

New Attitude to Functions Reviews of Public Institutions

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Abstract

Possibilities for business development are influenced by many environmental factors and conditions. A major one is public sector, more specifically, the services provided by public sector. In the context of growing environmental demands and expectations in respect of public sector, it becomes necessary to justify activities of institutions in the light of creating the preconditions for implementing the priorities of country's development. For this purpose, application of the functions review method in public sector has been internationally recognised as appropriate. While public institutions carry out reviews of functions, they face with methodological level problems which aren't still resolved in essence. A major issue is the methodological approach to functions review. A methodological basis of such review provided in special literature is insufficient. Our research allowed to supplement the methodological basis of functions review with well-founded approaches and to systemise methodological provisions for functions review. This article contains both the original recommendations on how to assess factors which determine selection of the methodological approaches for functions review and the regularities of links between such factors and methodological approaches which are recommended in setting an integrated combination of the methodological approaches for particular situation of public institutions.

Keywords: institutions, activities, functions review, strategic planning, methodological basis, development of activities

JEL Classifications: H83

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1. Introduction

Institutions of public sector regulate business as in Lithuania as well in other countries and role of public sector in creating increasingly better conditions for business development in any country is highlighted. Progress of business development is impeded by many environmental factors and conditions. The problems in the area of activity of institutions can be solved with using business practice tested management tools, such as strategic planning, programme based budgeting, marketing, models of quality management, forms of network management, etc. (Bivainis, Tunčikienė, 2011). In the context of growing environmental demands and expectations in respect of public institutions, it becomes necessary to justify their activities according preconditions of country's development priorities. So, application of the functions review method in public sector has been internationally recognised as appropriate for this purpose (Integrity review ... 2013) But recognising the importance of functions' review, or even attempt of legitimating, is only one of the preconditions for its implementation. Effective application of such an instrument requires some preliminary work, which involves complex phases of designing models for functions review and their development into concrete methods.

In addition there are still many unresolved issues, which are related to the lack of methodological basis (Afonso et al. 2010; Borge et al. 2008; Lukashenko 2009; Manning, Parison 2004;; Medvedev 2002; Petrov 2002a, b; Reed 2010; Resolution No. 968 ... 2011, 2013 and others). Undoubtedly, reasonable help for decision of these questions is not suggested yet, it would allow applying functions review as an instrument for effective management, or more concretely, for strategic planning in public sector. The existing situation when there is a high requirement for practice and, one the other hand, there is a lack of methodological studies, determined the aim of our research – to identify the place of functions review in strategic planning of public institution, to form recommendations for selecting the best methodological approach to the analysis and evaluation of functions, and to reason the appropriateness of integrated methodology for functions review use.

2. The place of Functions Review in Strategic Planning of Public Institution

An arsenal of use different measures for improving institutional performance management is permanently additional (if not in essence, then at least in form) according constantly changing environmental conditions of public sector.

Public organisations are prone for novelties, but their implementation is usually scarce, episodic with a lack of radicalism. There is an unquestionable requirement for designing new type public organisations with high technological level that are able rapidly implementation of innovations. Strategic planning can be recognised as a one of the main instruments for sustainable development of institutions activities (Bivainis, Tunčikienė 2011; Raipa, Jurkšienė 2013; Resolution No. 827 ... 2012; Skačkauskienė et al. 2013). Currently such an instrument is targeted on broader consumer value orientations, competitive opportunities, possibilities for a complex conception of the improved management of public institutions' activities (Melian-Gonzalez et al. 2010). In order to take institutional strategic planning as a flexible performance management instrument rather than a normative one (the latter concept of strategic planning was especially followed in the earlier versions of strategic planning methodology (Resolution No. 968 ... 2013), the current version of the methodology is viewed more positively in this respect (Resolution No. 827 ... 2012)), it is appropriate to look for coherence and complementarity of different instruments for improving the (strategic) management process of public institutions. Use of functions review is one of the ways to find rational to coherently supplement institutional strategic planning instrumentation (Tunčikienė et al. 2013). In case of such integration, review of functions becomes one of the main an evidence-based and result-oriented management instrument.

