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Ćwiklicki, Marek and Golanko, Mirosław

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Role of management control from the perspective of New Public Management

Marek Ćwiklicki, Mirosław Golanko

1 Introduction

The purpose of this paper is to characterize the role of management control and its potential functions from the perspective of New Public Management with regard to domestic practice. The premise for undertaking the subject is the observation that the capability of this control in Poland has not been used to a sufficient extent. Namely, reading correctly the sense of the notion of management control itself makes it possible to draw a conclusion about increased possibilities for managers of public administration units with regard to increasing the effectiveness of functioning for a given organisational unit and its adaptation to a specific external environment. Meanwhile, management control in Poland is viewed from the perspective of finance management and, to be more precise, the task-oriented budget. In addition, in the authors' opinion, management control may contribute to a more comprehensive implementation of the idea of New Public Management in the Polish local administration.

The paper's structure is formed by the following items. Firstly, the idea of NPM and the resulting conclusions have been characterized to a selected issue such as management control. Then, the definitions and interpretations of management control as defined in the Act on Public Finance dated August 27, 2009 have been presented. The next part specifies the interpretation of management control as a management approach to management in the public sector. The next item presents the dominant view on management control in public administration in Poland. The last part characterizes functions of management control resulting from methodological bases of NPM. The conclusion sums up the presented analysis and indicates key elements in the development of management control as an NPM tool.

2 NPM as theoretical base for management control

The beginnings of NPM involve a broader process of spreading a new view of the state's role, the scope of its tasks and methods for performing them in the 1970s and 1980s. The ideological foundation for NPM is the neoliberalism doctrine. According to J. Kulesza and D. Sześciło, the development of NPM was fostered by the criticism of the bureaucratic model as one which was not adapted to contemporary times. The authors, referring to J.P. Pfiffner, state that the purpose of new public management is to overcome the low effectiveness of the traditional public administration model¹. Pfiffner himself contrasts NPM with traditional public management on the basis of the dominance of the effectiveness paradigm over accountability². L. Balcerowicz also aptly defined the function of the size of area subject to the public sector's power to the role played by public administration based on the idea of NPM. He concluded that NPM accepts "the principle of minimum state, limited in its size and role. Minimum state is one which, as a matter of principle, ensures only the protection for all its citizens against violence, theft, fraud and the enforcement of contracts"³. On the other hand, regarding the method of the state's and the public sphere's organisation, a clear position has been presented by H. Klages and E. Löffler for whom "New Public Management is a concept based on the assumption that management mechanisms applied in the private sector and economic theories and principles may be also applied in the public sector"⁴.

In the above perspective, NPM seems to be a set of various issues and methods, which results in the terminological diversity for this definition. That is why the domestic literature enumerates the attributes (features) of this approach, such as:

- promoting competition in the sphere of providing services,
- empowerment by transferring control functions from the bureaucratic sphere to citizens (the community),
- measuring activity and focusing on financial outcomes and results instead of expenditures,

¹ M. Kulesza, D. Sześciło, *Polityka administracyjna i zarządzanie publiczne* [=Administration Policy and Public Management], Wolters Kluwer business, Warsaw 2013, pp. 59-60.

² J.P. Pfiffner, Traditional Public Administration versus The New Public Management: Accountability versus Efficiency, [in]: *Institutionenbildung in Regierung und Verwaltung: Festschrift für Klaus König*, A. Benz, H. Siedentopf, and K.P. Sommermann (eds.), Duncker & Humboldt, Berlin 2004, pp. 443-454.

³ L. Balcerowicz, *W kierunku ograniczonego państwa* [=Towards Minimum State], Warsaw 2007, p. 17

⁴ H. Klages, E. Löffler, New public management in Germany: the implementation process of the New Steering Model, "International Review of Administrative Sciences" 1998, vol. 64, p. 42.

- focus on goals and the mission, and not on following principles and regulations,
- satisfying the needs of consumers, and not bureaucrats, by defining them as customers and making it possible for them to make choices,
- preventing problems by anticipating them,
- earning rather than spending financial means,
- decentralisation and de-concentration of power and promoting participation in management,
- favouring market mechanisms over bureaucratic,
- catalyzing the cooperation of the three sectors (public, private and non-governmental) instead of solving local problems⁵.

