

Nina Samarguliani

What the Public Sector Could Learn from the Private One

The article aims at exploring how the public sector can benefit from the examples of the private one, how can it effectively innovate to serve citizens better and more efficiently. The ability of effective management is no less important in order to make the right decisions in the policy planning process and to achieve the set goals. In modern democracies, the political leadership of various branches turn over more frequently and to a larger extent than it does in the private corporations. A government could adopt some of the efficient models from the business sector and adjust them to the public domain accordingly. For this reason, examples will be drawn based on the practices of some famous business models as Adobe or Google. Concluding ideas will be discussed with regard to the main needs for a government to innovate by working with the private sector or attracting new public sector leaders.

Keywords: public sector, private sector, effective governance, administration models, public administration

Introduction

As it is widely known, effective and good governance promotes and strengthens the construction of a democratic state. Social trust towards the political system increases the legitimacy of the government. Where governance is effective and public officials are available to citizens, government agencies and departments work together in a coordinated manner. Effective management is no less important in order to make the right decisions in the policy planning process and to achieve the set goals.

The recent resurgence in the notion that government should hold the private sector in high regard has gained a significant amount of hype, mostly due to the trendy startup growth techniques, like agile development or the lean approach. There is a consensus on the issue when it comes to the well-recognised, useful lessons and practices being drawn from the business world. On the other hand, one comes across several controversies while literally applying those practices to the government.

Even though there are quite a few similarities between startups and government, startups are still seen as quick-moving, flexible and risk-prone, while the government is regarded as inertial and less creative, while steady and reliable. There are still some insights that a government could adopt from the business sector and adjust to the public domain accordingly.

In most outstanding private sector organisations, it all draws to the clearness of the main goals and objectives. Most of the government goals and objectives tend to be ambiguous and soft and are often divergent, which may lead to confusion.

In modern democracies, the political leadership of various branches turn over more frequently and to a larger extent than it does in the private corporations. Government officials do not stay longer than a handful of years on average and often this lasts only for a few months. New electives usually replace the significant part of subordinates in their initial term. This alters dramatically the strategic paths of particular departments or agencies that has been considered the norm. Furthermore, the constituents do expect an extreme makeover, regarding the new agenda of a freshly elected political debut. This almost never happens in the private sector (except in case of a hostile takeover), as the board of directors maintains the control over the stakeholders' interest. Election cycles tend to raise, at least some candidate somewhere proposes the plan of running a government like a business. However, there is a limit to how far one can take this. Since government and business have somewhere different missions, there is a fine borderline on to how they serve their purpose – maximising the profits vs. serving the “public good”.

By the end of the 1980s, most governments in market-oriented democracies had moved to restructure the way they worked together. The rhetoric was about cutting through the red tape to make bureaucracy more efficient and effective by embracing market values and instruments in a business-like way. Internationally, three aims were identifiable: First, the New Public Management (NPM) attempted to diminish the role of the state and make bureaucracy more responsive to political leaders. Second, it aimed for greater efficiency through the use of private sector management techniques. Third, it focused on the citizen as a customer and service recipient. The underpinning theoretical concept was a public choice and the new practices revolved around market orientation [7].

Despite the fact that businesses serve people to make a profit while governments just serve, the economic challenges of the last few years lead to at least one common need for business, as well as for government and this is doing more with less. It would be beneficial, if government organisations were using the principles that the business world has been using for decades, for example, lean thinking and business intelligence (BI).

“Lean means creating more value for customers with fewer resources. A lean organization understands customer value and focuses its key processes to continuously increasing it. The ultimate goal is to provide perfect value to the customer through a perfect value creation process that has zero waste” [9].

“Business Intelligence (BI) refers to technologies, applications, and practices for the collection, integration, analysis, and presentation of business information. The purpose of Business Intelligence is to support better business decision-making” [13]. BI and Lean are complementary tools. BI can provide the data and performance metrics needed to identify and drive continuous improvement. Lean identifies the activities and data with the most value.

Overall, the idea itself which implies to accomplish more (service) with less (resources) is not much of an argument and in that part, it would be a good point if government resembled business.