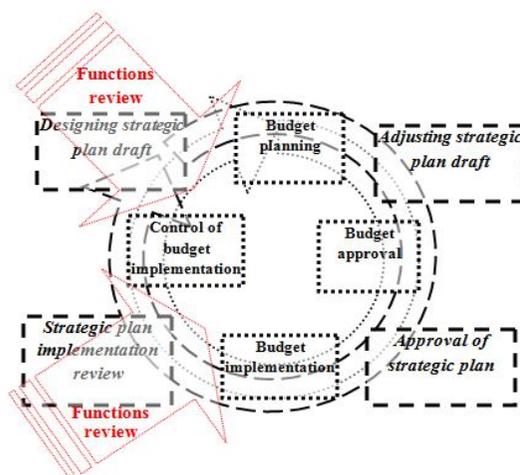
The current version of the methodology for strategic planning of public institutions (Resolution No. 827 ... 2012) promotes (although not directly in every sense) application of functions review as for dealing with solitary tasks of strategic planning. According to the mentioned methodology, project of actions plan preparation starts with an environmental analysis and review of programmes progress. But it is rational to use the results of such an analysis in the later stages of a drafting strategic actions plan of public institutions, i.e. for the adjustment of their mission, forecasting strategic changes also, setting strategic objectives and even preparing programmes for their implementation. In addition, current strategic planning methodology foreseen consideration of need to apply functions analysis, as well as other GNU tools (eg., Program evaluation, zero-based budgeting methods) not at the institutional, but at the Prime Minister's Office level, finding a variety of interests and influence groups consensus on planned decisions and their results as well the limits of appropriations.

In order to increase coherence among individual measures for managing a sustainable development of activity and also to reason functions analysis addition meaningfulness of strategic planning instrumentarium., the first rational action is a setting out in detail the link between strategic planning and functions review. The analysis of the link between functions review and evaluation of budget programmes enables establishing the place of functions review and its role in the institutional strategic planning. A functions review can have either a direct or indirect link with the budget programme evaluation (Recommendations for the application ... 2011):

- The use of functions review results in making decisions on the allocation of appropriations to institutions can be regarded as a direct link. Subject to the findings of functions review, reduction of management costs can be differentiated in respect of the role of an institution and its particular functions.
- The institution's decision to conduct a functions review resulting from decreasing budget appropriations and thus to look for performance effectiveness enhancement reserves can be regarded as an indirect link. Functions review results for institution provide a basis for appropriations required for future or present programmes of institution.

According to the experts from the World Bank (Manning, Parison 2004), the results of functions review are linked with the budget cycle and strategic planning process. The diagram of an integrating functions review into the cycle of budgeting and, at the same time, into strategic planning is presented in Figure 1.

Fig. 1: An Integration of the Functions Review into the Cycle of Budgeting/ Strategic Planning



Source: composed by the authors in accordance with Manning, Parison 2004; Recommendations for the application ... 2011

The functions review allows to receive a full information which is necessary for assessing changes (quantitative and qualitative) in institution's activities according results of the strategic actions plan implementation within a fixed time period: an information of the activities, which is pursued by the public institution, information on financial allocations for the certain activities, and even information on the achievement of the activity results. In addition, such kind of information is useful in the context of identification of reserves for further promotion of targeted institutional developments and for making future decisions as to the funding required for the performance of activities geared towards the planned perspective. Moreover, the purpose of the functions review is to create preconditions for justifying the validity of next year appropriations, which are necessary for public institutions (Functional reviews and ... 2008; Lukashenko 2009; Medvedev 2002; Petrov 2002a, b; Reed 2010). Hence, the functions review enables addressing the fundamental strategic planning tasks of public institutions to create preconditions for efficient allocation and rational use of budget funds with a view to implementing strategic goals of institutions and priorities of the Government (Tunčikienė et al. 2013). The linkage between functions reviews and strategic planning derives from the assumption of the appropriateness of applying management tools in general: both institutional activity management tools in fact contribute to the rationalisation of budget expenditure.

