Vadyba
Journal of Management
2009, Nr. 3(16)
ISSN 1648-7974

CONTEMPORARY APPROACH TO HRM OF PUBLIC ADMINISTRATION IN LATVIA

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Abstract

The purpose of article is to analyze role of human resource (HR) strategies in performance development of public sector organization. There are several approaches to link the organization's performance with internal environmental factors, primarily, with human resources. Professionally trained, motivated and contributory personnel is the very crucial precondition for successful implementation of public administration‘s mission and realisation of institutional functions and strategies. Goals of learning and growth of the organization’s personnel describe how the composite of people, technologies and the organizational climate promotes the accomplishment of the strategy. Causal relationship among the four activities perspectives of the organization – finances, customers, internal processes and learning and growth – is demonstrated by the Balanced Scorecard. It describes the framework of value creation strategy in the organization and provides top management with periodical evaluation of the organization's progress towards accomplishing the strategic goals. Unfortunately the lack of clear linkage between strategic goals of an organization and learning, development and motivational activities of its personnel do not correspond to achieving necessary level of public sector performance.

Based on the balanced approach, the article analyzes Latvian public administration reform and analyzes disadvantages disallowing to achieve the strategic goals of public administration of Latvia. New HR strategy of public sector organization should be established on the basis of tasks offered to coordinate intangible assets with the strategy, factors that are vital to productivity of intellectual workers and conditions determined to include the development of HR in the strategic planning process. Basic elements of HR strategy should be harmonization of functions and tasks of employees and departments with organization’s goals, focused personnel development and carrier growth, on the basis of qualitative indicators established performance management system and establishment of motivating work environment in the organization. These elements should be supported by establishment of optimal organizational structure, provision of effective activity of personnel management department as a strategic partner of organization's management, and establishment of modern and effective infrastructure.

KEYWORDS: public sector organisation, mission, strategy, performance, balanced scorecard, human resource development.

Introduction

Organizational strategy of the public sector aimed at meeting the expectations of society in an adequate state administration. Last decades are remarkable for a large amount of public administration reforms in many countries including developed countries, where wide reforms are performed in order to make government's performance more effective, productive, opened, transparent and accessible for the society (Bourgon, 2007). Improving development and performance depends both on the organization's capability to create and establish effective strategy and on the usefulness of the defined activity's outcome indicators in order to set, make and evaluate decisions (Sotirakou and Zeppou, 2006). Activity's outcome indicators of the organization characterize the progress of both strategic and operational activities. In order to define the most significant activity's measurement parameters, the expected ultimate result has to be comprehended, as well as the actions performed in order to achieve the result. The result expected is evaluated on the perspective of internal and external customers, while the actions are evaluated on the perspective of the process' managers and activities necessary to meet the customer requirements. The link between desirable achievements of the organization and the actions necessary to accomplish that has to be clearly defined before the activity's most significant indicators are set.

Public sector performance, and how can it be measured?

The organization’s performance can be defined as effective and efficient use of resources to achieve results (Berman 2006). Simple performance model (Talbot 1999) provides examination of the connection among the four activity's measurement parameters: inputs, process, outputs and outcomes (Fig.1).

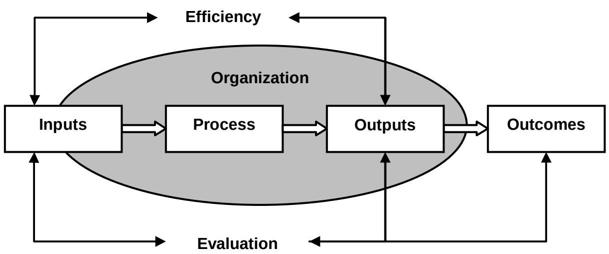

Figure 1. Simple performance model
Source: Talbot 1999

The first three parameters provide an answer if “things are done the right way”, while the last one allows deciding if “the right things are done”. Performance results display the measurable results of the institution's activity promoting achievement of the policy results, while the policy results display planned positive changes within the society. If differences between the set targets and achievable results exist, a signal occurs that evaluation has to be made in order to be assured if the target is realistic, if the program is based on the target, if adequate management and control over the implementation of the program is provided and if the resources necessary for the implementation of the program are allocated and they are used adequately.

