



Economics Education Finance Information Management Marketing Tourism
Technology

**7th International Conference
An Enterprise Odyssey:
Leadership, Innovation and Development for Responsible
Economy**

**Faculty of Economics and Business
University of Zagreb**



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HOME

[Keynote Papers](#)
[Program Committee](#)
[Reviewers](#)
[Conference program](#)
[List of all participants](#)
[PhD Workshop](#)
[Video about Faculty](#)
[Organizing Committee](#)
[About Croatia](#)
[Useful links](#)

SITEMAP

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Full papers presented at the Session 1: Economics

HOME

Keynote Papers
Program Committee
Reviewers
Conference program
List of all participants
PhD Workshop
Video about Faculty
Organizing Committee
About Croatia
Useful links

SITEMAP

No.	Authors	Paper title	Pages
1.	Abdo, H.	Investigating the effectiveness of UK energy policy in promoting renewable investments and reducing carbon emissions	1-23
2.	Bezak, K.	Model of nonlinear dynamic system of sustainable forest management	24-41
3.	Bilas, V., Franc, S., Bošnjak, M.	Determinants of merchandise trade balance in a small open economy: example of Croatia	42-55
4.	Brence, I.	Students workload as intrinsic component for measuring the study process	56-77
5.	Buntak, K., Sesar, V., Droždek, I.	The influence of integrative leadership on public sector excellence from the aspect of common assessment framework application	78-100
6.	Čota, B., Bogdan, Ž., Rogić, L.	Export and domestic demand: some empirical evidence in Croatia	101-124
7.	Drvenkar, N., Marošević, K.	The green industry and the regional competitiveness	125-144
8.	Đuričin, D., Vuksanović, I.	Determinants of national (un)competitiveness: lessons for policy makers in Serbia	145-165
9.	Galetić, F.	The change in the GDP per capita values across the countries of the European Union before and during the crisis	166-177
		(In)efficiency of the sugar production	

10.	Herceg, T.	in European Union - a microeconomic approach	178-196
11.	Ilić, M.	Entrepreneurial finance and relations with economic growth	197-215
12.	Jakšić, S., Žmuk, B.	Modelling croatian export dynamics using global macroeconomic model	116-135
13.	Karcagi-Kováts, A.	Evolutionary game theory and sustainability	136-148
14.	Klarin, T.	Croatian fiscal policy and sustainable tourism development	149-171
15.	Kuti, I., Karcagi-Kováts, A., Dombi, M.	Sustainability and material stock analysis	172-185
16.	Lipnik, A., Cergol Lipnik, M.	South east Europe clusters policy review	186-213
17.	Meng, M., Strazicich, M. C., Lee, J.	Hysteresis in unemployment? Evidence from linear and nonlinear unit root tests and non-normal errors	214-232
18.	Pevcin, P.	Crisis management of slovenian government: policy and governance issues	233-243
19.	Pupavac, D.	Corruption – constant or ephemeral phenomenon of croatian society	244-254
20.	Sabolić, D., Dvornik, D., Hrustić, A.	Economic challenges of power system decarbonization	255-283
21.	Sabolić, D., Dvornik, D., Hrustić, A.	Electricity transmission in context of the EU energy policy	284-304
22.	Svilokos, T., Šuman Tolić, M., Pavlič, I.	Economic growth and tourism demand in Croatia: the cyclical component analysis	305-326
23.	Šandrk Nukić, I., Lovoković, D., Holmik, D.	Managing sustainable infrastructure projects: the case of the waste water treatment plant Osijek	327-353
24.	Urban, B.	Social entrepreneurship: evidence from South Africa on the importance of institutions and self-efficacy on social outcomes	354-382
25.	Vidić, G., Krce Miočić, B.	Evaluation of the impact of students' attitudes on the labour market	383-402



THE INFLUENCE OF INTEGRATIVE LEADERSHIP ON PUBLIC SECTOR EXCELLENCE FROM THE ASPECT OF COMMON ASSESSMENT FRAMEWORK APPLICATION

Krešimir BUNTAK

University North

Vesna SESAR

University North

Ivana DROŽDEK

University North

Abstract

State, regional and local government administration that provide public services are facing new challenges. Slow service delivery and public inertia administration are not synchronized with the time ahead. This paper analyzes the research on the use of common assessment framework in the public sector as a fundamental tool for achieving business excellence. The emphasis is on self-assessment model which aims to encourage quality management in public sector organizations and thus increase the overall public sector effectiveness and efficiency. Excellence and quality of management in the organization is achieved, among other, with the concept of integrative leadership and the method of self-assessment from the aspect of evaluating the maturity level of quality in the organization. The consequence of organization self-assessment and integrative leadership are the keys for achieving a new value. The main objective of this paper is to show how the self assessment model really follows requirements for integrative leadership in the public sector by analysing four objective aspects of harmony. It also aims to show that application of business excellence model and integrative leadership in the public sector improves organization activities and contributes to an overall efficiency and effectiveness of public sector organizations.

Key words: public administration, self assessment, quality, integrative leadership, new economy

Introduction

By entering EU, Republic of Croatia has become a part of a culture which main characteristic is sociological heterogeneity. This diversity is manifested through culture, education and law regulations. Accordingly, organizations that operate in such circumstances have to undergo process adjustments to external changes and restructuring. Especially toward process reengineering by increasing efficiency and effectiveness of processes. Change in the public organization management based on the principles of excellence is necessary to create competitive society that will be able to respond to the new challenges. To make change happen a new leader or leaders are essential to initiate a new wave of people change, organization and society change. Important leadership is integrative leadership whose characteristics and its frame allows changing things from the point of Common Assessment Framework (the CAF model) application as a key to management excellence. Integrative leader is a person who realizes harmony with his actions. The harmony is defined through four elements: spiritual, strategic, mental and operational management. CAF model is based on determining the key factors that are bearers for improving the quality of management in the organization. The model includes key areas that are crucial for achieving business excellence in the organization. One of those areas is the field of leadership. This paper analyses the first criterion of the CAF model called “Leadership” through four elements that form integrative leadership. The aim is to analyse if the first criterion “Leadership” of the CAF model, includes all four elements of integrative leadership or not. Therefore, research hypothesis are:

H1: Integrative leadership has the key role for the success of CAF model application.

