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## ENTREPRENEURIAL DIMENSION OF THE PUBLIC SECTOR IN THE REPUBLIC OF MACEDONIA

### Abstract

The public sector has a certain role in the economy of each country, depending on the organization of the country as a society. Its two fundamental functions, reallocation and redistribution reflect its economic and social dimension, which concerns everyone in the country. Change is what provides the possibility for something new and different, it will give new value both in the economic and social sense of the public sector. The public sector has to be open to the introduction of changes, to have cultural values in order to see changes as a possibility, and not as a threat. In the essence of entrepreneurship are creativity and innovations of entrepreneurial behavior. Entrepreneurship is a dynamic process of creating a value of a certain activity, it is based on the same principles in the private sector and in the public sector. The public sector faces problems that are different from the private sector, so other knowledge is needed, “innovation for the public interest” is needed.

**Key words:** public sector, innovations, entrepreneurship, public interest,  
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## **Introduction**

In EU, the importance of innovations in the public sector is increasingly being seen as a means of achieving its efficiency and productivity, as such it would be the driver of economic growth and development. Innovations in the public sector are seen as a challenge and solution for increased budgetary pressures, efficient administration, new social demands, different and efficient design of services. But innovation will be an innovation only if it is accepted from those for which it is intended, and be part of their routine and norm. For the construction of such an entrepreneurial environment, a systemic policy for abandoning everything outdated and unproductive, like both errors and failures. In the public sector, it is very difficult to introduce an entrepreneurial change due to the absence of a profit-taking criterion for success control, unlike the private sector where the market is simply doing it. Barriers to the introduction of entrepreneurial management and innovation in the public sector arise from its very nature. The public sector is not competitive, or exclusionary, from it is expected the satisfaction the public interest, and the innovation, as “good-natured” as it is will always be taken as an opportune action to prevent the realization of the public interest.

## **1. THE ENTREPRENEURIAL DIMENSION-INNOVATIONS IN THE PUBLIC SECTOR**

### **1.1 Survey research**

In order to better understand and analyze the existence and significance of the entrepreneurial dimension-innovations in the public sector, a survey research was made. The general aim of the research is to identify the innovation performance, and the special goals are aimed at identifying new or significantly improved services, methods of communication, processes and organizational methods, the profile of the workforce, the cultural entrepreneurship, skills and training in support of innovative activities, effects from innovations, guidelines and strategies, barriers, acquisitions, and future trends that would affect the innovation activities. The survey was carried out on a sample of 190 employees in the public sector, in 21 institutions from different parts of the country. The representation of the respondents in relation to the organization, place, and number of respondents is shown in Table T.1

The survey was conducted for the period from January 2008 to March 2014, with the help of a questionnaire<sup>1</sup> prepared for this purpose. The analysis of the data is quantitative and qualitative. The quantitative analysis is based on the data obtained from the conducted research. The qualitative analysis of the results of the survey will be presented to each of the eight groups of questions.

**Table T.1.** Structure of the conducted survey

Organization	Place	Num.of people
AD MEPSO -Directorate -TS Dubrovo -TS Shtip -TS Globochica -TS Oslomej	Skopje Negotino Shtip Struga Kichevo	64
AD TEC Negotino	Negotino	7
AD ELEM Directorate REK Oslomej HEC Globochica Energetika REK Bitola	Skopje Kichevo Struga Skopje Bitola	43
Energy Regulatory Commission	Skopje	10
Energy Agency		10
Naftovod DOOEL, Skopje		4
AD Macedonian energy resources, Skopje		1
Ministry of Environment and Spatial Pollution		2
Ministry of Economy Sector energy		3
Ministry of Labor and Social Policy		5
Radovish	Radovish	5
Struga	Struga	4

<sup>1</sup> Adapted by:

-European Commission: Flash Eurobarometer305 (Innobarometer 2010) Analytical Report Innovation in Public Administration, Fieldwork: October 2010, Report: January 2011, Brussels, 2011

-<http://www.geerthofstede.nl/research--vs> (2013)

