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# **An empirical analysis on the reformation of organization: Governance and relationship perspectives**

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**This article is drawn from the governance and relationship perspectives. It discusses what factors will enhance the government's administrative efficiency and effectiveness and how to improve organization performance. For the first question, this article founds some factors including: organizational structure, management mechanism, resources and ability, partnerships, and so on. As for the second issue concerning how to improve organizational performance, this argues including: compatibility, complementary, collaboration, knowledge sharing, information technology, and effective governance. The results of this article will be able to be followed by other researches and as reference for practical applications.**

**Key words:** Governance perspective, relationship perspective, government, organizational reformation.

## **INTRODUCTION**

On January 12, 2010, Taiwan's Legislative Yuan passed four amendments to the Organic Law of the Executive Yuan regarding reorganization, which will reduce the No. of ministry from 37 to 29 to enhance administrative efficiency and international competitiveness starting from January 2012. The reorganization aims to: 1) enhance administrative efficiency, 2) fully utilize government resources, and 3) meet the public demand. However, reorganization is just one of the means to achieve the government's innovative strategy. Whether the strategic goal of a reorganization innovation can be achieved is a worthy subject to be addressed based on the organization related theories.

Scholars in the strategy field are concerned fundamentally with explaining differential organization performance (Rumelt et al., 1991; Dyer and Singh, 1998) As strategy scholars have searched for sources of competitive advantage, Williamson (1999) focuses on the governance and competence perspectives, he pointed out that, the governance perspective gives greater prominence to economics, in that choice among alternative modes of governance is principally explained in transaction cost economizing terms, whereas the competence perspective gives greater prominence to economics, in that choice among alternative modes of governance is principally explained in transaction cost economizing terms,

whereas the competence perspective gives greater prominence to organization theory, where the importance of process is specially featured (Williamson, 1999, 1087).

Transaction cost theory conceptual that governance mechanisms are designed to resolved potential problems that may arise in the exchange process among different units (Dyer and Singh, 1998; Chi, 1994) and multi-mechanism designs are required (Bradch and Eccles, 1989; Gulati, 1998). Nonaka and Toyama (2003) described organization as entities that create and define problems, develop and apply knowledge to solve problems. Evidence points to a significant relationship between structure and performance (Davidson, 1983; Chiu and Chang, 2009). The elements are important because they enhance the clarity of the employees' roles, and tread to employee commitment, involvement, and organization effectiveness (patel, 2005; Terziorski, 2010).

Additionally, the competence perspectives emphasizes building competitive advantage through capturing entrepreneurial rents stemming from fundamental firm-level efficiency advantages (Teece et al., 1997). This perspectives often referred to as the resourced-based theory, emphasizes firm-specific capabilities fundamental determinants of organization performance (Rumelt, 1984; Teece, 1984; Wernerfelt, 1984). Another refer to dynamic capabilities theory, emphasizes the development of

management capabilities, functional and technological skills, it integrates and draws upon research in such areas as the management of R & D, product and development, technology transfer, human resources, and organization learning (Teece et al., 1997: 510).

During the past decade, Scholars suggest that productivity gains in the value chain are possible when trading partners are willing to make relation-specific investment and combine resources in unique way (Asanuma, 1989; Dyer, 1996a; Adner and Kapoor, 2010; Scheiner, Kale and Corsten, 2009; Dyer and Singh, 1998; Wang and Zajac, 2007; Williamson, 1999). Dyer and Singh (1998) suggests that an organization's critical resource may span organization boundaries and may be embedded in inter-organizational routines and processes, for instances, researchers have explicitly studied how organizations collaborate to generate performance, they have tended to focus on particular benefit associated with collaboration, compatibility, and complementary, such as learning, lower transaction costs, or pooling of resources (Dore, 1983; Dyer, 1996a; Teece et al., 1997; Wang and Zajac, 2007; Adner and Kapoor, 2010).

The governance and relationship perspectives and related theories are widely applied to researches conducted in enterprises but are hardly applied to researches regarding the governmental organization. This paper will apply two strategic management points to the empirical study on Taiwan's central government reform. This study aims to discuss:

- 1) What is the main factor that influences the governmental departments' performances.
- 2) How to improve the organizational performance.

This paper is organized in five parts: First, this study explains why it applies the two perspectives (governance and relationship) to form the research objective on governmental organization, followed by the literature review and comparison of the two perspectives, subsequently, research methods of this paper is given, the study adopts the two perspectives to discuss the empirical findings regarding Taiwan's central government and finally is the conclusion.

