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## **NEW PUBLIC MANAGEMENT AND LOCAL GOVERNMENT – AUTONOMY OF LOCAL PUBLIC SERVICE MANAGERS**

**ABSTRACT:** This paper addresses the question of the autonomy of managers of entities that provide local public services (companies established by local self-government units for the performance of communal activities), inspired by the principles of new public management. It analyzes the extent of their autonomy, with particular emphasis on the influence of political factors and managerial capacities. On the theoretical level, the paper examines the relationship (dichotomy) between public authorities and the governing bodies of local utility companies, as well as the types of autonomy that arise from this relationship. The empirical part of the study is based on data collected through a survey conducted in 36 utility companies in the Republic of Croatia during 2023. The aim of the paper is to answer whether public authorities influence the managerial activities and autonomy of local public service managers, and how their roles and functions are interconnected. It has been concluded that clearly defined goals, the establishment of accountability, and constructive cooperation are crucial for the effective delivery of quality and accessible services that meet the needs of the local community.

**Keywords:** *managerial autonomy, local public services, companies established by local self-government units, new public management, meritocracy.*

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## 1. Introduction

The concept of new public management (hereinafter: NPM) was founded in an effort to overcome the structural weaknesses of traditional public administration, which is predominantly determined by strict hierarchical organization, limited flexibility in management, slow adaptability to changes and normative stiffness. By introducing managerial principles and practices taken from the private sector, it seeks to improve the performance of the public sector, through achieving greater efficiency, cost-effectiveness and effectiveness (the so-called 3E approach), while strengthening responsibility and orientation towards results. Gębczyńska and Brajer-Marczak (2020) state that the measurement of public administration performance is based on the definition of criteria, whereby two related but different models are most often used – 3E (economy, efficiency and effectiveness) and IOO (input, output, outcome), whereby the 3E model serves managers to assess and improve efficiency (p. 7). Greater emphasis on the professionalization and realization of the formulated goals, than on the processes of their implementation, is the fundamental requirement of the NJM, so one of the key features of the NPM reforms presupposes greater autonomy<sup>1</sup> of managers of entities performing local public services.<sup>2</sup> The effective performance of local public services depends both on the integrated policies of the holders of local public authorities and on the knowledge, skills and expertise of public managers who perform these tasks. Pérez-López, Prior and Zafra-Gómez (2015) state that “achieving efficient public service delivery is the main political objective at all levels of public administration” (p. 1176). According to Kettl (1997), the basic idea of reforms inspired by the new public management is “*let the managers manage*”, *that is*, focus them on the problems that need to be solved and, in accordance with the set goals, provide them with flexibility in these activities (p. 447). It is important to point out here that changes in the public sector are far more difficult to realize than the private sector. Since the agents of change in the public sector operate in a much narrower discretion compared to private sector entrepreneurs (Nieto Morales, Wittek & Heyse, 2013, p. 742), the latter have a greater degree of organizational autonomy, shorter and more efficient decision-making procedures and a greater ability to adapt in a timely manner to changes in the external environment.

<sup>1</sup> For the purposes of this paper, in addition to the term “managers of local public services”, the term “public managers” will also be used.

<sup>2</sup> For the purposes of this paper, in addition to the terms “local public services”, “companies establishing local self-government units for the purpose of performing utility activities” will also be used the term “public utility companies”.

Directly elected holders of local public authorities cannot be passive and insufficiently informed observers of the process of realization of strategic goals of public utility companies, since they define political priorities and direct the development of policies of public interest. In this context, public managers are expected not only to implement the objectives technically and operationally but also to proactively identify, design and implement practical and innovative solutions in line with the principles of managerial autonomy. In this regard, this autonomy must be realized within a clearly defined institutional framework, which includes mechanisms of political oversight, accountability and transparency, all to ensure that the actions of the public manager remain aligned with the legitimate interests/needs of the public and the strategic direction of the local unit. Kettl (1997) believes that public authorities should primarily focus on setting and monitoring general strategic goals, while managers are given discretion on how to implement these goals, thus “allowing managers to manage” (p. 449). In this sense, Hood points out that one of the central topics of the NPM is “emphasizing the importance of discretionary space of public managers or freedom of management” (Hood, 2000, p. 1). Perko Šeparović (2002) states that public corporations are considered ineffective and incompetent organizations that will become effective only through privatization, the influence of management, characteristic of the private sector, and that this managerial reason is the basic guiding principle of the new public management (p. 41).

