

## LEADERHIP IN PUBLIC SECTOR.OPTIMIZING RNA'S LOGISTIC SYSTEM

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### ABSTRACT

This study develops the concept of integrated leadership in public sector, and particularly in portuar public services. Integrated leadership could be conceived as the combination of five leadership roles that are performed collectively by employees and managers at different levels of hierarchy. This approach tests the hypothesis that integrated leadership has a positive effect on organizational performance in the public services sector.

The paper also discusses issues related to the link between global financial crisis and human resources management, at a general level, focusing on human resources management in port administration, in the management of uncertainty. This paper's literature review regarding recent research on managerial strategy in the public sector has found that aggressive strategies aimed at exploiting opportunities in the external environment can be as effective as change-oriented leadership behavior when it comes to improving organizational effectiveness. The paper's research treats some various other aspects that have been linked to organizational effectiveness in the public sector, including goal setting, motivating employees and the shaping organizational culture. The data sources from Naval Romanian Authority and the sample on which the emphirical analysis is based suggest that the findings are generalizable across the national bureaucracy.

**Strategic decisions** are those that determine the goals of the entire business organization, its purpose and direction. Top management has the big picture of all the elements of a complex business enterprise, and it must be able to integrate all aspects of a business into a coherent whole. The decisions made at this level also determine how the busniess will relate to external environments. Beacause strategic policies affect the entore business, they can best and must be made at the highest level within an organization. These policies and goals are not very specific because they must be applied to all levels and departments in a company. Strategic decisions are usually nonprogrammed in nature. These decisions determine the manner in which operations are conducted—operations designed to accomplish the tactical decisions made by mid-management. These decisions concern the most effective and efficient way to accomplish the goals stated on the operational (day to day) level. The decisions' management is properly applied when the logistic system is operational. The study's objective is optimization of the informational fluxes by implementing a modern informational management instrument, responsible with the improvement of the managerial and operative activities, information and the processes carried out within the pyramidal structure and the RNA's organizational chart. The study's objective is to create the parameters for a management informational system of documents and of the work fluxes, which is functional and can be implemented within the RNA and its 5 subordinated units. We will analyze the parameters of a **Disaster Recovery Data System** and of a **Portal** which will constitute specialized archiving and compression software, in order to assure the reduction of the decision times and generate proper statistics and reports regarding the institution's activity.

**Keywords:** *public sector leadership, integrated leadership, shared leadership, performance, port services.*

### 1. INTRODUCTION

Casual observation suggests that individuals who start their own organizations are somehow different from those that work in large organizations. Entrepreneurs have been described as risk-takers and rugged individualist (Begley and Boyd 1987; Mc Grath et al 1992), as engaging in deviate social behavior (Shapero, 1975), and as being "breed apart" (Ginsberg and Buchholtz 1989). In contrast with these entrepreneurial leadership characteristics, managers in large organizations have been described as being risk averse, and more predictable in their decision making. The research literature has some empirically efforts in describing differneces between entrepreneurs and managers in large organizations (Low and Mac Millan, 1988; Busenitz and Barney, 1997). Our purpose in this study is to examine differences in the decision making processes used by entrepreneurs and managers in large organization. The well practice example of Naval Romanian Authority established that public managers could also be implicate in improving logistic system, in

order to enlarge efficiency in managing decisions. Literature review showed up that entrepreneurs use biases and heuristics more extensively in their strategic decision making than do managers in large organizations. We examine differences between entrepreneurs and managers in large organizations with the respect to two biases and heuristics: overconfidence and represntativeness (Tversky and Kahneman 1974; Hoghart 1987; Bazerman, 1990; Busenitz and Barney, 1997). Identifying best practices preoccupation for managers in public sector is some other goal of our research. Best practices have been widely implemented in an organization as a technique, method, process, activity, or mechanism in order to optimize the result of production or management practices are commonly used to describe the most efficient and effective way of accomplishing a task of achieving a goal (Engle, 2008; Yan Xu and Chung-Hsing Yeh, 2011). To address this issue of strategic importance for an organization, we present some integrated evaluation and planning approach, supposed to be developed in a large organization, such Naval Romanian Authority. The

approach integrates a system: Multiattribute decision making theory, a new evaluation model developing for measure the relationship between lower-level objectives and higher level goals, and to give each practice a relative priority scale. How to effectively prioritize a given set of best practices and strategically plan their implementation for achieving the global strategic goals of the organization remains an open issue. The present approach studied this issue and found it complicated by the fact that the best practices are performed at the corresponding business units essentially for achieving their own local operational objectives, while being evaluated in terms of their contribution to the higher level global strategic goals of the organization. "To ensure effective implementation of best practices at individual business units for achieving the organization's global strategic goals, it is desirable to plan their implementation in a phased manner from the perspectives of both the organization and individual business units."