Effectiveness of public sector activity can generally be defined as the performance level of public sector policy, plans, projects and programs that satisfy its stakeholders, as well as the level in which services performed by the public sector meets the needs and wants of society (Commission for Social Development, 2003). Effectiveness can be defined by the level of achieved results (Berman, 2006). Considering the effectiveness, the public sector efficiency includes the optimal possible utilization of resources necessary to provide public services. Organization's effectiveness can be defined as correlation between results (outcomes, influence) and inputs (investments). Considering this aspect, effective changes of utilized processes and resources, including human resources, are those providing the following:

- decrease of investments (e.g., human resources, material resources and other), still ensuring that quality of services remains constant;
- lower costs of recourses necessary to perform public services;
- higher results, e.g., qualitatively or quantitatively improved services, maintaining the investment level constant;
- higher result against (in respect to) investment unit costs (Gershon 2004).

The indicator „Government Effectiveness” defines the quality of public services, civil service and the level of its independence from the political influence, quality of establishing and implementing policies, and the reliability of government's performance according to these policies (State Chancellery, 2007). In the Guidelines for Development of the Latvian Public Administration Policy for 2008-2013 „Better governance: administration quality and efficiency” (State Chancellery, 2008) the term „efficient” is also interpreted as maximum return on resources and resource utilization with minimal losses.

In order to evaluate the activity of the public sector organizations, the principles determined in European Foundation for Quality Management (EFQM) Excellence Model can be applied. The advantages of the model are determined by focusing not only on indicators of financial and customer service achievements, but also on their relation to internal processes and resource investments, when evaluating the efficiency of the organization in total. Common Assessment Framework (CAF) is based on the principles of EFQM (Engel, 2002), developed by public administration of European Union's members and European Institute of Public Administration, in order to perform self-appraisal of public institution activity, as well as to assist in evaluating the current situation in the organization and to define the fields that has to be improved. The CAF indicates that among the factors conducing organization's activity a significant place is taken by formulating the mission and strategy and providing capacity of internal processes, employees and organization. Meanwhile in the group of effectiveness ratios together with impact on customers/inhabitants/society the human-oriented results such as satisfaction and motivation of employees appear as a significant criterion.

Balanced approach in building public sector organization's strategy

In order to implement their strategies numerous organizations focus on using Balanced Scorecard approach together with the quality models based on the principles of EFQM and CAF. Experience of the organizations using both models demonstrates tight correlation between them, and both of them can be used simultaneously without any contradictions (Massey, 1999). For this purpose the nine criteria of EFQM can be categorized in four strategic perspectives (Fig.2.).

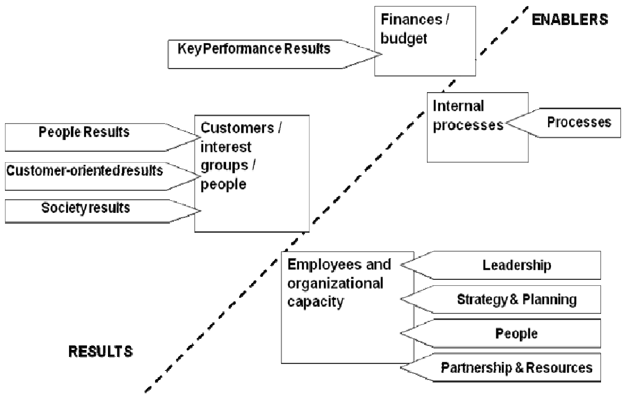

Figure 2. EFQM Balanced Scorecard
Source: Massey 1999.

The figure demonstrates that five EFQM criteria of „Enablers” correspond to the perspectives „Internal processes” and „Employees and organizational capacity” in the scorecard. Meanwhile four EFQM criteria of „Results” correspond to the perspectives „Finances / budget” and „Customers / interest groups / people”.

Causal relationship among the four activities perspectives of the organization – finances, customers, internal processes and learning and growth – is demonstrated by the Balanced Scorecard developed by R. Kaplan and D. Norton (1992). It describes the framework of value creation strategy in the organization and provides top management with periodical evaluation of the organization's progress towards accomplishing the strategic goals.

