

A Unique Exploration of Public Good and Public Financial Management*

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Vezetés a közjó szolgálatában. Közpénzügyi gazdálkodás és menedzsment

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With its innovative focus and ground-breaking content, “Vezetés a közjó szolgálatában. Közpénzügyi gazdálkodás és menedzsment (Management in the service of the public good – Public financial management)” takes a comprehensive approach to analysing and presenting a broad range of topics arranged in five parts and 27 chapters. It is a ground-breaking work, as starting from the serving of the public good and focusing on organisational integrity, it collects information that is indispensable in the day-to-day work of public decision-makers to ensure orderly, efficient and successful operations.

The Hungarian Chamber of Commerce and Industry as a public body representing the general interests of the economy has especially welcomed the publication of the book, since it can serve as a reference point for all economic operators and helps formulate a theoretical and practical approach as well as promoting the public good. This book provides theoretical knowledge that can be well used in practice and may thus contribute to promoting the public good, the highest social good. For this, of course, it is indispensable that current and future decision-makers acquaint themselves with the content and substance of the interrelations whose complex but logical network is explained in this book, on an everyday level too. Moreover, the book provides an important background for leadership and managerial activities, the development of organisational integrity, the evaluation of economic developments, the interpretation of the concept of public money as such, and for the incorporation of these issues into the processes of developing and planning an organisational strategy.

* The views expressed in this paper are those of the author(s) and do not necessarily reflect the official view of the Magyar Nemzeti Bank.

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The starting point of the book is that the Fundamental Law of Hungary defines clear principles in relation to organisations using public funds and assets. These are the principles of legality, expediency, efficiency, transparency, and clarity of the public sphere. The performance of leaders of organisations using/managing public funds or assets is judged based on how the organisations managed by them meet constitutional requirements concerning the use of public funds.

Writing about serving the public good and public financial management, the authors provide public decision-makers and junior staff with advice, and although the book was created for organisations managing public funds, it is also an excellent guide for leaders and financial managers of enterprises. In the textbook, the ethical and professional requirements for management are treated as a coherent whole. Public institutions need to strengthen public confidence in the respect that they operate in the service of the public good expediently and in a result-orientated way. Public confidence is based on two pillars: confidence in goodwill and in ability. It is a fundamental requirement for leaders of public institutions to be committed to serving the public good, and at the same time to have the necessary leadership and managerial competences.

In the textbook, public goods are viewed as a system, within the framework of which tangible and intangible public goods are provided in a concerted manner for the various communities of society and the members thereof. Thus, the definition of the public good can be interpreted clearly in practice. To this end, the book gives guidelines for leaders of organisations aimed at serving the public good. So the public good is not an abstraction, but an objective, and public institutions must make new efforts every day to achieve it.

The five big parts focus on areas crucially important for leaders of organisations managing public funds: serving the public good, resource management, leadership and management, constant renewal, and the efficiency of leadership work. Within these five parts, a total of 27 chapters cover the main individual sub-areas of the particular issue.

In Part 1 dealing with serving the public good, much attention is devoted to the ethics of public finances. By focusing on ethics, György Kocziszky in Chapter 1.1 points out the importance of ethical behaviour in managing public finances. The key conclusion is that incompetence slows down administration and increases costs. With a broad vision and thorough theoretical knowledge, Gyula Pulay, author of Chapters 1.2–1.6, highlights the need to incorporate the public good into the internal regulation of public institutions. This chapter can serve as a practical guide to be put into practice along the principles: the general model presented may help public service organisations develop a corporate governance system serving the public good. Chapter 1.5, “Equality, fairness, justice”, correctly interprets that in

the case of public services, equality primarily means equal (but not compulsorily free) access for all, irrespective of their financial situation, and in terms of locations, access from everywhere with reasonable effort. It is added that equal access is a necessary but not sufficient condition for equality, so equal opportunities are also a necessity. Bureaucratic coordination and its dangers are discussed in-depth. It would be difficult not to agree that a fair distribution of public goods taking human dignity into account is an essential part of serving the public good. Presenting integrity-based management is a constituent part of the book, which introduces a new approach to management activity (Chapter 1.6). In Chapter 1.7 written by Krisztina Szegedi, the chart entitled “The process of integrating social responsibility into the organisation” very aptly illustrates how different elements form a coherent whole.

The authors devote Part 2 to resource management. In Chapter 2.1, detailing the framework of the management of public funds, Diána Orosz presents and analyses the system and the role of leaders precisely and thoroughly, yet from a broad perspective. Leaders are provided with valuable and real orientation, since the author also presents, with similar professional thoroughness, the tasks of public asset management (Chapter 2.2). In Chapter 2.4, József Poór and Mártonné Karoliny discuss the issue of human resources management in a multi-faceted way and in a clear structure, adopting a corporate approach and obtaining the right balance by collating the public and private sphere.

Part 3 discusses the issues of leadership and management. In the very first chapter, Károly Barakonyi makes the readers think by asking questions on the themes of vision and strategy: What would be the objective of a public finance strategy? Whose job is it to elaborate it? Where is the public finance policy? “There is an absence of well-founded, forward-looking analyses in a number of areas falling within the realm of public finances...etc.” – what are these areas? Are there any areas where a strategy exists? In Chapter 3.2, discussing the issue of decision-making, György Norbert Szabados and Csaba Berde are correct to take the view that “The de-politicisation of professional decisions may significantly improve [...] the efficiency of decision-making. However, achieving this is not the responsibility of organisations but of the government.”

