



# Does e-government reduce the administrative burden of businesses? An assessment of business-to-government systems usage in the Netherlands



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## ABSTRACT

The reduction of the administrative burden on businesses is an important governmental policy objective. Electronic government is presented as a promising reduction strategy in many countries. Underlying assumptions and mechanisms are hardly ever made explicit and scientific evidence of successful implementations is scarce. This paper presents an assessment of business-to-government systems in use in the Netherlands. Results show that organizational characteristics are the most influencing factors of perceived burden reduction and implementation effectiveness. Whereas perceived organizational benefits positively relate to the overall confirmation of the former system adoption decision. Surprisingly the quantitative, usage related characteristics do not present any statistical relevance. These findings help us understand existing differences in appreciation between business and governmental representatives on the successfulness of e-government projects in reducing the administrative burden on businesses. Furthermore, research results can help to enhance the effectiveness of e-government policy and measurement instruments.

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## 1. Introduction

Empirical research within the domain of e-government for businesses is scarce (van den Boer, Pieterse, & Arendsen, 2011). This paper examines the realization and evaluation of expected business effects of e-government systems, in particular with respect to the impact on the administrative burden on businesses. First exploratory research and theory development in this field focused on issues such as the adoption of business-to-government e-services (Arendsen, van Engers, & Schurink, 2008), reduction policy diffusion mechanisms (Wegrich, 2009) and values of IT-innovations (Raus, Liu, & Kipp, 2010).

Based on a theoretical analysis of expectations and assumptions, the empirical research presented in this paper has been conducted amongst business-to-government systems in use. Thus adding empirical evidence to the discussion on the role of e-government with respect to the reduction of administrative burdens on businesses.

Information obligations impose a major administrative burden on all businesses. Companies devote considerable resources to administration, regular tax declarations, managing the social security status of their employees, or applying for permits to carry out their business. These compliance costs hamper economical growth in general and

burden smaller companies in particular (Nijsen, 2003; Ntalani, Costopoulou, & Sideridis, 2012).

The total administrative burden on businesses within the European Union has been estimated at approximately 600 billion euros per year, varying from 1.5% of GDP in the UK and Sweden to 6.8% of GDP in Hungary, Greece and the Baltic States (Undheim, 2007). Others estimate less variation of administrative burdens between the EU countries of 2.4% of GDP in the UK, Sweden, Finland and Denmark to 4.4% of GDP in Hungary, Greece, Poland and Slovenia in 2003 (Gelauff & Lejour, 2006).

The reduction of the administrative burden on businesses has become an important policy theme. Main drivers behind 'Better Regulation Programs' are the assumptions that a stronger focus on the reduction of the administrative burden on businesses will lead to better policies, better implementation, better compliance and ultimately, better government (UK Cabinet Office, 2006). Within the context of the Lisbon Agenda, the European Commission launched its agenda on Better Regulation. To reinforce this agenda by early 2007 the Commission adopted the Action Programme for Reducing Administrative Burdens in the European Union. The Action Plan was endorsed by the European Council which underlined the goal of setting a target to reduce administrative burdens stemming from EU law by 25% by 2012. This reduction could lead to an increase of 1.4% of EU GDP (European Commission, 2007).

One of the goals of the U.S. E-Government Act was to realize cost savings through a variety of efficiency enhancements associated with

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e-government, amongst others more efficient communication between businesses and government (Morgeson & Mithas, 2009).

Lowering the administrative burden on businesses was one of the priorities of the EU's i2010 eGovernment Action. The implementation of high impact services for businesses, like electronic procurement and tax and social security related e-services, was to result in widespread, measurable benefits from eGovernment in 2010 (European Commission, 2006). In their evaluation of IT innovations in a business-to-government context Raus et al. (2010) indicate 'reduction of administrative burden' as the common goal area of their private as well as public research project participants. However, they argue that there is a lack of evidence to support the idea that the use of ICT in service delivery, within the e-government context, results in less bureaucracy and increased quality.

Individual countries each implement their own specific action plans. The Dutch reduction approach has been characterized by the World Bank as 'world leading' (World Bank Group, 2006), amongst others based on the "successful Dutch measurements of administrative burdens" (Undheim, 2007). The OECD states that e-government is seen by the Netherlands as a primary lever helping the public sector to reach its political goal of administrative burden reduction (OECD, 2007). First policy implementations however have lowered expectations. With respect to the leverage role of e-government the Dutch Ministry of Finance reports that "ICT possesses a large potential to lower regulatory burdens, but in some cases expected business effects are disappointing" (Dutch Ministry of Finance, 2007). And, "the assumption that the use of governmental ICT services simply results in the reduction of administrative burdens, is not correct..." (Actal, 2010).