## LITREATURE REVIEW

### The governance perspective

Williamson (1985, 1996, 1998, and 1999) pointed out that the governance perspective has been the beneficiary of distinguished antecedents. Prominent among these is Coase (1937) article on 'The Nature of the Firm'. His article describe the firm in technological terms (as a production function), firm and market are described as alternative modes of governance, the choice between which was principally decided by transaction cost differences.

Commons (1934) likewise eschewed technology in favor of the economics of organization. According to Commons, he argued that the ultimate unit of activity must contain in itself the three principles of conflict, mutuality and order, the transaction is the basic unit of analysis, the governance as an economizing response to the Commons triple (Williamson, 1999: 1088). Barnard and Hayek's insisted that organization was important and undervalued. They held that adaptation was the central problem of economic organization (Williamson, 1999). Hayek (1945) emphasized spontaneous adaptation realized through the market. Barnard (1938) emphasized cooperative adaptation of a conscious, deliberate and purposeful kind working through administration. Key elements in Barnard's theory of internal organization included: (1) a theory of authority, (2) the employment relation, (3) informal organization, and (4) economizing. Barnard's work was a turning point for organization (Williamson, 1999: 1088), subsequently developed by Herbert Simon (1947, 1957), and related work by Selznick (1949), Cyert and March (1963), Davidson (1983), Prakash and Gupta (2008), Patal (2005) and Terziorski et al. (2010)

Fry (1982) summary of empirical knowledge-structure research conducted from 1965 to 1980, he pointed out that the three major theoretical dimensions of structure are complexity, centralization and formalization. (Chiu and Chang, 2009: 185). Specialization is a basic principle for structure arrangement and refers to the extent to which roles are differentiated on the basis of particular tasks or purposes. Centralization is the degree to which employees are empower to make decision, formalization refers to the extent to which there are formal regulated in the organization. According to Cunningham and Rivera (2001), organization that adopt a high level of specialization, decentralization and formalization have better performance. These arguments provide a framework that centers on good communication and past experiences, thereby creating a mechanism for exchanging and enabling superior innovation performance (Kakabadse et al., 2003). Worth noting in this regard is that Schmid (2002) took the position that formalization and decentralization are positively relevant to non-profit Ruman service organization (Chiu and Chang, 2009).

Organizational competence is the fundamental question in the field of strategic management that how organization achieve and sustain competitive advantage (Rumelt et al., 1994), which endeavors to analyze the source of wealth creation and capture by organization. Teece et al., (1997) argued that strategic theory is replete with analyses of firm-level strategies for sustaining and safeguarding extant competitive often referred to the resource based theory and dynamic capability theory. One stand of this literature, is the resource-based perspective that emphasized firm-specific capabilities and assets and the existence of isolating mechanisms as the fundamental determinants of organizational

performance (Penrose, 1959; Rumelt, 1984; Teece, 1984; Teece et al., 1997; Wernerfelt, 1984).

Another component of the efficiency-based approach is developed to explain how combinations of competences and resources can be developed, deployed and protected. Teece et al., (1997) argued that refer to dynamic capabilities perspective, in order to stress exploiting existing internal and external firm-specific competences to address changing environments. The perspectives emphasizes the development of management capabilities, functional and technological skills, it integrates and draw upon research in such areas as the management of R & D, product and process development, technology transfer, intellectual property, human resources, and organizational learning (Teece et al., 1997: 510).

Pfeffer and Salancik (1978) think that interdependence with others lies in the availability of resources and the demand for them (Chiu and Chang, 2009: 185). Organizations are interdependent with their environment on other organizations for their survival, because organizations are not self-directed and self-dependent. They need resources that include money, materials, personnel, information, and technology for their survival. This interdependence may take the form of direct dependence of the seller organizations on its customers, and the mutual dependence organizations (Chiu and Chang, 2009).

### The relationship perspective

Williamson (1999) argued that governance is more micro-analytic (the transaction is the basic unit of analysis) and adopts an economizing approach to assessing comparative economic organization, where as competence is more composite (the routine is the unit of analysis) and more concerned with processes (especially learning and the lessons for strategy). He pointed out that both governance and competence are bounded rationality constructions and to heed that organization matters, both share a lot of common ground, to be sure there are differences (Williamson, 1999: 1106).