According to another opinion common in the Polish literature (see M. Kulesza and D. Sześciło⁶) by Ch. Hood from 1991, NPM consists of the following seven doctrinal components:

1. introducing management techniques into management in the public sector,
2. using explicit standards and measures of performance towards the administration,
3. putting greater emphasis on the process of monitoring and evaluating the output of the activity of public institutions,
4. disaggregation (“division”) of the public sector organisation – instead of extensive, hierarchical structures with a very wide range of operation – small, specialized and flexibly shaped departments or task teams,
5. introducing competition to the public sector – unit operating within the public sector should compete for customers, recipients of public services,
6. transferring management methods used in business to the public sector,
7. using public sector resources with greater discipline and parsimony⁷.

The thesis that “the development of public administration does not consist in rejecting one model (paradigm) and replacing it with another, but in gradual transfer from the previous model to the new one, maintaining many elements of the previous one”⁸ may be a starting point for transferring the idea of NPM to the Polish local government through management control.

⁵ M. Zawicki, *Nowe zarządzanie publiczne* [=New Public Management], PWE, Warsaw 2011.

⁶ M. Kulesza, D. Sześciło, op. cit., 2013.

⁷ Ch. Hood, A Public Management for All Seasons?, *Public Administration*, 1991, vol. 69, no. 1, pp. 3-19.

⁸ J. Hausner, *Zarządzanie publiczne* [=Public Management], Wydawnictwo Naukowe Scholar, Warsaw 2008, p. 23.

The specific character of the functioning of public administration in comparison with the private sector encourages a critical reflection because administrative practice shows that many ideas successfully existing in business did not succeed in administration.

H. Izdebski, speaking about the evolution of the approach to the functioning of the private sector, mentioned four development stages related to various paradigms:

1. State of law (*Rechtsstaat*).
2. Public administration.
3. New public management.
4. Public governance⁹.

The two first paradigms correspond to Weber's perfect bureaucracy model and have direct reference to the model mostly functioning in today's social reality.

The third and the fourth models represent a definitely different approach which should be identified with the notion of "public management", "good governance", "public governance". They are characterized, among others, by the following features:

- a) administration is oriented on the citizen-user or the citizen-customer;
- b) focus is on output control by management contracts rather than on procedure control;
- c) public services are transferred to non-governmental organisations competing with one another;
- d) joint establishment of various control mechanisms for decentralized units: direct social control; management contracts, pursuant to which activity ratios are explicitly defined and measured; creating *quasi*-markets and competition for administrative units;
- e) outsourcing auxiliary and supplementary activity by public orders, guaranteeing the competitiveness of bids¹⁰.

3 Definition of management control as defined in the Act on public finance

The statutory obligation of public administration to use the principles of management control in everyday work results from the need to remodel the role and method of functioning of this administration towards the citizens. Although management control, in its essence, applies to rules and procedures inside offices, its effects lead to better service for the citizens and increase the credibility of administrative units in the society.

⁹ H. Izdebski, *Od administracji publicznej do public governance* [=From Public Administration to Public Governance], „Zarządzanie Publiczne” 2007, No. 1.

¹⁰ J. Hausner, op. cit., 2008, p. 26.

Analyzing the notion of management control, we should refer to the definition included in the Act on Public Finance where management control means all activities taken in order to ensure the implementation of adopted objectives and tasks in a manner consistent with the law, effective, economical and timely. Thus, referring to the expected effects of using management control, we may notice a strong emphasis on better quality of service and economic effectiveness of the applied procedures.

The purpose of management control is to ensure, in particular:

- 1) compliance of activities with legal regulations and internal procedures;
- 2) efficiency and effectiveness of activities;
- 3) credibility of reports;
- 4) protection of resources;
- 5) compliance with and promotion of principles of ethical behaviour;
- 6) efficiency and effectiveness of information flow;
- 7) risk management¹¹.