The general research question was: *Which factors influence the assessment of business-to-government systems in use?* In that respect this study reduces the knowledge deficit of e-government assessment and evaluation (Kunstelj & Vintar, 2004; Jones, Irani, & Sharif, 2007), in particular related to the reduction of the administrative burden on businesses.

The next section presents the theoretical background of this investigation providing building blocks for the design of the conceptual research model in the following section. Subsequently the research method is elaborated, describing the large scale survey conducted amongst Dutch businesses using business-to-government systems. Results of the statistical analyses and the conclusions are formulated in separate sections. The paper ends with a discussion of the findings and of the role of e-government initiatives in reducing the administrative burden on businesses.

## 2. Theoretical background

This section presents the results of a literature review focusing on the role of ICT in reducing the administrative burden on businesses. This theoretical analysis thus provides the research perspective and the basic ingredients used for the design of the conceptual research model that will be discussed in the subsequent section.

### 2.1. Defining the administrative burden

The administrative burden can be defined as the (recurring) costs of administrative activities that businesses are required to conduct in order to comply with the information obligations that are imposed through central government regulation (UK Cabinet Office, 2006). Information obligations are a legal duty to retain or submit information on businesses' action or production, either to public authorities or to private parties. Information is construed in a broad sense, i.e. including labeling, reporting, registration, monitoring and assessment needed to provide the information. Allers (1994) defines the administrative burden in terms of compliance costs: private sector costs of complying with regulations. Nijssen (2003) argues that discussions on the theme of administrative burdens have a strong political tint, focusing on the

degree of governmental interference and the ( – according to the business representatives – inefficient) way this has been organized. Nijssen therefore developed a "non-normative definition ... which abstracts from the businesses' assessment of the usefulness of the transfer of information obligations involved" (p. 414). Nijssen (2003) shows that entrepreneurs find it hard to define the extra costs of complying with information obligations. His definition therefore focuses on the question which information is needed by the government and what activities businesses have to perform to satisfy these needs: "Transfer of information compliance costs are the integral costs of activities required to be performed by businesses to comply with specific obligations to transfer information to the government and which are over and above to the costs incurred for meeting the general book-keeping requirements" (p. 415). The public administration perspective in this definition prevails over the business–economics approach. Nijssen's definition and perspective have become the foundation of the Standard Cost Model (SCM) measurement methodology *Mistral* (Nijssen & Vellinga, 2002), nowadays the common approach within the EU and the OECD (Wegrich, 2009). Nijssen's definition implies that governments are responsible for the level of information obligation costs, for example by specifying the volume, character and frequency of the transfer of information obligations. The messages transferred are the actual cost drivers of the administrative burden.

The cost per message can be quantified based on an activity break down structure as specified within the Standard Cost Model. Three government controlled system variables influence this cost level: the amount of laws, the organization of the public–private control framework and the design of the administrative infrastructure for information transfer. Business-to-government information systems are part of this administrative infrastructure. This paper presents an exploration of the third variable influencing the cost level: the administrative infrastructure for business-to-government information transfer.

### 2.2. e-Government as a reduction approach

Allers (1994) characterizes governmental services to citizens and businesses as instruments to reduce private costs at the expense of the public sector. From this perspective many e-government initiatives are trade-offs enlarging governmental costs but lowering private costs. Rowley (2011) proposes the reduced administrative burden as one of the explicit e-government stakeholder benefits.

Electronic government (e-government) can be defined as "all data, communication and transaction processing activities related to governmental tasks and responsibilities in which ICT is being used" (van Dijk, 2006). ICT-driven initiatives to reduce administrative burdens in OECD countries have been for example: centralized governmental portals and websites, forms on-line, on-line databases of laws and administrative regulations, electronic transfer of enterprise data to governmental authorities (EDI), and e-procurement (Bonney, 2003). A survey of programs focusing on reducing regulatory transaction costs in 28 OECD countries revealed that at least 26 governments included in their programs the use of ICT (OECD, 2003). This development of ICT-based solutions and services aims to reduce the amount of time that it takes a business to perform a certain activity by reducing search, communication and transaction times (UK Cabinet Office, 2006). The elimination of paper handling costs and the reduction of wait and search times sum up to savings capacities per company and further to macro savings opportunities per type of message per year. Regulations that affect a large population and those that have a high unit price present the biggest opportunities for reducing the total administrative burden (UK Cabinet Office, 2006).

However, as Malone, Yates, and Benjamin (1987) already pointed out, the dominant provider of an electronic hierarchy, in this case the governmental organization, is best capable of realizing the significant benefits of the introduction of an electronic service relationship. The introduction of e-government services is more likely to reduce

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