The balance of the four perspectives (finances, customers, internal processes and learning and growth) is achieved by integrating the organization's vision into the strategy, particular activities and contribution of every member of the organization, which is necessary for successful achievement of the organization's targets (Averson 2003). Also the results of the organization's performance, that are secondary indicators, with the performance enablers, that are primary, are bonded by the Balanced Scorecard, since the measurements of the results without the analysis of the enablers do not give an answer how to achieve these results (Kaplan and Norton, 1996). Thereby the Balanced Scorecard demonstrates the way how providing constant growth of the shareholders' investment value is planned by the organization.

When implementing and coordinating the strategic contribution of all the most significant organization's value enablers, the private, public and non-profit organizations can use the principles of the Balanced Scorecard management, based on the following considerations:

- first, they provide coordination and gradual implementation of financial and non-financial activities, and help coordinating current activities with the strategy;
- second, they help defining and evaluating the particular value enablers, that are the ground of organization's performance. This enables managers to verify their assumptions about what forms the results of organization's performance (Murby 2005).

Figure 3 demonstrates the base model of the Balanced Scorecard for public and non-profit organizations.

Figure 2. Balanced Scorecard for public organizations
Source: Rohm 2002, Niven Paul 2003.

The missions of the organizations are accomplished similarly as in private sector model – by satisfying the needs of their stakeholders (founders, shareholders and interest groups – the people gaining benefits of the performance of the organizations). Wider interest group becomes important to the public organization, since it is responsible about the impact of the programs to directly involved people, regulators, other organizations and the society in general. This indicates significant changes in the logic of establishing and implementing the Balance Scorecard system. The effectiveness of accomplishing the mission is the main indicator of public or non-profit organization's performance, instead of the financial indicators. The financial results of the public organization's performance can be evaluated by efficiency of satisfying inhabitants' needs (Amaratunga 2001). Thereby effective use of the resources is emphasized on the financial perspective of public organizations.

Intangible resources are crucial source of constant value increase. The title of the perspective "Employees and organizational capacity" indicates the significance of improving human-resource (HR) system and organization's performance by employing competent people and using effective information technology system. Goals of learning and growth describe how the composite of people, technologies and the organizational climate promotes the accomplishment of the strategy. Improvement of the learning and growth determines the organization's performance on the perspective of internal processes, customers and financial indicators. The financial perspective is sometimes replaced by the budget perspective in order to demonstrate the processes of developing and executing the budget that are related to public transparency of funds.

R. Kaplan and D. Norton (2004) offer three tasks to coordinate intangible resources with the strategy:

- coordinating the potential of human-resources in the strategic job families according to the organization's strategic directions;
- information resources that provide the significant information technology infrastructures and software in order to support human-resources (personnel) to give excellent performance according to the organization's strategic directions;
- changes in organizational climate necessary to accomplish the strategy have to be secured by the culture, management, involving employees and team work.

Human resource development – key issue of public sector organization's strategy

Competent and erudite personnel as the organization's capital can be considered as the point of focus. Considering human-resources as an expenditure item does not encourage the organization to achieve high results. Investing in human-resources provides at least three significant acquisitions (Holton, Yamkovenko 2008). In individual level it promotes the growth of knowledge, skills and abilities, encouraging development and growth of the employee. On organizational level investing in human resources results in increasing productivity and efficiency. Finally, on society level higher educated and developed individuals together with more efficient organizations provide growth of culture and economy, as well as improve the well-being of society. These kinds of investments are justified at any level and provide higher benefits than simple return on investments.

The term of HR strategy is usually applied to coordinated complex of decisions and activities defining and directing HR management (recruitment, positioning, utilizing, developing and rewarding) in the context of achieving the targets of the organization (Cooper and Channon 1998). Understanding the human-resources as organizational value becomes important during this process.

Human capital is characterized by the knowledge and skills of employees that can be considered as the most significant resource, particularly in intellectual organizations (Lengnick-Hall, Lengnick-Hall 2003). Also public organizations are considered as intellectual if creating innovative approaches concerning fiscal policy, educational system, exploration and development, public purchasing procedures and other (Bounfour, Edvinsson, 2005). Intellectual work is the basics of the intellectual organization's performance, and the existence of the organization fully depends on the intellectual skills of personnel (Niedrīte 2003). P. .Drucker (2007) draws attention to six factors that are vital to productivity of intellectual workers:

- the employees have to understand the essence of the given tasks and achievable targets to be able to chose the most appropriate action;
- intellectual workers have to manage themselves, therefore a freedom of choosing working conditions and methods is necessary;
- innovative action has to be a part of the intellectual work, it has to be included in the tasks and responsibilities of the employee;
- intellectual work includes necessity of constant learning, as well as teaching the others;
- quantitative indicators are not the most significant when evaluating the productivity of an intellectual worker, the quality of the performance becomes more and more important;
- instead of considering the intellectual worker as an expenditure item, he/she should be received as the organization's capital, and the working conditions have to be set for them to chose the particular organization as their employer.