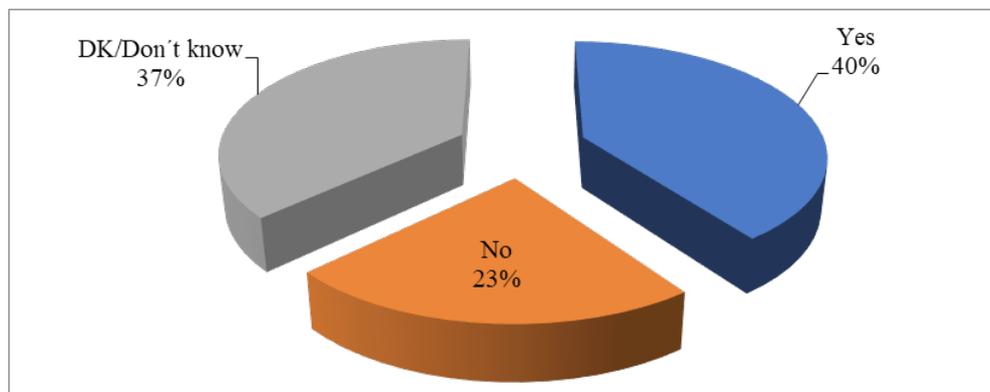
Berovo	Berovo	5
Vinica	Vinica	5
Kriva Palanka	Kriva Palanka	5
Gjorche Petrov	Gjorche Petrov	5
Zelenikovo	Zelenikovo	3
Kavadarci	Kavadarci	3
Negotino	Negotino	2
Demir Kapija	Demir Kapija	2
Valandovo	Valandovo	2
Total		190

### **1.1.1 Innovation**

Innovation, as it is widely used, generally suggests new ways of achieving the goal, it refers to an innovation that implies a new or significantly improved service, a method of communication, a process or an organization's method. Here the emphasis is placed on applicability, that is, it is classified as innovation if there is significant improvement of operational practices in terms of product/service or support in the structure. In this first part, the widespread of public sector innovations is summed up. Under the organization of the public sector is an organization governed and/or owned by the state/ municipality/ public authority.

Out of the total respondents close to 76%, stated that their organization has introduced innovations in the services. In order to classify innovative organizations in the public sector, three categories are defined: the leading innovators that innovate the services first before any other organization in the country; not leading innovators who have introduced innovation in services, but aren't the first to innovate in the sector; and non- innovators as they didn't innovate during the examination period. On the question whether the organization has an innovative service, that is, introduced a new service before any other organization from the public sector in the country, only 40% of the respondents answered positively, compared to 59% of respondents who didn't know or suspected that aren't leading innovators, Chart G.1. This points to a less probability of the existence of leading innovative organizations in the public sector.

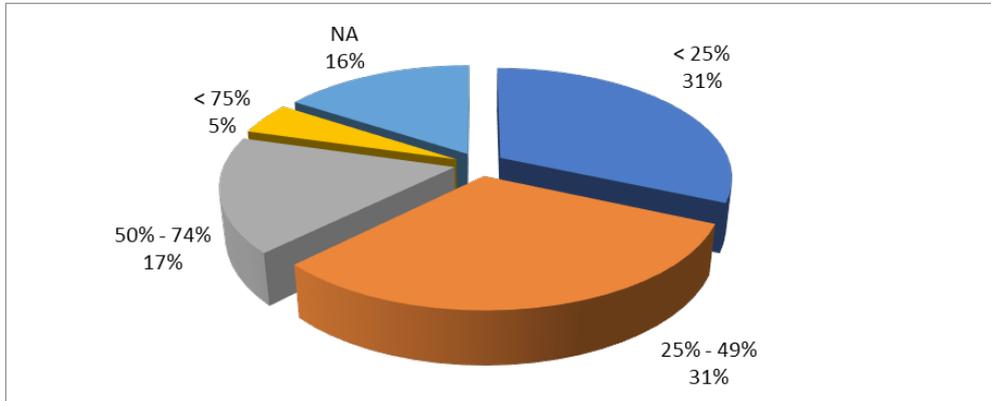
**Chart G.1** Leading Service Innovators



Out of the total number of respondents, 47% said that innovative services were developed by their organization in cooperation with other organizations from the public sector, including regional or national branches of their organization, 21% declared that they were developed in cooperation with private business organizations, 17% stated that they were developed in cooperation with non-profit organizations, 46% declared they were self-developed, and 12% declared that they were developed by other organizations without the participation of their organization to make any additional changes.

Of the various types of services provided by 2014, innovative, that is, new or substantially improved are less than 25% account for 31% of the respondents, and also the same respondents consider that the new or significantly improved services are from 25-49 % and 17% of the respondents consider that they are 50-74%, only 5% of the respondents consider that they are 75% and more, Chart G.2.