H2: To apply integrative leadership of the public sector in the CAF model, it is necessary to implement the fourth element of harmony that is spiritual harmony.

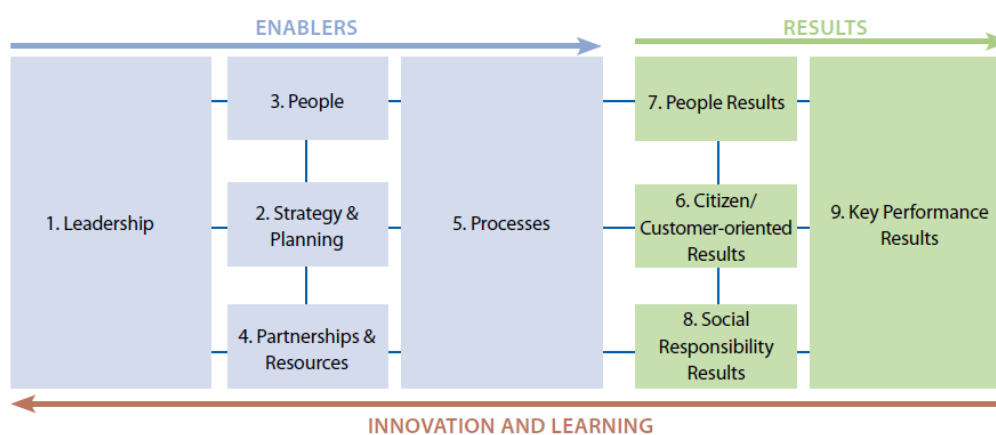
The CAF model analysis

CAF model is a general assessment model based on the well-known principles of business excellence. It is a self-assessment framework made for public sector and based on known awards for quality in Japan, the U.S. and the EU.

The structure of the Model consists of 9 criteria which represent key areas that drive organization (Figure 1). Further, nine criteria is divided into 28 sub-criteria. Through sub-criteria, it is possible to measure reached level of quality management and to determine which are the key organizational areas that need improvement in the future. After the self-assessment follows a period of deficiencies improvement and action plan for its elimination. This actions are main contribution of the CAF model.

The first five criteria of the CAF model define what is organization doing to achieve set objectives and how it solves incurred problems. This set of criteria is called enablers and they enable planned objectives to be achieved. Next 4 criteria (criteria 6-9) deals with the achieved results from the citizen/customer and employees point of view, as well as the results in terms of social responsibility and key performance results. 28 sub-criteria indicate the main areas that need to be assessed in an organization.

Figure 1: The CAF model



Source: European Institute of Public Administration, CAF Resource Centre (2013) *Improving Public Organisations through Self-Assessment*, str. 9

The first criterion is Leadership. The leadership criterion has four sub-criteria and with the self-assessment it should be determined whether a public organization has a defined mission, vision and business values. Following sub-criteria's assess the organization management and its effectiveness and whether there is a continuous improvement. Also assesses motivation methods and how are managed relations with political authorities and other interested parties. The role of leadership is a very important role because it is a driving force for the entire organization. Leadership is a skill that motivate others to be productive and united as they are focused toward achieving goals. This is a win-win combination for both sides, the employees and the leaders. "To ensure all this, leader has to particularly encourage actions in the case of hesitation, certainty in the case of oscillation, courage and confidence in the case of fear, hope and belief in the case of doubt, optimism in the case of cynicism and strength in the case weakness occurs." (Oslić, 2008, p.158).

The criterion "Strategy and Planning" contains defining tactical and operational plans aimed to achieve the set vision of the organization. Also, in this section it is essential to impose the control as a key to excellence. The CAF model uses PDCA (plan, do, check, act) approach. This ensures identification of inconsistencies. Before planning, it is important to screen the organization and collect information about its current position and interested parties about the future vision of the organization. At the same time, it is essential for the organization to have a good management communication in the form of information feedback regarding information collected with the PDCA tool. Such approach requires a dynamic organization where everything planned must be controlled. Accordingly, organization implements the learning process. Every organization that wants to create a new value and achieve quality has to screen its business and working surroundings.

The third criterion are "People Resources". In the last century, value capital was considered something tangible (land, cars, buildings). Today, value capital is intellectual capital. It can be said that 21 Century is the Century of human intellect. Today management is shifting toward intellectual capital and less toward things and material assets. A good leader knows that quality employees are the most precious assets that organization holds. S. Covey in his book "The 8th habit" alleges that things are managed and controlled but people are led and empowered. Employees self-assessment is defined by three sub-criteria. It is measured if the organization has a plan of human potentials and if the plan is adjusted with organizational

development. It is screened if the organization has transparent awarding system, responsibility assignments and other. Transparent people resource management provides an equal opportunity for career development. It is important for the organization to create organizational climate that encourages employee's development. The key is to determine to what extent the superior contributes to productive climate development of its subordinates and to what extent employees participate in decision making.