However, the key problem stems from the perception that the interests of public managers are potentially not fully aligned with the political goals of the holders of public authority, and such a mismatch may raise doubts about the justification and effectiveness of their autonomy, as it raises the question of the extent to which autonomous managers act in the public interest, and to what extent they pursue their own or limited interests. Therefore, the effect of autonomy depends not only on the formal level of freedom in decision-making, but also on how holders of public authority perceive and interpret this autonomy – as a tool for professionalizing governance and achieving the strategic goals of the organization aligned with the public interest, or as a risk that may lead to the loss of political control and difficult direction of public policies.

## 2. Dichotomy of policy and managerial management

The conflicting roles of politicians-bearers of public authority and managers of local public services are the subject of numerous scientific discussions (Shleifer & Vishny, 1997, pp. 767–768; Bourdeaux, 2008; Aucoin, 2012, p.

178; Wynen & Verhoest, 2015; Krause & Van Thiel, 2019; Van de Walle, 2019; Jacobsen, 2022; Đulabić, 2022, p. 108). The reason for this can be attributed to one of the most significant contemporary challenges faced by public managers, and relates to striking a balance between two opposing axes: on the one hand, meeting the political requirements of public authorities, and on the other hand, flexible, efficient and autonomous performance of tasks, taking responsibility for decisions made and activities carried out. Public authorities and managers of local public services are perceived through different roles: as actors of the process with separate functions, whereby the former should decide on strategic issues and create goals, while the latter are expected to realize them in the most efficient way (Liguori, Sicilia & Steccolini, 2009, p. 311). As Nielsen (2013) points out, the selected holders of public authority are primarily focused on formulating organizational goals and then on monitoring the measurable achievements and effectiveness of managers responsible for the realization of such goals (p. 433). According to Norman (2001), public managers must “balance and control the tensions between freedom and limitation, between empowerment and responsibility, between the *top to down* direction and the *down to top* creativity between experimentation and efficiency (p. 69).

Paradoxically, reforms within the concept of the NPM were on the one hand aimed at strengthening the autonomy and accountability of public managers, while at the same time they were accompanied by efforts to establish stricter political control over these same management structures. While on the one hand too much autonomy and too little control can jeopardize coordination and prevent the delivery of the envisaged services, on the other hand, too much control contributes to the demotivation of those who are “furthest from the sources of power”, which in turn results in the development of passivity and lack of initiative in undertaking appropriate activities related to the realization of goals (Norman, 2001, p. 67). This paradox has been resolved by the approach by which public managers are granted extended management powers, enabling them to effectively implement the goals arising from the policies of public authorities, while at the same time clearly defining the responsibility for achieving these goals. However, the gradual strengthening of political control over time has evolved into a form of politicization, which has led to a violation of traditional values and principles of impartiality and non-partisan governance in public services (Aucoin, 2012, p. 178).

The question of how much public managers in local utilities can really be responsible for achieving the set goals – efficient provision of utilities, becomes problematic when they are not provided with adequate flexibility and autonomy in technical and operational activities. In conditions where

political uncertainty and the possibility of changing local government directly affect the continuity of leadership, public managers are often focused on achieving short-term goals that can be realized within the duration of the political mandate. This disregards long-term, strategically important activities aimed at the public interest, further undermining institutional stability and sustainable management capacity. Smith (1993), explains the meaning of the syntagma *managerial myopia* that arises as a result of the lack of coordination “between the time horizon of the manager and the time horizon of the projects for which he or she is responsible” (p. 143). As a rule, changes in management structures occur after local elections, as a result of the impact of the policy, which often results in difficult continuity of services. A survey conducted by Aragão and Fontana (2022), on a sample of 51 public managers in Brazil, shows that newly elected public managers will not continue those activities performed by their predecessor primarily for the reason of meeting the needs of politicians who have secured their current status (p. 68).

Namely, the short-term planning perspective primarily stems from the strong influence of political factors, among which the manner of appointing a public manager stands out. Since the holder of public authority – in the role of a representative of a member in the assembly of a company – de facto and de jure appoints a public manager, and his legitimacy depends on the election cycle, it is understandable that the public manager will direct management activities towards the realization of those plans that can be realized within one term, i.e. over a period of up to four years. The politicization of administrative structures, manifested through the appointment of politically close individuals to key management positions in the public sector, represents a serious challenge for building a professional, meritocratically based and institutionally stable organization, and personnel practice, guided by political loyalty instead of professional criteria, encourages clientelistic relations within the system, that public functions are used for political control and not for the achievement of the common good. In conclusion, instead of adopting the principles of the NPM – such as efficiency, transparency, market logic, accountability to citizens and managed on the basis of results – such systems remain closed and subject to short-term political interests and changes in the electoral cycle. In this sense, Peters and Pierre (2004) define the concept of politicization as “the replacement of political criteria for criteria based on merit in the selection, retention, promotion, rewarding and disciplining of members of public services” (p. 2). Weller (1989) believes that politicization manifests itself in the forms of using public services for political purposes and appointing and promoting public officials under the influence of politics (p. 371).