The goal of strategic planning in an institution is to create preconditions for increasing the efficiency of future-oriented activities of the institution, whereas the objective of strategic planning encompasses possibilities for coherence of institution's activities with its environment. The functions review is oriented towards creation of conditions for preparing and making the decisions that determine qualitative changes in public sector activities, basing them on the analysis results of the expedience of the institutions' activities as well as rationality and efficiency of their management. The object of functions review is the functions performed by institutions (their units) in the area of implementing national social and economic development priorities and, at the same time, satisfying public needs and expectations in the global market (Drejeris et al. 2013; Tunčikienė et al. 2013). In different phases of the institutional strategic planning cycle it may become necessary to conduct a functions review by analysing the institution's performance potential to implement a programme (whether continued or new) in an efficient manner and to pursue the goals set. According to the purpose is suggested to adapt the methodological potential for evaluating the effectiveness of the activity in public institutions (Afonso et al. 2010; Arend, Levesque 2010; Borge et al. 2008; Lonti, Woods 2007; Modell 2009; Pedraja-Chaparro et al. 2005).

Table 1 shows peculiarities of integrating the functions review into the institution's strategic planning cycle by specifying the purpose of the functions review and conditions of its application in different phases of the planning cycle. Where specifically appropriate, the functions review may supplement the evaluation of planning decisions in every phase.

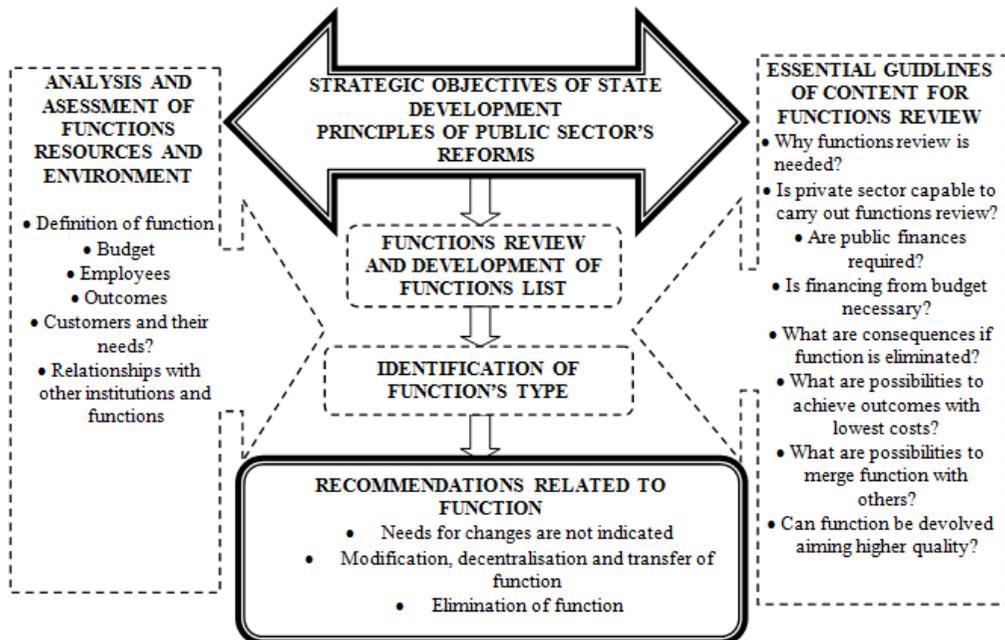
Table 1: Peculiarities of Integrating the Functions Review into the Institution's Strategic Planning Cycle

Cycle phases Tool integration conditions	Design and adoption of strategic plan	Implementation of strategic plan	Monitoring of strategic plan implementation
PURPOSE	Functions review supplements the ex-ante evaluation of a strategic background, target orientation, strategic decisions and their implementation action programme.	Functions review supplements the mid-term evaluation of a strategic plan (target orientation, strategic decisions and their implementation action programme).	Functions review supplements the final evaluation of a strategic plan (target orientation, strategic decisions and their implementation action programme).
NEED	There is a need to revise the target orientation, adopt strategic decisions on the implementation of the revised target orientation and their implementation action programme in terms of function content and process.	Monitoring results show deviations from the set goals and their implementation targets. There is a need to analyse the causes of deviations in terms of function content and process	Monitoring results raise a fundamental question of activity organisation - whether better results could have been achieved with the same resources and competences?