## 2. MANAGERIAL DECISIONS MAKING. A COMPARATIVE APPROACH PUBLIC/PRIVATE SECTOR

Under conditions of certainty all decision variables and the results of each potential course of action or solution are known in advance. A manager can approach the decision-making secure in the knowledge that there will be no unanticipated results. In the sense, decisions made under condition of certainty are programmed decisions (Montana and Charnov, 2008). Since all results are known before making a decision, many managers prefer to make decisions under conditions of certainty. This is possible only in the most simple situations. There are rarely knowledge of all possible results, and management usually encounters a degree of risk. Risk is defined as a condition in which the results of any decision or course of action are nor definitely known but will probably fall within a known range. Risk could be described in the terms of probability; the probability of a specific outcome is a fraction between 0 and 1, and if the probability of a specific outcome is 1, it is completely known; if the probability is 0, it is completely unknown. Since under conditions of risk the probability is neither completely known nor completely unknown, it is described as a fraction between two extremes. When a manager cannot predict the outcome of a managerial decision, or if the outcome can be predicted but the probability of the outcome actually happening cannot be predicted, a condition of uncertainty exists. The inability to predict outcome or assign probability may be due the following factors:

- Too many variables in the situation
- Few variables in the situation but not enough knowledge about the variables
- Both too many variables and not enough knowledge about them.

The assignment of probability becomes impossible under these conditions. The first step in the managerial

decision making process is an examination of the current situation to determine if a problem actually exists. This is the accomplished by performing a *situational analysis*. In managing organizations, once a statement of goals is determined, alternatives are considered and evaluated, performance standards set, and such as pilot testing could begin. Situational analysis is a form of examination of available data, is the "what is". There are managers who have a stake in the status quo and will resist to change. These managers may not see the current situation in an unbiased manner, and their perceptions cannot be relied upon to determine an accurate analysis of "what is". One of the ways in which management can accomplish an accurate analysis of the current situation is to make use of an external consultant. Since outside experts theoretically have no stake in the status quo, they should be able to give an accurate appraisal of the current company situation.

Managers often find it useful, in executing a situational analysis, to focus on the internal organization conditions, the external factors that bear upon the business and the relationship between the two. The internal analysis, called an organizational audit, consists of listing the organization's strengths and weakness. The strengths, what the business does well, are referred to as its "core competencies".

On average, the level of uncertainty facing entrepreneurs in making decision is greater than the level of uncertainty facing managers in large organization in making decisions (Hambrick and Crozier 1985; Covin and Slevin 1989; Busenitz and Barney 1997). "At the very least, managers in large organizations usually have access to historical trends, past performance, and other information that reduce the level of uncertainty and help taking best strategically decisions (Mintzberg, 1973). Managers in large organizations can appreciate the rational ideal in their decision-making.

Large organizations develop elaborate policies and procedures to aid managers in their decision-making. Nelson and Winter (1982) call these decision making practices routines and emphasize the ability of routines to simplify the decision-making-complexity facing managers."In addition to these routines, large organizations adopt elaborate organizational charts that define area of decision-making responsibility. Here it is the effect of reducing the complexity of the decision making context facing a private firm, thus enable managers form large public companies not to rely on biases and heuristic as much. As literature reviewed suggested, a large number of biases and heuristics have been studied (within the non rational decision making literature). One of this paper's purposes is to analyze the differences between the two sets of individuals with references to two biases and heuristics: overconfidence and representativeness. "Overconfidence was chosen

because is considered somewhat characteristic of a number of these biases and heuristics identified in the literature reviewed (Kahnen et. al 1982).