There certainly are some intense divergences while trying to directly apply those tactics to the public service. If we consider a profit motive, there is no equivalent to this in government. The political dividends seem to be necessary to gain the credibility of the public eye.

However, it takes too much time and financial resources, contrary to efficiency, and only serves the pre-election campaigns to raise the electoral influence, while totally ignoring the Return on Investment (ROI) of such commitments.

Efficiency gains can be made in public and private organisations comparatively, but many effectiveness studies in business concentrate on means of increasing company profitability. The driving factor of government products is not customer preference. Product design and market research are aimed to understand and exploit the desires of their customers to gain an advantage against competitors in the business world. However, government services address the elementary needs of the electorate, for which preference may be less relevant, or not at all. The risk is difficult to justify to the elected branch of the government. Innovation requires taking chances, including finances; but when the common focus of the elected assembly's attention is "government leftover" and when budget and costs justification are frequent topics, it can be difficult for government representatives to explain spending breakups, however essential they may be in achieving radical change.

Basically, different government and business guiding ideologies and principles mean that there will be many circumstances, under which the best practices of business will be irrelevant.

The key challenges to comparing efficiency between public and private ownership models are the range of models (including hybrids), and variations in defining efficiency. Different models of service provision vary in the types of goods they deliver and the characteristics of the sector they operate in. There is a range of definitions for efficiency. Efficiency can be defined based purely on cost, but also on the degree to which the provision of goods addresses issues of need or equity and adapts to evolving demands and practices. Most literature identified focuses on cost when referring to efficiency [4].

The government purchasing market constitutes the largest business sector in the world. The two sectors differ in terms of ethics and their strategies largely remain unknown. There are significant differences between the for-profit and not-for-profit sectors on two critical aspects of business-to-business procurement, ethics and strategy. According to some survey findings, buyers in the for-profit sector are more likely to behave opportunistically [6]. Conversely, the buyers' leaders in the not-for-profit sector behave more opportunistically and are more willing to neglect their subordinate buyers' opportunistic behaviours. Additionally, key differences in procurement strategy are unveiled suggesting that not-for-profit procurement practices have some room for improvement. Based on the findings, theoretical and managerial implications are drawn, and a future research agenda is proposed. Opportunism itself can be defined as a behaviour that is self-interest seeking with guile [14]. Opportunism is manifested in behaviours such as stealing, cheating, breach of contract and other largely fraudulent activities.

In order to achieve efficient governance levels, informing citizens about their choices plays a crucial role. Some governments, such as Australia and the United Kingdom, have provided Predictive Index (PI) evaluations to citizens and have benchmarked the provision of local services, e.g. schools and hospitals, as stated by Currstine et al. League, tables and benchmarking that provide explanations and more detailed information than just raw numbers can help citizens choose among local schools and hospitals. The public availability of this information, which was previously unavailable, and citizens' action based on these data can serve to place the spotlight on failing service providers and thus as a stimulus for future action in order to improve performance [2].

Innovation is seen as a potential solution to all problems nowadays and has become prevalent in both the private and public sectors. The need to be innovative has an obvious driver in the private sector: staying ahead of the competition and delivering products and services that will drive shareholder value and increase market share. Although not as well-defined in the public sector, it has many similarities. As governments attempt to balance priorities, it is becoming increasingly clear that new approaches are needed. According to the publication *Public sector innovation: from ideas to actions*: "Governments will have to innovate and find ways to make difficult things easy in the areas of service delivery, process improvement, regulation, and policy implementation. Many private sector organizations struggle to define what innovation means and to effectively implement an operating model to enable it. This can be caused by many reasons, but some include: Lack of a defined innovation strategy; No specific innovation process or framework; Limited budget or leadership capacity; The sheer size of an organization, with larger businesses tending to be bureaucratic and slow-moving on top of this, the public sector must deal with public scrutiny, and the traditionally risk-averse approach of governments" [11].

Of course, these are all generalised ideas, but what if we take a particular government administration as an example. There have been several programs developed by the European Union to help its neighbourhood establish good and effective governance practices in their countries. Let us bring the government of Georgia as an example.