Chapter 3.3 written by Erika Garaj features a clear and easy-to-follow aspect in relation to the project theory basics of project management. This is a chapter written with a practical approach and an exciting line of thought. As regards the success factors and pitfalls of the project, the project (although unspokenly) also includes the tender; the topic is presented by addressing real problems and drawing on several types of indicators. In Chapter 3.4, which examines management’s control, Antal Tóth also adopts a practical, comprehensible and valuable approach, illustrating the process of drawing up a plan for a fiscal year. He discusses in depth

the tasks of controllers and the requirements placed on them, providing directly transferable knowledge for leaders. The question arises as to which hierarchical level has the necessary degree of autonomy to formulate a strategy when bargaining over the budget is the most typical element.

Control-based risk management presented in Chapter 3.5 by László Domokos – Melinda Nyéki – Katalin Jakovác – Erzsébet Németh – Csaba Hatvani is a key element of management activities. The authors provide excellent and valuable recommendations for the risk management of budgetary institutions, including guidelines which can easily be put into practice. They also provide an overview of the differences compared to the corporate sector. A particularly important take-away from this chapter is that parallel to serving the public good, public decision-makers must seek to exercise their functions set out in legislation with a focus on minimising the downside risk, while performing their tasks in a perfect way. In Chapter 3.6 – continuing this line of thinking – Margit Horváth investigates the system-level regulation of the internal control system and examines by means of illustrative practical examples the elements of the control system across the process of realising the objectives. In Chapter 3.7, by analysing the elements and types of communication systems influencing successful organisational communication as well as the role of the various types in the organisation's operations, Erzsébet Németh introduces readers to an issue that presents the theoretical and practical aspects of communication.

Csaba Lentner and Bianka Parragh review in a clear and logical manner the issues of interest reconciliation, consensus discussion and participation (Chapter 3.8), pointing out the challenges and expectations that generate changes. In this context, the integrity-based enforcement of interests can be taken as an example: "In contrast to before, the concept of enforcing interests is now placed in a new dimension related to integrity, and thus the integrity-based enforcement of interests, as a novel approach, is also closely related to the conceptual system of integrity".

Part 4, "Constant renewal", acquaints us with organisational behaviour in the public sphere. In the first chapter, Gyula Bakacsi describes aspects of motivational effects, the functioning of motivational tools and motivational ways. It needs to be pointed out that public services are rule-driven and not performance-driven organisations. Business process management, quality management, change management, innovation management, organisational competency building and learning are all important elements of leadership and managerial activities. These subjects are presented by Antal Tóth, Ferenc Farkas, Csaba Makó and Miklós Illésy (4.2–4.4), providing process structures and figures which can be transferred directly into practice. In Chapter 4.5, "Organisational competency building and learning" Mariann Veresné Somosi concludes that there is ultimately no conflict of interest

in the public sphere, and acting in a socially responsible way may be based on the shared interests of employers and employees. However, this poses a real challenge in terms of practical implementation.

Part 5 discusses the efficiency of leadership work. In the chapter “Management styles and organisational culture”, József Nagy starts with an impressive quote – “If you think education is expensive, compare it with the cost of ignorance” – and he continues in this spirit. The author does a good job of presenting quotes (either verbatim or in substance) from well-known experts, drawing his own conclusions and providing techniques to be acquired. The content of the point “We ourselves are the organisational culture” directly addresses the practice. Here we see – at least in a parenthetical remark – an assessment of the actual situation: in times and situations of uncertainty, stress and continuous change (such as the current situation of public administration) it is relationship-oriented leaders who have the chance to achieve success in addressing tensions arising among employees.

In Chapter 5.2 and 5.3, the authors reflect upon the issues of time management (Gyula Király) and assertive communication (Erzsébet Németh). Both chapters convey expertise in an objective and readable manner, offering novel knowledge with a fresh approach. Both issues are of key importance in terms of the efficiency of leadership work and enhancing it, not only for the public sphere, but also for leaders in general, and it could perhaps be argued even for use in the secondary school curriculum, especially as regards assertive communication.

With its rich content, “Vezetés a közjó szolgálatában. Közpénzügyi gazdálkodás és menedzsment (Management in the service of the public good – Public financial management)” regards serving the public good as a basic principle, and based on this it presents information that leaders (or those who will become leaders) must possess to be capable of efficiently managing public funds and genuinely acting in the interest of the public good. In this way, enhancing the efficiency of the public sphere they contribute to increasing competitiveness and to the long-term sustainability of the convergence process of the Hungarian economy – as László Domokos, President of the State Audit Office and György Matolcsy, Governor of the Central Bank of Hungary state in the foreword.

The book provides new ways of addressing the serving of the public good and of public financial management. It provides experts in this field with a wealth of information which, in this form and collected in one place, has not been available until now. I warmly recommend the book to those who are specialists in this area or would like to gain more knowledge on these issues.