The fourth criterion analysis "Partnership and Resources". All public organizations have the purpose to deliver service and satisfy customers/citizens need. Public sector has to satisfy many interested parties and on the other hand, it has legal limitations regarding collecting and spending financial resources. Having in mind cost reduction and increasing service effectiveness, organizations must enter partnerships to perform better. This criterion has six sub-criteria that measure to what extent organization expands and manages business relations with key organizations. Besides, the self-assessment of knowledge management and technology is done.

The fifth criterion includes "Processes". This criterion self-assesses organizational processes, especially part of the processes related to mission and strategy realization. Every organization has to identify key processes of service providing. Process self-assessment measures how organization identifies, develops, manages and innovates processes on a daily basis including all interested parties. Here are users/citizens encouraged to give its opinion in order to improve delivered service. This criterion also evaluates organizational process management and processes with other important organizations.

Five described criteria enable improvement of business quality. Through managing criteria, self-assessment and improvement, certain results can be achieved in accordance with quality management leadership. Last four criteria (6-9) refer to "Results". With result criteria, perception about the organization is measured from the view of users/citizens, employees and society. This criteria show if the accomplished results are in accordance with set objectives of the organization.

The sixth criteria is oriented toward users/citizens. Citizen is a final consumer of public service and a taxpayer that pays its liabilities. This criterion shows accomplished

organizational results from user's/citizen's point of view. It is important that public organization measures user/citizen satisfaction in terms of receiving direct feedback information. The aim of the self-assessment is to determine if the organization has satisfaction measures and the information about measured results. Besides satisfaction, organization has to measure quality of delivered service using internal indicators and transparency of provided services. Transparency measures show the number of available information channels, their efficiency, availability and accurate information, objective achievement performance and their efficiency, organizational results, etc.

The seventh criterion are "People results". It measures employees motivation level and working place attractiveness. The key is to collect results from all employees about overall perception about the organization, employees involvement in the decision-making process, improvement activities, mission, vision and organizational strategy consciousness, social responsibility, the existence of consultation mechanisms and the importance of ethical behavior, working conditions and the opportunities for future career development.

The eight criterion gives the results regarding "Social responsibility". Public organizations have to develop social responsibility due to achieving sustainable development. For that reason, organizational development should be in direction of preserving the environment and natural resources, providing equal employment opportunities and ethical behavior through defining the values and policies of public organization. The results include qualitative and quantitative perception measures about the organization and can be measured by using questionnaires, reports, public statements and direct responses from interested parties.

The ninth criterion provides information's about the "Key performance results". These results are correlated with defined short and long term organizational plans. The focus is into organizational possibilities to achieve key performance results. The results can be internal and external. Internal results are oriented on linking the efficiency of human resources criteria, partner, resources criteria, processes with organization goals. External results are outputs and results regarding set goals. Those results are linked to criteria's that bind mission, vision, strategy, planning and processes with the goals set by interested parties.

The use of the CAF model in practice

The intensity of using the CAF model in practice is shown in the 2011 research done by European CAF Resource Centre at the European Institute of Public Administration (EIPA).

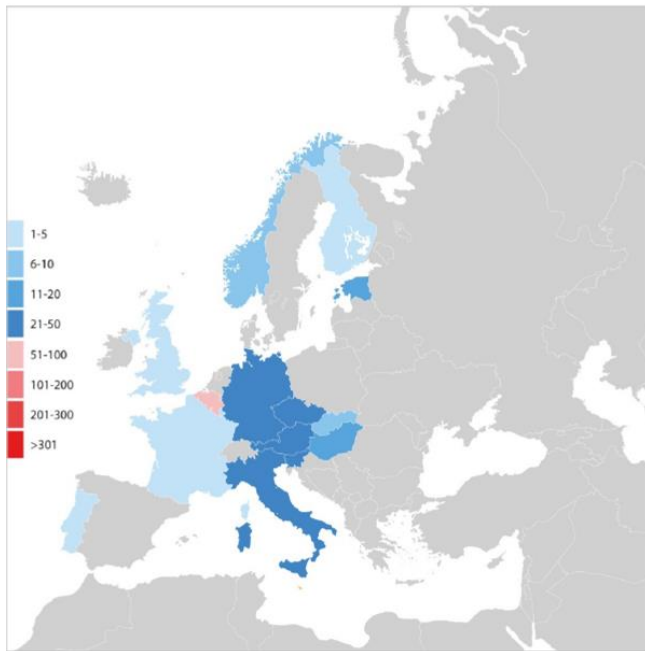
Before were done two researches in year 2003 and 2005. The contribution of this research gives a valuable information about the countries that have been using the model for years. From this research it's easy to see the popularity of the model in EU countries and the stagnancy in some. The main goal of these research was:

1. To collect information on the use of CAF and the dissemination and support in the Member States.
2. To analyse whether there is a need to improve the CAF model itself.
3. To look for new opportunities to further spread its use (European Institute of Public Administration, 2011, p.19).

The best indicator of successful CAF model application is a continuous growing number of its usage. As shown in figures 2 and 3 in the past five years the number of CAF users has grown up from 228 in 2005 to 2066 in year 2010. This enormous increase of CAF usage is a proof of its growing popularity.

