A Systematic Review of the Internal and External Barriers to Public Sector Innovation in Kosovo

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Abstract

The focus of this study is to identify the barriers to develop and introduce innovations in the public sector of Kosovo. This paper is compiled based on the mixed methodology approach and findings are compared and contrasted with the current condition of knowledge. The findings clearly indicate that a risk-averse culture still continues in Kosovo's public sector. In addition to this, lack of human and financial resources adds another important barrier towards public sector innovation. Moreover, staff resistance is also considered an important barrier to public sector innovation in Kosovo. Therefore, it is recommended for public sector managers to integrate the new concepts of the open innovation and networked governance to reduce these barriers. These concepts demand engaging all employees as well as external parties in critical innovation processes which in evasion will lead to the adoption of an innovative culture in the public sector of Kosovo. This study contributes to further research, regarding the adoption of the culture of innovation in the public sector of developing countries. Finally, this research enriches and widens the current knowledge in the public sector innovation with a focus on the barriers to public sector innovation processes in developing countries.

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Key Words: Public sector innovation; barriers to innovation processes; innovation; Kosovo;

1. Introduction

1.1. Introduction to public sector innovation

Innovation in the public sector domain has gained great interest from both professionals and scholars (Hartley, 2005; Moore, 2005; Albury, 2005). Financial challenges and growing service needs in the public sector are some of the reasons that have fostered the need to study innovation in the public sector domain (Townsend, 2013; Kallio, 2013; Bason, 2013). The importance of innovation lies upon the change in the overall efficiency, effectiveness and responsiveness of governments and public service organizations.

Financial challenges and growing service needs in the public sector have increased the need for public managers to find new alternatives for achieving their work goals, which in default has led to study innovation in the public sector domain (Townsend, 2013; Kallio, 2013; Bason, 2013).

In the modern era, economic growth is uncertain therefore public services must be produced with fewer resources but retain quality, whereby public stakeholders face challenges in developing, producing and diffusing innovation (Albury, 2005; Hartley, 2005). The literature is limited in the scope of public sector innovation, in particular among transitional economies (Batalli, 2011).

In this paper, the factors that impede innovation in the public sector of Kosovo are thoroughly researched and discussed.

1.2. Research inquiry and research objectives

Innovation is crucial in today's environment. It is of great importance to organizations that continuously compete and to economies at large (Kallio et al., 2013). In addition, innovations not only increases the capabilities of private organizations to remain competitive in the global market, nevertheless, they are of prime importance to today's public sector excessively (Goyal and Pitt, 2007; Blahus, 2012; Bason et al., 2013).

It is an indispensable need to address the issue of public sector innovation, especially in transitional countries like Kosovo. Supporting innovation in the public sector enables achieving economic advantages, poverty reduction, harmony and institutional stability (Batalli, 2011). In this

study, however, the focus is on the barriers that impede innovation practices in the public sector of Kosovo.

The research objectives for analyzing the query are:

- O1. Discover and review the main internal and external barriers of innovation in the public sector of Kosovo;
- O2. Compare and contrast the barriers to innovation practices in the public sector of Kosovo, with the existing literature.

2. Literature Review

Discovering and reviewing the barriers to public sector innovation is of paramount importance in the evolution of public sector innovation. By identifying the barriers that impede innovation, public sector manager may develop strategies to mitigate them. According to the literature, the main barriers to public sector innovation are: The existence of a risk averse culture, a perceived need for establishing or maintaining stability, unsupportive bureaucratic processes and a deficit of incentives (Mulgan and Albury, 2003; Steen, 2009).

2.1. Risk Averse

The private and public sector are undergoing significant reforms and thus they are obliged to adapt in a continuous way to the transformations that are happening. For achieving successful adoption of reforms, organizations have to become learning organizations, which in default requires mitigating the fear from the new among the organizational staff. However, this is easily achievable in the private sector, but individuals who work in the public sector are more risk averse because of the impact that the adoption of a culture of innovation would potentially have on their career (Pfeifer, 2011; Barrados and Mayne, 2003). In addition to that, public sector employees feel that they are underpaid in compare to their contribution and due to that they hesitate to provide further contributions to their organization (Buurman et al., 2012).

