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# Is the Public Sector of Serbia Ready for the Entrepreneurial Concept?

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Entrepreneurship in the public sector is a form of entrepreneurship which is currently being implemented in public companies, state and/or local government and public institutions. It is often recognized as part of operations management because it relies on: the operations that change conditions of enterprises, ideas, innovation, resources, actions, planning, and other areas of operations management. This paper is part of the survey on entrepreneurship in the public sector of Serbia, which was carried out by the FOS Center for Entrepreneurship and SMEs in 2014 by interviewing 65 employees in the public sector. The aim of the survey was to explore whether the Serbian public sector was ready for entrepreneurial concept - through public sector employees' awareness of the concept of entrepreneurship, as well as through the application of entrepreneurial practice in public enterprises and organizations. The results showed a low level of employees' awareness of the entrepreneurship concept, as well as a low level of implementation of this concept in the public sector of Serbia. Based on the results presented in this paper, it can be concluded that it is necessary to stimulate the development of entrepreneurship concept in the public sector, primarily by further informing management and employees of the public sector about the potentials of entrepreneurship, and also educating them to use the possibilities and opportunities for the application of this concept.

**Keywords:** Entrepreneurship, Public sector, Entrepreneurship in public sector, Serbia.

## 1. Introduction

Entrepreneurship can be defined as a social function of creating new values through the creative combination of business resources (Omerbegović-Bijelović, 2010, p. 234). Moreover, given the nature of values and their creation in which the broader community may be interested, we can talk not only about the combination of business but also about all other resources. The basis for such a definition lies in the fact that entrepreneurship is one of the key activities for launching and realization of changes, primarily economic, but also changes in health care, sport, culture and other areas of public interest.

Entrepreneurship is manifested as readiness to: take the initiative and steps/activities/ operations for assessing the value of potential business ventures launch, to activate the socio-economic mechanisms, knowingly taking risks while transforming ideas into business ventures, as well as the creation of new jobs and new business relationships (Omerbegović-Bijelović, 2010, p. 234). Entrepreneurship has evolved from the classical concept that was characteristic of the private sector (Lunt et al. 2015): the acceptance of risk for the realization of market opportunities and the establishment of small businesses. Today, entrepreneurship is viewed in a broader sense, which includes companies and organizations of all kinds, in all phases of the business cycle (Omerbegović-Bijelović, 2010; Kearney, Hisrich, & Roche, 2008). Entrepreneurship is not only an issue of the private sector but it occurs and is also expected in the public sector organizations: railways, energy, post office, telephony, road institutions, forestry, water, educational institutions, theaters, media, health care institutions and others, including public administration (from the local community to the state level).

The entrepreneur does not have to be a business owner; it may be an individual who is employed by an employer, but with the features which are typical of entrepreneurial behavior (Omerbegović-Bijelović, 2010, p. 236). These include launching of ideas in development, change, improvement, expansion of markets, inno-

vation in products and/or services, the establishment of subsidiary companies, acquisition of other enterprises with the aim of increasing capital, profits or achieving some socially desirable goals. This is referred to as an “internal or corporate entrepreneurship” of employees, i.e., intrapreneurship. “State entrepreneurship” is also present, therefore entrepreneurship may include an innovative, pro-active role of the governing structures of a state in the management of the society - in order to improve the quality of life of the population, which includes finding alternative income, improvement of internal processes and developing new solutions for inadequately met social and economic needs of the society (Diefenbach, 2011; Morris & Jones, 1999).

The paper is structured as follows: Part 2 describes the public sector in Serbia. Part 3 describes the concept of entrepreneurship in the public sector. Part 4 presents the research on the public sector in Serbia. Part 5 gives the research results and discussion. Part 6 offers the conclusion of the paper.

## 2. Public Sector of Serbia

The public sector (PS) includes the government of a state and all publicly-controlled or publicly-funded agencies, companies and other entities that provide public services and goods to citizens and businesses, and implement a variety of programs at the state level (Dube & Danescu, 2011, p. 3). The main task of the management structure of the public sector is to ensure the quality and accessibility of services of general interest (those which enable meeting the needs of citizens, irrespective of the profitability of these services). The public sector (PS) of Serbia encompasses (Kavran, 2003, p. 23): 1) *State and public administration*, which includes a system of state bodies and organizations that protect the public interest of the citizens i.e., perform activities that, for whatever reason, citizens cannot perform for themselves; 2) *Public enterprises*, whose owner is the state; 3) *Public institutions* (health, education, culture, sports, security) - which, as a rule, are funded by the budget, but have also the right to operate on the market.

