

## THE CORRELATIVE APPROACH IN THE MANAGEMENT OF COMPANIES AND PUBLIC INSTITUTIONS

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*The year 1989 marked a turning point in Romania's evolution since it led to the passage, or to put it better, the coming back, after more than four decades from the strictly planned, administrative-bureaucratic centralized economy to the strongly decentralized market economy in which the orientation and leading of activities is done through economic/financial factors, compatible with the economic democracy and the market mechanisms. Within the frame of the new economic-social realities installed after 1989, managers' capacity to adapt to these new realities and efficiently operate in a dynamic economic environment, conditioned Romania's chances to take the path of development, and acquire dynamism, modernity and competitiveness. Following the establishment of the market economy, managers' activity and profiles undertook serious changes since the new context obliged them to cope with a more dynamic environment.*

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When it comes to differences between state-owned companies and multinational companies, opinions are divided. They go from perceptions of the type 'people work like slaves on plantations in multinational companies' all the way to convictions of the type "'P" from "Public" sector comes from playing hard rather than working hard'. Each idea has its own partisans and there are employees who prefer to remain all their life on one side of the barricade due to these ideas. Generally speaking, there are no big differences between state-owned companies and multinationals. Both types of organization focus on hierarchy, unlimited information flow, discipline and the observance of rules and procedures.

In spite of all this, there are differences in work styles that can be seen with the naked eye and which mainly relate to organization. One of the main differences between public sector employees and private sector employees is their work schedule. Employees of state-owned institutions generally enjoy fixed working hours which begin at 8 a.m. and finish by 4 p.m. It is very seldom necessary for them to spend extra hours at work. There are also things that one can do back home. For instance, if you have a report that you have to draw up, you can work on it over the week end, but this situation occurs extremely rarely. One does not have to spend extra hours working on a frequent basis and this aspect is confirmed by many of the employees of a state-owned institution.

The situation is different with multinationals where, if needed, employees get to spend extra hours working for several days in a row in the case of rush jobs. One tax consultant working in a consultancy multinational company, present on the local market, explains: „Most of the times employees themselves are the ones that censor flexibility. As long as your projects are finished in due time, there is no problem and you are even allow to solve your personal problems. In case of projects which admit of no delay, however, there is no room for concessions; nay, employees have to work the needed number of hours in order to deliver the project on due time. There are obviously relaxed periods with few projects and in these cases the working hours finish by 6 p.m., but there are also days when employees leave the office by 9 p.m. or even 11 p.m“. In the private sector, a senior economist with over three years of work experience can earn between 600 and 1500 euros a month, while a tax consultant with the same level of experience earns 1500 euros a month. On the other hand, consultants, experts, inspectors and auditors working in a City Hall, for instance, had by the end of last year basic wages that could reach 2000 lei (470 euros approximately), to which all sorts of bonuses and allowances are added.

There are many people who have worked both in the private sector and in a public institution and most of them believe that private sector employees work much harder than public sector employees. Within the public sector, everything moves terribly slowly and one can rarely meet with the concept of management inside state-owned institutions. Although there have been attempts to change this by means of international projects, results were anything but visible. A big problem with the state environment is that there are way too many irresponsible managers who not only put up with the lack of performance but also encourage it. Thus, apart from the fact that everything that is related to internal communication is a „sweet utopia“, the relationship with the boss is most of the times formal. Projects are discussed with bosses and they are asked to express their opinion when difficulties arise. Differences of opinion may occur with respect to the interpretation of certain paragraphs from the applicable legislation, but most of the times a consensus is reached quite fast.

On the other hand, multinationals can also confront themselves with internal tension, but this is mainly related to the tight deadlines which have to be observed. Both sides face bureaucracy; yet, in the case of state-owned companies one feels as a defendant, as being held responsible for something or begging for mercy, while in a multinational company bureaucracy is somehow impersonal and easier to bear with, according to several individuals. State bureaucracy rather has its roots in politics. The whole system is politicized and I think this aspect creates the chaos everybody complains about. Bureaucracy is based on political interests since its establishment follows the rules conceived by Ministry officials. I believe everything could be more efficient if performance criteria were taken into consideration to the detriment of political orientation. As to the organizational culture, while private companies focus on a profitability-type of objective, which is usually set up by the shareholders, state-owned companies have generally no objectives. They just fulfil duties following indications in an approved recipe. Even if on the administration level there is a document which approaches these objectives, it is most probably written using a set language and with a low understanding of the strategic concepts and objectives. In the case of public administration and state-owned companies, objectives are not translated into inferior level objectives if these exist. In other words, no one in the system knows how his/her work shall lead to the fulfilment of the general objective or even which this objective is. Employees are only asked to observe some kind of regulation that is written somewhere. In the best case scenario, such recipes for functioning bring losses to the company. Generally, however, they are recipes for failure.

