



9th International Conference on **MANAGING PAVEMENT ASSETS (ICMPA9)**

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:

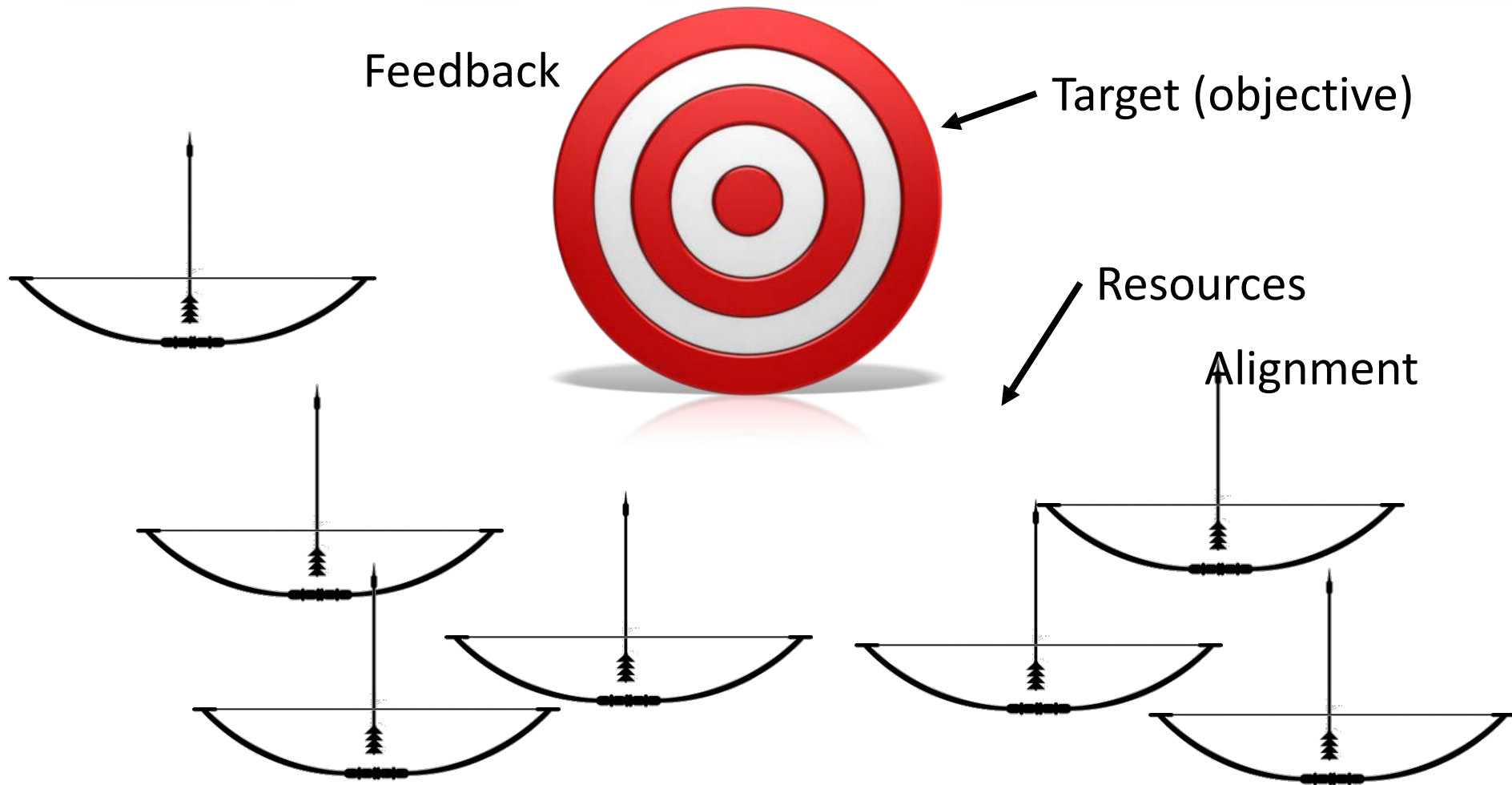
1. Less productive
2. Disorganized
3. Less innovative
4. Immobilized by red tape
5. Less motivated staff
6. Pay structure does not incentivize performance
7. Less efficient staff
8. Less cost effective