**Chart G.2** The intensity of the innovations of services



For innovations in communication with the public about their activities through the promotion of the organization or services positively declared 57% of the respondents, 49% expressed positive influence on the behavior of the beneficiaries, citizens or others, and 26% positively stated that innovations in the methods of communication with the public were introduced for activities about the first time entering the market of services or products.

New or significantly improved processes or organizational methods that are obtained through innovative methods for providing services or interaction with users have positively responded 55%, for innovative delivery systems or logistics for the resources necessary for the operation, positive 45%, for new or improved support activities such as the systems for maintenance, purchasing, accounting, computer systems, and similarly answered positively 55%, for new or improved management systems, they have opted positively 48%, and for new or improved methods for organizing the working obligations or making decisions, positively answered 53% of the respondents.

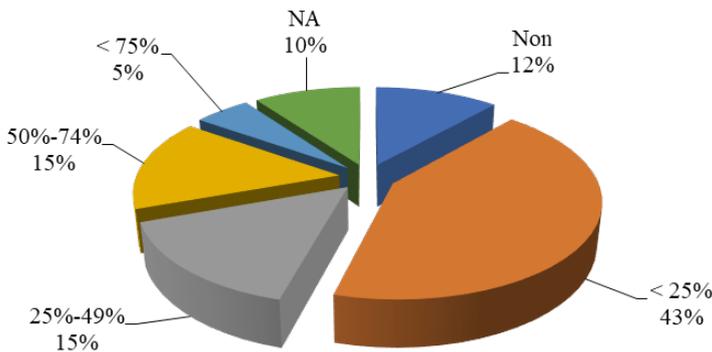
Of the new or significantly improved methods of communication, processes or organizational methods, 55% of respondents consider that they were developed by the working organization together with other organizations of the public sector, including regional or national branches of the organization, only 26 % think that they were developed by the organization together with private business organizations.

### 1.1.2 Workforce and skills

Out of the total respondents, the highest percentage or 24% stated that 10-24% of the employees in the organization had completed higher education, and even 22% of the respondents think that over 75% of the employees are highly educated. The majority of respondents 43% believe that less than 25% of employees are included in groups that develop new or significantly improved services, methods of communication, processes or organizational methods, Chart G.3.

Of the respondents 63% stated that the organization provided trainings for the employees for the implementation, use or provision of new or improved services, 59% stated that trainings for new or improved communication methods were provided, 65% stated that the organization provided trainings for new or improved processes or methods of organization.

**Chart G.3** Employees who are included in groups that develop new or significantly improved services, methods of communication, processes or organizational methods



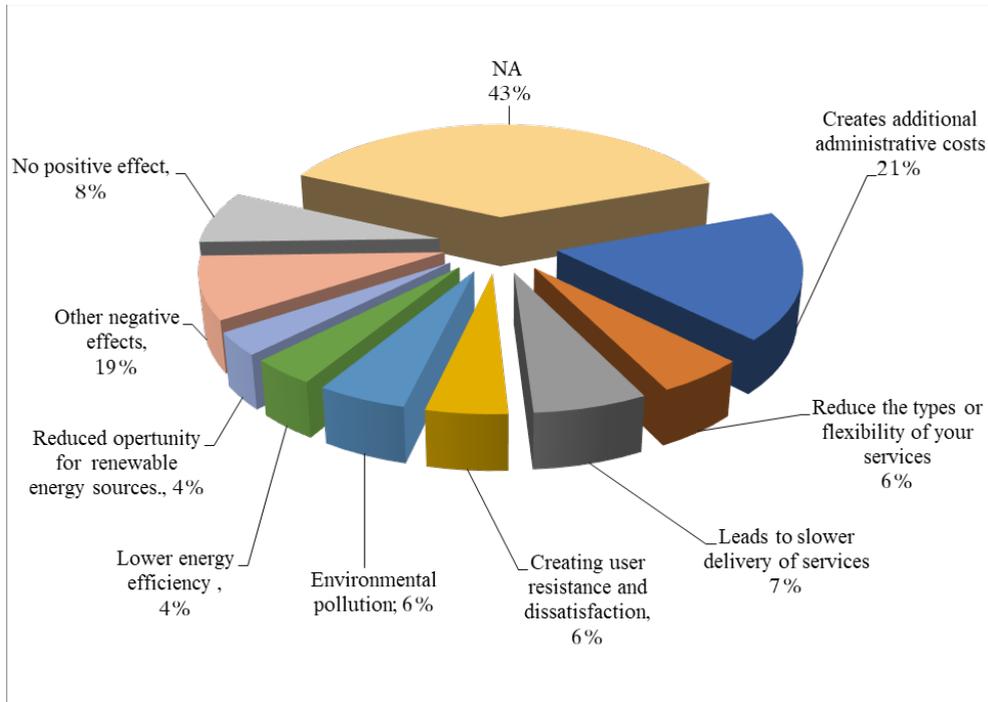
### 1.1.3 Effects of innovation

The large positive effects of new and significantly improved services, methods of communication, processes or organizational methods introduced in the organization, the majority of respondents above 39% think that they are improving the access to information for the users of the services, nearly 36% think that for improving the satisfaction of employees and working conditions,