Among the circumstances in which we observe and evaluate the PS in Serbia today are: economic failures of the PS of Serbia; too many employees in the PS; unbearably high costs of the PS ... In short, the public sector is oversized. The main problem is defined by the question: “How to harmonize an oversized PS with the needs for public services in Serbia?” One solution is to downsize the number of employees in the PS, which - according to the authors (Datta & Basu, 2015) - is not always a successful solution. It also implies other problems, such as a rise in the unemployment rate in the whole country. Another solution would be the provision of economically viable jobs for all employees in the PS, which leads to the application of the concept of entrepreneurship. Thus, the development of entrepreneurship in the public sector can be a reasonable solution to improve the management of the PS of Serbia.

Bearing in mind that the public sector is characterized by:

- 1) Funding by the state budget, which, in Serbia, (too) often fails to generate the desired income (and all because of politics - the maintenance of “social peace” and unrealistically low prices of public services and goods, for example, the price of electricity (Karolić, 2014.), water, transport, etc.)
- 2) Inadequate resources management, which leads to excessive and irrational consumption (therefore making the PS operate with a loss and survive only due to subsidies from the state budget).

The access of entrepreneurship in the public sector should contribute to increasing its profitability and performance (quality of management). An especially attractive form of cooperation between the public and the private sectors, which could generate and support the entrepreneurial initiative, is “a public-private partnership” (PPP). Public-private partnerships can provide a legal and managerial basis for the introduction and / or implementation of entrepreneurship in the public sector, with the aim of improving the quality of public services.

## 3. Entrepreneurship in the Public Sector

Entrepreneurship in the public sector is a form of entrepreneurship in which an individual or a group take the desired actions in the state or local government and public institutions and enterprises, with the aim to initiate a change within the organization, adapt to change and adopt innovation (Kearney et al., 2007; Diefenbach, 2011). Morris and Jones (1999, p. 74) define entrepreneurship in the public sector as “the process of creating values for citizens, linking the unique combination of public and private resources in order to take advantage of social opportunities.” Entrepreneurship in the public sector can lead to better organizational ef-

efficiency (Kearney et al., 2009). Individuals who carry out entrepreneurship in public administration are referred to as public entrepreneurs. Cohen (2012) defines them as individuals who reorganize and improve governmental services. The public sector entrepreneurship occurs when a government or a non-profit agent recognizes an opportunity and takes, depending on the context, direct or indirect action that leads to robust social networks and creates a positive economic activity (Leyden and Link, 2015; Hayter, 2015).

The specificity of entrepreneurship in the public sector, compared to the private sector, may be seen through a number of characteristics (Kearney et al., 2009):

- In the public sector there is a much greater diversity of objectives to be achieved, as well as a conflict between profitability and social responsibility;
- In the public sector there is less flexibility in the decision-making process which is most strictly hierarchical;
- Financial incentives for improvement suggestions by employees are much lower in the public sector than in the private sector.

Entrepreneurial activities in the public sector should be directed primarily to the recognition of the entrepreneurial spirit and motivation of employees. The goal is to encourage employees to accept innovative, entrepreneurial approaches to business and to use the opportunities that entrepreneurship and innovation hold, thus contributing to the improvement of organization abilities. Therefore, management makes a great contribution to the creation of an entrepreneurial climate in organizations; it should support the entrepreneurial behavior of employees (Zampetakis & Moustakis, 2007), as well as the development of a system of rewarding individuals within the organization.

Available research on entrepreneurship in the public sector has examined the different phenomena: In the paper (Djordjevic, 2015) demonstrates that it is possible to introduce entrepreneurship in the public sector of Serbia by means of projects (at the state level, specific industries, public sector enterprises and entrepreneurs themselves). The results of the research (Balaž, 2015) show that intrapreneurship is modestly represented in the public sector; in other words, among the employees of the public sector. Also, in terms of the development of intrapreneurship in different organizational systems of the public sector, the survey results (Balaž, 2015) show that the strongest propensity for intrapreneurship lies with public institutions, and the weakest with public companies, although the author's assumption was the opposite. On the other hand, the study of entrepreneurship in the private sector (Lučić, 2015) showed that enterprises in Serbia tend to have internal propensity for intrapreneurship through: propensity for recognizing business opportunities (to win the market, for business development), innovating and creating change, business matchmaking, and improving the quality of management.

The following part of the paper presents the authors' research on the topic of readiness of the public sector in Serbia for entrepreneurial concepts.

