

Performance in public administration: Doing outside the box under the rule of procedures

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Abstract. *Under the economic and technological progress, innovation represents a vector of national development through excellence, competition and accountability. Moreover, new information, knowledge, and regulation are bringing valuable advantages, thus contributing through its results to the general performance level in both organizations and society. Innovation is becoming therefore increasingly important for achieving the desired levels of flexibility, durability, performance and strength.*

The present paper aims to present new ideas regarding the role of innovation in society and organizations, as well as how to harmonize innovative processes with rules and procedures which already exist in organizations. Also, the mechanisms in which innovation can boost performance are presented. Last but not least, there is a strong link between innovation and organizational risk, which is presented here.

The conclusions reached are oriented towards explaining the place of innovation within organizations as well as in society.

Keywords: innovation; sustainable economic development; risk of innovation; performance in public administration.

JEL Classification: O2, O3, O38.

1. Introduction

Efficiency and performance have many facets, which all converge at management levels and which rely on innovations and innovative processes in order to be able to fully contribute to the sustainable development of organizations (Dumitrescu, 2012: 11-24). Hence, public administration is dependent in equal manners as the private sector on innovation for serving society and building a modern state. In this regard, innovation has several properties which define its strategic role in the public sector (Dumitrescu and Dumitrescu Peculea, 2014: 84-87):

- Innovation is both a strength and an opportunity – highly innovative organizations serve society at their best and have the ability to adapt to changes in the environment (Rainey, 1999).
- Innovation is strong player in society – societies tend to follow institutions and organizations which show high levels of innovation. Societies are currently benchmarked according to the levels of innovation that they generate (Pollitt and Bouckaert, 2011).
- Innovation weakens rigid hierarchies – innovation needs short and efficient communication channels (Matei and Savulescu, 2014) between all levels of hierarchy. A rigid hierarchy is in this regard inefficient since it is based on long communication channels, bureaucracy and centralized decision processes.
- Innovation guarantees access to financial resources – innovative organizations and societies are strong and durable. Thus they present higher guarantees for external financing than those who do not innovate.
- Innovation means leadership – organizations that innovate are trendsetters and innovative societies have higher levels of welfare and development.

It should be clear that thinking outside the box often leads to new systems that are better than previous ones (Clapton et al., 2008; Eisner, 2011). The light bulb, airplane, transistor, microchips and digital technology, harvesting nuclear power are all good examples of inventions and innovations, which have led to better systems. More aspects regarding this context can be seen in the table below.

Table 1. *Ways to approach different organization issues from inside and outside the box*

Issue	Thinking inside the box	Thinking outside the box
Integration of all stovepipes	100% of all systems must be integrated	Integrate what is cost-effective to integrate
System optimization	Optimizing subsystem choices will optimize the whole system	May not work, there is no guarantee
Measurements	Measure as much as you can think of	Measure a minimum set that works and tells the "whole story"
Getting back on schedule	Add more people to the project	Adding people is more likely to worsen the situation
Requirements change and volatility	Requirements are to be taken as fixed and inviolate	Requirements can, at times, be variables
Reserves on a project	All levels of management must have dollar reserves	Project manager needs enough money to get the job done
Customer/citizen negotiation	Promise whatever the customer/citizen appears to want	Promise only that what you know you can fulfill
Dealing with customers/ citizens	The customer/citizen is always right	Customers and/or citizens can be wrong

Issue	Thinking inside the box	Thinking outside the box
Overall approach	Do it right the first time	Provide continuous improvement and iteration
Employee trust	Employees cannot be trusted to know how the organization is really doing	Have the obligation to tell the truth and focus on the organization's well being
Work trust strategy	Never do work unless you can profit from it	Invest in key areas for the future health of the organization
Processes, products and services	Get the process right and the products and services will always be right	The right process still doesn't guarantee the right product or service

Source: Adaptation of Eisner (2011).

Internal standardization processes which take place in organizations are meant to ensure the constant improvement of staff and activities and are based on the creativity of the involved personnel. Public administration is dependent just like private organizations on process optimization and innovation (Pollitt, 2010). Innovation cannot be conceived without creative processes and the willingness to accept accountability and needs to be treated specifically, especially in the conditions in which it is allowed (Roman and Roman, 2012).

