not only to a smaller financial burden for each municipality, but also improved and enduring execution of the inspectorate. It must be noted that the state also greatly encourages inter-municipal cooperation, as it co-finances (up to 50 percent)

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expenses for such common ventures if they perform obligatory tasks prescribed by national law.

Moreover, we found that the smaller the municipality, the lower the probability that it could operate uninterruptedly without such cooperation in fulfilling citizen needs and implementing related public policies. Municipal administration must come to terms with the need for change, analyze their own organization structure and operating systems, determine the measures required for

modernization and outline a program for further development going forward.

### ***Moving Forward***

Furthermore, we should ask: What can not only municipalities themselves and the larger professional public management community do to move forward, but also what can the academic community in Slovenia do and what action can it take to advance the cause of modernizing municipal-level public sector performance over the next few years? In Slovenia, we currently have no professional associations (like ASPA or ICMA in the States) that would identify strategic priorities for municipal administration to adopt and implement in the long- and near-term. Yet, there is a Civil Service Council at the national level responsible for modernizing public sector activities and services, and there are two municipal associations that include all 210 Slovenian municipalities.

I recommend that we jointly establish a professional council for modernizing municipal-level public sector performance and invite applied academics from the field to participate and adopt a “5-point program” – identifying strategic priorities that all adoptee municipalities would agree to implement over the next few years. Priorities (pillars) should include what the community believes are the most pivotal capacities that need to be made the foundation of a modernization effort, such as:

- designing different models for various sizes of municipalities
- creating more efficient public expenditures, cost reductions and greater efficiencies
- expediting operations and the provision of services to provide higher quality and more citizen-friendly service
- increasing automation and creating a more robust e-governance capability for intra- and inter- governmental collaboration and public-private and government-citizen communication and transactions
- instituting more results-oriented, performance measurement and management systems across the board

At the same time it is crucial that the academic community also help to catalyze such forward movement with some of the following actions:

- undertake more “action research” and reaching out for best practice examples of Slovenian municipalities
- publish practical material on these case illustrations – in print and on Web sites and through other social media sites (Twitter, Facebook, etc.)
- organize events to present and share these practical reforms – such as conferences, forums, symposia, seminars, etc. – and publicize the progress through local media, awards programs, web site podcasts and webcasts, etc.

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**Miro Hacek, Ph.D.**, is associate professor at the Faculty of Social Sciences, University of Ljubljana, and head of the Policy Analysis and Public Administration Department. He can be contacted at: [miro.hacek@fdv.uni-lj.si](mailto:miro.hacek@fdv.uni-lj.si).