Source: composed by the authors in accordance with Recommendations for the application ... 2011.

3. Methodological Basis of Functions Reviews

Methodological preconditions are relevant with a vision to coherence of functions review and strategic planning, as well as the synergic effect of application thereof. According to Manning and Parison (2004), etc. (Petrov 2002a, b), the methodological basis of functions reviews consists of procedures performed and methods applied in the process. The principal scheme of functions review is presented in Figure 2.

Fig. 2: Methodological Basis of Functions Review

Source: modified by the authors in accordance with Manning, Parison 2004; Recommendations for the application... 2011; Tunčikienė, Korsakienė 2014.

The principal functions review scheme (Fig. 2) enables an analysis of each function against its background which comprises the results of the analysis and evaluation of environment and resources, long-term national development goals and basic principles of public sector reform, as well as basic guidelines for functions review content. The functions review based on searching for answers to the given questions, can help in forming the list of rationally-composed functions, also classification of functions by the defined characteristics and even represent the set of tasks of functions review with recommendations for the function as the ultimate outcome.

4. Preconditions for Supplementing Methodological basis of the Functions Review

So, it is logical to answer such a questions in order to fundamentally incorporate the functions review tools into strategic planning of public institutions and to achieve the synergetic effect that promotes targeted development of institutional performance: does the methodological basis of functions review corresponds with the strategic planning methodology; what variations are possible in methodological approaches of functions review in the light of traditional strategic planning methodologies; what methodological approaches of functions review are appropriate in use as a basis for the functions review in public institutions? Compatibility (undeniable) of functions review and strategic planning methodologies can be based on:

- A link between the functions review and strategic planning goals and an implementation tasks of achieving them. This link provides sufficient basis to consider the functions review an integral part of some individual components of strategic planning;
- The essential principles of functions review and strategic planning of activity. According comparing of the functions review principles and strategic planning, which was made by information of special literature, allows to determine distinctions between two main groups of such principles representing the insights of symptoms of development barriers and opportunities, apprehension and solution of development-related problems, choice a trends for activity development and the significance of their implementation (Tunčikienė et al. 2013).

Following a prescriptive methodological approach, functions review is based on the principles of comprehensive theories of making decisions which recognises sufficient foresight of the future activity, systemic complexity, also requisite certainty and clarity, large formalisation of possibilities, and multi-sided adaptation of solutions to a structure and other possibilities, as well as consistency and compatibility of all the steps. The emergent approach is useful in looking for such functions review results that would enable preparation, making and implementation of decisions that increase possibilities for greater coherence between public institutions and their environmental demands. This approach also employs formalised rules and procedures, but they are not organised into whole, strictly consistent steps.

Such functions review is continuous, with its individual iterations being determined by negotiation and knowledge results. Intent is the dominant and one of the main aspects in the functions review process, with the key focus being placed on how to develop institutional resources for use an existing potential. The key methodological principles of functions reviews can be provided in more detail way by following the same logic which is applied for characterising methodological aspects of strategic planning principles implementation during the phases of strategic background designing, setting target orientation, and preparation, making and implementation of strategic decisions (Tunčikienė et al., 2013). So, it is need determining the choice of methodological approaches of functions review with taking into consideration an impact of environmental factors on institution's activities, as well as given the resources of institutions, also with formed totality of the specific features of institution's adaptation to the changing environmental conditions and requirements constitutes common factor.