Historically, private sector organizations have been less risk averse then public sector organizations. However, in order to achieve organizational success, public sector organizations have to pursue risk-taking actions for enhancing their effectiveness and efficiency, even though the literature makes clear that the public sector is risk averse (Hartley, 2005; Parson, 2012; Christian, 2009; Chen and Bozeman, 2012). A risk adverse culture is

prevailing in the public sector due to the reason that public sector managers and staff feel secure, while managers and staff that feel threatened and face the fear of unemployment are more predominant to take risks. Another factor that causes a risk adverse culture is the managers' lack of trust towards their employees, because a certain level of trust in subordinates means tolerance of occasional mistakes; trust is a prerequisite to risk taking actions in the organizational level (Parsons, 2006). Furthermore, formalized personnel constraints that provide employee protection from being fired, add another source to the risk adverse culture (Chen and Bozeman, 2012).

Overcoming the risk adverse culture in the public sector is only achievable by learning how to manage risk and being prepared to admit failure and be innovative towards overcoming those failures. Some solutions towards this shift are:

- Leadership from top management, which demonstrates the value of learning;
- A free flow of information in a non-hierarchal way;
- Rewarding inquiry and learning, especially from mistakes;
- Political support for a learning public service;
- An accountability system, which supports learning (Barrados and Mayne, 2003).

The difficult question is how to achieve this shift. Joyce (2007) states that even in organizations where innovation is actively promoted, it takes time for them to overcome a risk adverse culture and shift to a learning organization.

2.2. Maintaining Stability

The second reason why the public sector finds it difficult to be innovative is the need for stability, which is linked to risk aversion. Mulgan (2007) states that controlling innovation is important for the general stability of the government. He suggests that the public sector must tolerate less risk due to the reason that public sector services provided are of importance to the lives and livelihoods of their users. From the viewpoint of Mulgan, clearly, an overall risk in the public sector must be calculated because of the reason that the services that public sector organizations offer are of substance to service-users. However, the word "calculate" in this case gives reasons to believe that the public sector due to the reason of

maintaining stability will diminish the importance of innovation in the public sector (Sorenson and Torfing, 2011). Anthony Down (1967) conceives the high degree of stability in the public bureaucracies as a perennial problem because it prevents a dynamic adaptation of the public sector to societal changes and new conditions for public governance.

2.3. Deficit of Incentives

Incentives are important to encourage employees to be innovative and from the organizational perspective, both the private and public sector want their employees to be innovative. Nevertheless, the public sector usually cannot provide significant monetary incentives whereas the private sector offers financial incentives and special bonuses to its employees for bringing up innovative ideas. Few incentives are identified by researchers from a public sector viewpoint that encourage employees to be innovative (Rosenblat, 2011; Mulgan, 2007; Albury, 2005; Borins, 2001).

Except monetary incentives, Borins (2001) brings light into the issue of why employees in the public sector deter to be innovative. He makes a comparison where individuals with innovative ideas in the private sector become partners or owners of their innovations, but in the public sector, innovations become the property of the government. Adding to this, fixed salaries, modest bonuses, etc., discourage public sector employees to take on innovation. However, there are incentives such as promotions and the respect of peers and bosses, which help in becoming more innovative (Rosenblatt, 2011). This viewpoint is also proven by Sauermann and Cohen (2008). Adding to this, certain people are service-oriented, they behave consistently with the public interest, this is called 'public service motivation', it is considered a factor of motivation for public sector employees (Perry and Hondeghem, 2008; Brewer et al., 2000).