#### 4. Survey on Serbian Public Sector Readiness for Entrepreneurial Concept

The research on entrepreneurship in the public sector (PS) of Serbia was conducted between May and August 2014, through questionnaires on the sample of 65 respondents. The respondent population consisted of the employed (employees and managers) of public enterprises and organizations in the PS of Serbia. The task of the research was to explore the awareness of employees in the PS about the concept of entrepreneurship. The authors posed the following research questions (RQ):

RQ1: *How well are the employed in the public sector of Serbia familiar with the concept of entrepreneurship?*

RQ2: *Do the organizations from the PS of Serbia, in which respondents work, apply the concept of entrepreneurship?*

The questionnaire consisted of three groups of questions:

1) The first group of questions referred to the characteristics of respondents (level of education, years of work experience, experience of work in the private sector, experience and education in entrepreneurship, job promotion) and the characteristics of the organizations in which they are employed (location, type of organization, activity, number of employees);

2) The second group of questions was about the relationship of employees in the PS and their familiarity with the concepts of entrepreneurship, intrapreneurship, entrepreneurship in the public sector and public-private partnerships;

3) The third group of questions referred to the application of the concepts of entrepreneurship in the public sector.

The sample of respondents was presented through frequencies of categorical variables in Table 1.

**Table 1:** Characteristics of respondents and their organizations

Categorical variables		Frequency [%]
<i>Location</i>	Beograd	23
	Lučani	36.9
	Čačak	15.4
	Kragujevac	15.4
	Gornji Milanovac	9.2
<i>Type of Organization</i>	State and public administration	37
	Public Enterprise	26
	Public institution	37
<i>Activity of organization</i>	Education	27.7
	Healthcare	6.2
	Security	7.7
	IT & Postal services	7.7
	Energy	6.2
	Public finance	16.9
	Construction and Urbanism	10.8
	Local government	4.6
	Other	11.7
<i>Number of employees</i>	Up to 10	12.3
	11-50	29.2
	51-100	35.4
	Over 100	23.1
<i>Level of respondents' education</i>	Secondary school	24.5
	College	9.2
	University	64.6
	Master or Doctorate	4.6
<i>Years of employment in the public sector</i>	Up to 5 years	21.5
	from 5 to 15	29.2
	from 15 to 25	23.1
	More than 25	26.2
<i>Work experience in private companies</i>	Yes	36.9
	No	63.1
<i>Experience and education in Entrepreneurship</i>	Seminars in entrepreneurship	12.3
	Entrepreneurship as a school or university subject	12.3
	Without experience	75.4
<b>Interval variables:</b>	<b>Mean value (M)</b>	<b>Standard deviation (SD)</b>
<i>Number of employee's promotions</i>	1.79	1.03
<i>Years of experience/work in private enterprises</i>	7.02	6.08

The next part presents the results and provides answers to the two research questions (RQ1 and RQ2).

## 5. Results and Discussion

The extent to which the employees in the public sector in Serbia are familiar with the concept of entrepreneurship was tested through a series of closed-ended questions on the Likert scale ranging from 1 to 5 (1 – I am not familiar at all; 2 – I am mostly not familiar; 3 – I do not know, I didn't think; 4 – I am mostly familiar; 5- Yes, I am fully familiar).

The first important question was: *How much are you familiar with the concept of entrepreneurship (by the concept areas: entrepreneurship, intrapreneurship, entrepreneurship in the public sector, the public-private partnership)?* The collected answers were processed and - as a result of "employees' familiarity in public sector with entrepreneurship" - are presented in Table 2, by mean values (M) and standard deviation (SD).

**Table 2:** Familiarity of employees in PS of Serbia with entrepreneurship

Evaluation of familiarity with concepts:	Mean value (M)	Standard deviation (SD)
<i>Entrepreneurship</i>	3.35	1.34
<i>Intrapreneurship</i>	2.50	1.20
<i>Entrepreneurship in public sector</i>	2.67	1.21
<i>Public-private partnership</i>	2.82	1.23
<i>Total:</i>	2.85	1.02

Based on these results, we can see that the public sector employees familiarity of the basic concepts of entrepreneurship is at the middle level ( $M = 3.35$ ). Regarding the employees' awareness of other concepts: Intrapreneurship ( $M = 2.50$ ), Entrepreneurship in the public sector ( $M = 2.67$ ) and Public-Private Partnerships ( $M = 2.82$ ), it can be argued that the employees are hardly familiar with these concepts. Looking at the overall average results of familiarity ( $M = 2.85$ ), it can be further concluded that employees in the public sector in Serbia are not adequately familiar with the concept of entrepreneurship.