Representativeness is one of more widely used heuristics (Pitz and Sachs 1984; Barnes, 1984; Katz, 1992) and an important indicator which generalize from a single or limited number of past experiences in taking decisions.

### **3. OVERCONFIDENCE AND REPRESENTATIVENESS IN TAKING STRATEGIC DECISIONS**

Overconfidence has been shown to exist in a wide variety of settings (Bazerman, 1990, Busenitz and Barney, 1997). "Overconfidence exists when decision-makers are overly optimistic in their initial assessment of a situation and then are slow to incorporate additional information about a situation into their assessment because of their initial overconfidence"(idem; Alpert and Raiffa, 1982). Managers in large organization do not have to rely on their personal confidence in making decisions to as great an extent. Rather, these managers can rely on decision-making tools and historical performance patterns to convince executive management that their projects should have priority because are much important to the stakeholders' needs. Most research on non-rational decision making suggests that most decision makers manifest various biases and heuristics including overconfidence to some extent. We don't have clearly dates which could confirm the hypothesis that entrepreneurs will manifest more overconfidence than will managers on the executive level of large organization.

Representativeness is the most common decision making by heuristics and biases. Decision-makers manifest their heuristic when they are willing to generalize about a person or a phenomenon based only a few attributes of that persona or only a few observation of a specified phenomenon. Decision-makers ignore fundamental base rate information and underestimate the error and unreliability inherent in a small samples of data (Busenitz and Barney, op.cit; Payne et al.1992).

### **4. MANAGEMENT INFORMATION SYSTEM**

The latter half of the 21-st century may well be regarded by future historians as the age of information. The invention of the computer and the creation of new communication technologies have made it possible for managers to acquire, manipulate, and evaluate more information than ever before in human history. As with so many other mechanical discoveries, it was preceded by the emergence of a new philosophy of information. Most business decisions are of the routine nature. They are distinguished not only because they recur with regularity but also because the decision making parameters are well understood. Because they are well understood, these kinds of decision are often called structured decisions. Because the decisions are well understood, the information needed to make these decisions is also well understood. This information fits

into a predetermined format that is used in the regular reporting process. The specific part of the corporate MIS that generates this information is called the management reporting system. This makes use of computer processed information generate the standard reports that are employed by managers to make routine and recurring decisions.

The design and execution of a successful MRS is a slow and deliberate developmental process that is focused on the derivation of information in a useful format to aid managers in decision making, and is always subject to evaluation and improvement. Indeed, as information needs change in response to the challenges of managerial decision-making in often fact-changing business environments, the management reporting system must also change. Managers who fail to evaluate their information systems periodically risk obsolescence, not only for the system but also of their entire business. The rapid pace of contemporary business demands constant attention. To fall behind is to court failure, and making critical decisions based on bad data almost ensure poor performance in a marketplace that is totally unforgiving of such performance.

The second type of decisions made by management, are those cases that are nonrecurring and non-routine. They may be even one-time decisions characterized by their uniqueness. These problems and their decisions are referred to as unstructured, and their information requirements are not well understood. Since the kinds and amount information needed to make a managerial decision in an unstructured situation are not readily apparent, it is difficult to design a system to provide the information, but it is not impossible. The most important key to designing a successful decision support system is flexibility. That is the reason why bureaucratic public organizations, which are resistant to change, are suffering in implementing a good decision support. An example of unstructured decision is hiring of a new manager. To a large extent, each hiring decision is unique, and in each case different information is considered important. The interviewer of a personnel department has the ability to request needed information in each case, and when additional information is deemed necessary to the hiring decision, it can also be requested.

### **5. BEST PRACTICES MODEL, A FRAMEWORK FOR IMPLEMENTING STRATEGIC DECISION IN NAVAL ROMANIAN AUTHORITY**

Best practices are distinguished from good practice by their repeatability and universality. "Only those practices that have been widely recognized over time as excellent approaches for many organizations and recommended by a large number of practitioners or experts to adopt for successful results are regarded as best practices"(Xu and Yeh, 2012).