2. Innovating under the rule of procedures

As “social groups and communities”, we need to obey the rules of the organisms with which we have contact (organizations, people, and states). However, not all rules are good, and there are always ways to improve them (even the good ones become obsolete with time). That is why there actually is a demand for people who have the ability to recognize flaws and their potential for improvement and are also able to act upon them.

What is the link between rules and procedures? Are they one and the same thing? While the general misconception that they are actually exists, they are not one and the same thing. They actually are terms that complement themselves. While rules usually are something like the Ten Commandments, in the sense that they tell us which actions are not admissible (for example, stealing is a faux pas), they are too general and lack specificity in determining which behaviors actually are infringements to our set rules and which are not. For example, is it admissible for an employee to accept a voluntary small gift from a person for who he has already performed a required and paid service? Studies reveal that different organizations will have different approaches to the same matter. While some will allow the employee to accept the small gift, as long as it does not exceed a certain value, others will deny their employees such behaviors. So while some rules are logical and common sense and very easy to understand and follow, other such as rules regarding ethics and morality are subject to interpretation. There are a series of questions arising from this:

- When is an action or a behavior considered to be infringing?
- How can such a behavior or action be avoided?
- How can different persons protect themselves against such actions or behaviors?
- How to act when such an action or behavior is witnessed?

This is where procedures come in handy. Procedures are addendums to rules, and are meant to exactly define the framework in which behaviors and actions are considered as being

compliant to rules. This is why most companies rely on procedures to guide the actions of their employees. Organizations will not allow their employees decide which action is compliant with the company policy, or the rules that it enforces, but will tell them exactly how to act in almost any given situation.

So how do we solve the apparent paradox of innovating under the rule of procedures? Innovation and innovative behavior are usually at the border between these two areas. When acting innovative one must walk the fine line between compliance and infringement to accepted rules, especially when said innovative behaviors may have an effect on these very rules.

If we take a look on how children were educated at the beginning of the 20th century and how they are educated now, the leap is remarkably huge. And, even though it were psychologists who started this transformation, it came down to each parent to find ways to efficiently communicate with their children and teach them how society works, and how they can unfold their full potential and still function within the boundaries set by society. So even at the level of the family, there is a huge need for innovation.

As said before, here is a huge demand for innovation on one side, and there are rules and procedures on the other; and while it seems to be a contradiction in terms here, it actually isn't. In fact it's just the opposite. Real innovation must obey rules, in order to be effective. Let's say, an innovative idea has emerged in an organization. There are the proper channels to be followed, in order to communicate with the right people to make the idea available to the decision makers in the organization (Finnish Ministry of Finance, 2006). Organizations that are oriented towards innovation will make it easy for their employees to turn good innovative ideas into reality by setting up a set of rules, which will help harness the best of these proposals. In the same time, the capacity of innovation has essential determinants in the external environment of any organization, especially for public administration (Matei and Savulescu, 2014).

From the opposite perspective, innovation without rules is chaos. It's just like ballet without music – mere jumping around on a stage, no matter how graceful these dancers are. Just like music gives ballet harmony and beauty, rules give innovation direction and meaningfulness. It is to no avail for an organization to develop a new product or (public) service, if sales don't know how to sell it, or do not fully understand its purpose, its use or its potential. It is of no use to anybody introducing a new technology if those who this new technology targets do not understand it or cannot use it.

There are several reasons, why innovation must go through the proper channels of decision:

- Information must be available to the whole organization – innovation is a collective effort of the whole organization and only so will the idea be turned into a success.
- Innovation demands for an intensive organization-wide coordination, which employees are usually not able to carry out the tasks associated to it.
- Innovation is a complex venue, requiring specific activities, which cannot be effectively and efficiently carried out by one and the same person:

- sales must know who the targeted customers are, and how to sell it;
- marketing must know how to brand and to promote the new product;
- finance and accounting will have to budget the venue, and find ways how to finance it.
- Innovation requires accountability – shareholders (for the private sector) and stakeholders (for both the public and private sector) will want to know what the returns on the investment will be.

As briefly mentioned before, innovation usually leads to changes in regulation. After a successful innovation the rules that so successfully guided the process often need to be changed, or just simply change all on their own. In conclusion, innovation changes the organization that introduces it.