One of the important achievements that followed such programs was the creation of *The Guide of Public Administration Reform of Georgia 2020* by the Administration of the Government of Georgia in 2015. Following the formation of the new government after the 2012 parliamentary elections, the government has taken an obligation to implement large-scale comprehensive reforms and reflected this in the new government program. According to this program, public service reform is considered one of the most important grounds for integration into European and Euro-Atlantic structures.

Georgia-EU Association Agreement (July 2014), aims to deepen political and economic relations between Georgia and the European Union. The Association Agreement establishes that the Government will implement in-depth reforms in a number of key areas that will facilitate the European integration process [3].

In order to fulfil the obligations of the Prime Minister, the administration of the Georgian Government was tasked with coordinating public administration reforms implemented with the support of the EU and OECD/SIGMA. Democratic values, citizen involvement and public interest services were defined as the cornerstone of public administration reform [10]. With the establishment of the *Public Administration Reform Guide 2020*, the average term policy of the Government of Georgia has been established in these areas.

This guide provides a comprehensive view of public governance reform and emphasises sharply expressed problems that are based on relevant tasks and activities aimed at improving Georgian public administration in order to get closer to European governance standards. Thus, *Public Administration Reform Guide 2020* is an umbrella document that combines different spheres of state governance to ensure a united and coordinated approach [1].

The guide covers the following fields of public administration reform:

- policy development and coordination;
- management of human resources;
- accountability;

- providing public services;
- Public Finance Management;
- local self-governance.

Each topic is analysed according to the specific structure:

- defining the goal;
- recent changes;
- analysis of the current situation;
- identified problems;
- tasks and recommendations.

It should be noted that the process of reform has not been completed yet and today there are many problems in the public sector which need to be identified, analysed and solved for the successful implementation of the reform process and the establishment of effective state institutions.

Research has been conducted at the Georgian Institute of Public Affairs (GIPA) by the School of Government in 2014 under the title *Public Service of Georgia – Problems and Challenges*. According to the research, the problems identified in the public service of Georgia can be combined into three main groups:

- lack of uniform political vision in the public sector;
- Organizational Management;
- Human Resource Management issues.

Some of the main problems covered in these groups are the political character of the civil service, low motivation of employees, taking responsibility for the decision, overlap of competence and duties, etc. The research has revealed that there is no uniform system of human resources' management for ordinary employees. One of the most problematic issues of management is strategic planning. Nepotism seems to be playing a significant part in the public sector overall [5].

The above-discussed example of one country is not unique and in fact, things are pretty much the same in all governments in most of the neighbourhood countries.

According to Adobe's Creativity in the Public Sector Survey, 94% of public sector employees say that the government should be as creative as a business, yet only 46% say that the government currently is as creative [12].

This gap between government organizations' creative potential and the reality that public sector creatives face is a perfect opportunity to engage with the private sector to learn from their best practices and most creative ideas. All of these companies have creative properties that set them apart from competitors and enable them to maximise the effectiveness of their communications to consumers.

There are clearly areas of excellence across both sectors, but creativity is one area in which the private sector has advanced. Although the public sector has not reached the same level as the private sector in creativity yet, there is the opportunity to have a conversation between sectors about creativity and digital transformation. Creating these partnerships and opening up a dialogue about creativity will be an effective means to maximising creativity in both sectors and enabling government agencies to provide quality communications [12].

Google's business model: a good example for governments

Google operates well in general, but how can the company's approach be used in the public sector? There is a lot that Google does well, and this can also be used in the public sector. Since Google is a company, not everything will translate directly, but considering how it operates, there is much that governments can learn from the search giant:

1. Execute core business flawlessly

Understanding your core business is essential and it would have been good if the government agencies did the same. Leadership needs to understand what its primary function is, and do that exceptionally well, which will provide a solid foundation for leaders to make strategic decisions.

2. Recruit talent

The company has full-time recruiters that look for talent and a nimble forthcoming process that allows new employees to come into being. People are much more likely to turn to a government if it reaches out directly and explains why they would be a good fit.

3. Focus on data

Google has some of the biggest and most sophisticated data centres in the world. Data gathering is built into its user experience, which could be a good example for government agencies. Data should be behind many government's decisions, and the more of it has, the better decisions it can make. That requires the government to make sure it is capturing all of the data available when interacting with its constituents and employees.