The notion of control found in legislation, scientific literature, colloquial language or journalism has many meanings. The translation of the verb *to control* from English provides doubts. The verb is translated as: steering, adjusting, controlling, checking, supervising, recording¹². As a result of transferring the whole group of tasks covered in English by the verb “*to control*” to the practice of offices is to create the notion of *management control*, not reflecting the actual purpose of management control, since most of these tasks come from the area which may be classified to the management field, without focusing on control – understood differently in the previous Polish administrative practice. As J. Płoskonka aptly notes, the notion of control may be used in two different meanings:

- functional one – as a “widely understood process of verification and evaluation”,
- management one – as a “system supporting management adopted in the unit (procedures, instructions, principles, mechanisms) which is used to obtain confidence by the management that the unit’s objectives will be achieved”¹³.

¹¹ Art. 68, Pass. 2 Act on Public Finance, August 27, 2009, Dziennik Ustaw Rzeczypospolitej Polskiej [=Journal of Laws of the Republic of Poland], issue No. 157 of September 24, 2009.

¹² J. Duraj, *Pojęcie controllingu i jego miejsce w zarządzaniu przedsiębiorstwem* [=Definition of Controlling and its Place In Enterprise Management], [in:] J. Duraj (ed.), *Controlling w zarządzaniu przedsiębiorstwem*, Wydawnictwo Naukowe NOVUM, Płock-Lódź 2003, p. 9.

¹³ J. Płoskonka, *Pojęcie kontroli w ujęciu zarządczym* [=Control Notion in Managerial Approach], „Kontrola Państwowa”, 2006, No. 2, p. 204.

The notion of management control replaced financial control functioning in the Act on Public Finance from 2005 (Article 47, Act on Public Finance from 2005). Analyzing the “Explanatory Statement of a Draft Of Act on Public Finance”, we read that:

“(…) the previous practice related to the functioning of management control in the regulations shows that it is identified only with the purely financial aspect of the unit’s activities. The initiator’s purpose is to cover all aspects of the unit’s activities with management control. The main element of management control in administration is the responsibility of each unit manager for the implementation and the monitoring of such management control elements so that the unit achieves the designated objectives in a manner consistent with the law, effective, economical, timely”¹⁴.

Management control pursuant to the Act should be identified with the notion “internal control” functioning in such international standards prepared by COSO (Committee of Sponsoring Organisations of the Treadway Commission) and INTOSAI (International Organisation of Supreme Audit Institutions)¹⁵. For example, the definition of internal control prepared by INTOSAI defines it as a tool used to obtain reasonable confidence that management objectives have been achieved. Internal control are methods via which the unit’s management gains reasonable confidence that the unit’s activities, focused on fulfilling its mission, also help conduct orderly, ethical, economical, effective and efficient activities, fulfilling duties related to responsibility, compliance with the law and regulations and the protection of resources against loss, disadvantageous disposition and destruction. Therefore, any processes are conducted in a manner minimizing the likelihood of fraud, error or non-economic or ineffective practices¹⁶.

Additional information, the presentation of the essence of management control, sources, the context and the purpose of establishing regulations concerning management control may be found in the “Compendium of Knowledge” prepared by the Ministry of Finance in 2012. It includes explanations explicitly indicating that the method of defining management control indicates a semantic correlation with the notion of management. The word *control* cannot be read literally because control in the traditional sense, performed by substantially prepared

¹⁴ *Uzasadnienie do projektu ustawy o finansach publicznych* [=Explanatory statement of a draft of act on public finance], Biuletyn Finansów Publicznych, http://finansy-publiczne.pl/materialy/MF_projekt_ustawy_o_finansach_publicznych_u.pdf, May 14, 2013.

¹⁵ K. Winiarska (ed.), *Kontrola zarządcza w jednostkach sektora publicznego* [=Management Control In Public Sector Units], Wolters Kluwer Polska, Warsaw 2012, p. 8.