2.4. Bureaucratic Processes

Innovative ideas and policies in the public sector domain face complex set of barriers and obstacles. Bureaucracies are considered one of the major challenges of public sector innovation because of their complicated and inflexible organizational design which is based on vertical communication channels that are ineffective, dogmatic decision making mechanisms, and rigid constructs (Golembiewski and Vigoda, 2000). Therefore, bureaucracies are incompatible with innovation (Gadot et al., 2005).

Overcoming this obstacle requires serious commitment to reforming the gears of innovation in the public sector, through: policy development, legislation, budget requirements and performance reporting (Steen, 2009). Adding to this, the number of goals that a new initiative has to accomplish poses barriers towards innovation, for instance: If a new idea is proposed, it should accomplish certain goals, such as: equality, universal access, protection of citizens, rights and respect for the rule of law, etc. Many rules and bureaucracies in default are barriers towards innovations (Mulgan, 2007). The discussion above serves as a basis for formulating strategies to overcome barriers to public sector innovation processes in Kosovo.

3. Methodology

Based on the topic under research, a mixed methodology would provide important insights to the topic under investigation. Mixed methodology is a convergence of quantitative and qualitative methods (Driscoll et al., 2007). Quantitative methods are viewed as descriptive, because correlations between variables alone cannot drive to uncover the causes that generate the actual event that is being observed. Researchers have described quantitative methods as unsatisfactory and problematic. In contracts to the quantitative approach, qualitative methods are more capable of describing a phenomenon, in identifying interaction between complex mechanisms (Volkoff et al., 2007). However, findings through the use of qualitative methods may be unique to few people included in the research study; the results are easily influenced by the researcher's personal biases (Johnson and Onwuegbuzie, 2004). As a result, mixed methodology brings together the strengths of both quantitative and qualitative approaches, by generating more complete data and deeper understanding of the phenomenon, although it is time-consuming and costly (Johnson and Onwuegbuzie, 2004).

In order to achieve a better understanding of the main barriers of innovation in the public sector of Kosovo, most of the institutions from which consists the public sector are included in the sample. The study is spread across the public sector, which includes the central government, the local government and public corporations. These institutions are taken as a whole in the study. The questionnaire is distributed to 52 public sector managers. Regarding the qualitative approach, we have successfully completed 8 interviews in accordance with the criteria set to achieve a

balance between the methods and to achieve a more comprehensive view of the findings.

Table 1: Participation of public institutions, according to activities

Activities	Distribution
General government activities or finance	15.40%
Education	15.40%
Social services	25%
Health	5.80%
Other	34.60%
[Refusal]	3.80%
TOTAL	100%

Source: Author's calculations based on data extracted from the distribution of questionnaires

The targeted personnel are public sector managers who are actively involved in decision-making. The managerial level affects all aspects of innovation in the public sector (Sarros et al., 2008). For deriving to concise and definite conclusions, both research methods, the quantitative and qualitative instruments are targeted to the managerial level employees for data collection. The questionnaires are delivered to the middle-level public sector managers (head of department), or in smaller organizations where such functions do not exist, supervisor or project managers are the target group, and interviews with senior managers or general managers responsible for strategic-decision-making are conducted.

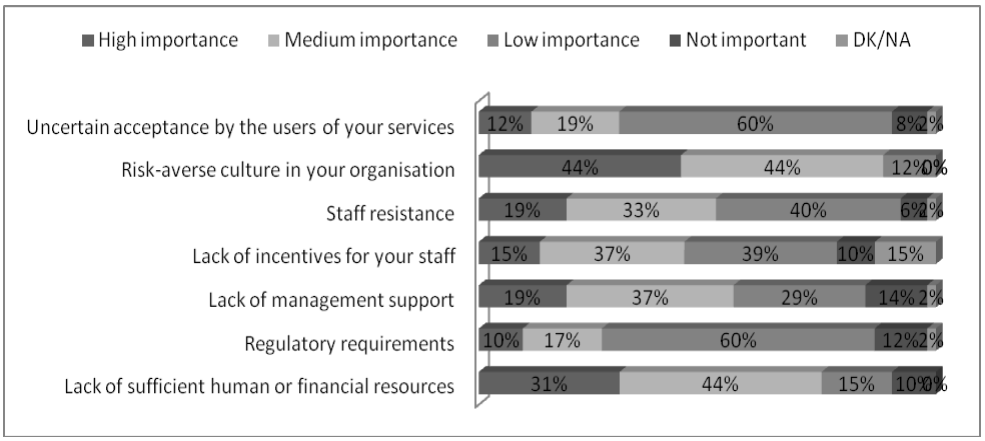
For the collection of data, two methods were used, for the quantitative data collection the Inn barometer 2010 was employed which is developed by the Gallup Organization and the same questionnaire was used to derive questions for the qualitative data collection. Data gathered were analyzed through SPSS while qualitative data was analyzed through a thematic analysis.