4. Project teams

Google has mastered the art of dedicated teams. The company finds people who have the necessary skills but, perhaps even more importantly, are passionate about the project. These teams are given the freedom to execute relying on their own judgements and focus entirely on the project. In case of a government, team members are typically stretched thin between other responsibilities. The government needs to have a plan to temporarily transition other responsibilities off of its members while they work on the project to accelerate a project and get a better understanding of its viability.

5. Innovation time

A policy Google instituted early on, allows employees to spend up to 20% of their time on side projects that they find interesting. The end result is a culture of side projects that Google happily provides the necessary resources to support. Something similar could be done concerning a government. There are ways to embrace the spirit of Google's 20% time and by doing so the government can see many of the benefits that come from allowing motivated individuals to focus on something they are passionate about.

6. Moonshots

In 2010, Google created a discrete research lab called Google X, otherwise referred to as "moonshots". The most remarkable ideas from Google employees go to be researched, tested and implemented and often find their way back out into the world as a division of Google or a standalone company. Even the government needs its moonshots. There are certain innovations that can only come from the government or non-profits. This requires having a dedicated space where talented people can work on solving extremely difficult but world-changing ideas. Google has already started the momentum in this area through its Government Innovation Lab. A government can learn from what Google has done and take these labs to the next level.

If government organisations can take away just a few tips from Google, it is worth observing. They may never have all of the resources Google has, but they do have a purpose. That is where innovation and motivation cross paths. That is what makes the world a better place [8].

A-Players

Besides government employees who are the stereotypical bureaucrats, there is a big number of A-players who are incredibly open to new ideas and willing to use their knowledge to overcome obstacles and make innovations happen.

According to M. Woodard, in the private sector A-players are rewarded because there is a financial upside for them which is not present in the public sector and civil servants often ought to be motivated by the desire to serve their community and see the change.

What motivates A-players in a government is discovery, recognition, fewer constraints, more freedom – and then giving them enough runway to make a difference. Products specifically built for the government do not have a good outlet and have difficulty even getting funded because traditional investors are cautious of the long and challenging government sales cycles. This makes a lot of promising startups focus on enterprise instead of a government and leads to governments missing out on important innovation. A government needs innovative products and it can start embracing innovation by simplifying the procurement process and making it more transparent. More government agencies need to 'go where the action is' and use the networks where their residents already trade and share to bring them together around disaster preparedness and useful engagement. Some of the governmental major systems are already broken like education, social security or entitlement programs,

so if there is any time to experiment and create new paradigms for governments and social services, now it is [15].

Conclusion

Overall, there are some main steps that surely need to be taken in order for public sectors to work more efficiently in general. One of the most important points is to clearly understand what the main need to innovate is — if it is better allocating resources, fulfilling the expectations of citizens, ensuring competitive economy by working with the private sector or attracting new public sector leaders. It is also very important that public sector organisations clearly understand the fields of innovations such as services, processes, policy design or regulatory models and implementation. It should also be noted that the public sector also clearly needs to understand what operating model to use in order to enable innovation according to their specific needs, talents and circumstances. The public sector can learn from the approaches taken in the private sector in the field of innovation, but in the long run, it has to find its own path.