34% consider it to have big positive effects for better service orientation and simplification of administrative procedures, 33% think that it has great positive effects for improving the satisfaction of users and 32.6% believe that it has great positive effects for the protection of the environment.

The dominant effect of new and significantly improved services, methods of communication, processes or organizational methods that are introduced in the organization, 43% are not familiar, for 21% it is the creation of additional administrative costs, Chart G.4.

**Chart G.4** The ever-dominant effect of innovation in services, methods of communication, processes or organizational methods



### 1.1.4 Guides and strategies

Research show that 67% of the respondents think that the ideas of the management are important as a source of information for the development of new or significantly improved services, methods of communication, processes or organizational methods, 75% they are from the employees, 51% as citizens

or clients, 56% they are good examples of other state/municipal organizations, 60% visited at conferences, 39% are enterprises as suppliers, 51% they are enterprises as users or clients, and 60% think that they are professional organizations.

Organization, enterprise or event in the country as a source of information of crucial importance for new or significantly improved services, methods of communication, processes or organizational methods account for 62% of respondents, 31% believe that it is an organization, entrepreneurship or occurrence in another country of the EU, only 17% consider it to be an organization, enterprise or event outside the EU, and only 16% consider it to be an organization of the European Commission or an event.

As important political or legal regulations in stimulating the development and introduction of innovative, i.e. new or significantly improved services, methods of communication, processes or organizational methods, of the total number of respondents, 51% think that the planned decrease of the organization's budget, 63% of respondents think that this is the planned increase in the budget of the organization, 70% think that it's new laws or regulations, 47% think that this is the new political priorities, and 57% think that it is the planned introduction of new e-government or services through the Internet.

The claim that the managerial support for the testing of new ideas goes through a trial-and-error method 6% think that this claim is entirely related to their organization. The claim that managers have an active role in the development and the implementation of new ideas fully relate to the organization account for 48% of the respondents. Of the respondents 20% think that they fully refer to the claim of their organization that employees have stimulus for thinking about new ideas and in their own development. Regarding the claim that the beneficiaries are involved in designing or planning new or improved services 14% think that they fully refer to their organization. The claim that new or improved services are assessed according to their full implementation 31% think that this claim is entirely related to their organization.

### **1.1.5 Barriers**

In terms of preventing or slowing down the efforts of the organization for developing or introducing innovations, that is, new or significantly improved services, methods of communication, processes or organizational methods, 64% of the respondents believe that an important factor is the lack of support

from the management, 68% is the lack of motivation for the employees, 55% is the resistance of the employees, 50% is the uncertainty in the acceptance of the services by the users, 55% is the regulatory requirement, 58% is the lack of sufficient human and financial resources, and 64 % is the culture of avoiding risks in the organization.

### **1.1.6 Public procurement**

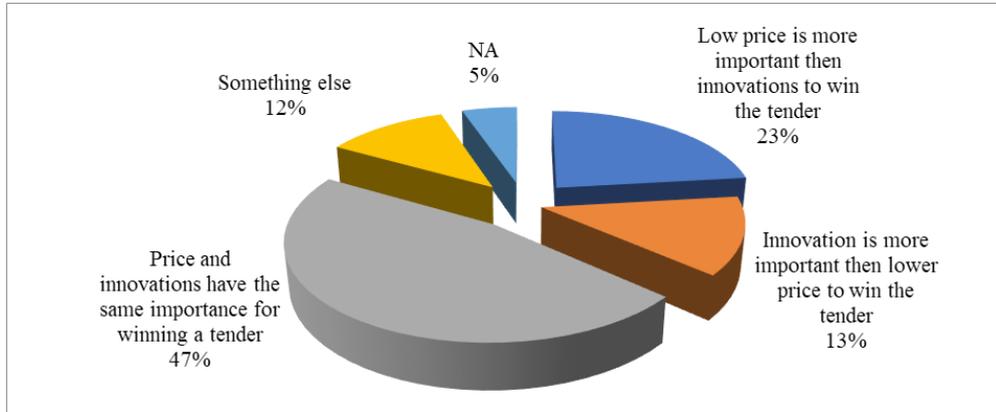
Regarding the public procurements of the organization through the announcement of tenders, for the organizations from the private sector, in order to provide goods and services, they responded positively to ICT equipment or systems, 54% of the respondents; for technologies or services for improvement of the environment or for energy efficiency 39%; for other types of technology 40%; for consultancy design recommendations or pilot tests for new or improved services 25%; for research and development (R & D) for new technologies and services 26%; and to provide one or more services to users 36% of respondents.