### **3. Concept and types of autonomy**

The concept of autonomy, in the relevant literature and in the context of the NPM, is described as the “delegated capacity of the organizational entity”, which includes the adoption and implementation of decisions without additional consent of the holders of authority, which is becoming less and less if the actions of the entities are further limited by political, legal, structural or interventionist measures (Berge & Torsteinsen, 2021, p. 4). The professional literature defines it as the ability of managers to manage processes flexibly and independently, with an emphasis on the smooth implementation of individual initiatives without significant external constraints (Bjørnholt, Boye & Hansen 2021, p. 3). Furthermore, Islam (1993) further emphasizes “the independence of managers from the government in day-to-day decision-making” (p. 132) as a key aspect of autonomy, while similar forms of operational autonomy are extensively written by numerous authors, emphasizing the importance of manager autonomy as a fundamental prerequisite for effective management and adaptation within different organizations (Maniatis, 1968, p. 518; Bezes and Jeannot, 2018, p. 3; Van de Walle, 2019, p. 3; Öberg and Wockelberg, 2021), etc.

The concept of “management autonomy” encompasses the different types of autonomy that organizations may have. Voorn, Borst, and Blom (2020) identify three types of management autonomy with a special emphasis on companies founded by local units, namely: strategic autonomy - determines who has control over the formulation of long-term strategies and goals, financial management autonomy - defines the extent to which organizations have control over their budget, costs, and investments, and human resource management autonomy - conditions the discretion that organizations have in human resource management matters. All listed types of management autonomy make it difficult for public authorities to directly manage or influence these entities in the performance of local public services, while at the same time ensuring greater freedom of these entities in the provision of services, in a way that is potentially more efficient, than if it were managed by local units (p. 663).

### **4. Research and measurement coverage**

The empirical research was conducted through a questionnaire, which included utility companies, which were designated by selected local self-

government units in the Republic of Croatia<sup>3</sup> as one of the organizational forms of performing utility activities in the cities and municipalities from the sample (article 5, paragraph 1, item 2 of the Utility Economy Act, (hereinafter: ZKG). During 2023, the questionnaire was sent to 86 official e-mail addresses of the mentioned entities, and it was completed by 36 utility companies. The questionnaire sought to obtain information on the relationship between public managers and holders of public authority and the potential impact of the latter on management autonomy. The questions were asked in the form of an assessment of agreement with the statements, i.e. indicating the level of agreement with the proposed possibilities, which were answered by the directors/members of the management boards (hereinafter: respondents) of the subject entities. According to the provisions on the classification of entrepreneurs, the utility companies in the sample predominantly belonged to the group of medium-sized entrepreneurs (article 5 of the Accounting Act). The results of the research related to two complementary research dimensions are presented and analyzed below: the nature of the relationship between public managers and holders of public authority is explored, taking into account the fact that holders of public authority, as representatives of a member of the assembly of a local utility company, appoint public managers for a specific mandate, which can potentially directly or indirectly influence the process of making business decisions and seeks to determine the level of autonomy of public managers in the daily management of these entities.

## 5. Results and discussion

The results presented below are analyzed in two thematic units that correspond to the previously defined research dimensions: the relationship between public managers and public authorities (Table 1), and the level of management autonomy in local utility companies (Table 2). The analysis of the results of descriptive statistics aims to provide insight into the way respondents perceive each other's roles, limits of responsibility and decision-making opportunities, thus raising questions about the balance between political control and managerial autonomy, as one of the areas of NPM.

<sup>3</sup> The special questionnaire covers 143 local self-government units, or 26% of the total number of local units in the Republic of Croatia. Data were collected for 23 cities (large cities and cities with county seats), which represents (18% in relation to the total number of cities) and 120 municipalities (28% in relation to the total number of municipalities), whereby the municipalities covered by the survey were distributed in all 20 counties in the territory of the Republic of Croatia, by size - number of inhabitants, namely the three smallest and three largest municipalities in each county.