4. Research Findings

The most notable barrier to public sector innovation in Kosovo is risk-averse culture in the public sector domain. Approximately 44% of public sector managers indicated that their organization is risk-averse. Whereas, lack of sufficient financial resources played also an important role in

impeding innovation (31% of respondents indicated that lack of financial resources is a high importance barrier to innovation development). Regulatory requirements seem not to have a high impact on innovation (60% of respondents indicated that regulatory requirements have low importance in impeding innovation). Lack of management support is considered a barrier towards developing innovation (19% of respondents said that lack of management support is considered a high importance factor on impeding innovation, while 37% of respondents said it was with medium importance). Concerning staff resistance (52% of respondents see it as an important barrier of innovation).

Figure 1: Importance of various barriers to develop and introduce innovations



Source: Author's calculations based on data extracted from the distribution of questionnaires

Regarding the qualitative data analysis, interviewees have specified almost the same barriers that impede innovation as found through the quantitative data analysis. For instance, interviewee P2 states*: "Lack of human resources and budgetary issues are the main barriers which are causing lack of innovation in our institution"*, this view is supported from interviewee P3, who states: "*Lack of financial resources are the main barrier to developing and introducing innovations in our institution."* However, interviewee P1 makes a distinction from the above statements and says: "*The psychological factor, the background and culture of our people is an important barrier towards innovation",* he continues by pointing out the second most important barrier to public

sector innovation in Kosovo, which is "*lack of financial resources.*" Another barrier, which is often stated from the interviewees, is "*staff resistance*". Interviewee P8 states: "*Our staff is mainly old aged, and they are afraid of technology, therefore they lack the will and motivation to adapt to modern innovations like using personal computers.*" In summary, the eight interviewees stated that the lack of human and financial resources are the main barriers of public sector innovation in Kosovo, without excluding the psychological/cultural factor which is considered as an important barrier towards public sector innovation in Kosovo.

Running correlations between barriers of innovation, the results indicate that lack of sufficient human or financial resources have a strong positive correlation with the lack of incentives from staff. In addition to that, lack of incentives from staff correlates strongly with the risk-averse culture in the organization, which has proven to be the main barrier of public sector innovation in Kosovo (Appendix A).

In sum, the main barriers that cause the lack of development and introduction of innovations in the public sector of Kosovo are:

- Risk-averse culture in your organization;
- Lack of sufficient human or financial resources;
- Staff resistance.

Since the three barriers above are the most prevalent barriers found, we will only focus on those three and identify the areas where these barriers are mostly spread in Kosovo's public sector institutions. Based on findings, we can clearly tell that a risk averse culture is mostly spread in organizations which offer social services where a risk averse culture is found to be of medium and high importance, as well as in organizations which main areas of responsibilities include general governmental activities and functions or finance (Appendix B). There are many reasons behind this finding and future research should tackle this issue.

As for the barrier of lack of financial and human resources, it is widely spread across public sector organizations; however it is generally found to be of high importance among organizations providing social services, general governmental activities and education (Appendix C). Interestingly enough, a risk adverse culture and lack of financial and human resources are found in these two specific areas.