Dyer and Singh (1998) extend the existing literature and alliances of organizations can develop relationships that result in sustained competitive advantage. They have argued that collaborating organizations can generate relational rent through relation-specific assets, knowledge-sharing routines, complementary resource endowments, and effective governance (Dyer and Singh, 1998: 675-676). Some scholars have suggest that a ability to effectively manage multi-organization alliances is a source of competitive advantage to organizations (Dyer and Singh, 1998; Ireland et al., 2002), and earlier work broadly refer to it as alliance capability (Anand and Khanna, 2000; Schreiner et al., 2009). Scholars have suggested that organizations can develop alliance capability by having greater experience in managing such relationships (Simonin, 1997; Anand and Khanna, 2000; Zollo et al., 2002; Hoang and Rothaermel, 2005). More

recent work shows that organizations also can develop alliance capability by implementing processes to learn and accumulate alliance management skills, and best practices by carefully capturing, codifying, sharing, and internalizing relevant alliance know-how (Schreiner et al., 2009: 1398).

Various scholars have asserted that challenges in a given inter-organization collaborating revolve around the uncertainties associated with the cooperative motivation of the partners (Williamson, 1985; Parkhe, 1993; Das and Feng; 1998) and with the management of task interdependence between them (Gulati and Singh, 1988; Gerwin, 2004). They are sometimes referred to as relational risk and performance risk (Das and Teng, 2001: 253) or as problems of cooperation and coordination problems (Gulati et al., 2005: 419). However, alliance managers also need to have appropriate interaction processes to manage the collaboration (Schreiner et al., 2009), because problems of cooperation and coordination cannot be fully resolved *ex ante*, but persist throughout the entire relationship (Larson, 1992; Ring and Vande Ven, 1994; Doz, 1996; Kumar and Nti, 1998).

### Comparing the governance and relationship perspectives

Table 1 summarizes the Governance and relationship perspectives that refer to the basic theories, unit of analysis, primary sources of supernormal performance, and ownership/ control of rent-generating process/ resources (Dyer and Singh, 1998). The Governance perspectives are based on the transaction cost theory and organization theory. According to the transaction cost economic perspectives organization showed the eagerness to increase the number of their suppliers, there by maximizing bargaining power and profit. From the relationship perspectives, which hold that organizations can increase profit by increasing their dependence on a smaller number of suppliers, thereby increasing the incentives of suppliers to share knowledge and make performance-enhancing investments in relation-specific assets (Bakos and Brynjolfsson, 1993; Dyer and Singh, 1998). According to the organization structure perspectives, governance mechanisms are designed to resolve potential problems that may arise in the exchange process (Dyer and Singh, 1988; Chiu and Chang, 2009). From the inter-organizational complementary and relationship perspectives, have to net work and leverage social capital created by inter-organizational relationships as a key mode to improve their performance (Tsai, 2001; Shyu and Chiu, 2002; Fang and Lin 2005; Chiu and Chang, 2009).

Organizational competence is based on the resource-based theory and dynamic capability theory. In summary, the competence perspectives focuses on how individual organizations generate supernormal performances based upon resource, assets and capabilities that roused wish

**Table 1.** Comparing the governance, competence and relationship perspective of competitive advantage.

Dimensions	Governance perspective	Relationship perspective
Basic theory	-Transaction cost theory -Organization theory -Resource-based theory -Dynamic capability theory	-Ecosystem theory
Unit of analysis	-Transaction -Governance mechanisms -Organizational resources and capabilities	-Pair or net work of organizations
Primary sources of supernormal performance	-Relative bargaining power -Collusion -Scarce physical resources (e.g., Land raw material inputs) -Human resources/know-how (e.g., managerial talent) -Technology resources (e.g., process technology) -Financial resource -Intangible resource (e.g., reputation)	-Relation-specific investments -Inter-organization knowledge-sharing routines -Complementary -Resource endowments -Effective governance
Ownership/ control of rent-generating process/ resources	-collective(with inter organizations) -Individual organization	-Collective (with pair on network of organization)

in the organization. According to the relationship perspectives, rent are jointly generated and owned by partnering organizations (Pfeffer and Salancik, 1978; Asanuma, 1989; Dyer and Singh, 1998).