5. Technique of Selecting Methodological Approaches to Functions Review in the Public Institutions

It is proposed to analyse the environmental characteristics of public institutions with using solid methodological potential for environment analysis (Afonso et al. 2010; Borge et al., 2008) or, more specifically, a method of environmental turbulence analysis, which is modified by the authors. The essence of the suggested method is to identify the level of environmental turbulence by the assessment an environment according to the selected qualitative criteria. The method is applied to assess the following aspects, which may be used to identify the nature of changes in the institutional environment: complexity, novelty, pace and predictability of environmental changes. The outcome of using the suggested method is possibility to evaluate (a particular score expressed in points) the institutional environment level of turbulence – ETR_{total} (for better objectivity it is proposed to use two estimation techniques for setting weights of the main environmental factors) which requires the following intermediate results (Table 2 and Table 3):

- Estimate expression of the institutional environment components (political, economic, social and technological environment) separately by each criteria characterising environmental turbulence (complexity – C_1 , novelty – C_2 , pace of changes – C_3 , predictability – C_4) and by the integrated criterion (turbulence – TR_i)
- Estimate of the general institutional environment by criteria, which can describe environmental turbulence ($PESTV_i$);

Table 2: Components of Turbulence of the Institutional Environment and its Elements (in Formalised Expression)

Criteria Environmental components	Complexity (C ₁)	Novelty (C ₂)	Pace of changes (C ₃)	Predictability (C ₄)	TR _i
Political environment (P)	PV ₁	PV ₂	PV ₃	PV ₄	TR _P
Economic environment (E)	EV ₁	EV ₂	EV ₃	EV ₄	TR _E
Social environment (S)	SV ₁	SV ₂	SV ₃	SV ₄	TR _S
Technological environment (T)	TV ₁	TV ₂	TV ₃	TV ₄	TR _T
PESTV _i	PESTV ₁	PESTV ₂	PESTV ₃	PESTV ₄	ETR _{total}

Source: composed by the authors

- Significance of the institutional environment components (political, economic, social, and technological) scores (q_i) and normalised significance (Q_i) (Table 3).

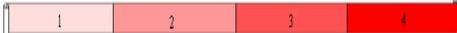
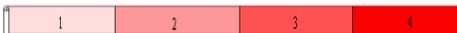
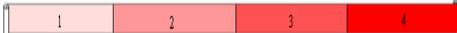
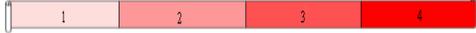
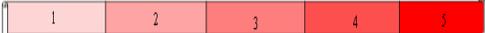
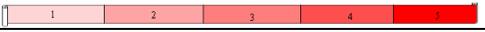
Table 3: Components Significance of the Institutional Environment (in Formalised Expression)

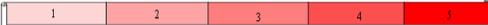
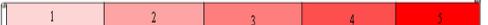
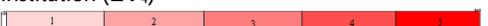
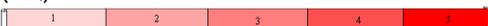
Significance Components of the environment	Significance (scored) (q _i)	Significance (normalised) (Q _i)
Political environment (P)	q _p	Q _p
Economic environment (E)	q _e	Q _e
Social environment (S)	q _s	Q _s
Technological environment (T)	q _t	Q _t

Source: composed by the authors

Experts had to offer analysed characteristics of the institutional environment with use a rationally composed questionnaire, in which variants of answers and particular scores (expressed in points) attached to each answer (Table 4). Sometimes can be difficult to produce unambiguous estimates of environmental characteristics, so it is reasonable to use score intervals, i.e., to identify the minimum and maximum (min and max) values of the every factors with determining environmental turbulence.

Table 4: Scoring Questionnaire for the Every Component of Institutional Environment (P-E-S-T)

