Private sector business principles to adopt & avoid

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It is an article of faith... that government is bad or at least inept and business is good and efficient.

Paul R Pillar, ex-CIA analyst
An organization is effective if it meet the outcomes it intends to produce
Myths we shall test

Compared to private sector, public sector:

1. Less productive
2. Disorganized
3. Less innovative
4. Immobilized by red tape
5. Less motivated staff
6. Pay structure does not incentivize performance
7. Less efficient staff
8. Less cost effective
Myth #1

THE PRIVATE SECTOR IS MORE PRODUCTIVE

Test: Are goals being met?
Effectiveness

- Feedback
- Target (objective)
- Resources
- Alignment
Effectiveness

Feedback

Target (objective)

Resources

Alignment
Myth #1

THE PRIVATE SECTOR IS MORE PRODUCTIVE

Test: Are goals being met?
Myth #2

THE PUBLIC SECTOR IS DISORGANIZED

Test: Are decisions based on rational processes?
Strategic Decision Making

Source:
Major Contextual Constraints and Influences

- Time
- Politics
- Finance
- Amount of Information

Actual Decision Problem → Reframed Decision Problem

Defining Objectives → Generating Alternatives

Collecting Information

Choice Phase

Experience → Confidence → Understanding

Major Human Behavioural Influences

Decision Making

Public sector

Private sector
Myth #2

THE PUBLIC SECTOR IS DISORGANIZED

Test: Are decisions based on rational processes?
Myth #3

THE PRIVATE SECTOR IS MORE INNOVATIVE

Test: Does the structure foster innovation?
Adapted from Adams, K. “Sources of innovation and creativity: A summary of the research.”
Myth #3

THE PRIVATE SECTOR IS MORE INNOVATIVE

Test: Does the structure foster innovation?
Myth #4

THE PUBLIC SECTOR IS IMMOBILIZED BY RED TAPE

Test: Is there a high degree of formalization?
Myth #4

THE PUBLIC SECTOR IS IMMOBILIZED BY RED TAPE

Test: Is there a high degree of formalization?
Myth #5

PRIVATE SECTOR EMPLOYEES ARE MORE MOTIVATED

Test: Is reported commitment to the organization greater?
PRIVATE SECTOR EMPLOYEES ARE MORE MOTIVATED

Myth #5

Test: Is reported commitment to the organization greater?
Myth #5

PRIVATE SECTOR EMPLOYEES ARE MORE MOTIVATED

Test: Is reported commitment to the organization greater?
Myth #6

PUBLIC SECTOR PAY STRUCTURE DOES NOT INCENTIVIZE PERFORMANCE

Test: Does public sector pay scheme incentivize performance?
Myth #6

PUBLIC SECTOR PAY STRUCTURE DOES NOT INCENTIVIZE PERFORMANCE

Test: Does public sector pay scheme incentivize performance?

But kind of irrelevant
Myth #7

PRIVATE SECTOR EMPLOYEES ARE MORE EFFICIENT

Test: Who works faster and more vigilantly?
When faster, more accurate, and more vigilant work is required, government is superior to private service provision.
Myth #7

PRIVATE SECTOR EMPLOYEES ARE MORE EFFICIENT

Test: Who works faster and more vigilantly?
Myth #8

PRIVATE SECTOR SERVICES ARE MORE COST EFFECTIVE

Test: Are overall costs lower for same service by private sector?
Myth #8

PRIVATE SECTOR SERVICES ARE MORE COST EFFECTIVE

Test: Are overall costs lower for same service by private sector?
Myth test results

1. Private sector more organized  \(\times\)
2. Private sector more cost effective  \(\times\)
3. Private sector staff more motivated  \(\times\)
4. Private sector staff more efficient  \(\times\)
5. Private sector more productive  \(~\checkmark\)
6. Public sector immobilized by red tape  \(\checkmark\)
7. Public sector pay structure does not incentivize performance  \(\checkmark^*\)
8. Private sector more innovative  \(\checkmark\)
## Effectiveness scoreboard

<table>
<thead>
<tr>
<th>Effectiveness component</th>
<th>Element</th>
<th>Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Clarity of objectives</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Alignment</td>
<td>Decision making</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Information for decision making</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>Staff motivation and performance</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Risk tolerance</td>
<td>Innovation</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Resources</td>
<td>Cost effectiveness</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>Service quality</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Procurement</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Feedback</td>
<td>Connection b/w actions &amp; results</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>Performance management</td>
<td>✔️</td>
<td></td>
</tr>
</tbody>
</table>
What to keep doing?

- Motivation ‘for good’
- Being cost effective
- Delivering high quality services
- Using rational decision processes
- Good data and analysis
- Engaging with stakeholders
What are the challenges?

<table>
<thead>
<tr>
<th>Effectiveness challenge</th>
<th>Problem</th>
<th>Improvement Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Multiple, ambiguous, shift</td>
<td>Clear, measurable</td>
</tr>
<tr>
<td>Information</td>
<td>Patchy?</td>
<td>Data &amp; analysis strategy</td>
</tr>
<tr>
<td>More stakeholders</td>
<td>Resources for consultation</td>
<td>Engage early, show progress</td>
</tr>
<tr>
<td>Red tape / constraints</td>
<td>More costly services</td>
<td>Evaluate costs &amp; benefits</td>
</tr>
<tr>
<td>Transparency</td>
<td>Less innovation</td>
<td>Special Purpose Vehicles</td>
</tr>
<tr>
<td>Performance incentives</td>
<td>Less innovation</td>
<td>Business processes to monitor, evaluate, implement innovations</td>
</tr>
<tr>
<td>Perceptions</td>
<td>“Public sector inept”</td>
<td>Communicate the facts</td>
</tr>
</tbody>
</table>
Now what?

1. Set clear objectives
2. Establish performance management program with built-in improvement process
3. Assign staff to missions that align with their objectives
4. Capture cost of service provision well
5. Establish good supplier relationships
OBSERVATIONS, QUESTIONS, MUSINGS

Private sector principles to adopt & avoid

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