

Corporate Governance in Upper Austria - Latest Developments

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Upper Austria is one of the nine states of Austria. Its capital is Linz. Upper Austria borders on Germany and the Czech Republic, as well as on the other Austrian states of Lower Austria, Styria, and Salzburg. With an area of 11,980 km² and 1.3 million inhabitants, Upper Austria is the fourth-largest Austrian state by land area and third-largest by population. Administratively, the state is divided into 15 districts and three statutory cities, 444 municipalities. About 670.000 employees work in the region.

Upper Austria is not only an administrative division but has some legislative authority distinct from the federal government, e.g. in matters of culture, social care, youth and nature protection, hunting, building, and zoning ordinances. The Government of Upper Austria takes the main part of the responsibilities for public administration and services in the region. It has the executive power for many administrative affairs except justice, security, military, foreign affairs.

Altogether we offer and provide about 2.600 services, for example: licensing and permits for different activities, environmental protection, water management, conservation, health care, youth care, traffic infrastructure, subsidies etc.

The regulations are released primarily by the federal parliament, our own legislative power and the European Union. Our offices are located in the state capital Linz and in 15 districts.

Beginning in the early 1990s we have put more emphasis on organizational changes within the limited autonomy given to us. It was the time of increasing and accelerating developments in our society and the time of first activities under the headline "New Public Management" in the English speaking world.

The New Public Management system in our administration is called "Wirkungsorientierte Verwaltung", following and adapting a model of Switzerland. First it's the effectivity of our doing we are taking in account and we have decided to reduce the input orientation preferring more output or effect goals to set.

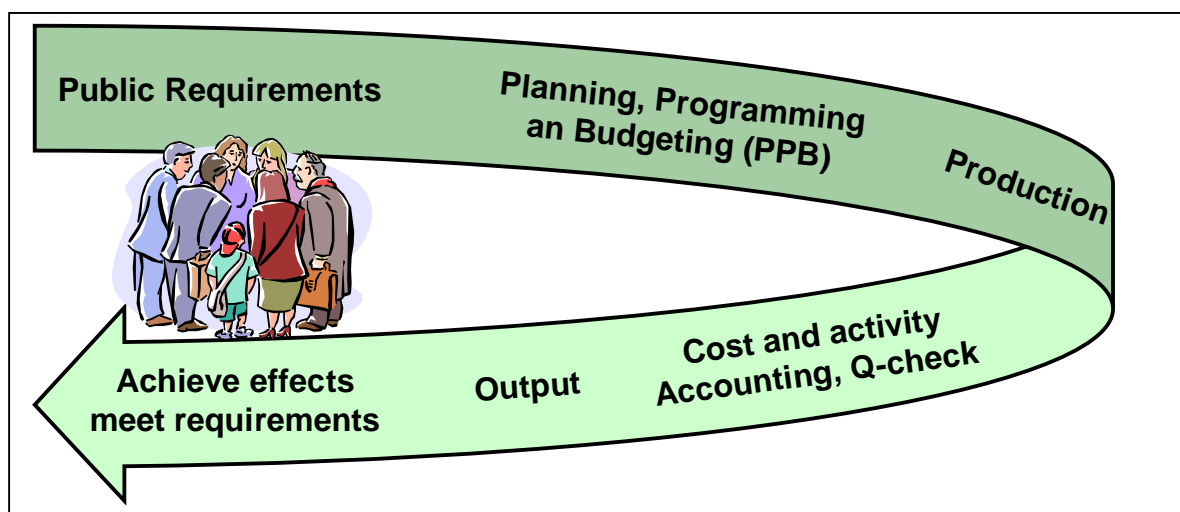
Our governance code contains the following important parts:

a) Mission statement:

“Upper Austria is a service provider and a learning Administration”.

b) It includes basic goals like effectiveness, efficiency, quality for the customers and liquidity.

c) A control cycle model leads from the public requirements to achieved effects and evaluations (see picture below).



d) In 7 areas of development the code sets 119 clear basic principles. The areas of development are: Effectiveness, Customer Focus, Planning and Controlling, Combined responsibility for results and resources, Personnel Focus, Competition and Optimizing Structures and Processes

The governance code is supplemented by 7 concepts with more details concerning the following subjects: Controlling, Personnel, Leadership, Financial management, Quality, Infrastructure and Marketing.

Since 1993 we have modified our administrative system step by step and it becomes more and more an entrepreneurial and managerial system.

The structural transformation began 1993 with first adjustments of the wide range of services. Then we continued with the implementation of an accounting system and of many electronic services for our employees and the customers.

Today a new central office building in Linz ("State Service Centre") and 17 Information and Service Centres all over Upper Austria are the friendly interface between the administration and our customers.

The renewal of our administration, developing and implementing a new concept has been and is carried out by projects concerning the following topics:

- New organizational Structure (finished)
- Planning and Controlling (in progress)
- Adaption of Service Range (nearly finished)
- Cost and Activity Accounting (finished)
- Working Time Registration (finished)
- Flexible Budgeting (pilot projects)
- Quality Management (in progress)
- New system of Performance-linked wages
- Personnel Development (permanent obligation)
- E-Government (in progress)
- Effect-oriented Legislation (in progress)
- Marketing (concept finished)
- Knowledge Management (at the beginning)
- Management Information System (in progress)
- Electronic Documentation (pilot projects)

In 2008 we have finished one of our biggest projects: Merging the large number of organizational units and forming 11 departments ("Direktionen"), which are able to carry the long-term and strategic planning and controlling.