Criteria	Question	Notes
<p>c₁ – complexity of the institutional environment</p>	<p>What is the territory of changes, which has a direct impact on the activities of the institution?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Town/city, district (1 point). <input type="checkbox"/> Region (2 points). <input type="checkbox"/> Country (3 points). <input type="checkbox"/> EU (4 points).  <p>Integrated assessment of the institution' political environment (PV₁)</p>  <p>Integrated assessment of the institution' economic environment (EV₁)</p>  <p>Integrated assessment of the institution' social environment (SV₁)</p>  <p>Integrated assessment of the institution' technological environment (TV₁)</p>	<p>In case of diverse environmental complexity (when is impossible to strictly (unambiguously) defining), it is reasonable to use score intervals by setting the minimum and maximum values of the factors, which can determine environmental turbulence.</p>
<p>c₂ – novelty of the institutional environment</p>	<p>What is the nature of the institution environmental situation?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Stable situation (1 point). <input type="checkbox"/> Standard new situation/no unexpected situations (2 points). <input type="checkbox"/> Likelihood of new situations/new situations can be predicted based on the analysis of past trends (3 points). <input type="checkbox"/> Unexpected/new situations can be only fragmentary predicted (4 points).  <p>Novelty assessment of the institution political environment (PV₂)</p>  <p>Novelty assessment of the institution economical environment (EV₂)</p>  <p>Novelty assessment of the institution social environment (SV₂)</p>  <p>Novelty assessment of the institution' technological environment (TV₂)</p>	<p>In case of diverse novelty of the environment (impossible to strictly (unambiguously) defining), it is reasonable to use score intervals by setting the minimum and maximum values of the factors, which can determine environmental turbulence.</p>
<p>c₃ – pace of changes in the institutional environment</p>	<p>What is the potential for responding to the changing environment?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Very great potential, no strain (1 point). <input type="checkbox"/> Great potential, low strain (2 points). <input type="checkbox"/> Medium potential, medium strain (3 points). <input type="checkbox"/> Limited potential, high strain (4 points). <input type="checkbox"/> Very low potential, very high strain (5 points).  <p>Pace of changes in the political environment of the institution (PV₃)</p>  <p>Pace of changes in the economic environment of the institution (EV₃)</p> 	<p>In case of diverse pace of changes in the environment (impossible to strictly (unambiguously) defining), it is reasonable to use score intervals by setting the minimum and maximum values of the factors, which can determine environmental turbulence.</p>

	<p>Pace of changes in the social environment of the institution (SV₃)</p>  <p>Pace of changes in the technological environment of the institution (TV₃)</p>	
C ₄ – predictability of the institutional environment	<p>What is the potential of predictability/foresight for future situations?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Very great potential, simple methods of environmental forecasting and available information would suffice (1 point). <input type="checkbox"/> Great potential, standard methods of environmental forecasting and available information would suffice (2 points). <input type="checkbox"/> Medium potential, it would be necessary to apply more sophisticated environmental forecasting methods and dispose of more extensive information (3 points). <input type="checkbox"/> Limited potential, it would be necessary to apply sophisticated environmental forecasting methods and dispose of comprehensive information (4 points). <input type="checkbox"/> Very low potential, it would be necessary to apply highly sophisticated environmental forecasting methods and dispose of comprehensive information (5 points).  <p>Predictability scoring for the political environment of the institution (PV₄)</p>  <p>Predictability scoring for the economic environment of the institution (EV₄)</p>  <p>Predictability scoring for the social environment of the institution (SV₄)</p>  <p>Predictability scoring for the technological environment of the institution (TV₄)</p>	In case of diverse predictability of the environment (impossible to strictly (unambiguously) defining), it is reasonable to use score intervals by setting the minimum and maximum values of the factors, which can determine environmental turbulence.

Source: composed by the authors

Turbulence evaluation (TR_i) for the components of the institutional environment (political, economic, social and technological – P-E-S-T) uses the integrated criterion (assessment of turbulence at the level of single environmental component):

$$TR_P = 0,25 * PV_1 + 0,25 * PV_2 + 0,25 * PV_3 + 0,25 * PV_4, \quad (1)$$

$$TR_E = 0,25 * EV_1 + 0,25 * EV_2 + 0,25 * EV_3 + 0,25 * EV_4$$

(2)

$$TR_S = 0,25 * SV_1 + 0,25 * SV_2 + 0,25 * SV_3 + 0,25 * SV_4, \quad (3)$$

$$TR_T = 0,25 * TV_1 + 0,25 * TV_2 + 0,25 * TV_3 + 0,25 * TV_4. \quad (4)$$

Assessment ($PESTV_i$) of every factor (complexity, novelty, pace of changes, predictability) that determines turbulence of the overall institution's environment (PEST) is to be expressed as:

$$PESTV_1 = \frac{PV_1 + EV_1 + SV_1 + TV_1}{4}, \quad (5)$$

$$PESTV_2 = \frac{PV_2 + EV_2 + SV_2 + TV_2}{4}, \quad (6)$$

$$PESTV_3 = \frac{PV_3 + EV_3 + SV_3 + TV_3}{4}, \quad (7)$$

$$PESTV_4 = \frac{PV_4 + EV_4 + SV_4 + TV_4}{4}. \quad (8)$$

Evaluation of the turbulence level of the overall institution's environment (ETR_{total}) where the weights are equal can be expressed (technique 1):

$$ETR_{total} = 0,25 * PESTV_1 + 0,25 * PESTV_2 + 0,25 * PESTV_3 + 0,25 * PESTV_4. \quad (9)$$

In the second case, we suggest measuring the significance of the institution's environmental components and estimating turbulence of the overall environment with taking into account estimation results for turbulence of individual environmental components and their weights. It is further proposed to calculate the level of significance (Q_i) of the institution's environmental component (P-E-S-T) on the basis of its impact relevance when addressing the issue of improving country's economic competitiveness, taking into account the influence of each environmental component. It can be expressed:

- Very low influence (1 point).
- Low influence (2 points).
- Average influence (3 points).
- High influence (4 points).
- Very high influence (5 points).

It is evident, that rational is decision to convert significance q_i , ($i=1, \dots, 4$), which is expressed in points, into significance Q_i ,

$$\sum Q_i = 1, \quad (i = 1, \dots, 4):$$

$$\frac{q_i}{\sum q_i} = Q_i, \quad (i = 1, \dots, 4). \quad (10)$$

Calculation of the overall turbulence level (ETR_{total}) of the institutional environment with taking into account the significance of the environmental components can be expressed by following formula (Q_i):

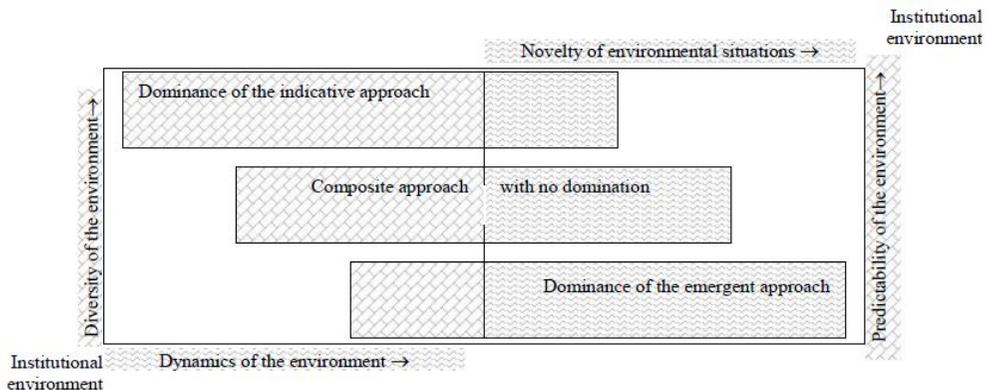
$$ETR_{total} = Q_P * TL_P + Q_E * TL_E + Q_S * TL_S + Q_T * TL_T$$

or

$$ETR_{total} = \sum Q_i * TL_i; i = 1, \dots, 4. \quad (11)$$

An expression of the institutional environmental turbulence level provides a basis for selecting a methodological approach which is rational for conducting the functional review (Fig. 3)

Fig. 3: Matrix of methodological Approaches to Functions Review and their Determinants



Source: prepared by the authors

6. Purposefulness of Applying the Integrated Methodology to Functions Review

Designed model for functions review of a public institution, which is based on the principle of an integrated methodological approach, indicates that recommendations for the each function are developed and implemented on the basis of either a prescriptive or emergent methodological approach which is then supplemented with the elements of the other methodology.