Myth #1

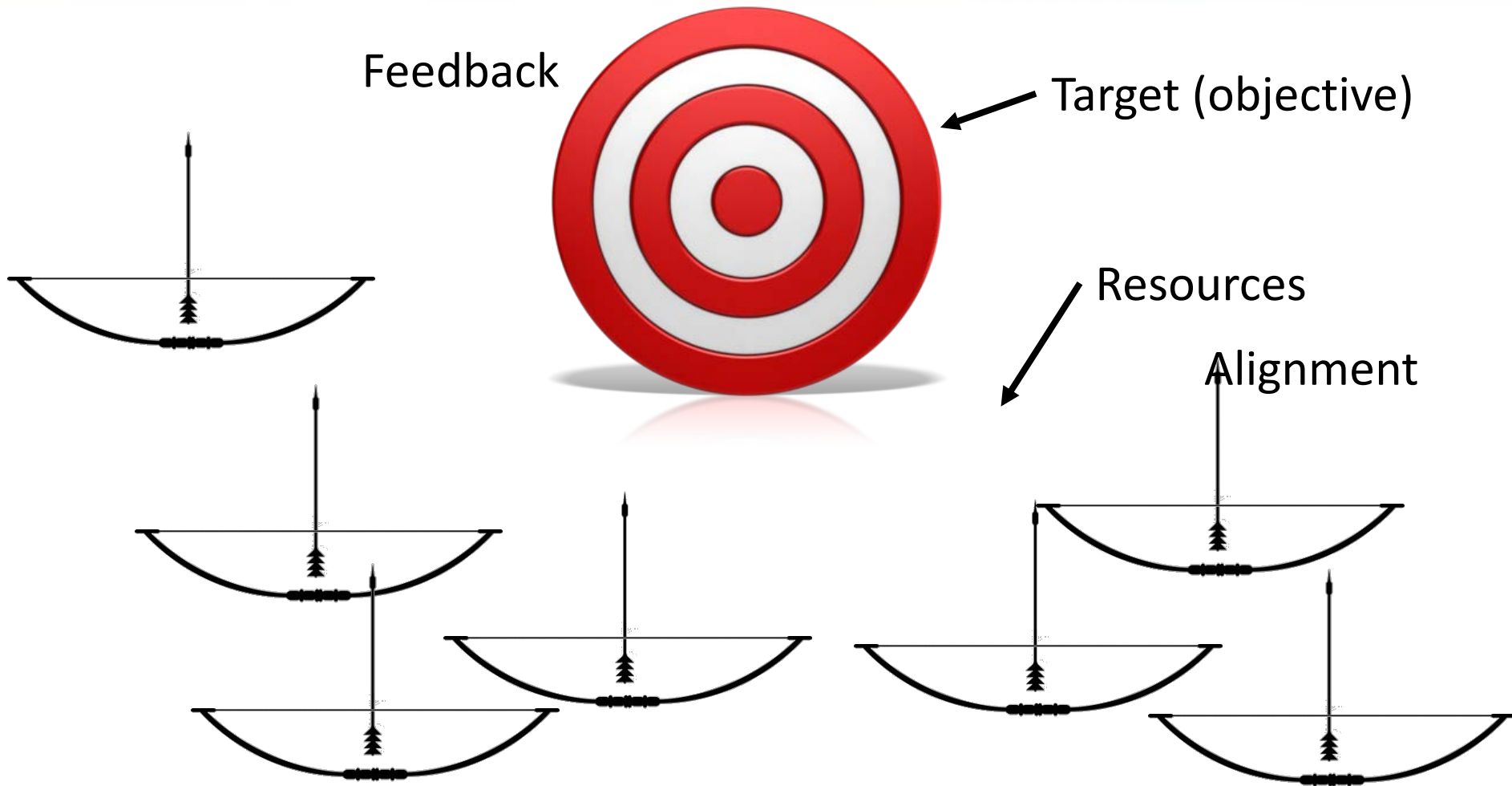
THE PRIVATE SECTOR IS MORE PRODUCTIVE

Test: Are goals being met?