In addition to questions about familiarity with entrepreneurship, the research addressed the second important question - regarding the application of the concepts of entrepreneurship in PS organizations; consequently, the employees and managers of the PS organizations were asked a specific research question: *To what extent are the concepts of intrapreneurship and public-private partnership implemented in your organization?* The answers were validated by the Likert scale: 1 - Not implemented at all; 2 - Mostly not implemented; 3 - I do not know; 4 - Mostly implemented; and 5 - Yes, they are fully implemented. The obtained mean values are: the implementation of intrapreneurship ( $M = 2.56$ ) and the implementation of Public-private partnership ( $M = 2.14$ ) were at a low level (Table 3).

**Table 3:** The representation of entrepreneurship in public sector of Serbia

Implementation of entrepreneurship concepts	Mean Value (M)	Standard deviation (SD)
<i>Intrapreneurship</i>	2.56	1.30
<i>Public-private partnership</i>	2.14	1.26

The respondents were also asked a group of questions requiring a specific numerical answer about the number of created entrepreneurial ventures and the number of contracts on public-private partnership, for a specified period of time. Results (Table 4) show that the number of created ventures and partnerships is very small:

- Only 10.9 [%] (as the sum of 6.2% and 4.7%) of respondents have said that over the past 10 years, there have been entrepreneurial ventures in the public sector organizations where they work;
- Only 11.2 [%] (as the sum of 3.2% and 8%) of respondents have said that over the past 10 years there have been public-private partnership contracts in the public sector organizations where they work.

**Table 4:** The representation of entrepreneurship in public sector operations in Serbia

Questions –realized entrepreneurial ventures	Responses	Frequency [%]
<i>Has there ever been created an entrepreneurial venture in your organization?</i>	Yes	25.8
	No	74.2
<i>How many entrepreneurial ventures have been created in your organization over the last 10 years?</i>	Don't know	57.8
	None	31.3
	<b>Between 1-5</b>	<b>6.2</b>
	<b>More than 5</b>	<b>4.7</b>
<i>How many public-private partnership contracts have been signed in your organization in the past 10 years?</i>	Don't know	54
	None	34.8
	<b>Between 1-5</b>	<b>3.2</b>
	<b>More than 5</b>	<b>8</b>
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	<b>More than 5</b>	<b>4.7</b>
<i>How many public-private partnership contracts have been signed in your organization in the past 10 years?</i>	Don't know	54
	None	34.8
	<b>Between 1-5</b>	<b>3.2</b>
	<b>More than 5</b>	<b>8</b>

Based on presented results, it can be claimed that entrepreneurship (as theoretical and practical concept of management) is very modestly presented in the public sector of Serbia.

## Conclusion

This paper presents part of the research on entrepreneurship in the public sector (PS) in Serbia, conducted in 2014 in the framework of activities of the FOS Center for Entrepreneurship and SMEs. The results show that the employees of the public sector are very modestly familiar with the concept of entrepreneurship. The research has also shown that the existing practice of application of intrapreneurship and public-private partnerships in the PS in Serbia is quite modest. These results may indicate the necessity of introduction and regulation of application of entrepreneurship in the PS in Serbia. The state should have the main role here (through the provision of legal support to entrepreneurship of the PS), as well as the PS organizations and their employees. The solution is found in an adequate planning support to entrepreneurship through various phase models (Rakićević, Omerbegović-Bijelović, & Lecić-Cvetković, 2016). More precisely, it is necessary to: a) Plan effective training of PS employees on entrepreneurship; b) Design and implement projects for the introduction of entrepreneurship in the PS; c) Develop a methodology for encouraging creativity and entrepreneurial spirit of employees in the Serbian PS; d) Create tools for motivating employees in the PS to adopt innovative approaches and entrepreneurial concepts of management of organizations in which they work; e) Introduce a methodology for obligatory improvement of management quality into the management practice of the PS (e.g., standardized procedures to encourage and support entrepreneurial initiatives), etc. The model of entrepreneurial management in the public sector, based on the entrepreneurial economy, the creation and implementation of entrepreneurial ideas of employees, can contribute to the generation of additional revenue, reduction in public expenditure and even to more justified engagement of employees in the PS. Limitations of this study are reflected in the small number of organizations that participated in the survey. The authors intend to expand the survey sample, which would make the results even more significant.

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