All the elements of the different methodological approaches can be combined in different proportions (Fig. 3). The appropriateness and effectiveness of mentioned methodological principle is dependent on the following characteristics of the institution's environmental turbulence:

- Diversity of the institutional environment. Activities of institutions are affected by various (political, economic, social, technological, etc.) factors and different groups of interests (users, government, other institutions, etc.). Solutions of the political, economic, social, technological problems and complications based on the estimation results of suggestions for the institutional functions can express an important condition for the necessity of institution's activity and, concurrently, for preparing and adapting an institution to any environmental change.
- Diversity and complexity of problems in the institutional environment and complications thereof. Complexity of the political, economic, social and technological environment determines the limits of proposals affect for the functions implementation.
- Insufficiently explored environment of institutions. National public institutions apply the principles of the NPM in terms of form rather than content. (Programme budget is higher every year compared with previous. Appropriations of next year for programme implementation are linked to the expenditure of last year and the year before rather than to the achievement of results (Performance Management in Lithuania ... 2007). However, better application of modern methods and advanced information technologies would allow institutions to predict new situations in the environment. In this context, it is also useful applying a read-across method – analysis of social-economic development of other countries, comparison of national development and development patterns in foreign countries and adoption of "good experience".
- Diversity in the pace of changes of an institutional environment. Institutions can respond to changes in an adequate pace, with delay or even precede the changes. Changes in the institution's environment usually pose strain which is also determined by the status of country's public sector activities.

High diversity of the institutional environment can be considered as a category which is more allied to the prescriptive methodological approach. Another environmental category is dynamics. It is more appropriate for the emergent methodology, with distinction between relevant fragments of the diverse environment, direction of resources.

In addition, when require to promptly adopting and implement solutions of environmental problems and complications can be used appropriate emergent methodology. Human-factor issues can be better analysed using the emergent methodology approach also. Insufficient level of the public sector environment exploration is an unfavourable factor for both methodological approaches. So, complexity of the institutional environment establishes the appropriateness to apply a combination of the prescriptive and emergent methodologies. The application of combined approaches creates preconditions for identifying the boundaries of political, legal, economic, social and technological environmental problems, as well as an impact of their solutions. It means, that can be best dealt with applying the integrated approach.

The prescriptive approach is appropriate for the possibilities assessment of resource consistency and using results of such assessment to justify reserves for promoting essential changes in institutional activities, whereas the emergent methodology is appropriate for assessing opportunities for only development of institutional resources. The pace of environmental changes, understanding of the principles of public reforms and, hence, assessment of problems and complications in the environment respond, in terms of the content and process of functions review, to the changing environmental conditions, and it means, that new environmental demands require a combination of the prescriptive and emergent methodological approaches. The functions review requires updating organisational structure of public institutions, development of an advanced leadership style, and coherence of institution's philosophy, culture and policy also. So, these challenges even can reform management system. It is namely the emergent methodological approach that creates preconditions for ensuring a better coherence of various actors determining the performance of institutions.

Conclusions

Generally, the following main functions of a state can be distinguished: addressing economic issues, social issues and other functions. The role of the public sector in creating increasingly better conditions for business development in a country has been highlighted. Within the context of the on-going processes (liberalisation of markets, competition that exceeds the boundaries of the farthest countries, social and economic differentiation of the world, change of information technologies, etc.) more active reforms are characteristic of public sector as well as new requirements keep being imposed on the institutions in this sector.

Sustainable development and efficiency of public sector remain priority of governments. Hence, governments are concerned with assessment, plan and measure of functions performed by public institutions. While performing functions reviews, public institutions face with methodological level problems. A major issue is the selection of a methodological approach to functions review. Methodological approaches to the functions review provided in special literature are insufficiently intelligible. Our research allowed to specify the existing methodological basis of the functions review in more detail and to systematise the basic characteristics of methodological approaches to the functions review.

Contrary characteristics of methodology approaches shall be considered as preconditions for preparing, adopting and implementing decisions that, in the first case, increase possibilities for greater coherence between institutions and their environment demands and, in the second case, are oriented towards development of institutional potential to use the existing environmental opportunities and prevention of environmental threats. The article contains recommendations on how to assess the factors determining the selection of methodological approaches to the functional review, identifies the consistent patterns of links between such factors and methodological approaches, and provides recommendations on the application in setting an integrated combination of methodological approaches for a particular situation of public institutions.

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