Thus, relational rents are a property of the dyad or network. A organization in isolation, irrespective of its capabilities or resources, cannot enjoy these rent. As Zajic and Olsem (1993) argued, Both parties use the inter-organizational strategy to establish an on going relationship that can create value that could otherwise not be created by either organization independently (Dyer and Singh, 1998).

The relationship perspectives are based on the ecosystem theory, may offer different normative implications for the strategies organizations should use to achieve high performance. However, an effective strategy from a relational view may be for organizations to systematically share valuable know-how with alliance partners. The relationship perspective considers the dyad/ network as the unit of analysis, and the rents that are generated to be associated with the dyad/ network. Although complementary to the resource-based perspectives, this perspective differs somewhat in terms of analysis and sources of rent, as well as control and ownership of the rent-generating resources (Dyer and Singh, 1988: 674).

## METHOD

This paper adopts the case study approach, which collects information systematically regarding specific persons, social situations, event, and group information to fully understand its

function and operation mode. Normally, case studies aim to organize unstructured data for systematic analysis, which is very suitable for examination of complex issues (Wu, 2003). Therefore, this paper not only collected Taiwan's central government related regulations and systems for analysis but also conducted field survey of interview method. During 20th to 28th January, in 2010, we conducted field survey and collective interview in four places, namely the 1) Ministry of the Interior, 2) Ministry of Transportation and Communications, 3) Public Construction Commission of Executive Yuan, and 4) Research, Development and Evaluation Commission of Executive Yuan. There are 3 to 7 people for each interview with estimated 20 participants in total. The former two ministries of the Executive Yuan are the key advocators for the Executive Yuan's policies with highest annual capital expenditure budget and most complex tasks, the latter two are Executive Yuan's think tank, responsible for infrastructure and social policy's review, control, and performance assessment.

This paper is based on collective interview, therefore the derived ideas are either from the interviewees' consensus or confirmed by interviewees from different interviews, which helps avoid certain individual or department bias and enhances the internal validity of information. Secondly, the author can build friendship with the interviewees through his more than 30 years of work experience and research background. This kind of social capital can benefit the idea exchange through open and sincere interviews, which in turn will secure the data quality. In addition, the author's previous experience in the public sector and related field brings many opportunities for participating observation, which can avoid inappropriate interpretation of data and help to enhance the external validity of information (Tseng, 2010: 91).

## EMPIRICAL ANALYSIS

Since 1987, Taiwan's central government has started promoting government re-engineering. After more than 30

years of hardship, the Legislative Yuan finally passed the four amendments to the Executive Yuan Organic Law on January 12, 2010.

The second tier organs in Executive Yuan will be integrated into 29 ministries from the current 37 ministries and the Number of the third-tier organs will be capped at 182 units (70 bureaus and 112 divisions). The Number of staff of the central government is capped at 173 thousand people. The new structure after government re-engineering is set to be officially implemented in January 2012. President Ma Ying-jeou said "The purpose of government reform is to create a streamlined, flexible, and effective government" (ROC Presidential Office, 2010). The mission of government reform is to build a globally competitive and vibrant government, which makes good use of the civil strength and fulfills local governance, creating the partnerships between the central government, local government, and private enterprises (Executive Yuan Reform Committee, 2011).

From the process and relevant laws and regulations regarding the government reform, we found the intended direction of the government reform and features including:

- 1) The Number of the central government's organs will be reduced from 37 to 29.
- 2) The establishment of partnerships between the central and local government.
- 3) The establishment of partnership among the government, private enterprise and groups to utilize the public strength.
- 4) Integration of public resources and management, for example, the establishment of the Ministry of Environment and Resources to integrate the authorities which are in charge of the water and soil conservation of upstream and downstream mountains, river management, and environmental protection and so on, the establishment of the Ministry of Health and Welfare to integrate the systems of health care and social welfare, the establishment of the Ministry of Transportation and Construction to integrate traffic engineering construction and management organs.
- 5) The enlargement of function regarding labor, agriculture and culture authorities.
- 6) Streamlined staff management organs, for example, RDEC, CEPD and Public Construction Committee works can be combined into a single unit named National Development Commission, in charge of unified policy research, planning, review, and performance evaluation.
- 7) Enhancement of the decision-making and integration function at the cabinet-level, for example, increasing the responsible organs within the Executive Yuan and adding more committee members from 7 to 9 people.