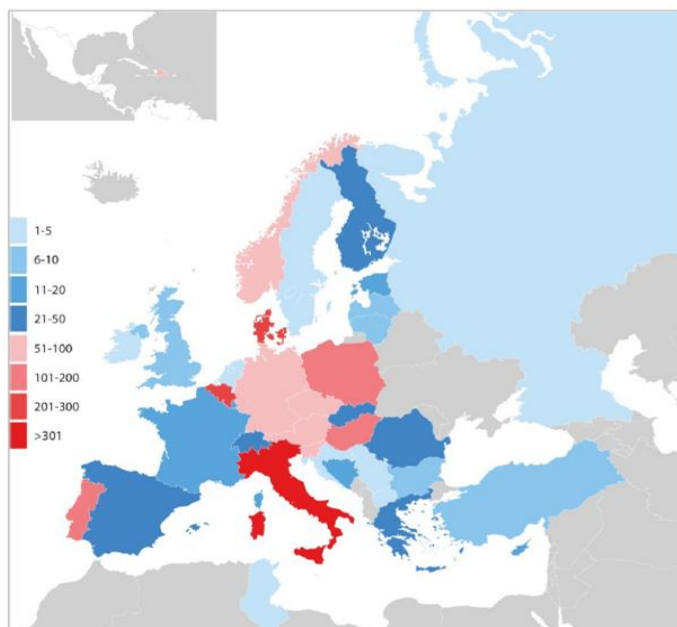
In Figure 3 in the upper left corner it can be seen a Dominican Republic as an example of a new CAF user outside the EU member countries. The CAF model is developed for the European market but there is also an interest from countries outside the EU to use it.

Figure 2: 228 registered CAF Users in February 2005



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 16.

Figure 3: 2066 registeredCAF Users in September 2010



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 16.

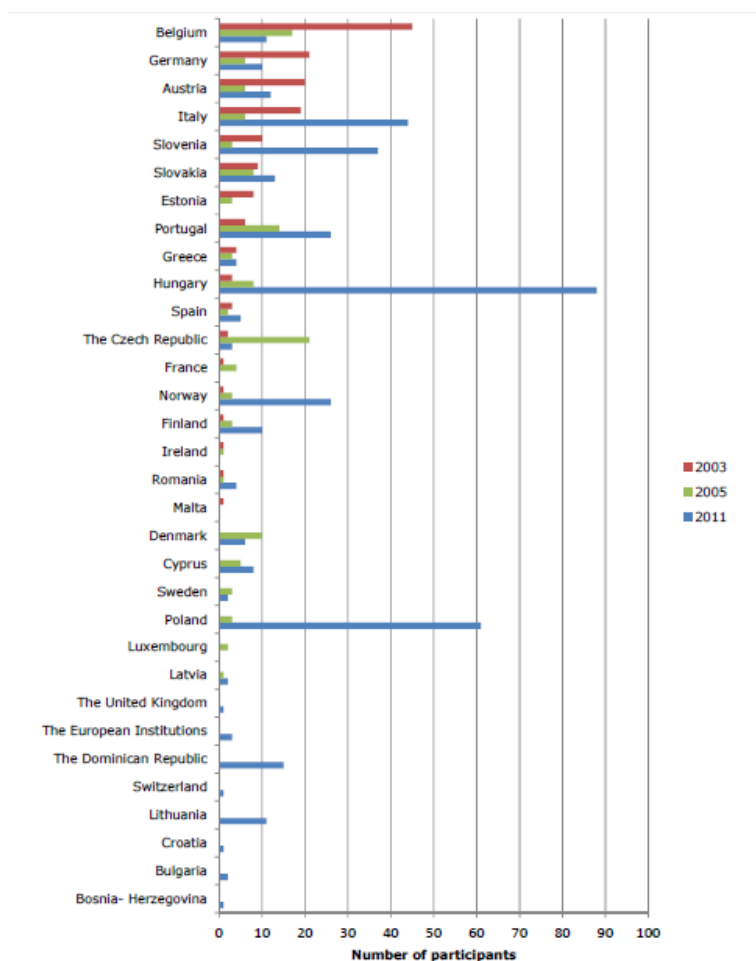
Until the end of 2011 the registered CAF user base counted 2382 registered CAF users inside and out of the EU area.

From this research it can be seen, that for example, Italy uses CAF model in the whole State. Italy has introduced the model in 2006 and today implications are that the culture is changing in public administration toward the public sector excellence.

Figure 4 gives a list of countries and the information about the advancement and the stagnancy of CAF usage in 2003, 2005 and 2011. The big step ahead is done by Hungary that started using CAF in 2003. In 2005 had less than ten organization using the model. But in 2011 Hungary grew to 88 registered public administrations using CAF. The research also showed some countries have abandoned using CAF model such as Estonia, France, Ireland, Luxemburg and Malta. To detect the problem why those countries stopped using the CAF model needs to be enclosed by another research.

Some countries indicate tendency of lesser CAF model usage due to observed year and others show significant progression. It's interesting that CAF model is developed for EU members public administration but the practice shows its popularity in countries outside the EU such as Bosnia and Herzegovina, Dominican Republic, Norway and Switzerland.

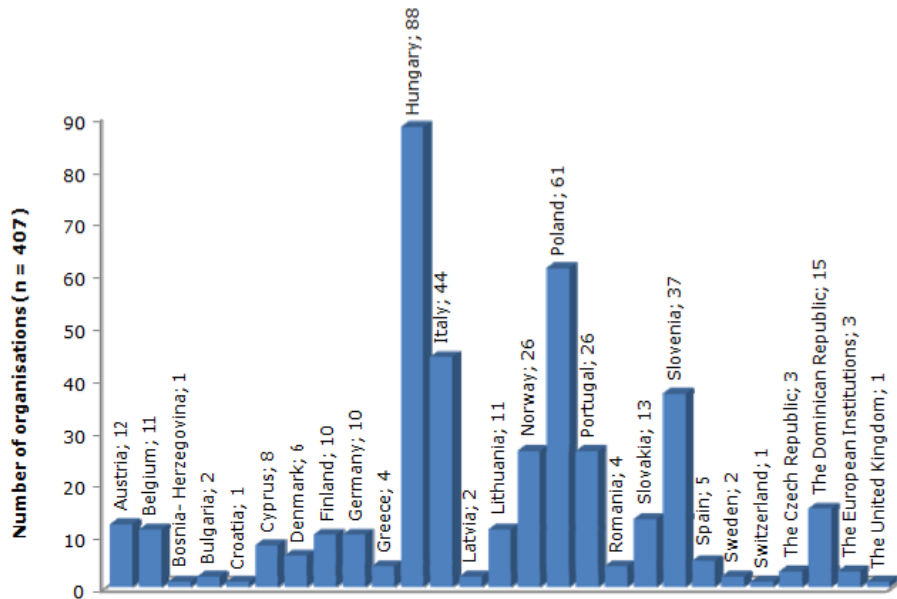
Figure 4: Comparison of the presence of the countries between the CAF studies 2003, 2005 and 2011



