

# Can Government Services Be Run Like a Business?

*Why a more complex operating environment mandates a judicious application of private sector best practices to government organizations.*

By Justin Ferrabee

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## **AT A GLANCE:**

- ⌚ The skill sets of public sector executives, who deal with multicultural and politicized environments, are rapidly becoming desirable by today's mega enterprises.
- ⌚ While shareholders in businesses are ultimately driven by profit, the executive management of a government agency must balance disparate agendas, and attempt to provide equal, accessible services for all customers.
- ⌚ As enterprises become bigger, and shareholder ownership becomes pervasive, private sector managers must grapple with the realities of public accountability and social responsibility. This provides important opportunities for public and private sector executives to learn from each other to an unprecedented degree.

# Can Government Services Be Run Like a Business?

## SYNOPSIS

The private sector readily embraces a number of practices and technologies to achieve cost-saving operating efficiencies in addition to measurable improvements in customer service. Many armchair critics wonder why government service providers aren't quicker to embrace these proven practices to achieve the same efficiencies in the public sector. In a sense, they wonder why the public sector can't be run more like a business.

In fact, while many private sector best practices are transferable to government service providers, the operating context is dramatically different and characterized by far greater complexity that would be daunting for even seasoned private sector managers. Today's mega enterprises, however, by-products of globalization and enterprise-level systems, blur the lines between private and public operating environments, in which public scrutiny, social responsibility, accountability, and multi-stakeholder agendas are daily realities.

In an ironic twist, we are seeing the skill sets of public sector executives, which have been arguably undervalued by some in the private sector, enjoying a renaissance. These are individuals who have learned how to cope with the stresses of complex, ambiguous, multicultural, and politicized environments and thrive in the process. These same qualities and skill sets are rapidly becoming highly desirable and sought after assets by today's mega enterprises whose senior vanguard struggle to deal with difficult new challenges and operating paradigms.

Some private sector pundits are quick to offer helpful suggestions to their public sector brethren on how to better manage their operations to improve service delivery to their constituents. They are kind enough to point out that there are a host of business or technology-driven, multi-faceted approaches to continuous process improvement and cost reduction that would transfer seamlessly to the public sector

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to achieve immediate efficiencies for Canadians to enjoy. The list is huge: Business Process Reengineering, Customer Relationship Management (CRM), Business Intelligence, Enterprise Resource Planning (ERP) systems and a host of other principles or technologies that regularly get results in the private sector. So what's up with the public sector? Why not embrace these approaches to consolidate and streamline government service delivery and save Canadians a bundle?

One can almost anticipate the rumblings of a modern-day 'Boston Tea Party'. Well, hold on to those tea bags for just a minute. The fact is the public sector does embrace many of these innovative, if not leading edge techniques, systems and technologies to realize superior organizational efficiency. However, what many private executives may not realize is the degree of complexity that is involved in delivering services on a scale that many government departments have to. Dig a little deeper or better yet, put yourself in the shoes of a typical senior public sector manager for just a moment to imagine what life would be like if your business had to contend with the type of issues that most federal, provincial and municipal government departments take for granted in delivering their services to Canadians.

## THE UNIFYING POWER OF PROFIT

First, there is a whopping difference between the overall mission and mandate of a government service provider and any private business. All businesses are ultimately driven by the pure, overriding goal to make a profit. This creates a single, clear focus that all stakeholders within a private sector organization understand and can agree upon and it puts all other strategic decisions and considerations into a clear context – one that has the power to get everybody pulling in the same direction. Not so with government service providers. The executive management of a government agency serves a minister. Their primary job is to protect the minister or the government from any adverse exposure while supporting a departmental mission or mandate that can be interpreted differently by various stakeholder groups. This has necessarily resulted in complex governance structures to ensure a diverse set of interests are represented while separating and segregating authority to diminish the concentration of power as a protective mechanism for the general public. Inevitably each stakeholder group has a parochial if not competing interest and an opinion on how to best achieve a given mandate – and each has a legislated right to be heard and asserted. As a result, the executive management or governance of a government-operated service is generally balancing more disparate agendas than typically exist within the private sector. All of this transpires in an environment where every piece of data collected, every memo written, and every decision

made is scrutinized by a waiting press that is eager to second guess, challenge or embarrass.

That's just the tip of the complexity iceberg in the public domain – and complexity is an important consideration when evaluating the potential transferability of solutions, systems, and technologies to government services.

Unlike private sector organizations – which have the distinct advantage of being able to offer services on the strength of market demand and profitability – government organizations have a mandate to serve and be accessible to all constituents. Governments can not choose their customers. In fact, customers often have a right to access a service thereby creating an obligation for a government agency. By comparison, any private sector business can analyze their markets and opt to target customers with specific characteristics or needs. They can quickly retreat when confronted by poor performing results, undesirable segments, or onerous challenges. Some public sector managers chortle quietly at the idea of being able to withdraw services from certain sectors because the market has 'undesirable characteristics.' Governments simply can't do that. And that is another prescription for greater complexity – if not stress.