At the same time, this government reform has been questioned in many ways, including:

- 1) Taiwan's central government owns 29 ministries vs. the

U.S.'19, Germany's 14, Japan's 14, and Singapore's 13. Given the relatively small land surface in Taiwan, the ratio is relatively high.

2) Some organs are the results of political compromise, for example, Veterans Affairs Commission (VAC), Executive Yuan, Council for Hakka Affairs, and Council of Indigenous Peoples are not integrated due to the politicians' considerations over ballots.

3) The Central Bank and Financial Supervisory Commission will continue to exert their authorities independently in the future, which will lead to questionable credibility.

4) The government reform aims to enhance administrative efficiency and effectiveness and if it only focuses on changes in organizational structure instead of management mechanism and bureaucratic culture, the reform will only be superficial. Our explanations as follows:

### **The governance perspectives**

On January 12, 2010, the Legislative Yuan of Taiwan's central government had passed four amendments to the Executive Yuan Organic Law regarding organizational restructure, marking the first step of initiating organizational restructure. From the concept, objective, and features of this central government's initiation of organizational restructure, Taiwan's central government hoped to enhance administrative efficiency, to create the partnerships among central government, local government, and private enterprises, and to create a streamlined, flexible, and efficient government through the integration of the organizational structure and simplified operations. Basically, this kind of reform method focuses on improving the organization's competitiveness, in line with the choice theory of transaction governance institution proposed by Coase (1937) and the idea of transaction cost economics proposed by Williamson (1985).

Meanwhile, some evidences point to a significant relationship between performance and structure (Davidson, 1983). Organization related institutional theory argues that every organization structure or system survives for a reason and all organizations have gone through long environment adaptation. Different nation or region environment induce different organizational structure and management mechanism (Acs et al., 1997; Damanpour, 1992; Saleh and Wang, 1993; O'Regan et al., 2005). The government departments have still been constrained by the bureaucratic hierarchy (Su, 2002: 82). Weber's organization theory of a rational legitimate bureaucratic system and Foyal's specialized division of labor as the principle of administrative management, responsibilities, and moderations are still the mainstream of the government's organization structure and management mechanisms (Chiou, 2008: 8). Poorly designed relevant regulations and systems cannot enhance administrative

efficiency and can incur large amounts of transaction costs (Heide and John, 1998; Noodrwie et al., 1999; Pilling et al., 1994; Sriran, 1992; Walke and Popoo, 1991) and opportunity costs, which will not lead the government departments to resolve problems and a government failure is likely to happen (Ju, 2008: 447-449). Related public servants reviewed by the author point out:

*"Post organizational reform, there are big changes in organizational structure and operations, which leads to faster decision-making and more convenient policy integration and so on. However, if the current management regulations and system remain unchanged, the effect of reform is very limited. For instance, the current planning and budget control take up a lot of time for administrative operation and many second tier control systems are unnecessary...; the design of information application systems seems not to take the actual needs of the implementation into consideration...; the forms of administrative operations are ill-defined and inflexibility, which are difficult for new employees to get their hands on ...; prolonged operation processes and many red tapes in the hierarchy".*

According to the aforementioned opinions from the interviewees, in addition to organizational restructure, the government governance mechanism should focus more on the reform of management regulations and operation systems. Under the current bureaucratic organization's legitimate administration, professional division of labor, and hierarchy, the executive departments are bound to mind their business from their own perspectives, which will lead to sectionalism and opportunism among individual organs (Williamson, 1985, 1991). Therefore, government departments have to spend more resources and time in the administrative supervision, coordination, and control, which cannot reduce transaction cost of organization management nor improve organizational performance.

Another, from the efficiency-based of the resource-based perspective and the dynamic capabilities perspective. The resource-based perspective, emphasizes organization-specific capabilities and assets and the existence of isolating mechanisms as the fundamental determinants of organization performance (Penrose, 1959; Rumelt, 1984; Teece, 1984; Wernerfelt, 1984; Teece et al., 1997).