**Table 1.** A set of claims concerning the relationship between public managers and holders of public authority

1. The management of the utility company shares business information with the holder of public authority (mayor/mayor of the municipality)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	4 - Mostly agree	12	33.3	33.3	33.3
	5 = Strongly Agree	24	66.7	66.7	100.0
	Total	36	100.0	100.0	

2. The management of the utility company adapts to the requirements coming from the holders of public authority (mayor/mayor of the municipality)

Valid	Neither agree nor disagree	2	5.6	5.6	5.6
	4 - Mostly agree	15	41.7	41.7	47,2
	5 = Strongly Agree	19	52.8	52.8	100.0
	Total	36	100.0	100.0	

3. The relationship between the Utility Administration and the holder of public authority (mayor/mayor of the municipality) shows a high level of mutual trust

Valid	2 - Mostly disagree	1	2.8	2.8	2.8
	Neither agree nor disagree	3	8.3	8.3	11.1
	4 - Mostly agree	4	11.1	11.1	22.2
	5 = Strongly Agree	28	77.8	77.8	100.0
	Total	36	100.0	100.0	

4. It is more important for the management of the utility company to meet the requirements of service users than the requirements of the holder of public authority (mayor/mayor of the municipality)

Valid	2 - Mostly disagree	3	8.3	8.3	8.3
	Neither agree nor disagree	17	47,2	47,2	55.6
	4 - Mostly agree	12	33.3	33.3	88.9
	5 = Strongly Agree	4	11.1	11.1	100.0
	Total	36	100.0	100.0	

5. Fluctuation of the Utilities Management Board is higher if there is a change in the holder of public authority (mayor/head)

Valid	1 - Do not agree at all	3	8.3	8.3	8.3
	2 - Mostly disagree	1	2.8	2.8	11.1
	Neither agree nor disagree	7	19.4	19.4	30.6
	4 - Mostly agree	14	38.9	38.9	69.4
	5 = Strongly Agree	11	30.6	30.6	100.0
	Total	36	100.0	100.0	

6. The newly elected public authority holder (mayor/head) changes the existing Management Board of the utility company solely for the purpose of improving the organization of the Company

Valid	1 - Do not agree at all	7	19.4	19.4	19.4
	2 - Mostly disagree	8	22.2	22.2	41.7
	Neither agree nor disagree	11	30.6	30.6	72.2
	4 - Mostly agree	9	25.0	25.0	97.2
	5 = Strongly Agree	1	2.8	2.8	100.0
	Total	36	100.0	100.0	

7. The newly elected public authority holder (mayor/head) appreciates the performance of the existing Utility Management Board and does not change it

Valid	1 - Do not agree at all	3	8.3	8.3	8.3
	2 - Mostly disagree	5	13,9	13,9	22.2
	Neither agree nor disagree	17	47,2	47,2	69,4
	4 - Mostly agree	6	16.7	16.7	86,1
	5 = Strongly Agree	5	13,9	13,9	100.0
	Total	36	100.0	100.0	

8. Electoral-political changes at the local level (of the mayor/mayor of the municipality) have a weaker effect on the change of the existing Administration of utility companies, if this company achieves positive results

Valid	1 - Do not agree at all	6	16.7	16.7	16.7
	2 - Mostly disagree	9	25.0	25.0	41.7
	Neither agree nor disagree	10	27.8	27.8	69.4
	4 - Mostly agree	7	19.4	19.4	88.9
	5 = Strongly Agree	4	11.1	11.1	100.0
	Total	36	100.0	100.0	

9. To what extent are the changes in the management boards of utility companies taking place under the influence of the holders of public authority?

Valid	Very rare	7	19.4	19.4	19.4
	Rarely	5	13,9	13,9	33.3
	Occasionally	8	22.2	22.2	55.6
	Often	5	13,9	13,9	69.4
	Very often	11	30.6	30.6	100.0
	Total	36	100.0	100.0	

Source: Results of the author's research

Respondents most often replied "I completely agree" to the first three statements, in percentages ranging from 55.2% to 77.8%. Based on the results of descriptive statistics, it can be concluded that a positive atmosphere prevails in the relations between public managers and holders of public authority, marked by a mutual orientation towards common goals and

public values, which contributes to the successful provision of an efficient public service.

Interesting insights are provided by the respondents' answers related to the perception of the relationship between the requirements of utility users and the requirements of the holder of public authority. To the claim "*4. It is more important for the Management Board of the Company to meet the requirements of service users than the requirements of public authorities*", the largest number of respondents (47.2%) took a neutral position ("neither agree nor disagree"). This response can be interpreted as a pronounced need to balance between two levels of responsibility: those towards end users of services and those towards the founder of the local utility company – the holder of public authority.