Regarding the preparation of the public procurement of the organization prior to the announcement of the tenders, the most respondents 36% stated that they are doing this through consultations with other organizations that perform similar purchases, 20% said that they do so with potential suppliers/contractors, 15% said that they do so with other organizations that provide advice from specialists, 11% said that they do so with the users of your services.

Regarding the successfulness of the participant in the tender for the organization's public procurement, 47% of respondents think that the price and the innovations have the same importance for winning the tender, while 23% the low price is more important than innovations to win the tender, Chart G.5.

In terms of the results of the public procurement tender for the organization, 50% stated that the introduction of new or significantly improved services provided by or for the organization was obtained, while 36% that this contributed to significant decrease in the costs of providing existing services, and under 15% that significant negative effects on the environment, energy efficiency and the use of renewable energy sources have been significantly reduced.

**Chart G.5** A successful participant in a tender for your organization



### 1.1.7 The expected development of the developments in the next two years

The planned decrease in the budget of the organization for the next two years will cause the biggest negative impact believe 50%, while the planned increase in the budget is expected to have the greatest positive impact on the organization's ability to innovate believe 61%, new laws or regulations are expected to have the greatest positive impact on the ability of the organization to introduce innovations believe 46%; 40% don't know how the new political priorities will affect the ability of the organization to introduces innovations, and the introduction of new technologies is expected to have the greatest positive impact on the organization's ability to innovate believe 71%.

The number of innovations, that is, new or significantly improved services of the organization, is expected to increase believe 66%, the number of new or significantly improved methods of communication of the organization is expected to increase believe 57 %, and the number of new or significantly improved processes or organizational methods of the organization is expected to increase believe 58% of respondents.

### 1.1.8 Cultural characteristics

Depending on the values of the six dimensions of the national culture for the Republic of Macedonia, according to Geert Hofstede and Michael Minkov,

one can describe the national cultural atmosphere in the country, which for its part represents a prerequisite for the state and the development of the public and private sector in it.

The distance of power (pdi) is the dimension that gives the degree to which the less powerful members of one society accept and expect power /authority to be distributed unevenly. In Macedonia, the value of power distances (pdi) equals 65.75, which shows a society in which it is considered that the hierarchy and the inequality between people should be respected and that it is acceptable to the people. The hierarchy in one organization is regarded as a reflection of the characteristics of inequality, the centralization is very popular, the subordinates are expected to be told what they should work and do, and the ideal chief is a charity autocrat.

Individualism versus collectivism (idv) is the dimension that gives the position of a society depending on whether people themselves define themselves in the meaning of "I" or "We". A high degree of this dimension is called individualism, and it can be defined as an advantage of weak links in the social framework in which the individual is expected to look after himself and for his immediate family. Contrary to this is collectivism, which is an advantage for strong links in social frameworks, in which one can expect the parents or members of a certain group to look after them in exchange for unconditional loyalty. In Macedonia the value of individualism equals 33.95, which shows that it is a collectivist society where people are defined with "We".

Masculinity/Femininity (mas) is the dimension that gives the position of a society depending on how it motivates the person more, that is, it is desirable to be the best (masculine) or to love the quality of what you are doing (feminine). A high degree of this dimension, that is, masculinity, indicates that the society will be guided by competitiveness, achievement and success. The low level of this dimension, that is, femininity, means that the dominant values in the society are cooperation, modesty, care for others and the quality of life. In Macedonia, the value of the dimension masculinity/femininity equals 30.45 and is considered a "female" society.

Avoiding uncertainty (uai) is the dimension that gives the degree to which members of the community are threatened by uncertain, unknown, ambiguous and unstructured conditions. In Macedonia, the value of the dimension avoidance of uncertainty is low and equals 3.05. The low values of the (uai) in the society show the maintenance of a more relaxed attitude in which the practice is more relevant than the principles and the deviations from the norms are easily tolerated.