The dynamic capabilities perspective, emphasizes the development of management capabilities, functional and technological skills, it integrates and draws upon research in such areas as the management of R & D, product and process development, technology transfer, human resources, and organizational learning (Teece et al., 1997: 510). From the competence perspectives' Government departments must obtain key sources of finance, main power, technology, and facilities as well as ability of integrated management to achieve

administrative performance (Penrose, 1958; Rumult, 1984; Wernerfelt, 1984; Teece et al., 1997). According to public servants interviewed by the author:

*The faster the change of the external environment, the more the public's demand. In addition, the interference of political views from the representatives has added to civil servants' pressure...; post government reform, the resources of finance, man power and facilities might increase significantly but at the same time, the administrative measures and the promotion of public construction have increased a lot, which requires each public servant to have better diversified ability to handle.*

Teece et al. (1997) argued that competitive advantage requires both the exploitation of existing internal and external organization-specific capabilities, and developing new ones (Penrose, 1959; Teece, 1982; Wernerfelt, 1984). They refer to this ability to achieve new organizations of competitive advantage as dynamic capabilities, to renew competences so as to achieve congruence with the changing environment; certain innovative responses are requires when time-to-market and timing are critical, the rate of technological change is rapid, and nature of future environment difficult to determine.

The term capabilities emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organization skills, resources, and functional competences to match the requirement of a changing environment (Teece et al., 1997: 515).

### **The Relationship perspectives**

Government policy implementation mostly lies on it administrative execution and public satisfaction. To enhance the administrative execution, the administration must combine resources and capabilities within and outside related organizations to fully utilize the functions of complementary resources, knowledge sharing, and collaboration in order to achieve effective governance (Dyer and Singh, 1998; Scheriner, Kale and Corsten, 2009; Wang and Zajac, 2007; Terzirovski, 2010). On the other hand, public satisfaction will involve policy formation and implementation, which is subject to the influence of external interest groups, for example, the different needs of the people, the interference from elected representatives, external (higher) authorities' supervision, and the contract binding ability of manufacturers, which all rely on continuous daily coordination and communication (Scheriner et al., 2009), to establish long-term partnership. Respondents of this paper noted:

*Every government's policy promotion involves processes of land acquisition, license approval, environmental assessment, planning and budget approval, whose*

*authorities are scattered in different organs. Therefore, not all the public servants are familiar with related, so each policy promotion will take a long process to work together. For example, to promote the Taiwan High Speed Rail project, the Ministry of Transportation and Communications road must go through land acquisition, project planning and bidding, environmental impact assessment, budget financing, facility procurement and supervision of construction implementation and so on. These processes involve numerous internal and external institutions and civil groups with complicated tasks which must highly rely on long-term accumulation of experience and the cooperation between different organizations. For example, Ministry of the Interior's promotion on its social welfare program will have to understand the needs of disadvantaged groups through the local government, coupled with participation of private enterprises and social welfare groups to expand service through community power, which must rely on long-established working emotions and relationship.*

From the aforementioned opinions from respondents, we find that the government departments' implementation capacities rely on soundness of the organizational structure and the smoothness of organization operation. What's more important is whether the organization exists growth, learning and team work culture. From the perspective of ecosystem theory, the government departments' policy promotion must cooperate with internal and external interest groups to create value, just as ecological strategies (Moore, 1996; Lansiti and Levien, 2004; Adner, 2006; Adner and Kapoor, 2010) activities.

As far as organizational structure is concerned, clear rights and responsibilities in organizational hierarchy, flexible laws and regulations, and responsible executives will all affect the speed of decision-making and administrative operations. As for organization operation systems, the policy plan or budget implementation often involve often involves unit in charge, accounting, government ethics, and administration within the organization. Therefore, there should be a flexible cooperation mechanism within organization, cooperation between different units based on the interest of the whole organization, and collaboration to identify legitimate regulations to solve problems instead of a passive mentality for avoiding problems. As for the organization's implementation culture, the organizational staff's planning and budget execution capacity, motive for growth and learning and strong desire for team work culture among different units within the organization, and active participation during special or unexpected events will all affect the overall policy planning and budget execution.

Collaboration refers to interdisciplinary with cross-sector collaboration to achieve the project goal, share information and contribute expertise (Scheriner et al., 2009; Terzirovski, 2010; Wang and Zajac, 2007). The collaboration of administrative authority can be between

different organs, internal units and external vendors, or between groups. For example, the cooperation among the project management authorities, auditing agencies, audit agencies to jointly devise plans and budgetary control standards and share related information will help reduce the cost of administrative operations and improve management effectiveness.

Meanwhile, the collaboration among the operation, planning, accounting, government ethics, and administration, sharing of relevant information, and provision of expertise will all help boost administrative efficiency and benefit the implementation of plans and budgets. The executive administration must outsource part of operations or engineering to external companies and draw on scholars and experts for assisting project planning and execution. Through the collaborative relationship will help establish mutual trust and enhance the quality of administration execution.