Developing human-resources is a process of improving and releasing people's competencies and knowledge aimed at improvement of individual, team-work and entire organizational system performance (Sims, 2006). J. Tompkins (2002) determines five conditions to include the development of human-resources in the strategic planning process:

1. Strategic planning process is established within the organization;
2. Involvement of HR department's manager in the strategic planning process, and adequate examination of the strategic targets and initiatives related to personnel;
3. Clearly defined mission of the organization, as well as strategic targets to accomplish the mission;
4. Vertical coordination of personnel policy and practice and the organization's mission and strategic targets, and horizontal mutual coordination of personnel policy and practice;
5. Personnel management service with a role and structure suitable to organization's mission and strategic targets, and which encourages achieving them.

Together with the five conditions mentioned above, united understanding about employees as a strategic resource providing success to the organization has to be established in the organizational level (Brewster et al. 2000).

HR management can promote the strategic planning process by assisting the organizations in planning and establishing reorganizations, developing planning methods of the necessary personnel and coordinating performance evaluation with accomplishing the mission. However, to ensure the model to work properly, HR management has to take part in the strategic planning process completely, not only in the final stage with supporting establishment of a developed plan. First of all, a trust and confidence between organization's top management and personnel management has to be founded, which is not always seen between politically commissioned top manager and civil servant (Ban 2004). Second, the managers of personnel management department have to be competent not only in administrating personnel management systems, but also in expertise competencies necessary to the personnel, developing organizations, change management, motivating personnel and other matters of management (Tompkins, 2002). As one of the most significant aspects here the performance evaluating has to be mentioned, which is included in the wider term “performance management”.

Despite its popularity the Balanced Scorecard management approach by R.Kaplan and D.Norton has been criticized often. The criticism is related to the fact that the indicators are not verified by any proven economic or finance theory, therefore cannot be regarded as firmly scientific. The process is prejudiced and does not provide statistically or economically grounded evaluation of the quantitative indicators – work efficiency, risk or economic value (Jensen 2002). Particularly it concerns organizations with high proportion of intellectual work. Evaluation of intellectual work efficiency is burdened by the fact that the most important component of result of this kind of work is quality, which is hard to express in quantitative indicators; organizational routine, inertia during rapid changes makes the re-orientation to new content of intellectual work and adequate evaluation criteria difficult; the impact of intellectual work's results is rarely immediate and it is impossible to measure it (Deniņš 2008).

Other critics note that the Balanced Scorecard does not offer basic indicators or united view with clear instructions – it is simply a list of numeral indicators (Pessanha and Prochnik, 2006). The indicators of the performance are supposed to be comprehensive, measurable and controllable; otherwise the bond between results achieved by organization and employee's daily work will disappear. However, too large number of measurable parameters can provoke a resistance from the organization's employees (Inamdar *et al.*, 2000). Also it is noted that the positive feedback from the users of the approach can be related to a placebo effect, since there are no empirical proofs of direct impact on improved decision making process or financial indicators of the organization after using the Balanced Scorecard (Kenny, 2003).

Strategic tools – such as techniques, set of instruments, methods, models, frameworks, approaches and methodologies – are usable for supporting the process of strategic decision making (Clark, 1997). It is impossible to always use them only instrumental to perform analysis or solve problems emerged. A preference is given to the models that can be used unmistakably and simply instead of those based on complicated mathematical calculations (Stenfors *et al.*, 2007). Researches (Spee,Jarzabkowski 2009) demonstrate that such strategic tools as the Balances Scorecard are more often used to clarify and justify the strategy instead of analyzing processes.

Use of Balanced Scorecard's principles for the purpose establishing and implementation of the strategy can be viewed through example of Public Administration Reform Strategy. Figure 4 shows how key components of a scorecard system are connected together to form a strategic plan for moving Public Administration of Latvia to a higher level of performance.