A pragmatic/normative (pra) dimension describing the behavior of the society in maintaining links with the past when the society is dealing with the preconditions of the present and the future. In a working context, the comparison of this dimension is in a relation with a normative, that is, short-term versus a pragmatic, or long-term approach. In Macedonia, the value of the dimension pragmatic / normative (pra) is 100, which shows a pragmatic culture.

Permeability/Reticence (ind) is the dimension that describes the degree to which members of the community are advocating to provide relatively free satisfaction of the basic and natural human needs that pertain to enjoyment in life and fun. Macedonia has a high value on this dimension (79), which means that Macedonia is a permeable society. People in the country generally show their readiness to realize the pleasures and wishes for life in entertainment and fun. They have a positive attitude and a tendency to optimism.

## **Conclusion**

The research for identifying innovation in the public sector shows that over two thirds of respondents recognize the innovation and consider their organization to have innovations implemented, but also close to half of respondents have no answer which is the prevailing dominant effect of introduced innovations, and even 59% of respondents do not recognize their organization as a leading innovator. The respondents consider that more innovative the services, methods of communication, and processes or organizational methods are more likely to be developed by the organization independently or in cooperation with other organizations of the public sector, rather than cooperation with private business organizations, non-profit organizations or other organizations.

Regarding the workforce and skills, the highest percentage of respondents, or 24%, considered that 10-24% of the employees in the organization had completed higher education, but also the majority of respondents said that less than one fourth of the employees are included in groups that develop innovations in services, methods of communication, processes or organizational methods.

For the effects of innovations, over 30% of respondents feel that the major positive effects of introduced innovations in services, methods of communication, processes or organizational methods in the organization are in terms of improving the access to information for service users and improving the satisfaction of the employees and the working conditions.

Although 43% of the respondents consider that there is no negative dominant effect of the introduced innovations in the services, methods of communication, processes or organizational methods, the other respondents consider that there are, and that, one fifth of the respondents, consider that the innovations created create additional administrative costs, and fewer respondents who consider it to be a slower supply of services, environmental pollution, the creation of user resistance or dissatisfaction, and reduction of the types or flexibility of the services, reduced energy efficiency and reduced opportunity for renewable energy sources.

In the part of the organization's guidelines and strategies, moreover, the probability of a source of information for the development of innovations in services, methods of communication, processes or organizational methods are the employees or their managers be rather than as a source of information to be citizens as users or clients, enterprises as suppliers, or enterprises as users or customers. The essential information for innovation in services, methods of communication, processes or organizational methods is more likely to be obtained from organizations, enterprises or emerging from events in the country, than they come from outside the country, which responds equally to cultural predispositions to the respondents.

The biggest barriers in the efforts of the organization for developing or introducing innovations in services, methods of communication, processes or organizational methods are perceived in the lack of motivation for the employees, lack of management support, and the culture of avoiding risks in the organization.

Regarding the public procurement of the organization through the announcement of tenders, for private sector organizations, in order to provide goods and services, only one quarter of the respondents are focused on their research and development activities (R & D) for the new technologies and services, and consultancy recommendations for design or pilot testing of new or improved services, in contrast to the situation where more than half of respondents are focused on securing goods for ICT equipment or systems. This attitude of the respondents is in correlation with the attitude of the majority of those who do not recognize their organization as a leading innovator.

In terms of preparation of the public procurements of the organization prior to the announcement of the tenders, the respondents consider that the least possible is the possibility of consulting with the users of services, and the greatest possibility is for these consultations to be carried out with other orga-

nizations that conduct similar purchases. This attitude reflects the manner of work of the organization, that is, its small working orientation in terms of consultations with the users of public services of general public interest. In terms of the performance of the participant in the tender for the public procurements of the organization, the attitude is that the least important is the innovation of the participants in the tenders for public procurement. In terms of the results of the public procurement tender, the attitude of the majority of respondents indicates that public procurements have resulted in the greatest in terms of introducing new or significantly improved services provided by or for the organization.

The research on the identification of the innovation performance, as an entrepreneurial dimension, in the public sector, and especially in the energy system and the local public authorities, showed that the cultural predispositions of Macedonia are not in the direction of intensifying them. Cultural predispositions in Macedonia are reflected in the high values of power and the low value of individualism. The necessary ambience for innovation is the building of egalitarian and individualistic values in the public sector, which is the basis for the building of entrepreneurial culture for working.

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