Lastly, staff resistance to change has been found prevalent among organizations providing health services; this is an interesting finding and

provides a base for future researchers who might be interested in identifying the reasons behind staff's resistance to change and innovation (Appendix D).

5. Discussion and Conclusion

According to data analysis, the most notable barrier to public sector innovation in Kosovo is risk-averse culture. This finding is in perfect relation to the most recent literature. Pfeifer and Christina (2008) state that employees in the public sector are afraid from a culture of innovation because of the impact that the culture of innovation might have on their career. Furthermore, employees chose to work in the public sector mainly for the reason of avoiding risk (Buurman et al., 2012).

Another notable finding is that lack of sufficient human or financial resources played an important role in impeding the development and introduction of innovations in the public sector. These barriers are acknowledged throughout the quantitative and qualitative data analysis. This finding is in line with the literature. Joyce (2007) recognizes the position of financial or human resources as an essential factor to adopting a culture of innovation in the public sector. However, concerning the public sector domain, Murray et al. (2010) states that the public sector often lacks on innovation enablers, in terms of money, people and processes. In addition to that, due to the lack of financial resources, public managers and personnel are forced to be short-term thinkers (Bason, 2010).

Another important barrier, which impedes innovation in Kosovo's public sector, is staff resistance. It is acknowledged throughout the data analysis, especially interviewees have continuously stated that staff resistance is an important barrier to public sector innovation in Kosovo. The literature suggests that this barrier is dominant in the public sector domain due to lack of trust that managers have towards their employees. It is worth pointing out that a certain level of trust means tolerance to occasional mistakes (Parson, 2006). In addition to that, authors suggest that employees feel protected by working in the public sector and thus do not want to risk their jobs by taking new initiatives (Chen and Bozeman, 2012).

Yet, user acceptance of public services and regulatory requirements are not considered important in impeding innovation. This is mainly because of the lack of service user participation in the designing and planning process of public services. Although, in developed countries, service users

take an active role in designing and implementing new public services (Kallio et al., 2013).

6. Conclusion

Regarding the barriers to public sector innovation practices, a strong risk-averse culture is found in Kosovo's public sector, therefore, public sector manager have to provide trainings continuously to their employees regarding innovation practices in reaching effectiveness and efficiency in their jobs. Moreover, public sector organizations in Kosovo have to broaden their scope of obtaining financial resources and go beyond their current paradigm by becoming entrepreneurial, because findings obviously indicate that public sector institutions in Kosovo lack on financial resources. Furthermore, staff resistance still persists in the public sector of Kosovo. To overcome this barrier, the literature suggests hiring young staff that has cutting-edge knowledge in technology and other modern processes (Fernandez and Rainey, 2006).

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Appendices

Appendix A

Table 2: Correlations between barriers to develop and introduce innovations in the public sector