Source: *European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 54.*

This research includes 27 countries. Figure 5 shows the number of public organizations per country that have completed survey. Hungary gave feedback from 88 public organization using CAF. This is the biggest response per country. In Poland 61 public organization completed survey, Italy 44 and United Kingdom only one public organization. Croatia has implemented CAF model in the city of Vukovar and is the only example of public organization using the model.

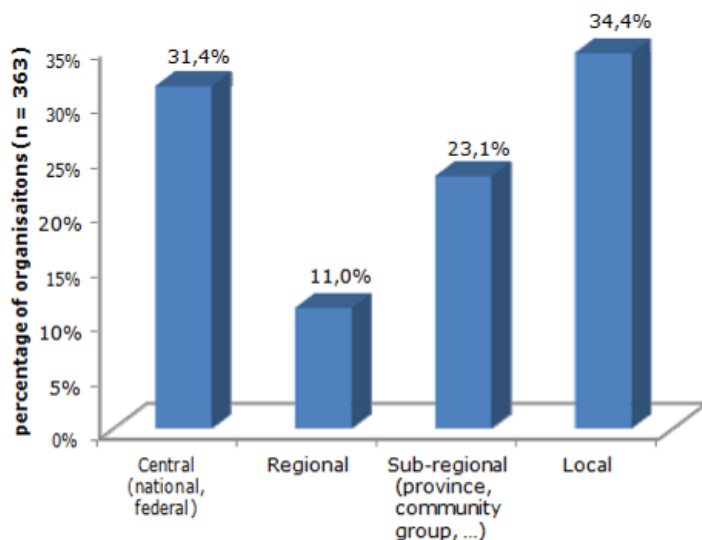
Figure 5: Replies per country for the CAF study 2011



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 57

Due to organization structure, CAF model is most often used in public organization on the local and central level of government while lesser on regional level and nonprofit sector. Graph 6 shows the type of organization and its level in which the model is most often used.

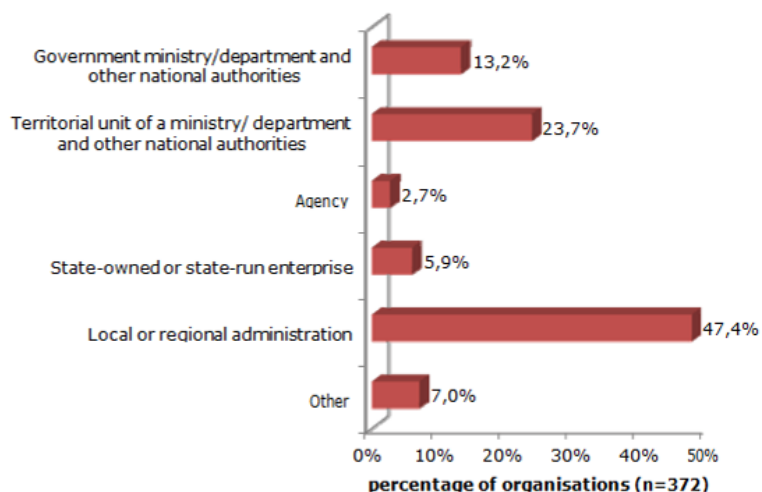
Figure 6: Level of government



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 58

Analysing the type of administration 47.4% of local or regional organization use CAF model and then territorial units of a ministry/department and other state authorities.

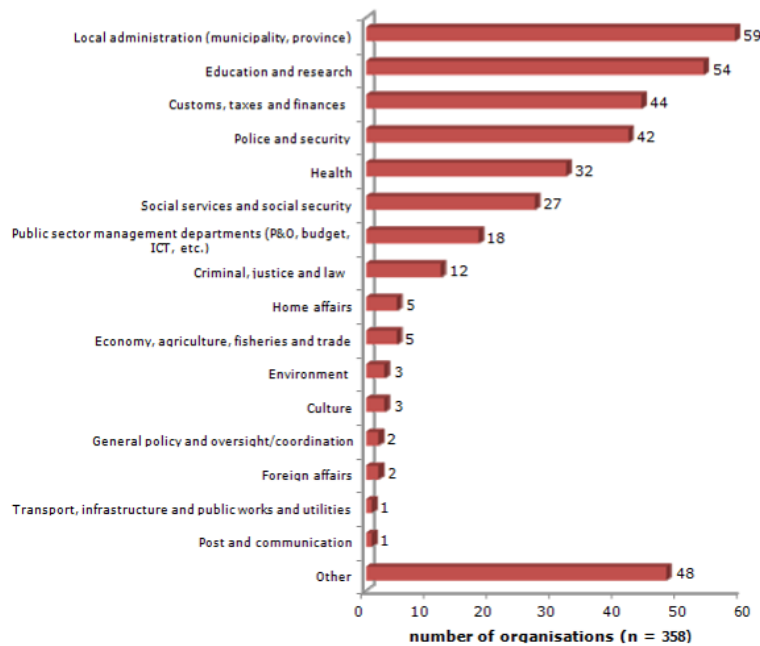
Figure 7: Type of administration



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 59

The conducted reaserch shows possibility of using the CAF model, besides in public administration, also in diverse sectors like education, taxes and customs, police and other (Figure 8).