However, it is important to emphasize that the requirements of these two actors are not always harmonized, nor necessarily equally directed towards the public interest. The interests of end-users (citizens) generally include the availability, quality and economic affordability of services. In contrast, the demands of public authorities can be politically conditioned – for example, aimed at implementing short-term political goals, improving personal or party image, or achieving fiscal goals through unpopular measures such as increasing service prices – and thus come into conflict with citizens' expectations. For example, in the City of Zagreb, during the restructuring process of Zagrebački holding d.o.o. after the local elections in 2021, an increase in the prices of certain utility services, including waste disposal and transport, was announced. Such a decision provoked resistance from some citizens who perceived it as a reduction in public service standards without adequately improving their quality. This example clearly shows how citizens' demands for affordable and quality services may conflict with the political agenda of the city administration, whereby the management of the utility company acts as an implementing body of political will, rather than as an independent representative of the public interest.<sup>4</sup> In such a context, the role of the public manager becomes extremely complex – he is expected to respect political guidelines and protect the interests of citizens at the same time, often without institutional mechanisms that would guarantee decision-making independence and responsibility based on expertise and professionalism.

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<sup>4</sup> See articles: *Due to salary increases in Holding and ZET, part of the utilities in Zagreb will increase in price.* Downloaded 2025, July 5 from <https://www.poslovni.hr/hrvatska/zbog-dizanja-placa-u-holdingu-i-zet-u-poskupit-ce-dio-komunalnih-usluga-u-zagrebu-4374063>; *The price of transport is increasing in Zagreb.* Downloaded 2025, July 5 from <https://net.hr/danas/vijesti/u-zagrebu-raste-cijena-odvoza>

30.6% of respondents expressed full consent to the statement "*Fluctuation in the management boards of utility companies increases after the change of public authority holders*". However, the majority of respondents took a neutral position ("neither agree nor disagree") on issues related to the impact of political election cycles on changes in the management structures of utility companies. The basis for these claims should primarily be sought in the impact of the policy on the appointment and revocation of management structures of local public services. Public authorities undoubtedly play a significant role in the process of appointing and recalling public managers, which is often associated with the emergence of political revanchism. Practice shows that the new elected local government holders, despite the good results of the previous management of the utility company, often change the existing management. Such changes, motivated by political patronage, ideological reasons or personal preferences, lead to the appointment, as a rule, of persons from the same political option in whom the holder of power has personal confidence.

These procedures do not constitute a legally impermissible action, especially if the newly appointed public managers, in addition to political-personal characteristics, possess the necessary experience, expertise, knowledge and skills necessary for the effective performance of all relevant activities related to the operation of utility companies and the provision of public services. However, if their appointment is based solely on the criteria of clientelism, nepotism and similar forms of political favoritism, such an approach inevitably leads to a decrease in efficiency in the provision of utilities.

Claims "7. *The newly elected public authority holder (Mayor/Head) appreciates the success of the existing Management Board of the utility company and does not change them*" and "8. *Electoral-political changes at the local level (of the Mayor/Head) have a weaker effect on the change of the existing Administration of utility companies, if the Company achieves positive results*" are especially interesting because the largest share of respondents pragmatically opted for a neutral position, expressed through the answer "neither agree nor disagree".

The observation that the newly elected public authority holder appreciates the performance of the existing management of the utility company and does not implement changes in its composition can be viewed through the prism of rational and responsible management of public resources. Decisions to retain or modify management structures depend on a number of factors, including the achievement of strategic objectives, organizational capacity,

cost-effectiveness, and overall operating results. In cases where the existing administration achieves satisfactory or above-average results, the newly elected public authority holder may, taking into account the principles of continuity, institutional stability and public interest, make a decision on its retention. Such an approach implies that policy changes do not necessarily result in changes in management positions, especially when previous administrations have demonstrated functionality and effectiveness in the implementation of public policies and services.

Recent practice in the management of local utility companies in the Republic of Croatia indicates the frequent occurrence of recalls of managers of utility companies, often motivated by political reasons.<sup>5</sup> Such moves most often serve as an instrument of political positioning of newly elected public authorities, enabling them to express political dominance and direct the actions of these companies in accordance with their own program goals and strategies, so these changes are often justified by the thesis of the need for stronger control over the utility system, despite the possibly positive results of the previous management. The findings of this research, taking into account the possibility that respondents' responses reflect a certain level of opportunism - either with the aim of preserving their own position, avoiding conflicts with executive holders or as an expression of political conformism - open up space for further empirical research, which should be aimed at a deeper understanding of the real autonomy of local utility administrations and mechanisms of political influence.