Sources where best practices could be learned are: industrial experiences (practitioners, company hand books), consulting experiences, advanced information

systems and knowledge base (literature review, research studies, volume of the conferences). Best practices could be described as process-oriented and outcome oriented. In order to achieve operational objectives of the organization, the process-oriented or outcome-oriented functionality could be diverse set of best practices implemented in large organization, and we propose this best practice model for implementing in Naval Romanian Authority.

To address this issue, we will use this model, called BSC framework to organize best practices in alignment with the strategic goals of the organization and the operational objectives of its organizational units. In the measurement tool and performance of the organization, BSC is used for articulate and communicate the correct strategy of the organization and for implementing a proper decisional process. The BSC model is oriented on satisfaction of the stakeholders, within four strategic perspectives:

- Learning and growth, which is focused on the knowledge organizations: the organization's ability to change and improve for achieving its version;
- Internal process-focus on business process that an organization must excel in order to satisfy the needs of its stakeholders: inclusive clients and beneficiary of the public services;
- A strategic management in order to create values for customers and beneficiary of the public services;
- Financial, which focus the strategy for satisfying the stakeholders;
- Maintains a well balance between long-term strategies and short-term activities
- Maintains a well balance between long-term goals and short-term objectives;
- Maintains a well balance between financial and non-financial measures;
- Create a framework for grouping the criteria and measures for evaluating a set of alternatives in various decision such as IT investments;
- Creation of a management information system and a documents' workflow implemented under the NRA and the five captains subordinated
- Creation of a system of electronic signature
- Creation of a Business Intelligence Solution that provides any level of management support and a real time decision making;
- Creating a system of labeling, classification of documents and electronic messages so as to ensure archiving and data security;
- Un Disaster Recovery Data System, a specialized archive and compression software that ensures data center protection against any informational attack;

- Creation of a Portal needs to provide information, communication and amangement of decisions within the organization, and also with the external stakeholders of the NRA( crew human resources, crewing companies and ship owners).

In this paper we propose for the NRA's logistic system improvement a new evaluation of managerial decision process system, called MADM algorithm, decribed in the paper *An integrated approach to evaluation and planning of best practices* (Xu and Yeh, 2012). MADM alghorytm measures the relationship between the global strategic goals and decisions in large organization and the local objectives of its units. Ecquipped with the MADM algorithm under the BSC framework, "the evaluation model can prioritize a given set of best practices by their relative importance and achievability from the aspects of whole organization" Satisfaction of the stakeholders could be achieved by implementing of this evaluation of managerial decision making process model.

## 5. CONCLUSIONS

The central goal of this study is to improve RNA's logistic system. We intended to measure the use of biases and heuristics as a part of the decision making style of managers in large organization (and public ones) comparative to the style of entrepreneurs. The proposed applied models were Best Practice Evaluation (within the BSC-based framework and MADM Evaluation). Managers from large organizations were defined as individuals who have responsibility for at least two functional areas (such as management of human resources, statistics, marketing, finance, research's department) and work for a public organization with more than 2000 employees. Referenced authors in this paper suspect that without biases and heuristics, many important decisions in organization would never be made. To face logistics problems in organizations from a strict econometric approach would not postpone decisions but would in all likelihood make them overwhelming (Russo and Schoemaker, op.cit.). A fundamental decision in a large organization could be correctly taken if the organization tends to be characterized by more methodical decision making, such environments can be very styling for more comfortable with biased and heuristic reasons. Large organization should be populated with managers who are able to take their contributions in taking decisions on large term (strategic decisions). In public sector, there is a tendency for a long term objectives to be variable and difficult to forecast. It is one of the dysfunction of bureaucracy. Multiattribute value theory (MAVT) developed by Keeney and Raiffa (1976) will generate a cardinal preference or ranking of the decision alternatives, for each of which a relative score is obtained. This is the fundamental methodology on which the evaluation model (Best practice and MADM) developed in the

named authors' papers and suggested for application in RNA's logistic system, is based. Global strategic goals in the public large organization will be a constant priority if we apply this evaluation model. Based on the merits of MAVT in dealing with weights, the simple weighted sum method used in MADM is used to determine the relative importance (weight) of each local strategic objective with the respect to the organization stakeholders' goals. "The aggregation method is also used to give best practice a relative importance value in terms of its contribution to the organization's global strategic goals" (Xu&Yeh, 2012).

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