¹⁶ L. Lipiec-Warzecha, *Ustawa o finansach publicznych. Komentarz* [=Law on Public Finance. Comments], Wolters Kluwers Polska, Warsaw 2011.

employees, is focused on detecting irregularities in the organisation's functioning, while it should be explicitly stated that control conducted inside the organisation (in the common sense – the authors' note) is one of the elements of management control (namely as one of the methods for providing information necessary for management) and a reaction tool to risks present in the unit's activities¹⁷.

The legislator's intention expressed in explanatory statement should be a criterion for each unit manager in understanding the meaning of this notion. Defining management control by comparing it with the implementation of the organisation's objectives and tasks provides unlimited management possibilities to use the unit's resources in the most optimum manner.

Management control in public finance sector units includes five groups of issues, i.e. the internal environment, objectives and risk management, control mechanisms, information and communication, monitoring and evaluation. The catalogue of purposes of management control is open and requires the public finance sector unit manager to define the unit's additional objectives taking into account the special character, the object of business activities and the conditions for the functioning of the unit headed by him¹⁸.

The lack of directives and rigid procedures, often raised by management practitioners, particularly in local government administration, proves the fact that the essence of management control has been misunderstood and provides a picture of competences in the field of public management. Introducing the obligation to implement management control in the public sector is undoubtedly a revolution with regard to managing local government units because the previous practice with regard to using NPM tools in the Polish administration were based on arbitrariness and introducing good practices into public administration by commune heads, commune mayors, district heads and presidents of Polish towns and communes. However, it is possible to achieve the Polish government's objectives with regard to the public finance reform, i.e. reducing the public finance deficit without introducing uniform standards and measures in the entire administration. The Prime Minister presented such purpose in the "Plan of Finance Development and Consolidation for 2010–2011". This

¹⁷ *Kontrola zarządcza w sektorze finansów publicznych. Istota, unormowania prawne i otoczenie. Kompendium wiedzy* (wersja 1.0), [=Management Control In the Public Finance Sector. Compendium of Knowledge], Ministerstwo Finansów, Warsaw, February 2012, p. 21.

¹⁸ L. Lipiec-Warzecha, op. cit., 2011.

document defines that the key task for the Government of the Republic of Poland is working on the consolidation of public finance¹⁹.

Management control in the presented understanding – close to the notion of management – will introduce a new quality of functioning for the public administration when it is also created by interdependent components supplementing one another. They include, among others, instruments such as: physical control, accounting control, process control, public order control, division of duties, internal audit²⁰. Nonetheless, an important role is played by their standardisation and the identification of quality expected from them in each of the areas covering management control (table 1). From such perspective, the idea of NPM may be found in areas of management control standards.

Table 1. Structure of management control standards in Poland

Area	Standard
A. Internal Environment	A.1: Compliance with ethical values A.2: Professional competences A.3: Organisational structure A.4: Delegating rights
B. Objectives And Risk Management	B.5: Mission B.6: Defining objectives and tasks, monitoring and evaluating their implementation B.7: Risk identification B.8: Risk analysis B.9: Reaction to risk
C. Control Mechanisms	C.10: Documenting the management control system C.11: Supervision C.12: Continuity of activities C.13: Protection of resources C.14: Detailed control mechanisms concerning financial and economic operations C.15: Control mechanisms concerning IT systems
D. Information And Communication	D.16: Current information D.17: Internal communication D.18: External communication
E. Monitoring and Assessment	E.19: Monitoring the management control system E.20: Self-assessment E.21: Internal audit E.22: Obtaining confidence about management control condition

¹⁹ *Plan rozwoju i konsolidacji finansów 2010-2011. Propozycje* [=Plan of Finance Development and Consolidation for 2010–2011. Propositions], Kancelaria Prezesa Rady Ministrów, Warsaw, January 29, 2010.

²⁰ K. Winiarska (ed.), op. cit. 2012, pp. 30-31.

Source: prepared by the authors on the basis of *Kontrola zarządcza w sektorze finansów publicznych. Istota, unormowania prawne i otoczenie. Kompendium wiedzy* (ver. 1.0), Ministry of Finance, Warsaw, February 2012, pp. 50-65.