This is a complex institutional-legal issue that requires deeper theoretical and empirical analysis, especially in the context of the current regulatory framework that allows local public authority holders the right to appoint and/or revoke local utility management. Although such powers are legally founded and stem from the political legitimacy acquired in the elections, the question arises to what extent their politically motivated application can limit the professionalization of corporate governance, impair continuity in the management of the local utility company and in the long run affect its efficiency and sustainability.

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<sup>5</sup> The example of the City of Zagreb after the local elections in 2021. illustrates the described situation. Although some utility companies, including Zagrebački holding d.o.o., recorded positive business results in certain segments, the newly elected city administration initiated a wide reorganization and dismissal of utility companies' management boards. The changes are explained by the need to increase transparency, efficiency and compliance with the new political agenda, which raises an important issue of institutional balance between, on the one hand, the legitimate right of political actors to exercise electoral will and, on the other hand, the need for professionalization, continuity and depoliticization of public enterprises.

The central objective of the research was to examine the extent to which public managers perceive the existence of a close connection between the political influence of public authorities and management activities within utility companies, so a special focus was placed on the dynamics of changes in management structures that occur as a result of election-political cycles at the local level. To the question asked: “9. *To what extent do the changes of the Company's Management Board take place under the influence of the holders of public authority?*”, 30.6% of respondents answered that such changes take place “very often”, while 19.4% of them considered that they happen “very rarely”. These results indicate a relatively high degree of perception of political influence on management changes in utilities.

It is indisputable that the holders of public authority, when acting as the founder of a local utility company, exercise their rights and competences as a member's representative in the assembly of that company, which according to the Companies Act (1993) is one of the three fundamental bodies of the corporate structure of the company (with the management and supervisory board). Within these powers, they are legitimately entitled to appoint and recall members of the management board, thereby exercising an immediate institutional influence on the management and strategic direction of the entities in question. However, although these powers are clearly defined by the relevant and applicable regulations, the frequency of their use in politically sensitive moments (for example after local elections) can cause dilemmas related to the alignment of political interests with the need to preserve expertise, continuity and independence in the management of utility companies.

The key question in the analysis of personnel changes in the management structures of utility companies is to what extent these changes are truly based on objective criteria, and to what extent they are used as an instrument of political control. In other words, whether the principle of meritocracy applies in this context or whether the so-called *spoil system* (political booty system) dominates. If the changes are based solely on subjective assessments or distrust of the existing leadership, without an objective evaluation of their results and transparency of work, such an approach calls into question the principles of transparency and impartiality, which can adversely affect the public interest and potentially jeopardize the stability of the operations of utility companies.

The next set of questions focuses on respondents' perceptions of their own level of autonomy in day-to-day management, including decision-making on organisational, financial and personnel issues.

**Table 2.** Managerial autonomy of managers of local utilities

1. To what extent can the Management of the utility company autonomously decide on the promotion of employees?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Somewhat	4	11.1	11.1	11.1
	Full	7	19.4	19.4	30.6
	Completely	25	69.4	69.4	100.0
	Total	36	100.0	100.0	

2. To what extent can the Management Board of the utility company autonomously decide on the employment of employees in the Company?

Valid	A little	1	2.8	2.8	2.8
	Somewhat	8	22.2	22.2	25.0
	Full	9	25.0	25.0	50.0
	Completely	18	50.0	50.0	100.0
	Total	36	100.0	100.0	

3. To what extent can the Management of the utility company autonomously decide on the sanctioning of employees?

Valid	A little	1	2.8	2.8	2.8
	Somewhat	3	8.3	8.3	11.1
	Full	6	16.7	16.7	27.8
	Completely	26	72.2	72.2	100.0
	Total	36	100.0	100.0	

4. To what extent can the Utility Management decide autonomously on employee pay and remuneration policies?

Valid	Somewhat	10	27.8	27.8	27.8
	Full	14	38.9	38.9	66.7
	Completely	12	33.3	33.3	100.0
	Total	36	100.0	100.0	

5. To what extent can the Utility Management decide autonomously on employee evaluation?

Valid	Full	8	22.2	22.2	22.2
	Completely	28	77.8	77.8	100.0
	Total	36	100.0	100.0	

6. To what extent can the Utility Management decide on investment policies autonomously?

Valid	A little	3	8.3	8.3	8.3
	Somewhat	12	33.3	33.3	41.7
	Full	15	41.7	41.7	83.3
	Completely	6	16.7	16.7	100.0
	Total	36	100.0	100.0	

7. To what extent can the Management Board of the utility company autonomously decide on forms of borrowing for loans, bond issues, etc.?