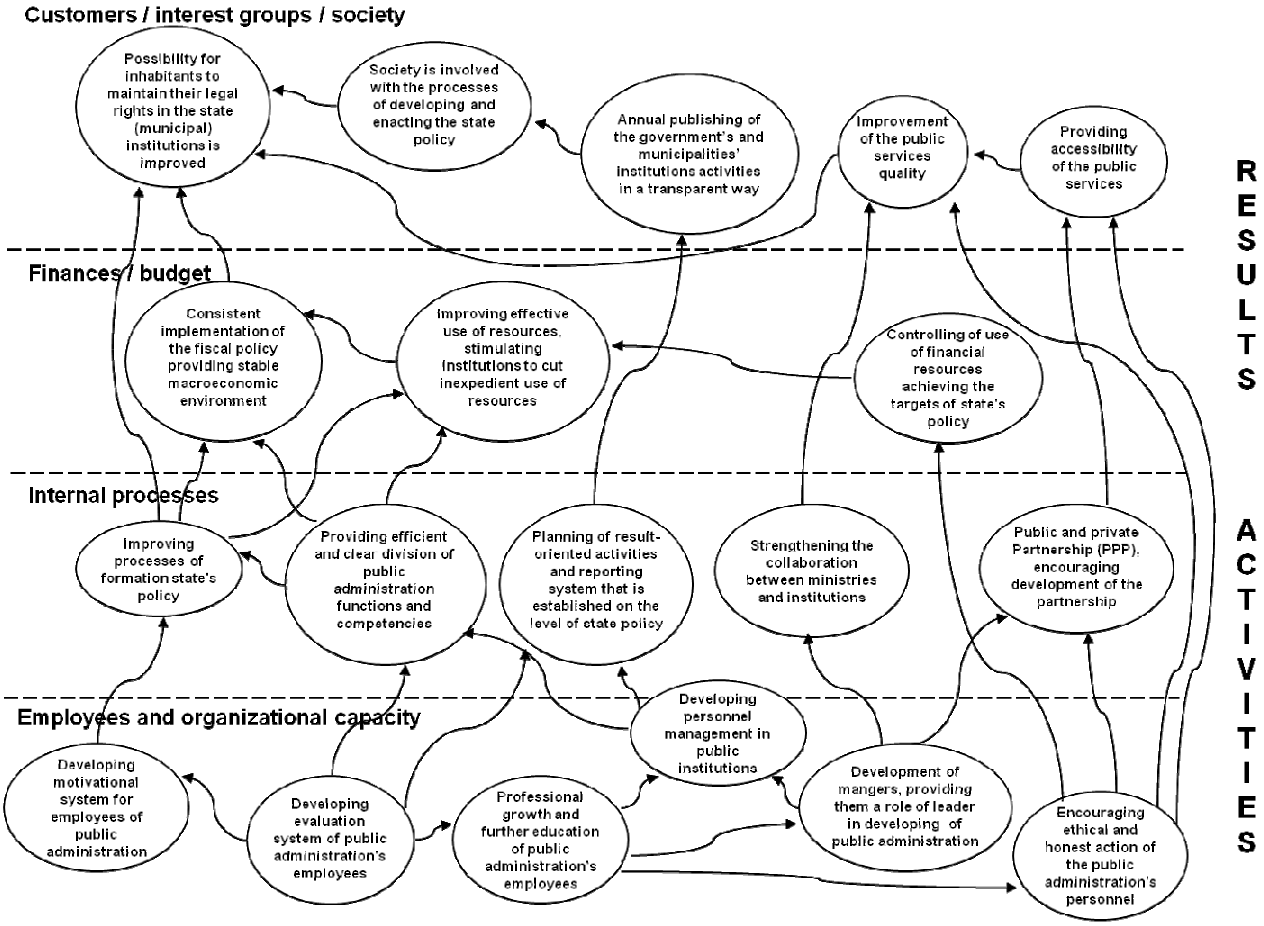

Figure 4. Strategy map of Public Administration of Latvia
Source: Rohm 2003, Wilson, Hagarty, Gauthier 2003.