Figure 8: Sector of activity

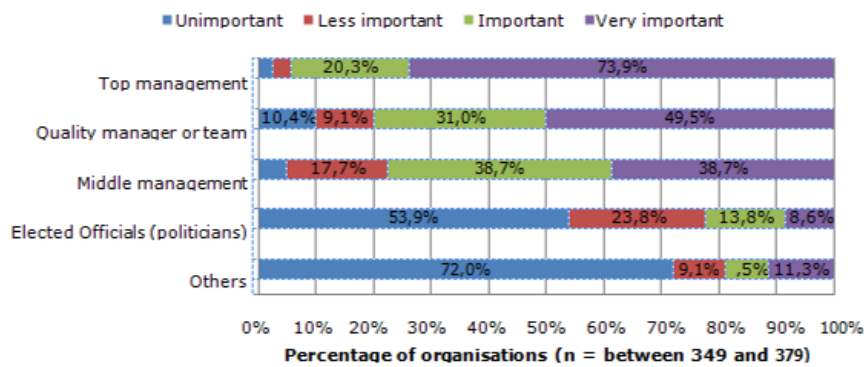


Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: *Five years of CAF 2006: From Adolescence to Maturity- What Next*, pg. 60

Concerning the question of initiative to use the CAF model in more than 70% of the organization, top management took this initiative. A devastating fact is revealed that in 54% of organization elected representatives (politicians) consider using CAF unnecessary (Figure 9).

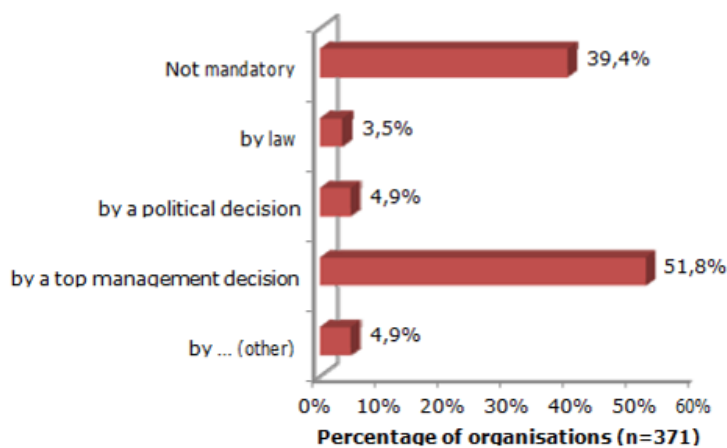
This information can be interconnected with the next question if the implementation of CAF model is mandatory in some countries (Figure 10). Only in 3.9% of organization using the CAF model was mandatory by law. In over than 50% the use of CAF was mandatory by top management decision. Only 4.9% of organization said that implementation was a political decision.

Figure 9: Who took the initiative to use the CAF or TQM



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 66

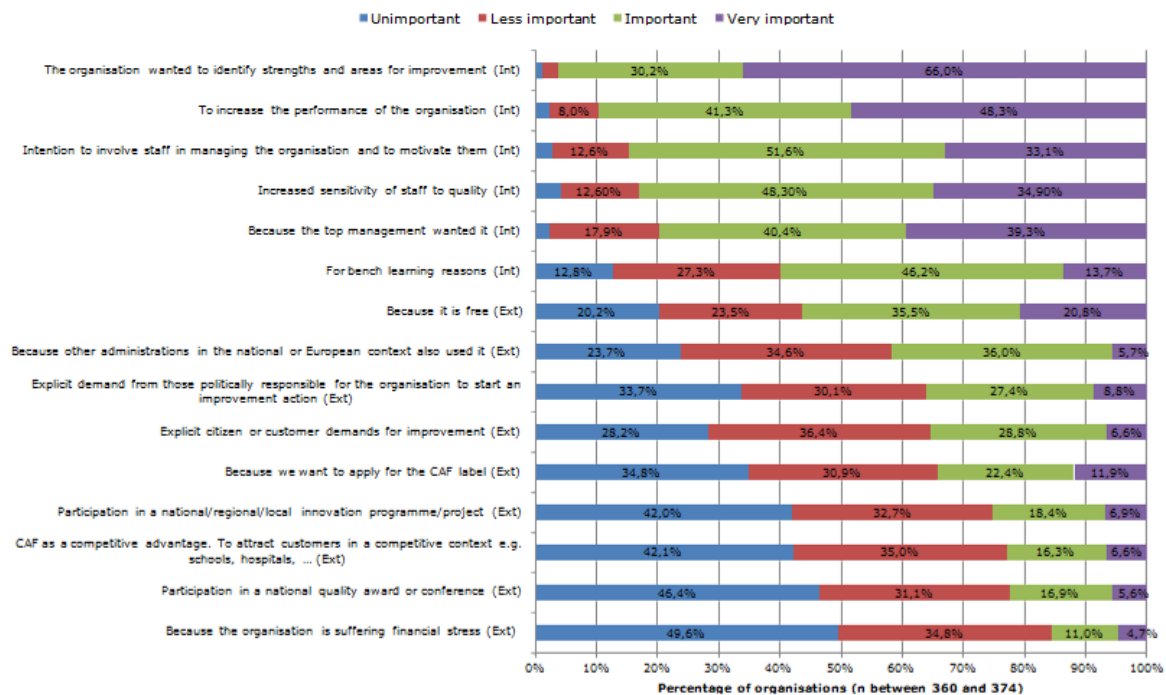
Figure 10: CAF is mandatory by...