References

- [1] Administration of the Government of Georgia, *Guide of Public Administration Reform of Georgia 2020*, Tbilisi: Department of Government Plans and Innovation, 2015.
- [2] T. Curristine, I. Joumard, and Zs. Lonti, "Improving Public Sector Efficiency," *OECD Journal on Budgeting*, vol. 7, no. 1, pp. 1–41, 2007. DOI: <https://doi.org/10.1787/budget-v7-art6-en>
- [3] EEAS, European External Action Service, *EU/Georgia Association Agreement*, European Commission, 2016. [Online]. Available: https://eeas.europa.eu/delegations/georgia_en/9740/EU/Georgia%20Association%20Agreement
- [4] M. Everest-Phillips, "Is the private sector more efficient? A cautionary tale," Singapore: UNDP Global Centre for Public Service Excellence, 2015. DOI: <https://doi.org/10.13140/RG.2.1.3277.3203>
- [5] N. Ghonghadze, N. Dolidze, "Public Service of Georgia – Problems and Challenges," Tbilisi: Georgian Institute of Public Affairs (GIPA), School of Government, 2014.
- [6] T. G. Hawkins, M. J. Gravier, and E. H. Powley, "Public Versus Private Sector Procurement Ethics and Strategy: What Each Sector can Learn from the Other," *Journal of Business Ethics*, vol. 103, no. 4, pp. 567–586, 2011. DOI: <https://doi.org/10.1007/s10551-011-0881-2>
- [7] M. Hess, D. Adams, "Innovation in public management: The role and function of community knowledge," *The Innovation Journal: The Public Sector Innovation Journal*, vol. 12, no. 1, 1–20, 2017.
- [8] T. Howell, "7 Things Government Can Learn from Google's Business Model," *govtech.com*, 2015. [Online]. Available: www.govtech.com/7-Things-Government-Can-Learn-from-Google-Business-Model.html
- [9] "What is Lean?" *lean.org*, [Online]. Available: www.lean.org/WhatsLean/
- [10] OECD/SIGMA, *The Principles of Public Administration for EU candidate countries and potential candidates*, 2017. [Online]. Available: www.sigmaxweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf

- [11] "Public sector innovation: From ideas to action," *ey.com*, 2017. [Online]. Available: www.ey.com/ca/en/industries/government--public-sector/ey-public-sector-innovation-ideas-actions
- [12] J. Silverman, "What the Public Sector Can Learn from Private Sector Creativity," *Adobe Blog*, 2016. [Online]. Available: <https://blogs.adobe.com/adobeingovernment/what-the-public-sector-can-learn-from-private-sector-creativity/>
- [13] "What is Business Intelligence (BI)?" *olap.com*, [Online]. Available: <http://olap.com/learn-bi-olap/olap-bi-definitions/business-intelligence/>
- [14] O. E. Williamson, "Opportunism and its critics," *Managerial and Decision Economics*, vol. 14, no. 2, 97–107, 1993. DOI: <https://doi.org/10.1002/mde.4090140203>
- [15] M. Woodard, "What Can Government Learn from Startups?" *monique.vc*, [Online]. Available: www.monique.vc/what-can-government-learn-from-startups/

MIT TANULHAT A KÖZSZFÉRA A PRIVÁT SZEKTORTÓL

A cikk célja annak vizsgálata, milyen, a vállalati szférában megszokott megoldásokat érdemes átültetni a közszféra szervezeti gyakorlatába ahhoz, hogy azok az állampolgárok számára hatékonyabb és eredményesebb szolgáltatásokat nyújthassanak. A hatékony vezetés e téren sem kevésbé fontos ahhoz, hogy a közpolitikai folyamatok során a megfelelő döntések segíthessék a kitűzött célok elérését. A modern demokráciákban az egyes ágazatok politikai vezetése a magán-szféréához képest erősebb fluktuációt mutat. Ennek hatásait enyhítheti a magánszektorban alkalmazott bizonyos megoldások átvétele és hozzáidomítása a közszektor sajátos közegéhez. Ennek bemutatására alkalmas példákkal szolgálnak olyan nemzetközi vállalatok, mint az Adobe vagy a Google. A záró gondolatok összegzik, milyen kormányzati igények teszik szükségessé napjainkban a közszervezetek megújulását és együttműködését a magánszektorral azért, hogy a közszervezetek vezetői pozíciói kellőképpen vonzóvá válhassanak.

Kulcsszavak: közszféra, magánszektor, hatékony kormányzás, adminisztrációs modellek, közigazgatás

Nina Samarguliani
PhD-hallgató
Nemzeti Köszolgáltatati Egyetem
Államtudományi és Közigazgatási Kar
SAMARGULIANI.nino@halg.uni-nke.hu
<https://orcid.org/0000-0002-2340-6842>

Nina Samarguliani
PhD Student
National University of Public Service
Faculty of Science of Public Governance and
Administration
SAMARGULIANI.nino@halg.uni-nke.hu
<https://orcid.org/0000-0002-2340-6842>



<http://journals.uni-nke.hu/index.php/reptudkoz/article/view/415/174>