Valid	A little	5	13,9	13,9	13,9
	A little	9	25.0	25.0	38.9
	Somewhat	12	33.3	33.3	72.2
	Full	9	25.0	25.0	97,2
	Completely	1	2.8	2.8	100.0
	Total	36	100.0	100.0	

8. To what extent can the Utility Management decide autonomously on utility or product pricing policies?

Valid	A little	7	19.4	19.4	19.4
	A little	8	22.2	22.2	41.7
	Somewhat	12	33.3	33.3	75.0
	Full	6	16.7	16.7	91.7
	Completely	3	8.3	8.3	100.0
	Total	36	100.0	100.0	

Source: Results of the author's research

Question bank „1. To what extent can the Management Board of the Company autonomously decide on the promotion of employees?”, “2. To what extent can the Management Board of the Company autonomously decide on the employment of employees in the Company?”, “3. To what extent can the Management Board of the Company autonomously decide on the sanctioning of employees?” refer to the area of autonomy in human resources management (hereinafter: HRM), to which the largest number of respondents answered in the affirmative, stating that the Management Board of the Company “fully” has such autonomy. Similarly, to the questions “4. To what extent can the Management Board of the Company autonomously decide on employee pay and remuneration policies?” and 5 To what extent can the Management Board of the Company autonomously decide on the evaluation of employees?”

affirmative responses also dominated, suggesting a high level of autonomy of the Management Board in key aspects of human resources management.

The analysis of the collected answers indicates that respondents perceive a reduced intensity of political influence of public authorities on personnel decisions in local utility companies, which allows them greater autonomy in the field of HRM, thus achieving a more flexible adaptation of personnel policy to the specific needs of the community/requirements of citizens and efficient provision of utilities. Such reduced involvement of the mayor or the mayor of the municipality in personnel processes can have positive effects, but at the same time it is important to ensure that the increased autonomy of local public managers does not result in negative phenomena such as reduced transparency in hiring. Therefore, it is necessary to establish clearly defined standards, guidelines, supervisory mechanisms that will prevent potential conflicts of interest within the described processes. The fundamental principle of meritocracy, which ensures that the selection of candidates is based solely on their professional competencies, knowledge and skills, promotes objectivity, fairness and professionalism in the recruitment process, and such an approach also increases transparency and accountability, reducing the risk of political influence and strengthening confidence in the work of the public administration.

Regarding the autonomous management of the entities' finances (*financial management autonomy*), the results point to certain challenges and limitations in independent decision-making, especially in areas such as pricing of services and financial borrowing. Thus, the largest number of respondents (33.3%) "somewhat" agree with the possibility of independently deciding on utility or product pricing policies (question 8). These results are not unexpected, as utility pricing policies, in accordance with applicable and applicable regulations, are subject to control by local public authorities (under Article 37 of the ZKG, it is stipulated that the price of the utility service and the method of calculation and payment are determined by the utility service provider and that the mayor or the head must give consent to the utility service provider for the price list of utility services (if it is not manifested within 60 days - it is considered that the consent has been given)). It is important to emphasize that this is not just a formal tool, but an extremely important management instrument on the basis of which the holders of public authority can influence the business results of the utility company. Namely, the head of the local self-government unit has the right to adopt or reject the proposals of the public manager for, for example, a proposal to increase the price of the service - taking into account the obligation to protect consumers, the

principles of economy and efficiency and the principles of acceptability of the price of utility services (Article 4 (1) (11) and (15) -ZKG).

In conclusion, to the questions “6. *To what extent can the Management Board of the Company autonomously decide on investment policies?*” and „7. *To what extent can the Management Board of the Company autonomously decide on forms of borrowing for loans, bond issues, etc.?*” a majority (33%) of respondents expressed the view that they “somewhat” agreed with the claim of autonomy. These are expected results as any form of potentially irrational borrowing – whether through loans, bond issuance or the use of other financial instruments – can have a negative impact on the financial stability of the utility. With the aim of preserving fiscal sustainability, business transparency and protecting the public interest, various mechanisms of supervision and control over financial decisions of utility companies have been established. For example, for certain types of debts, the obligation to obtain the prior consent of the local self-government unit, the assembly of the company and/or the representative body is prescribed, all in order to ensure responsible financial management and prevent possible fiscal risks.<sup>6</sup>

## 6. Conclusion

The management of local utilities within the concept of NPM implies a careful harmonization of the autonomy of public managers and the supervision of public authorities, whereby a balance that enables professional and effective decision-making within clearly defined institutional and political frameworks is crucial. It emphasizes the importance of autonomy of public managers in