4 Management control as a managerialism's example in public sector

Economic transformations and the organisation's constantly changing environment force changes which should be demonstrated in modifications in the functioning of all types of organisations existing in contemporary societies. Competences and experience in managing organisations should constitute the core of the discussion about quality, since the thesis that "management is management, regardless of what it applies to"²¹ has been indicating the direction of reforms for many years.

Managers operating in today's rapidly changing and unpredictable environment should seek opportunities and advantages of their own organisations. As B.R. Kuc notes: "The truth about the past, which was provided by internal control, is supplanted by risk identification, estimation and management, namely by future events"²². The initiated direction of changes explicitly determines the goal: one should move from management taking into account the results of documentation control towards ex ante evaluation focused on estimating and analyzing possible events. The direction of changes defined in such a manner determines a new standard in management operation – delegating rights and trust which is of critical significance in the case of self-control, used to obtain a confidence about the quality of the organisation's operation. Self-control, defined as "control over oneself, observing, controlling one's own work"²³, makes it possible for the managers, from the financial perspective, to obtain current information on a cost-free basis. This is an unquestionable element of this management instrument because in the age of crisis or searching for savings at each level of the public administration's operation, each reduction in costs will have effect on the condition and competitiveness on a given market. At the same time, it is worth noticing that the popularisation of self-control systems should "incite the sense of co-responsibility for the

²¹ P.B. Guy, *The Future of Governing: Four Emerging Models*, University Press of Kansas, 1996, p. 28.

²² B.R. Kuc, *Kontrola jako funkcja zarządzania* [=Control as a Management Function], Diffin, Warsaw 2009, p. 19.

²³ *Współczesny słownik języka polskiego* [=Contemporary Polish Dictionary], Wilga, Warsaw 1996, p. 267.

organisation in employees, force the employee to continuously improve their qualifications, responsibility for results on their post”²⁴.

The implementation of the management system based on management control may cause many difficulties, even due to the fact that international experience related to the implementation of NPM shows that radical management reforms in such countries as the United States, Great Britain, New Zealand, Canada, Australia were an element of public programs based on neoliberal concepts. Changes in conducting public policies were the result of changes in societies, related to, among others, the economic situation and the progressive globalisation because “following changes in the economic and public life, public management is a revolutionary transformation of traditional public management, which no longer corresponds to the altered realities of life: increase in the importance of the public sector and the need to open it to changes in technology, the rules of the market economy and globalisation and the need to rationalize expenses for public services”²⁵.

Recognizing the inevitability and the need for these trends to enter our country, we see the need to begin a wide public discussion about the condition of the public sector in Poland as well as the efficiency of existing legal frameworks for the functioning of the public administration. The discussion, conducted only on the basis of opinions and expert’s reports inside the environments to which the case applies, will be exposed to the risk of limitation and incompleteness. Certainly a step ahead in this scope is the report on the condition of local government in Poland entitled “Growing Disfunctions, Basic Dilemmas, Necessary Actions”²⁶. The establishment of such a study will probably raise many controversies but, through a probable discussion, it will make it possible to for all interested parties to participate in the process of changes about to take place in the administration. As B. Kożuch notes:

“Nowadays, imposing certain public policies is unfeasible. It has become important not only to formulate public policies and programs but, first of all, to adopt the methods for their implementation with the participation of fellow citizens. Therefore, management functions such as leadership in organisations with open membership, social communication, coordination of common activities

²⁴ B.R. Kuc, J.M. Moczydłowska, *Zachowania organizacyjne. Podręcznik akademicki* [=Organisational Behavior. Textbook], Difin, Warsaw 2009, p. 44.

²⁵ S. Sudoł, B. Kożuch, *Rozszerzyć nauki o zarządzaniu o zarządzanie publiczne jako ich subdyscyplinę* [=Enlarge the Management Science. Public Management as its sub-discipline], [in.]: S. Lachiewicz, B. Nogalski (ed.), *Osiągnięcia i perspektywy nauk o zarządzaniu*, Oficyna Wolters Kluwer business, Warszawa 2010, p. 384.