Consider also the characteristics of any government's priority customers. For businesses, a priority customer is typically someone with the means to consume need satisfying services or products at a handsome profit due to the frequency or volume of purchases. They are people with clearly defined needs, money and a desire to spend based on perceived rewards or benefits. Now contrast this with the priority customers for many government service providers – these are often people who do not act like traditional customers at all. They can be people with the greatest needs but who are the least sophisticated in terms of awareness of their needs and the degree to which they can independently seek out and make informed decisions about choosing a service. In some cases the priority customers of a government service provider are restricted in their physical mobility or have limited access to available resources, or even limited knowledge about how to gain access to helpful information on services. As well, these priority customers may be at a very challenging point in their life. They may, for example, have recently lost their job or a spouse or be in a difficult if not abusive situation. As a result, they are not always in the best of humour, or as tolerant, or as open minded when they are engaging a government service provider, nor are they necessarily able to articulate their situation or needs particularly well. Essentially, many priority customers for government service providers are ill equipped to work the system effectively and efficiently to ensure they get what they need or to learn about their options. Yet it is the explicit job of the government

service provider to guarantee equal if not easy access for all potential users.

4

## A QUESTION OF SCALE

Many government services must touch every single resident or citizen. Few if any private sector businesses have a comparable mandate. Even the ubiquitous operations of a fast food chain like McDonald's pales by comparison when you consider the volume and types of transactions; the need to process constantly changing data and information from a wide range of formats and sources. All this reveals an operating environment and mandate that is generally broader and more complex, if not more stressful than what most businesses – even big private sector businesses – experience. Perhaps more importantly, this reality drives what practices can be adopted by the public sector and certainly how they can be implemented.

Implementation of any private sector best practices is further complicated by organizational structure and mandate. We tend to think of government as a single entity. The reality is there are appropriate, necessary, and deep structural divisions between government service providers and departments. Much of this is deliberate and born from the need to protect the privacy of the individual; which contradicts and overrides the need for efficiency in service delivery. So governments can apply some private sector systems to improve efficiency, but they will not and cannot compromise privacy. Again, this contributes to the higher level of complexity of delivering any government service with implications and tradeoffs for efficiency promoting private sector practices. Simply put, what works in the private sector can't be applied carte blanche in the public sector – if we are to respect the rights, privileges and privacy of all Citizens.

Operationally, for example, when citizens are dealing with two different government service providers, they invariably have to provide much of the same information about themselves to each provider. As inefficient as that may seem given the well trumpeted benefits of CRM technology, these service providers can't access a common database to streamline their service delivery. The mandate of the two service providers are distinct and different – and the privacy of the individual served is paramount. So although a private sector CRM initiative could be used on a technological level to collect common data and to create a more efficient single window service offering to the public; the mandate of each government service provider prevents that approach from being easily put into operational practice. The data and technology exists to capture interactions with citizens, but the legislation ensures those transactions stay protected,

compartmentalized, and inaccessible by other government service providers – a reality that immediately creates more costs due to the need for greater customization and implementation. This in turn challenges the economics of the business case while adding to the complexity of delivering government services.

## THE EMERGENCE OF MEGA ENTERPRISES

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Curiously, there are two pervasive trends that are rapidly blurring the lines between government and big business: globalization and the emergence of massive, enterprise-level systems. These are robust, scalable systems that focus explicitly on improving efficiencies, and cross functions, geographies, business units and government jurisdictions. These systems depend heavily on technology and create the backbone for organizations to manage hundreds of thousands of employees around the world cost-effectively. As well, these systems have allowed massive mergers and consolidations; and globalization has accelerated further consolidation in larger markets. Both enterprise-level systems and globalization are giving birth to mega enterprises, and with this phenomenon comes a new operating reality for private sector executives. As these enterprises become bigger, and shareholder ownership becomes pervasive, private sector managers are beginning to grapple with the same inscrutable political realities of public accountability and social responsibility that government organizations must contend with.

Until recently, private sector businesses were held largely accountable to their shareholders – but not to the general public. Mega organizations, with their global footprint, are now facing increasing levels of public accountability and scrutiny in terms of how they conduct their business. Consequently, political savvy and operational risk management capabilities are rapidly becoming desirable, if not critical, skill sets that are valued equally in both large private and public sector organizations.

## PUBLIC SECTOR EXPERIENCE COUNTS

New private sector mega enterprises are now getting a taste for the complexity that government service providers take in stride. With this new reality, we are seeing the potential for an intriguing reversal of the senior brain-drain where public sector executives, who have demonstrated effectiveness, will be increasingly courted and sought after for their demonstrated ability to handle the kind of complexity that will rapidly become the norm for big, global businesses. A leading international bank for example is actively recruiting senior managers from government ranks because of their explicit

understanding of the complexities involved with managing big, multifaceted organizations. As an example, when you are dealing with Native land claims, you are dealing with enormously complex, politically charged issues with multiple stakeholders. It's a situation that demands the utmost tact and diplomacy, sensitivity to a host of qualitative human and cultural issues, and the ability to get things done under challenging circumstances. As it turns out, that type of senior management experience is almost ideal for today's global organization.

What this really signals is that two, previously disparate worlds have grown more alike with the advent of globalization. And with this new reality come some important opportunities for public and private sector executives to learn from each other to an unprecedented degree. Perhaps for the first time, private and public sector executives will agree on substantive core issues related to organizational development and service delivery; and quietly shake their heads together when arm chair pundits pipe up with their cavalier prescriptions for realizing superior organizational efficiency.



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