On the other hand, multinational private organizations have a delegation of authority and decision mechanism which, however stiff and imperfect it may often be, is still a lot more than nothing. Their problem is that they focus too much on results with no clear connection to the organization's mission and goals and this may result in hyper-competitiveness on the employees' side. Hyper-competitiveness is modern business world's evil. It is therefore associated with the lack of ethics, cooperation and quality in customer management.

Consequently, state-owned organizations are of the perfectionist-conventional type, process and rule oriented, with no external objectives and no extrinsic motivation whatsoever. Multinational organizations, on the other hand, are competitive-power dependant, meaning that employees are motivated to exceed their colleagues, use force to yield results and allow to be controlled by their superiors. Finally, the public sector employee is no different from the private sector employee. The key is in the way each of them is controlled. State-owned sector employees are not different from private-owned sector employees, except for status and salary. It is true that many of them adopt the „laissez-faire“ attitude, meaning that they leave things follow their natural course. The public sector enjoys its highly capable employees just as multinationals have to deal with their „dry lands/woods“. Wages and stability is what lures young people into the public sector. If we relate to the human resources policies, we can say that the state-owned institutions' system is way behind the private one. We are dealing with two completely different worlds with no common points between them. As far as differences in recruitment are concerned, in the private sector 80% of it is done based on competence, while in the public sector the ratio is almost reversed in favour of nepotism and political preferences.

**Working in a state-owned institution** imply :

- fixed working hours;
- formal relationship with the boss;
- a greater job stability;
- the existence of political interests.

**Working in a multinational company** imply:

- flexible work schedule, but with the perspective of working extra hours;
- more open relationship with the boss;
- possibility to get promoted according to performance;
- more stress because of tight deadlines.

The correlative approach in the management of companies and public institutions, seen in terms of managerial instruments, entails the following conclusions:

- *the range of management systems, methods and techniques*, that can be used in both types of organization, is extremely wide and, in the same time, varied. Any of the management functions, from projection to control, can be fulfilled with high efficiency results by resorting to specific managerial instruments;
- from the viewpoint of their contribution *to economic, social and educational managerial performance*, one can notice significant differences arising from the constructive and functional specificities of the two categories of organization, companies and public institutions, and even differences within each category arising from the type of organization (small, medium and large sized companies, companies with majority or integral state-owned capital as well as different decentralized and deconcentrated public institutions, etc.);
- at the „*management systems*“ level, we must point out the fact that each such complex managerial instrument has to be approached differently according to its degree of use in the managerial practice. In this way:

- **profit centre-based management** can only be used within organizations whose essential objective is profit maximization (companies, public corporations, national companies);

- **the management by objectives** is recommended for any type of organization as long as some specificity elements are taken into consideration: the way objectives are set up and expressed (being approached rather quantitatively by companies and rather qualitatively by public institutions), the way the other management components lay their foundations by means of objectives, the way results are evaluated and the personnel that contributes to their yielding gets motivated;

- **project management** is recommended for all types of organization considering the ever growing number of complex, strategic and highly innovative problems. Unfortunately, due to the lower degree of decision autonomy that characterizes the deconcentrated public institutions, project management is seldom applied in their field, as opposed to the decentralized institutions (city halls, prefects' offices);

- **exception management** is mainly used in companies in spite of recommendations to use it in production organizations;

- **the cost-hour-production system** is only recommended to companies in the machining industry and under no circumstances to public institutions;

- **product-based management** is also exclusively recommended for companies with a wide well-defined production array.

- with respect to *the management methods and techniques*, other common or differentiation aspects are signalled, thus:

- **diagnosis** is used following the same methodological line, yet the analysis approach is different. In this way, a company needs a managerial viability analysis together with a financial-economic viability analysis. On the other hand, in the case of public institutions, the latter aspect focuses on the analysis of the way public money is spent, as a form of income valuation ;

- **management charts** are also significantly different for the two types of organization, either due to the different information needs of their managers for which they are drawn, or to the different ways of expressing results yielded in the field that they manage;

- **organizational instruments (regulations, flowcharts, job descriptions)** cannot stand as authentic managerial instruments since their content does not underline the process, decision, information and structural-organizational aspects needed for the achievement of the different types of objectives. For instance, Regulations for the Organization and Functioning of the county public finance general directorates (the so-called „products“ or „laboratories“ of the National Agency for Fiscal Administration) comprise a separate chapter dedicated to some structural regulations for the set up and functioning of departments which promote from the very beginning stiff, inefficient organizational structures. As far as job descriptions from the deconcentrated public institutions are concerned, they focus on tasks instead of individual objectives, and their updating is far from being operated on a regular basis. Moreover, it is impossible to pragmatically assess the individual performance concept, which is frequently used in employee evaluation, based on the actual job description model which is heavy and inefficient;

- **methodologies for the design/re-design and operative maintenance of management together with its components** are identical in content for the two categories of organization, but they are almost never put into practice. While companies make attempts to achieve substantial managerial modernization, public institutions lack this aspect completely, and they all throw the blame on the obligation to observe certain standard provisions.

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