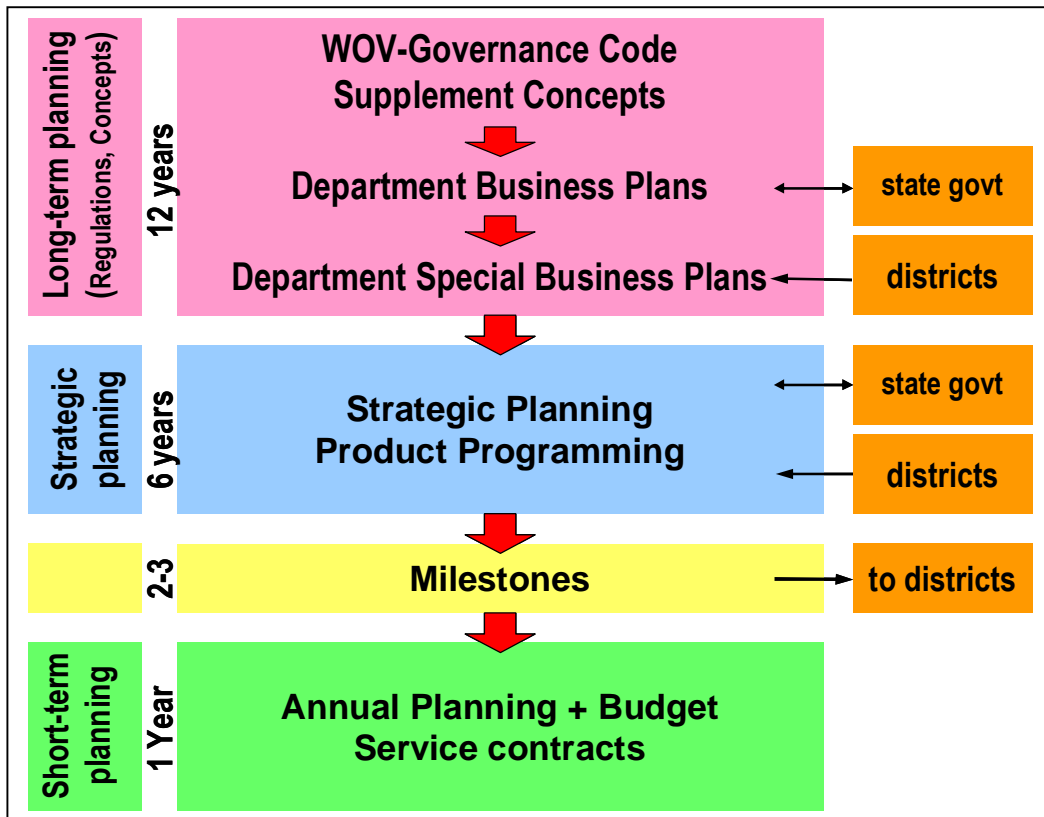
These departments are divided into 4 central departments for all internal services and 7 special departments. All departments are controlled by the federal state government. The 7 special departments are responsible for seven scopes of business:

- 1) Social Welfare and Health Care
- 2) Public Traffic (roads and public transports)
- 3) Regional Development
- 4) Environment Protection, Water Management, Operating Plants
- 5) Education and Society
- 6) Culture
- 7) Internal Affairs and Municipality

For example social and health affairs are in one administrative hand now for successful and cost-effective adjustment and consistency of the services rendered.

Planning and controlling have priority nowadays.

We have designed a strict hierarchy of planning and controlling instruments leading us from long-term general concepts to strategic plans, milestones and detailed goals and contracts for one year (see picture below).



For nearly all policy agendas we have long-term business plans which give us a good common and committed orientation.

In cooperation with the Members of State Government and our peripheral district offices the departments are now planning the goals and services for the next legislative period (strategy for 2009 – 2015). Every employee is integrated in the process of creating the targets or by means of service contracts.

Every change process needs changes in the culture and in our brains! Therefore we are investing in personnel development. Since many years we use a various range of PD-Tools to train, enforce, encourage and enable our employees, especially the executives, to be fit for all challenges caused by changes in society and environment and to find the right working place for each person.

Some years ago we started a flexible budgeting pilot project. This project will give us answers to the following research assignments:

- What are the scopes of autonomous activities for executives on different levels?
- Which infrastructure standards are required (setting conditions)?
- What are the benefits of and for good management?
- How can we allocate and charge internal services?
- What are the technical and legal standards for global budgeting?

The future will bring some new priorities, but not too many, keeping the change process under control. We are trying to set achievable goals. Primarily we have to continue the planning and controlling processes. The main goal is the implementation of a comprehensive strategic and annual planning.

We will then evaluate the new organizational structure and the Flexible Budgeting Pilot Project.

Of course personnel development is a never ending continuous task.

Some projects are still under way, others are being implemented or successfully completed. Electronic documentation, managing quality and knowledge, improving the communication and marketing activities are projects which still need to be implemented or extended.

Important steps and decisions have to be taken concerning new ways of budgeting. The federal ministry of finances is changing its system now, and we are going to adapt ours accordingly. A new financial planning completes the planning of services and activities. To prepare this planning and controlling of costs we will evaluate our flexible budgeting pilot projects.

All these changes are great challenges we have to face within the existing statutory and financial restraints. Our main goal and responsibility is to create good living conditions in Upper Austria.