Government departments has long been bound to the bureaucracy, legitimate administration, professional division of labor, and political interference, therefore forms the organizational culture that public servants all get used to follow order of command. The trust relationships between the chief executive and employees will affect the willingness of employees to implement policy. Unfortunately, distrust often exists between political appointed chief and staff, leading to over-reliance on regulations, systems, processes, and formalism, which wastes a lot of administrative resources and impedes the administration reform and innovation (Chiou, 2008: 20).

The existing promotion system, compensation, and work performance for public servants are hard to compromise. The punishment for innovation error has long forged conservative culture and values of public servants. Therefore, since the government departments cannot immediately break the existing system, the construction of an innovation administrative culture should be led by the chief.

The Chief Executive must have his own personal values and the courage to challenge old habits by personally leading the staff to break the traditional concept of dealing administration duties. In addition, he must trust staffs and fully authorize them and is willing to be responsible for consequences of innovation failures by his employees. Moreover, the chief shall be able to create an organization culture of learning and sharing and to build flexible partnership across departments and among employees to stimulate staff's creativity and innovation in order to boost the overall organization performance. Moreover, the chief can train the staff's sensitivity towards the external environment changes by introducing new technologies and methods and gathering new information regarding public needs and social development. He can also bring real-time contingency handling approach to reduce the gap between the perception of public policy, decision-making, and implementation.

## Conclusions

The thesis of this article is drawn from the governance and relationship perspectives. It discusses what factors will enhance the government's administrative efficiency and effectiveness and how to improve organization performance. For the first question, this paper founds some factors including: organizational structure, management mechanism, resources and ability, partnerships, and so on.

First, according to organization related institutional theory, given the special organization structure and management mechanism (Acs et al., 1997; Damanpour, 1992; Saleh and Wang, 1993; O'Regan et al., 2005), the government departments will find it difficult to get rid of the hierarchy's constraints such as legitimate administration, professional division of labor, and political interference (Su, 2002: 82).

Secondly, the government departments must have access to key resources such as finance, manpower, technology, facilities, and so on. They also need the ability to integrate internal and external management and show the motives to learn and grow in order to achieve administrative performance (Penrose, 1958; Rumult, 1984; Wernerfelt, 1984; Teece et al., 1997). Moreover, the promotion of government policies must work with internal and external interest groups to create value, just like the ecosystem strategy (Moore, 1996; Lansiti and Levien, 2004; Adner, 2006; Adner and Kapoor, 2010). It also takes a long-term partnership among the participating internal and external interest groups to share knowledge and complement resources with each other.

As for the second issue concerning how to improve organizational performance, this paper found results as follows: compatibility (Wang and Zajac, 2007), complementary, collaboration, knowledge sharing, and information technology, and effective governance (Dyer and Singh, 1998; Scheriner et al., 2009; Terzirovski, 2010). Under the current constraints of bureaucratic hierarchy control, legitimate administration, professional division of labor, and political interference, government departments should ponder over how to revive the existing management mechanism, which is in accordance with Schumpeter (1947)'s dynamic theory.

Meanwhile, evidence points to a significant relationship between performance and structure (Davidson, 1983). Top conduct organization restructure and management mechanism modification in the first stage will help to improve organizational performance. With the change of external environment, the public demand has increased and organization duty expanded, therefore the administration must continue to build new resources and capabilities to enhance its organizational competitiveness.

Secondly, from the perspective of ecological theory, the government departments' policy promotion must the concept of compatibility. As for enhancing the executive ability, the administration must work with internal and

external groups to fully utilize functions regarding resources complementary, collaboration, knowledge sharing, information technology in order to achieve effective governance (Dyer and Singh, 1998; Scheriner et al., 2009; Wang and Zajac, 2007; Terzirovski, 2010). As for public satisfaction, it will involve policy formation and implementation and is subject to the influence of external interest groups. For example, people have different needs and the representatives often interfere. In addition, the external (higher) authority supervision and manufactures' contract binding capacity all take daily coordination and communication (Scheriner et al., 2009), to establish long-term partnership.

In future research scholars might explicitly examine these differences in greater detail. Another important avenue for future research would be to examine how the competitive advantage of organizations lays managerial and organizational processes, shaped by its specific asset position, and the paths available to it.

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