²⁶ *Narastające dysfunkcje, zasadnicze dylematy konieczne działania. Raport o stanie samorządności terytorialnej w Polsce*, [=Growing Disfunctions, Basic Dilemmas, Necessary Actions], joint publication, Wyd. Małopolska

exceeding the boundaries of organisations and referring to such structures such as the entire economy, region or district gained high significance”²⁷.

Therefore, there is a big gap in the currently implemented process of introducing changes. The lack of coordination of activities with regard to monitoring will result in not so much as an escape from qualitative change in public administration, as the delay in their application, in particular in units headed by persons distrustful of the standards resulting from NPM.

5 Dominant view on management control in public administration in Poland

Connotations of management control with financial control are undoubtedly related to the literal understanding of the notion of control itself as well as with historical conditions related to the previous wording of the Act on public finance. The reference of management control to the extended meaning of the notion of control may be misleading because “control is a praxeological category and means examining the existing state of affairs and comparing it with the desired one. In administrative-legal terms, the essence of control activities does not cover domineering actions, but observing specific phenomena, analyzing their sources and manifestation methods and then presenting the observations to competent entities”²⁸.

As the author of the comment to the Act on public finance aptly notices, it is unauthorized to claim, which may be seen in some studies, that management control introduced by the Act on public finance in 2009 replaced the financial control institution, known from the Act on public finance from 2005. Adopting this hypothesis would mean accepting the view that from January 01, 2010 financial control as defined by Article 47, Act on public finance from 2005 ceased to function. Management control did not replace financial control, but absorbed it, making the control of processes related to gathering and distributing public funds one but not the only element of management control. It may be assumed that financial control applied to two out of eight processes enumerated in Article 3, Act on public finance from 2005 comprising the normative notion of public finance, while management control applies to all processes, forming public finance, specified in Article 3 of the presently

Szkoła Administracji Publicznej UEK, Fundacja Gospodarki i Administracji Publicznej, Cracow 2013 http://www.msap.uek.krakow.pl/doki/publ/raport_dysfunkcje.pdf 20.05.2013 r.

²⁷ S. Sudoł, B. Kozuch, op. cit., 2010, p. 395.

²⁸ U. Kalina-Prasznic (ed.), *Encyklopedia Prawa* [=Encyclopedia of Law], 4th. Ed., Wydawnictwo C.H.Beck, Warsaw 2007, p. 259.

valid Act on Public Finance dated August 27, 2009 (Journal of Laws of 2009 No. 157 item 1240)²⁹.

Therefore, we should agree with the opinion quoted above that it is not possible to implement the essence of public management based on the standards of management control without understanding this basic relationship. However, it is difficult to persuade persons responsible for the functioning of public institutions in Poland to understand management control in the sense of possibilities to use numerous instruments related to NPM because misunderstanding the essence of this notion results in chaos, resulting in numerous interpretations and arbitrariness in the implementation itself. Making it possible for public administration in Poland to use the achievements of global public management may be the beginning of a new quality in public life, but this, to a large extent, depends on the knowledge and competences of persons responsible for the implementation of the new approach.

Demands to depart from the regulations culture in favour of the output culture are formulated towards the Polish administration public, following the popularisation of New Public Management or good governance. This also means the departure from the traditional focus on the implementation of legal regulations, namely caring, first of all, about the legality, towards including other criteria, such as savings, effectiveness and efficacy (efficiency). However, as experience with understanding and applying regulations regarding financial control has showed, it is extremely difficult to disseminate specific notions in a uniform manner without formulating them in legal regulations, still for a significant majority of unit managers constituting the basic indicator of implemented duties³⁰.

The difficulties in determining the essence of management control in local government administration may be related to a certain inconsistency on the ground of legislation. Local government units in Poland are controlled, among others, by Regional Accounting Chambers, NIK (Supreme Audit Office) (except for government tasks) only on the basis of the criterion of legality. Article 5 passage 2 of the Act on liability for breaching the public finance discipline (Journal of Laws of 2005 No. 14 item 1114 as amended) states that breaching the public finance discipline means allowing the income due to the State Treasury, a local government unit or another public finance sector unit to decrease as a result of negligence or failure to fulfil obligations with regard to management control. The remaining criteria, i.e. savings, effectiveness and efficacy, are beyond the scope of external institutions control with

²⁹ L. Lipiec-Warzecha, op. cit., 2011.