Two lower perspectives include goals related to the most significant activities of improving procedures, efficiency and others (perspective „Internal processes"), and conditions of the course and further improvement of these processes – development of personnel and organizational culture (perspective „Employees and organizational capacity"). Higher perspectives display goals related to the expected results of the activities mentioned above – how do they reflect in financial indicators (perspective „Finances / budget"), and, finally, how the organization's activity is perceived by the interest groups – people, other organizations and society in general (perspective „Customers / interest groups / people"). By use of the cause - consequence scheme, directions of the strategic action are linked and distributed among the four perspectives. The link among strategic components presents the impelling forces of each strategic action process, and by combining them the path to accomplishing the strategy is drawn from the point of view of both organization and customers (society).

The basic disadvantages disallowing to achieve the strategic goals of public administration of Latvia have been exactly the lack of the linkage between policy goals, subordinated tasks and planned results of policy and action. R.Kaplan and D.Norton (2001) accent that during the strategic planning process situation when initiatives and suggestions are perceived as an end in itself instead of a tool to achieve the strategic goals, is commonly characteristic to public and non-profit organizations. Consequently intellectual workers – officials and public administration's employees – are insufficiently informed of results achievable during the establishment of the strategy, and their learning and motivational activities do not correspond to achieving the strategic goals of organization and public administration reform.

Basically the strategies of public administration institutions of Latvia are aimed at developing the industries of their competence spheres, accomplishing the policy planning initiatives and achieving the targets and priorities of the related organizations, however they do not include the matters of determined developing the organizations themselves and belonging human-resources. Strategic HR management is centrally arranged in Latvian public administration, while the personnel management departments are basically responsible only for administrating tasks of the personnel.

Also the goals concerning HR development of Latvian public administration are often different from the corresponding targets in particular organizations, meanwhile the missing development strategies of public administration organizations are replaced with development strategies of the industries supervised by these organizations. Thereby to effectively improve the processes of productivity, motivation and development of public administration's officials and employees, it is necessary to establish strategic approaches to personnel management for each organization of public sector.

The establishment process of public sector organization's HR strategy is displayed in the Figure 5.

Figure 5. Organizational HR strategy's framework

Establishment of organizational HR management strategy has to be based on analysis which allows evaluating:

1) appraisal of current personnel provision – correlation between number of employees, their skills, competencies, experience and other factors and the tasks, amount of work and level of responsibility;

2) personnel management system, including procedures and systems of developing and recruiting employees, ability to accomplish the organization's future tasks and to adapt to the changes expected;

3) correlation between personnel management supporting system (personnel administration and accounting, documentation and information technologies) and the targets set;

4) organizational culture and internal relationships, for example expectations of employees regarding ability to accomplish their personal targets;

5) regulations and guidelines of documentation of legal standards and national policy planning documentation regarding HR management;

6) evaluation of the impact of parties interested in the activity and results of ministry or public administration's institution (society, politicians, public organizations, industry's employees and others).

HR management strategy of ministry or public administration's institution is aimed at promoting accomplishment of the organization's mission and maintaining high quality of the performance in the field of organization's competence by providing and developing the potential of human-resources. Considering the principles of Balanced Scorecard and the peculiarities of managing intellectual workers, the HR management strategy of public administration institutions have to include the following basic tasks:

- coordination among employees' and departments' functions and tasks and the mission and strategic goals of the organization;
- determined development and carrier growth of the personnel in order to provide accomplishment of professional and managerial potential, as well as maintaining the competencies and introduce them into the whole organization;
- established performance management system based on qualitative indicators;
- establishment of motivating work environment in the organization in order to attract highly skilled intellectual workers to public administration.

Successful establishment of mentioned HR management strategy's basic elements is related to several supporting or additional tasks: establishment of optimal organizational structure, provision of effective activity of personnel management department as a strategic partner of organization's management, and establishment of modern and effective information system of personnel management and administration.

Coordination between employee's functions and tasks of ministries and public administration institutions and the mission and strategic goals of organizations has to be initiated by functional audit which consequently allows identification of functions and positions significant to achieve the targets of the organization. The system of positions has to be established in coordination with the programs performed by the organization, while the internal transfer of employees has to provide the personnel arrangement in coordination with the priorities of the organization, encouraging the employee development opportunities. External recruiting has to provide inflow of highly skilled personnel. Considering the common tendency of orientation towards position based civil service system, in cases of dismissal the significant knowledge, skills and competencies have to be transferred and maintained within the organization.

