

Hiring of Management of Municipally-owned Enterprises and Organizations: the Case of Bratislava

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Agenda

1. City of Bratislava, MOEs, MOs & Context
2. Proposed solution
3. Details, implementation, design of the process
4. Results
5. Limitations

City of Bratislava - Overview

- Two-tier municipal administration: city and 17 city districts (+ also regional government)
- Inhabitants: 450.000 (official), 700-800.000 (mobile operators estimate)
- Annual budget: ~450 million EUR
- City owns 100% or majority shares in several companies (municipally-owned enterprises, MOE) and established 11 important municipal organizations (MO)
- Mayor (elected by inhabitants in direct vote)
- Municipal assembly (elected by inhabitants in direct vote)

MOEs and other MOs

- MOEs:
 - 100% share: OLO (municipal waste management company)
 - 100% share: DPBA (municipal public transport company)
 - 60% share: BVS (regional water and sewage company)
 - 65% share: Metro Bratislava (public transport infrastructure company with long-lost purpose)
- MOs (under total control of the city):
 - GIB (municipal development company)
 - City museum, city gallery, city library, city theatre, tourist center
 - Zoo, stadiums and sport centers administrator, administrator of city cemeteries, administrator of municipal forests

Context

- C-level positions/boards of directors of MOEs used to be allocated according to (cyclical) political deals, often linked to various interest groups
- Hidden interests, self-interests of the managements, incompetence brought some of the MOEs to the brink of collapse and bankruptcy
- Transparency and public control over MOEs' activities and management remuneration were limited
- The public lost trust in their managements
- MOs had long-term directors (even 15-25y in function)
- There was (almost) no performance management in terms of delivery of public services => as a result, low accountability was normalized

Politics of appointments

- MOEs
 - Board of Directors / Supervisory Board – proposal of the mayor approved by the municipal assembly by a simple majority vote
 - Board of Directors / Supervisory Board – removed from office by the mayor, although this has always been done after the consent of assembly
- MOs
 - Single director / organization – appointed and removed from the office by the municipal assembly by a simple majority vote on the proposal of the mayor
 - No specific supervisors
- Removal from office either tied to political cycle (MOEs) or does not take place (MOs) – low performance and accountability considerations

How does one get professional management of MOE?

1. Agreement over the management within the municipal assembly and with the mayor
 1. Deal concerns specific managers, therefore the appointments are typically mutual
 2. As a result we may get MOEs divided among interest groups / factions
2. Agreement over key performance indicators
 1. Deal concerns specific outcomes over certain time period for which a management would be accountable
 2. Mayor could propose his/her appointments of managements together with a set of KPIs with an implicit agreement with the municipal assembly that non-performance or low performance by the management leads to their removal
3. Agreement over the selection procedure / hiring process and KPIs
 1. Deal concerns specific procedure and outcomes – as a result, municipal assembly should agree on the managers selected according to the procedure and tie their positions to agreed KPIs

Proposed Solution

Open and transparent selection procedures / hiring process

- Open calls for c-level positions (members of the board of directors of MOEs and directors of MOs)
- Hiring committees composed of respected top managers from private or public sector
- Thorough HR assessment
- Public hearing in the final round
- Transparent scoring system
- Performance-based system of remuneration (and removal)

Details and Implementation

- 1. Define the objective and make a political deal within the municipal assembly**
- 2. Explain to the public**
- 3. Design the procedure and ethical codex**
 - Make the document public and binding
 - Cooperate with someone experienced in the field
 - Interest groups will try to discredit the process and/or individual candidates

Design of our procedure

1. Open calls

- Job descriptions prepared by professional HR consultants, based on overall development plans of the city
- City website (single information point)
- Job portals – massive advertising of job offerings (major job webpages, Facebook and LinkedIn)
- Getting personal references (candidates provided their own professional references + we conducted background checks from open data)
- Required materials: CV, motivational letter, 360* references

2. Longlist

- Each committee member ranks the candidates
- Up to 10 candidates (average rank) continue with the process
- The committee can vote to pass less than 10 candidates

3. Interviews

- HR specialists perform interviews with candidates and their references
- Special report and background check done for every candidate

Design of our procedure

4. Shortlist

- Committee selects max 5 candidates for the public hearing based on the reports and background checks
- Their CVs and completed assignments are made public before the hearing

5. Public hearing

- Private hearing first – candidates can withdraw from the process i.e. if their integrity is in doubt before moving on to public hearing
- Candidates have a presentation of their assignment (typically a short study of development plans of the MOEs/MO)
- Next - questions from the committee and audience

6. Scoring

- Committee gathers in private and score each candidate based on predefined categories
- 2 rankings are created: Based on average score (points) and average ranking (position)
- If there are different winners in each, the committee selects the winner by a majority vote
- Scores as well as explanation of the committee's decision are then made public

Committee members

1. Mayor's nominee
2. Nominee of the MPs
3. Reputable independent senior specialist in the field of the MOE/MO
4. Reputable independent senior HR specialist
5. Reputable independent senior manager (C-level)

Each political party in the municipal parliament can nominate an observer who can attend the whole process but cannot ask questions.

Additional notes

- Procedure balances two interests:
 - Transparency – we wanted to make as much information public as possible (e.g. publishing a complete list of candidates in the end)
 - Privacy of candidates – while not compromising on the privacy of candidates (e.g. allowing unsuccessful candidates who may have jobs or other commitments to withdraw their GDPR consents in fear of endangering their existing jobs etc.)
- Watch out for leaks
 - NDAs signed with committees
 - Reports on candidates have unique watermarks for each committee member
- Keep records of everything
 - Scoring sheets filled in pen, signed and store
- Communication is key. Explain the decisions well. In case of a close result, explain the process again in advance.

Results

- 20 positions in 12 MOEs/MOs successfully filled by independent professionals (some are still on-going)
- Dozens of applications received – 20 applications on average on each C-level position in the three major MOEs
- Very low representation of female candidates (input, but also output – only one C-level manager of MOEs is a woman)
- Remuneration is tied to KPIs (adopted by the municipal assembly) and transparent
- There is no concurrence of labor code contract and management contract
- Significant improvements in the organisations have already been implemented and more to come
- There is *trust* between the city and the managers – not only between the mayor / executive and the managers, but also in relation to the assembly

Limitations

- It is challenging to make the public trust in the process
 - The level of trust towards politics is very low in general
 - Explainers, KPIs, but most of all results may change that
- There is a need for interim managements until the hiring process is completed
 - It may be difficult to find interim managers and incentivize them well enough to leave their existing jobs to fill in for a period of <12 months to stabilize MOEs/MOs
- Supervisory boards (MOEs) remain politically appointed (members of the municipal assembly according to the deals stroke by the representatives' clubs)
 - In the future, a political deal could be done so that at least a portion of the supervisory board are professional members with top management/business experience (not always the case with members of the municipal assembly)

Thank you for your attention

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