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: Five years of CAF 2006: From Adolescence to Maturity- What Next, pg. 65

66% of the organization told the main reason for implementing the self-assessment process an aspiration for identifying organization strengths and areas of improvement (Figure 11). Around 50% emphasized increase in organization performance.

Figure 11: Reasons for using the CAF



Source: European Institute of Public Administration, Staes,P., Thijs,N., Stoffels, A. and Geldof, S.: *Five years of CAF 2006: From Adolescence to Maturity- What Next*, pg. 67

All information collected with conducted research give a clear picture of model popularity and show a need for its use and expansion. Using the model in one public organization cannot impact on changing the culture. Therefore model must be used in more than one or two public organization to start a change process toward excellence.

5. The analysis of the CAF model from the aspect of integrative leaderships

In the CAF model first criterion is „Leadership“. This criterion is used for self-assessment of employees behavior on executive company positions. This criterion is observed through three functions: manager function, leader and “facilitator”. From management aspect, superior has the obligation to manage the organization by focusing on procedures. Planning, organizing and control sets the framework which is a standard for employees work. Leaders human resource management should be able to fully utilize workers potential. Every leader task is to create environment in which employees entirely understand purpose of the organization and their role. Furthermore, it is very important to create working harmony in direction of companies vision accomplishment. As a facilitator it is necessary to support your employees

and enable good relations with all interested parties. In this manner all business cooperation and partnerships are developed and contribute to organization growth. Unlike the private sector where politics has less influence on corporation management, the public sector has stronger connection between organizations and politics. Continuous balance or dynamic stability is the key to organizations business excellence. First criterion “Leadership” is described in the CAF model through four sub-criteria as following:

1. “Provide direction for the organization by developing its mission, vision and values.
2. Manage the organization, its performance and its continuous improvement.
3. Motivate and support people in the organization and act as a role model.
4. Manage effective relations with political authorities and other stakeholders.”(European Institute of Public Administration, 2013, p.18-20).

It is possible to define, through the first criterion analysis of the CAF model, the extent to which leadership sub-criteria are in function of strategic, mental and spiritual harmony as a foundation for leadership and business excellence development. According to Covey, man and/or organization must face with four realities. Only then can start realization of the vision. Four realities are: market value, key competencies, desires and needs of interest parties and value (Covey, 2009, p.196). What Covey calls path seeking is actually organizations business excellence through analysis of four mentioned realities.

Strategic harmony, as one of four elements of integrative leadership, reflects on mission defining, vision and organization values. It is also the first sub-criteria of leadership towards CAF model which defines that leader must ensure organizations development path by developing mission, vision and organization values. Leader must transfer the same mission and vision on the employees. Leader is a role model in value promotion such as equality, democracy, etc., which should be foundation for entire public sector. It is essential for employees to grow with the organization, to know its purpose and position in the future. Strategic harmony or defined organization strategy with implemented mission, vision and values provides long term organization development and employee activities. Participation of employees and interested parties in vision achievement process creates motivation that moves organization forward. Every organization needs to implement mission, vision, value and business policy. Values and business policy are part of the spiritual harmony from the aspect of integrative leadership.

“Mental harmony is a result of equal allocation or proper relation from the point of elementary state of consciousness.”(Bebek, 2005, p.87). According to fourth leadership sub-criteria, mental harmony occurs in effective relations between organization with politics and interested parties. Leader should coordinate elementary state of consciousness (organization values, emotions, thoughts and senses) in order to help authorities create their public policies that affect organization. Primarily, leader should use his negotiation skills that are essential in a political environment where mission, vision and organization values are positioned above political objectives. It is crucial to evenly distribute political power in a way to protect organization from possible personal interests. Organization should provide citizens necessity satisfaction excluded from politics. With his activities, leader creates quality partner network for cooperation, learning, developing and improving of the organization.

“Operative harmony arises between different types of purposeful organizational activities” (Bebek, 2005, p.145). If organization activities and existence are based on principles of effective management and continuous improvement and innovations, its long term path to business excellence is accomplished. To achieve operative harmony in organization, leader should participate in creation and implementation of management system. Organization should have transparent organizational structure and responsibility distribution. Operative harmony, according to CAF model, is defined by sub-criteria which comprises complete organizations management and third sub-criteria which comprises human potential management. Leaders behavior continuously improves and stimulates innovative working environment where an individual as a team member contributes organization development. Organizations operative harmony means that behavior and organizations culture are accepted. Leader is a person that has competence and ability to transfer reasons and needs to the employees in a way to follow him. Accepting this rules, through his personal potentials, employee also achieve organization objectives.

Analyzing all Leadership sub-criteria, it is determined that spiritual harmony is not represented in the CAF model. Therefore, from the aspect of integrative leadership, arises necessity for implementing the fourth harmony into CAF model in terms of defining values and business policy. “Spiritual harmony, in its elementary form, is state of mind that does not conflict with subconscious aspects of cognition or self-awareness. It is state of full resonance