Personnel development and carrier growth have to provide consolidation of learning and development system which encourages maximal utilization of employee's intellectual and professional potential, as well as allow acquiring knowledge and skills necessary for providing successful performance of the organization in the future, and simultaneously provide the ground of carrier growth. Programs of personnel rotation and mobility within the organizations and outside them have to provide establishment of understanding about different public sectors' activities, consolidation of horizontal cooperation and increasing the experience and competence of the employees. During analyzing the needs of public organization's personnel and planning and organizing the training, future perspectives of the organizations, knowledge, skills and competencies necessary in future and individual growth needs of the officials and employees have to be considered.

Due to necessity of reducing the costs of public administration, in order to provide additional competencies in the organization optimal utilization of current personnel has become prior instead of recruiting new personnel. This causes necessity of additional attention to develop the employees, which is related to satisfying the organization's future needs by providing it with qualified personnel. According to organization's strategic goals the system of increasing productivity has to demonstrate contribution of each employee, and has to encourage the understanding about possible relation among individual and organization's goals. It is significant to increase the efficiency of current personnel evaluation system by satisfying the learning needs with appropriate training and learning programs and encouraging the further growth possibilities to civil servants and employees, and by possibilities providing incentive rewarding system to this process.

Conclusions

Despite the fact that there are certain limitations to fully use balanced scorecard approach for creating strategy of public sector institution as intellectual organization, linkage model of organization's strategy map could help determine components, tasks and actions that are crucial for achievement strategic goals of organization. HR development in public sector organizations is not an end in itself but significant component of organizational development. Basic elements of HR strategy should be harmonization of functions and tasks of employees and departments with organization's goals, focused personnel development and carrier growth, on the basis of qualitative indicators established performance management system and establishment of motivating work environment in the organization. These elements should be supported by establishment of optimal organizational structure, provision of effective activity of personnel management department as a strategic partner of organization's management, and establishment of modern and effective infrastructure.

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CONTEMPORARY APPROACH TO HRM OF PUBLIC ADMINISTRATION IN LATVIA

S u m m a r y

Last decades are remarkable for a large amount of public administration reforms in many countries, where wide reforms are performed in order to make government's performance more effective, productive, opened, transparent and accessible for the society. Professionally trained, motivated and contributory personnel is the crucial precondition for successful implementation of public administration's mission and realisation of institutional functions and strategies. Goals of learning and growth of the organization's personnel describe how the composite of people, technologies and the organizational climate promotes the accomplishment of the strategy. Developing human-resources is a process of improving and releasing people's competencies and knowledge aimed at improvement of individual, team-work and entire organizational system performance.

Causal relationship among the four activities perspectives of the organization – finances, customers, internal processes and learning and growth – is demonstrated by the Balanced Scorecard. It describes the framework of value creation strategy in the organization and provides top management with periodical evaluation of the organization's progress towards accomplishing the strategic goals. Despite the fact that there are certain limitations to fully use balanced scorecard approach for creating strategy of public sector institution as intellectual organization, linkage model of organization's strategy map could help determine components, tasks and actions that are critical for achievement strategic goals of organization. HR development in public sector organizations is not an end in itself but significant component of the organizational development. Unfortunately the lack of clear linkage between strategic goals of an organization and learning, development and motivational activities of its personnel do not correspond to achieving necessary level of public sector performance.

Based on the balanced approach, author builds up a linkage model of Latvian public administration reform and analyzes disadvantages disallowing to achieve the strategic goals of public administration of Latvia as well as provides establishment process of public sector organization's HR strategy. HR strategy of public sector organization should be established on the basis of tasks offered to coordinate intangible assets with the strategy, factors that are vital to productivity of intellectual workers and conditions determined to include the development of HR in the strategic planning process. Basic elements of HR strategy should be harmonization of functions and tasks of employees and departments with organization's goals, focused personnel development and carrier growth, on the basis of qualitative indicators established performance management system and establishment of motivating work environment in the organization. These elements should be supported by establishment of optimal organizational structure, provision of effective activity of personnel management department as a strategic partner of organization's management, and establishment of modern and effective infrastructure.

KEYWORDS: public sector organisation, mission, strategy, performance, balanced scorecard, human resource development.

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