³⁰ *Ibidem*, p. 23.

regard to local government administration. Thus, a certain inconsistency may be noted, since introducing the obligation to implement management control by placing it in the Act on Public Finance was a preventive measure related to the assumption that the lack of such an obligation will result in the lack of implementation. However, the control criteria remained the same, which means the lack of the possibility to take disciplinary action against units which did not implement management control in an appropriate manner.

The arguments partially presented above confirm the results of control conducted by NIK, which “negatively evaluated the previous progress and effects of the implementation of management control. Organisational solutions introduced in communes took into account management control standards to a limited extent and thus did not meet the qualitative requirements specified in legal regulations. Internal regulations, including procedures for awarding public orders examined in detail, were prepared without connection with risk management and, to a narrow extent, were focused on pursuing activity objectives and preventing, detecting and correcting irregularities”³¹.

In the further part of the report, NIK controllers claim that “the reasons for such a state of affairs should be searched for in the absence of a uniform methodology for the implementation of management control and an often insufficient preparation of communes to implement their statutory obligations”³². In the opinion of the authors, this is not a thesis which is completely correct, because the conclusion that management control should be implemented on the basis of a statutory-introduced methodology uniform for the entire country cannot be drawn from the very essence of management control. The specific character of the functioning of commune organisational units is often completely different within one district, not to mention the voivodeship or the country.

NIK’s report shows that “despite several years of experience of communes in exercising financial control and conducting internal audits, the performance of tasks in the controlled scope did not so far serve the managers of local government units to a system-based strengthening of the capacities of their subordinate institutions in an efficient and effective implementation of public tasks”³³. This means that some officials demonstrate an approach which reflects principles related to administering and implementing legal

³¹ Informacja o wynikach kontroli funkcjonowania kontroli zarządczej w jednostkach samorządu terytorialnego ze szczególnym uwzględnieniem audytu wewnętrznego [=Information about the control results of management control functioning in local administration], NIK, Delegatura w Gdańsku, Gdańsk, Nr ewid. 140/2011/P10132/LGD, September 2011, p. 7.

³² Ibidem.

obligations, and not management or governance. This is undoubtedly a serious problem the solution of which may be a necessary condition for the implementation of the Polish administration modernisation concept. We should certainly seriously take into account the need to “re-consider the concept of the entire system of management control and internal audit in local government units introduced by the Act dated August 27, 2009 on public finance. In its present shape, it does not bring the expected benefits and, at the present attitude, it does not provide such opportunities in the future”³⁴.

6 Functions of management control from the perspective of New Public Management with regard to domestic practice

All the various activities, undertaken in order to ensure the implementation of the public finance sector unit’s objectives and tasks in a manner consistent with the law, effective, economical and timely, are management control. This makes it possible to use all types of methods and activities aimed at achieving the assumed objectives. If we take into account the discussed management control standards, we will find out that management control in its whole extent fits into the characteristics of tools and instruments provided for in the NPM concept.

Providing the public finance sector unit’s manager with arbitrariness to select tools and instruments for the implementation of management control indicates one purpose only: the implementation of entrusted and own public tasks based on criteria applied in the private sector. According to E. Kowalczyk, “Control from the management perspective is a set of activities which makes it possible to formulate not only conclusions about occurring events but also recommendations necessary to design future events”³⁵. Hence, it is not possible for management control to function efficiently without understanding the idea of NPM. However, this requires a change in the attitude of the entire public finance sector and numerous educational and promotional procedures, related to the confidence of management selected in direct or indirect elections (local government) to use the above mentioned tools. The administration reform implemented in such a manner should also undoubtedly have an appropriate correlation in the familiarizing and educating the society by preparing and sharing civic tools to monitor the quality of administration, especially the local one. Leaving the

³³ Informacja..., op. cit., 2011, p. 10.

