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# THE CROATIAN PUBLIC SECTOR MEETS CONTROLLING



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Today, controlling is an essential part of modern management – regardless of whether the private or public sector is concerned. At a time of high costs and growing demands of society, it is essential that resources are managed optimally. In Croatia, controlling has been present in companies for many years, but for a long time it was thought that public administration can do without it. This, however, is far from the truth. Every day, more and more is expected from public administration. On the one hand, citizens requests are increasing and better service is expected, and on the other hand, the budget foreseen for this purpose is becoming tighter.

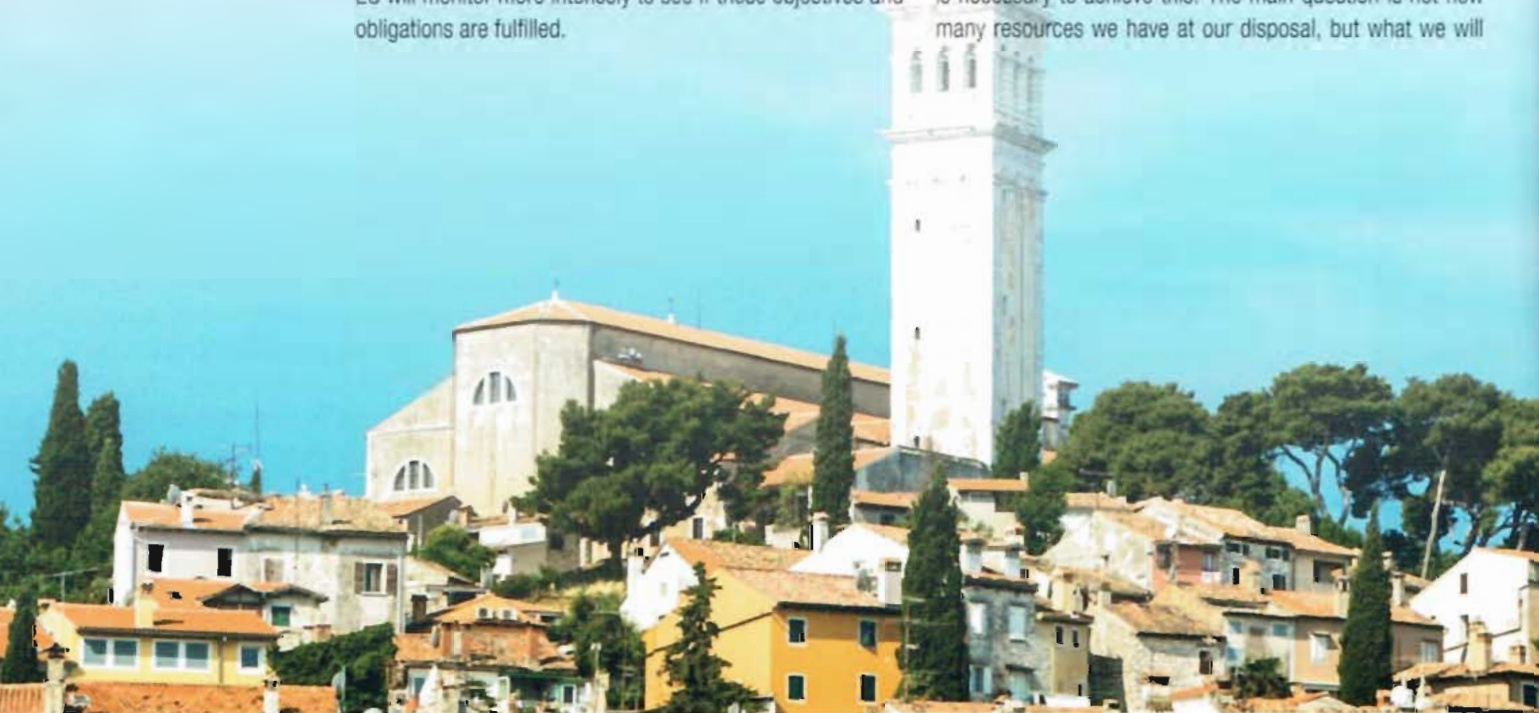
By joining the European Union, Croatia accepted the basic principles of the EU's *acquis communautaire* related to free competition and the Europe 2020 strategy which is based on modernised public administration as a public service for citizens, the economy and investors.

Croatia has the obligation to modernise its public administration, not only in order to rationalise costs, but primarily to increase efficiency and to make the public sector operations transparent and market-friendly so that it can serve as an engine for economic growth. It is to be expected that the EU will monitor more intensely to see if these objectives and obligations are fulfilled.

Croatia has launched a reform of its public administration in order to strengthen administrative capacity, but the quality of governance remains poor. The problem is not only in the lack of expertise but also in the management staff within public administration that should operationalise political goals.

Croatia is currently faced with the truth – setting clear objectives and setting standards of performance and qualitative and quantitative indicators of efficiency must become the backbone of life and work in the public sector. At the same time, objectives can not be fully controlled. Deviation from set objectives is normality. The question is how significant is the deviation, what caused it and what can we do to change this. We should reflect on what we can learn from this deviation and how we can make sure it does not happen again.

When viewed through the prism of controlling, our public administration does not have too many employees, but their efficiency is low. Activities and tasks are not carried out quickly enough, promptly or properly. Therefore, the main task is to define the processes that must be performed and the resources appropriate for these processes. In the future we will have to do more with less, and this requires focusing on important tasks – what is the right performance that we need to accomplish and what effective use of resources is necessary to achieve this. The main question is not how many resources we have at our disposal, but what we will





*Croatian Minister of Finance, Boris Lalovec, reading Controller Magazine.*

achieve with them. We have to constantly ask ourselves what do we want to achieve, do we have the means to do so, and are they properly correlated with what we want to achieve.

Efficiency is what we strive for, not only to cut costs across the board. And that is precisely what often happened in the past – if we do not know the standards of performance, or what to do, how to do it and how much it should cost, and what is the targeted quality level, then we lack the basis for good decision-making and management. If the budget is exceeded, the only thing left is across-the-board cost cutting. And that can not bring good results anywhere, including the public sector.

Unfortunately, the mission of controlling in the public sector has not yet been fully recognised in our country. The public sector has a particular importance for society as a whole, which bears a special responsibility for the effects produced. Measuring these effects is almost impossible without controlling, only in this case controlling must be accompanied by a specific way of thinking and observing. It is necessary to apply specific procedures and methods so that the public sector can be effective.

When introducing controlling into the public sector, the specificities of the mission, objectives, processes and specificities and heterogeneity of stakeholders need to be taken into account. Here, the objective is almost never profitability or increasing market share. Sometimes objectives are not even completely clearly defined, and need to be specified. Therefore, it is a rule that this is the primary task of the controller in the public sector. They have to moderate the process of determining and formulating objectives all the way up to their operational execution, which then must be closely monitored through a specific system of indicators. The indicators here are almost always a blend of quantitative and qualitative evaluations of success. Creating the right mix of indicators along with the standards of performance are key success factors. This is followed by another important step – communication about the achieved results with all holders of responsibility.

Just as the existence and operation of the public sector is important for any society as a whole, so the monitoring of its effectiveness and efficiency is necessary and very useful for the benefit of all stakeholders.

Working with a focus on performance is a very difficult discipline because the system of public administration is extremely complex and requires very close communication. At the heart of everything lies learning and capacity building, which means that we primarily need to apply specific knowledge of those who have already gone down this path before us, and to accept the necessary changes as soon as possible.