consciousness and subconscious.”(Bebek, 2005, p.19). Spiritual harmony in public organization is closely connected with principle of civil equality in terms of social relation between public employee and citizen. Disruption of this principle where public employee is classified as protected, leads to inefficiency and corruption. “Corruption negatively affects social stability and general social security.”(Terle, 2004, p.139). Necessity of defining and applying ethical behavior should be imperative of public organizations. “Public administration, whose tasks cannot be managed, should be effective and legally compliant. It should also be in accordance with the principle of equity and non-discrimination and by rules of the profession.“ .”(Terle, 2004, p.139). However, the results in practice are opposite and countries have major problem with corruption, nonqualified employees and slow and ineffective public service. Implementing of spiritual and moral values in the organization such as equal rights for all members and equality for all citizens, organization defines its business and values. In this manner we directly or indirectly influence on final result and citizens affiance in public organization. “Organizational values are profoundly embedded assumptions and principles that connect a group as a whole. They can be extremely powerful, because of the ability of replacing the entire rules with several principles. Organizational values are the most powerful weapon that can affect their employees.“(Bahtijarević-Šiber, Sikavica, et.al., 2001, p.380). The organization should have clear policy and transparent values. In this manner it is possible to stimulate internal changes that will take long impact on the outside. Numerous studies show us that organizations that implement values as necessity for continuous education, new knowledge and innovation, are much more successful. Values should be implemented in business policies. “Business policies are general statements or consent that directs manager in decision-making. They influence on organizations future path.“(Weihrich, Koontz, 1998, p.169). Public organizations objective is not only economic (profit, earnings). It is primarily social such as social need satisfaction. “Business policies help in business activity guidance, by facilitating coordination and control, and simultaneously prevent deviation from planned activities. They also apply elements of stability into the organization activities. “(Buble, 2005, p. 11). By forming the business policy, organization should consider external influences and requirements of interested parties. Likewise, needs to observe the internal factors such as business organization and responsibilities distribution. “Organizational values in public administration are affected by: political values (political responsibility, public, transparency) clear legislation, monitoring authorities and professional socialization of the employees.“(Brčić, Vuković, 2008, p.51-69).

Leader should encourage, support, guide his employees on ethical behavior and execution of working obligations in accordance with values and defined policies. Organization will, by implementing this values in business policies, achieve dynamical stability through synchronization of employer's request, workers request and organizations/citizens balance. Therefore, the conclusion, based on conducted analysis of the first criteria "Leadership" in the CAF model and his sub-criteria from the aspect of integrative leadership, it is determined that there are three types of harmony: strategic, mental and operative (Figure 12). Mentioned above there is necessity for integrating the fourth element- spiritual harmony.

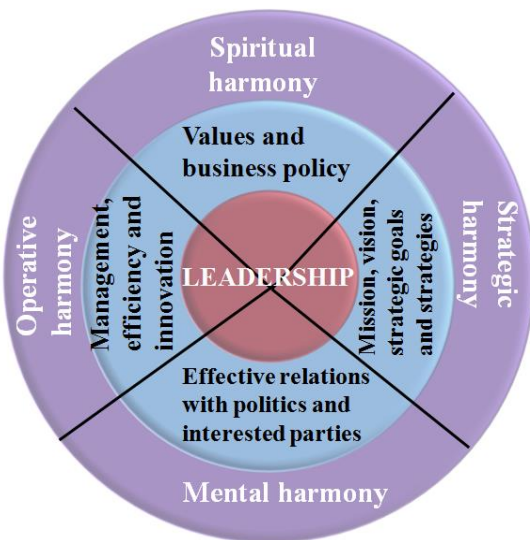
Figure 12: Elements of harmony in the CAF model



Source: Original copyright

Further development proposal of the CAF model in function of integrative leadership is presented in figure 14. Along with strategic, mental and operative harmony, it is also implemented spiritual harmony.

Figure 13: The need of modern leadership in the public sector



Source: Original copyright

In the CAF model should be implemented spiritual harmony as additional sub-criteria that would refer to values defining and organizations business policy. Spiritual harmony should provide answers what are organizational values, employee values and organization objectives. The organization should determine which core values will encourage in further organizational development and create business policies. Purpose of the business harmony is the synergy of the organization, employees and interested parties. Considering that leadership manage employees, spiritual harmony represents the process of employees synergy. “Mission and strategic plan statement is one, and employees synergy process something completely different, therefore its importance is similar. Exemplary leadership is genuinely demonstrated in the path finding. Otherwise, employees will not understand each other, or be emotionally harmonized with the same strategic issues, and consequently it could all go in the wrong direction.” (Covey, 2009, p.198).

Spiritual harmony, as one of four basic elements of integrative leadership, contributes to organizations business excellence through implementation of ethical and social values in organizations business policy. With this four harmonies, modern leadership is able to stimulate changes inside the organization and beyond. This way it is possible to create new value inside the organization.

Conclusion

This paper aims to draw attention to the importance of changes occurring in the environment outside the Croatian borders and the need to introduce new ways of managing and increasing the efficiency and effectiveness of public service delivery. The model that leads public administration toward business excellence is the CAF model that exists 13 years and it is relatively unknown in Croatia. This model, unlike others, has a success because of a holistic approach to organizational excellence. This approach gives a new value to the public organizations and society in general. With the CAF model and win-win approach, user/citizen becomes satisfied. Also by using the integrative leadership approach, organization becomes motivated to perform tasks in the right way.

Following the analysis of the first criteria in the CAF model "Leadership", it has been determined that integrative leadership has a key role in implementation and application of model. Also was determined that the CAF model contains three elements of integrative leadership: strategic, operational and mental. This paper emphasis the need to implement the fourth element of integrative leadership due to sociological aspects of the public sector. The fourth element is spiritual harmony that is defined by values and policies of the organization. Now days, a strong emphasis should be placed on the implementation of values in public organization. The values should be comprised of ethical behavior, equality, equivalence, professionalism and expertise, starting from the individual to the organization and its interested parties. Such an organization becomes responsible to their citizens, and thus efficient and effective. Mentioned values lead to healthy and developed society.

To change current business culture in public organizations it is essential to have strong leadership. Leadership must be manifested through the support of political leaders and its institutions. Fundamental changes cannot succeed overnight, they must be strategically planned and guided by good will. It is important to point out that quality leadership is the key for management quality improvement in public sector. The analysis of research study, confirmed set hypothesis that the success of the CAF model requires strong leadership especially in the area of model implementation as well as after an assessment.

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