³⁴ Ibidem, p. 11.

³⁵ E. Kowalczyk, *Procedury kontroli zarządczej w jednostce sektora finansów publicznych. Wzory i przykłady* [=Procedure of Management Control in Public Finance Sector Unit], PRESSCOM Sp. z o.o., Wrocław 2011.

obligation to implement management control without involving all administration stakeholders may not even produce the minimum assumed effect. The question whether the existing sanctions with regard to the lack of the implementation of management control are sufficient to achieve the objective which was put for management control: to reform the thinking about the management system in the administration, remains open. We may even come up with a claim that managers of public finance sector units received a tool which makes it possible to detect and monitor hazards in each area of the unit's activities without any sanctions for themselves. However, the success of the entire concept depends on the competences of the management personnel because it is the unit's manager who issues regulations and forms the organisational culture and thus determines the entire system of rules and procedures.

In the opinion of the authors, management control implemented in the spirit of NPM should be a creative action from the management personnel and a conscious instrumental role for the procedures as compared to the functionality of the introduced regulations. The quality and effectiveness of management control will depend on the method in which the management and employees perform their obligations because the "management control system should be embedded into the unit's structure, and the effectiveness of management control requires the associated tasks to relate to the unit's current activities, i.e. they should constitute a part of the daily tasks performed by employees at all organisational levels"³⁶. The introduced procedures should be previously discussed and verified together with persons who will be responsible for the system's functioning. It seems that the developed management control system should, among others:

- lead to a repeated determination of methods for the implementation of the assumed objectives,
- point to new possibilities for solving any problems emerging within current monitoring of objective implementation,
- periodically make inspections of the unit's environment in order to select the optimum solutions for objective implementation,
- direct risk management to current analyses at each level of the organisation,
- make it possible to react to risk related to the obtained feedback,
- help verify the internal environment and define objectives at the same time,

³⁶ E. Kowalczyk, op. cit., 2011, p. 21.

- ensure its evaluation as part of internal audit, but also indicate possible, new solutions through continuous analysis of the management control system's functioning.
- include self-evaluation as the main element in determining the condition of management control,

The last element should be treated as a key premise for changes in the authors' opinions, related to the idea of NPM because, as B.R. Kuc aptly notes, "the more popular, more thorough and systematic employee self-control is, the lower the demand for control, both internal and external"³⁷.

7 Conclusions

In this paper, the authors have made an attempt to determine the definition of management control, functioning in the Polish legal system, which may be characterized by two theses:

- management control is undoubtedly related to the management system, and not the narrow notion of control,
- it refers to NPM instruments by the arbitrariness in shaping the entire control system in the organisation.

Without a doubt, the most important deficit, being a barrier for a wider implementation of correctly understood management control, in previous experience, is the lack of research concerning:

- the correlation of managerial competences of public managers with the introduced management control systems.
- the analyses of implemented management control tools as compared to organisation output through a uniform point of reference – e.g. organisation output achieved as part of the Institutional Development Planning method³⁸.

Despite these flaws of the practical application of properly understood management control, visible after a short time of validity of regulations on management control, the purposefulness of its implementation cannot be questioned. The supremacy of good quality of the functioning of public administration responsible for a better and more effective fulfilling of its role, over the previous habits and often bad bureaucratic habits, should be a sufficient argument for a consistent implementation of public service standards relevant for highly-

³⁷ B.R. Kuc, op. cit., 2009, p. 345.

³⁸ J. Bober (ed.), *Planowanie rozwoju instytucjonalnego w samorządach lokalnych* [=Institutional Development Planning in Local Administration], MSAP UEK, Cracow, 2011.

developed countries, on the basis of NPM assumptions and objectives, concurrent with elements of management control.

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Authors data:

Marek Ćwiklicki

Dr habil.

Cracow University of Economics

Department of Organisation and Management Methods

Poland

Mirosław Golanko

MSC, PhD student

Cracow University of Economics

Faculty of Management

Poland