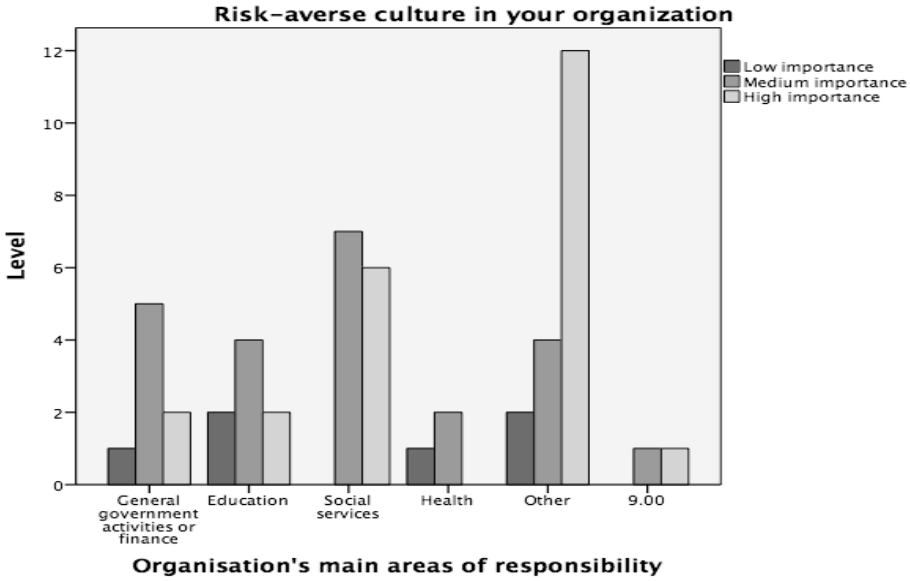
Correlations

		Lack of management support	Lack of incentives for your staff	Staff resistance	Uncertain acceptance by the users of your services	Regulatory requirements	Lack of sufficient human or financial resources	Risk-averse culture in your organization
Lack of management support	Pearson Correlation	1	.339*	.084	.302*	.161	.204	.229
	Sig. (2-tailed)		.014	.555	.029	.255	.148	.103
	N	52	52	52	52	52	52	52
Lack of incentives for your staff	Pearson Correlation	.339*	1	.179	.308*	.174	.392**	.538**
	Sig. (2-tailed)	.014		.204	.026	.217	.004	.000
	N	52	52	52	52	52	52	52
Staff resistance	Pearson Correlation	.084	.179	1	-.162	-.064	.013	.209
	Sig. (2-tailed)	.555	.204		.250	.652	.930	.137
	N	52	52	52	52	52	52	52
Uncertain acceptance by the users of your services	Pearson Correlation	.302*	.308*	-.162	1	.798**	.226	.258
	Sig. (2-tailed)	.029	.026	.250		.000	.107	.065
	N	52	52	52	52	52	52	52
Regulatory requirements	Pearson Correlation	.161	.174	-.064	.798**	1	.272	.271
	Sig. (2-tailed)	.255	.217	.652	.000		.051	.052
	N	52	52	52	52	52	52	52
Lack of sufficient human or financial resources	Pearson Correlation	.204	.392**	.013	.226	.272	1	.550**
	Sig. (2-tailed)	.148	.004	.930	.107	.051		.000
	N	52	52	52	52	52	52	52
Risk-averse culture in your organization	Pearson Correlation	.229	.538**	.209	.258	.271	.550**	1
	Sig. (2-tailed)	.103	.000	.137	.065	.052	.000	
	N	52	52	52	52	52	52	52

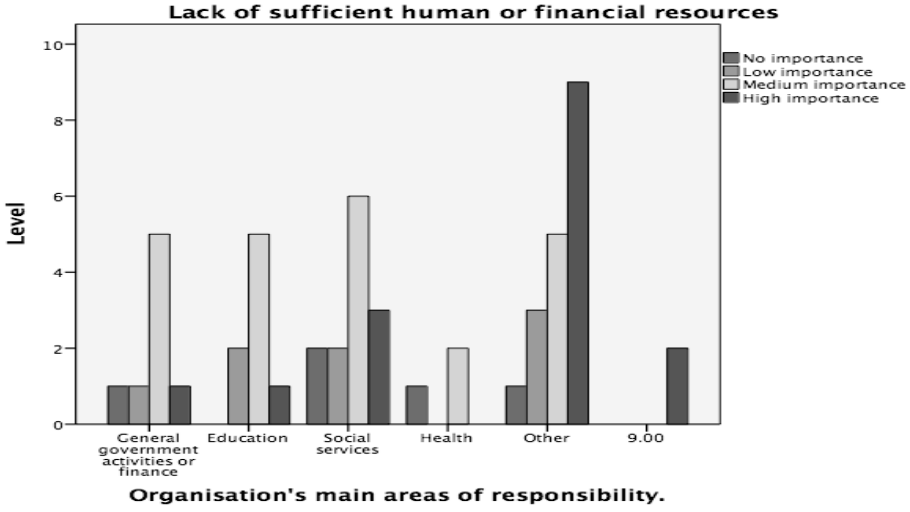
*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix B



Appendix C



Appendix D