The relationship between innovation and rules is a bidirectional one. Rules are needed in order to be able to gain the most out of innovative processes, and innovation is needed to keep rules working. Unfortunately rules and regulations are often perceived as being an obstacle to creative processes and thus to innovation. Solving this apparent paradox takes a huge communication effort, persuasion and determination and this is the reason why we can say that development of communication means contributed to a multiplication of changes (Roman and Roman, 2012). Also, the creative forces that drive innovation in organizations need to be flexible, take in ideas and suggestions from their environment (colleagues, co-workers, decision makers, etc.).

3. The risks of innovation

Like all processes that have an uncertain ending, innovation is risky. There are some inherent risks that come with such processes (Sitnikov et al., 2017), which have to be carefully weighted and analyzed and which can, in the case of becoming a reality, lead to the projects failure. Thus innovation needs proper risk management, in order to be effective. Of the many types of risk that influence innovative processes, here are a few:

- Risk of bias – the owner of innovative ideas or processes may not be objective in relation to his own ideas, and may over-evaluate them. By decentralizing decision the risk of bias can be reduced.
- Risks of target – when the set goals are too far away, and become unreachable. Such risks can be avoided by a good process and evolution control.
- Organizational risks – when the members of an organization do not understand, fear, and are unwilling to embrace the changes that innovation processes require. These risks can be diminished by effective communication, trainings and strong leadership (Walker et al., 2011).
- Financial risks – the risk of overspending, risks associated with external financing, and generally destabilizing the organization. Also there is the risk of low return on investment. Performant budgeting processes, audit, controlling and financial management are the best tools to ensure the proper financial coverage to innovative processes.

- Ethical, moral and environmental risks – the innovation raises ethical arguments in society or its results are not environmentally sustainable. The tools for dealing with these risks are market and technological research, as well as established tools of strategic marketing and management (such as PEEST analysis, SWOT analysis, portfolio and so on).
- Social risks – closely related to ethical, moral and environmental risks, for this category society does not accept the effects of innovative processes or it has split strong opinions about it (a good example here would be some aspects of developing artificial meat products). Here also market research can be used to diminish the effects of these risks.
- Market risks – the innovations do not have any moral, environmental or social issues, however, they are not market successes. Causes for this are technologies that appear before their time, or failing to be first to market with the innovation. These would be the least controllable risks, since their source lies outside of the organization. Market research and good information from the market are crucial for the management of these risks.

From the list above, it becomes obvious that innovative processes rely heavily on risk management to ensure their success. Risk management also isn't a new idea. It's actually as old as the idea that the result of one's actions might not be as good as intended. Only the scientific concept is somewhat newer. Risk management is actually a complex process (Drennan, 2007: 2-7; 89-93) of risk identification, analysis and response of a public or private organization or a society, helping processes reach their objectives, and organizations/societies minimize loss and avoid failure (Bekkers et al., 2011). In relationship to innovation, risk management is a tool which is used to avoid innovation failure.

In regard to failure, many fail to take it into account. However, this is always a possibility, since the outcome of our actions is always burdened with uncertainty. This is especially true when thinking about innovation and innovative processes (Clapton et al., 2008). It is all because failure is always a possibility. And failure brings with it losses (mainly financial) and with it accountability of the management towards shareholders, stakeholders and sometimes even legal accountability (Lewis et al., 2018). Therefore, organizations spend a lot of effort in avoiding failure.

4. Conclusion

Innovative behavior is as natural to humans as is the instinct to survive. Actually, innovative behavior is one of the key factors that have led to the survival of the human species over time. Innovation is part of our lives, whether it is at work, in society or with our families. And since the world around us is changing at an incredible rate, the need for innovation is also greater than ever.

Innovation is what makes us, humans, what we are today; it is the driving force behind our survival and evolution. However it is also a highly complex, resource and coordination

intensive process, with unforeseeable effects and outcomes. Innovative processes are also the key element for the success of organizations. There is a bidirectional relationship between innovation and performance. Innovation relies on other highly skilled and performant processes in order to deliver intended results, and organizations rely on innovation to ensure highest performance levels.

Rules and procedures can reduce the inherent risks of innovation if they are set up right. By standardizing communication channels and decision making processes and prerogatives and by setting up strong control systems innovative processes can be managed in the direction of ensuring their success. Also, vision and leadership are key components of innovation. And innovation processes must be harmonized with the core values of the organization and/or society they take place in.

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