<sup>6</sup> Below is an overview of several conclusions adopted by the representative body of the local self-government unit (City Assembly of the City of Zagreb). See: Conclusion on granting consent to the company Zagrebački holding d.o.o. for long-term borrowing and refinancing of existing credit obligations and granting a guarantee for long-term borrowing. Downloaded 2025, July 3 from <https://www1.zagreb.hr/sluzbeni-glasnik/#/app/akt?id=efb530d9-e9c1-495f-8950-26f7edb09ce3>; Conclusion on repealing the Conclusion on the initiative for amending the Regulation on criteria, criteria and procedure for deferral of payments, instalment repayment of debt and sale, write-off or partial write-off of receivables and granting consent to Zagrebački holding d.o.o. and related companies, for granting deferral of payment and instalment repayment of debt. Downloaded 2025, July 3 from <https://www1.zagreb.hr/sluzbeni-glasnik/#/app/akt?id=ebf46e66-66fa-49b9-a4bf-5d4eb5657525>; Conclusion on granting consent to the company Zagrebački velesajam d.o.o. for long-term borrowing with Erste&Steiermärkische Bank d.d. Downloaded 2025, July 3 from <https://www1.zagreb.hr/sluzbeni-glasnik/#/app/akt?id=c58d2d7c-ea6d-484d-bbda-92440a7f200d>; Conclusion on granting consent to the company Zagrebački električni tramvaj d.o.o. for long-term borrowing with Zagrebačka banka d.d. Zagreb. Downloaded 2025, July 3 from <https://www1.zagreb.hr/sluzbeni-glasnik/#/app/akt?id=0dc6c4b7-21e5-4f6c-acf0-3097db4ab98a>, etc

operational management and strategic adaptation to the needs of end users, but this autonomy is not absolute and is limited by the legitimate right of holders of public authority, who, as elected representatives of citizens in local elections, are responsible for setting policies and supervision in accordance with the public interest. Namely, it is indisputable that greater autonomy of public managers provides the necessary flexibility and innovation for strategic management and adaptation to the specific needs of end users of utilities, but without appropriate control mechanisms, space can potentially be opened for abuses and deviations from community goals. On the other hand, excessive or inappropriate control of public authorities can jeopardize operational efficiency and innovation in management.

Therefore, it is necessary to establish clearly defined, measurable and achievable goals, transparent procedures and effective accountability and institutional oversight mechanisms, whereby the role of public authorities is to define, precisely on the basis of democratic legitimacy, strategic guidelines in accordance with the public interest, while public managers are responsible for their operational implementation, while ensuring the quality and availability of services and building citizens' trust in the effectiveness and integrity of local government.

In conclusion, it is extremely important, both in order to protect the general interest and to strengthen citizens' trust in public institutions, that both holders of public authority and managers of utility companies consistently adhere to the principles of meritocracy, which require that all key management and professional functions be entrusted to candidates based on their expertise, knowledge, competencies and skills, since such an approach contributes to the professionalization of the public sector, thus ensuring the adoption of sustainable decisions aimed at the needs of end users of public services and the achievement of strategic goals of the local community.

## **Conflict of Interest**

The author declare no conflict of interest.

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## NOVI JAVNI MENADŽMENT I LOKALNA VLAST – AUTONOMIJA RUKOVODITELJA LOKALNIH JAVNIH SLUŽBI

**APSTRAKT:** Rad se bavi pitanjem autonomije rukovodilaca subjekata koji obavljaju lokalne javne usluge (privrednih društava koja osnivaju jedinice lokalne samouprave radi obavljanja komunalnih delatnosti), inspirisan principima novog javnog menadžmenta. Analizira se nivo njihove autonomije sa posebnim naglaskom na uticaj političkih činilaca i upravljačkih kapaciteta. Na teorijskom nivou prikazuje se odnos (dihotomija) između nosilaca javne vlasti i upravljačkih tela lokalnih komunalnih društava, kao i vrste autonomije koje iz tog odnosa proističu. Empirijski deo rada zasniva se na podacima prikupljenim anketom sprovedenom u 36 komunalnih društava u Republici Hrvatskoj tokom 2023. godine. Svrha rada je da odgovori na pitanja da li nosioci javne vlasti utiču na upravljačke aktivnosti i na autonomiju rukovodilaca lokalnih javnih službi, kao i na koji su način njihove uloge i funkcije međusobno povezane. Zaključuje se da su jasno definisani ciljevi, uspostavljanje odgovornosti i konstruktivna saradnja ključni za efikasno pružanje kvalitetnih i dostupnih usluga koje odgovaraju potrebama lokalne zajednice.

**Ključne reči:** upravljačka autonomija, lokalne javne službe, privredna društva koja osnivaju jedinice lokalne samouprave, novi javni menadžment, meritokratija.

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