Effectiveness



Effectiveness





Myth #1

THE PRIVATE SECTOR IS MORE PRODUCTIVE

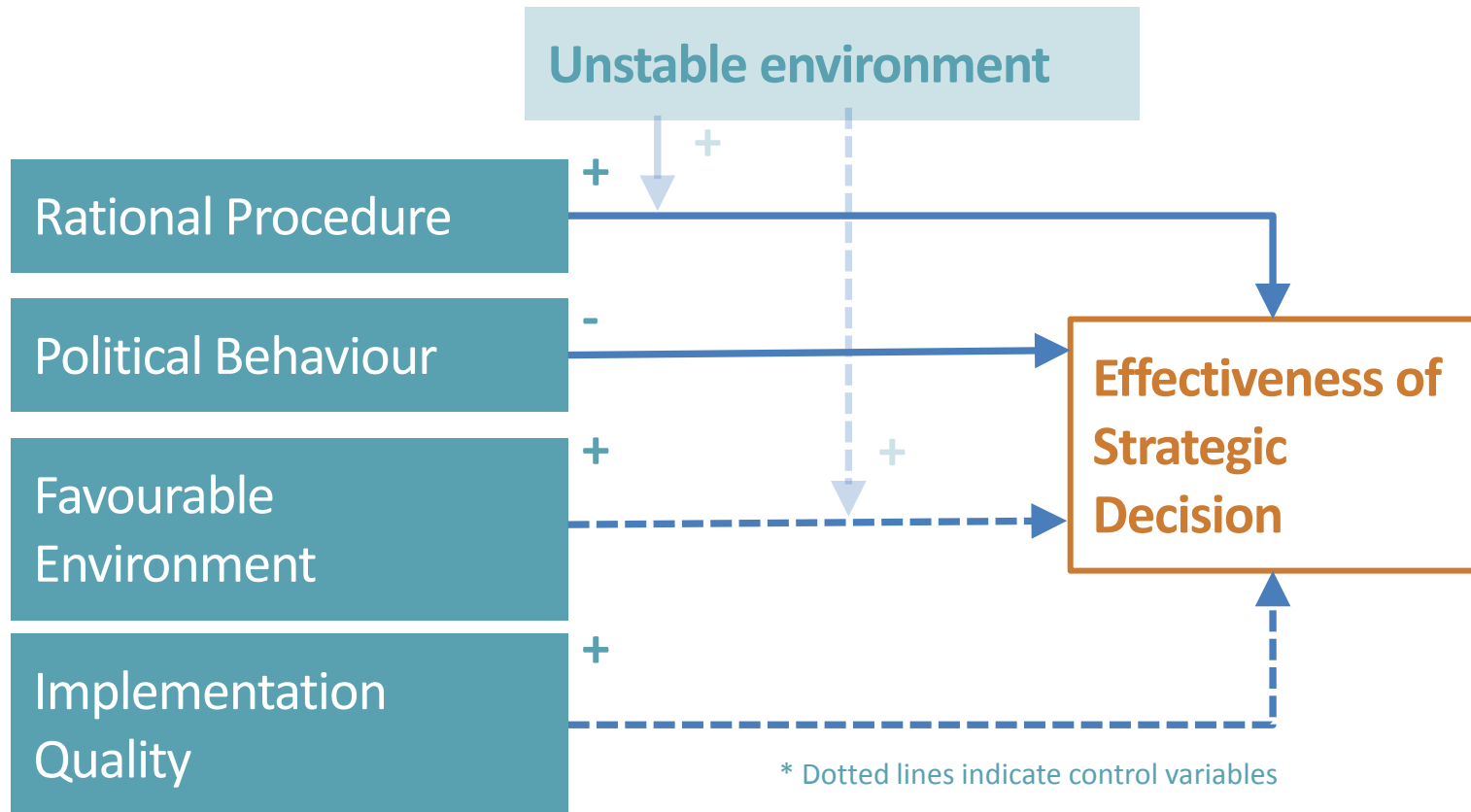
Test: Are goals being met?

Myth #2

THE PUBLIC SECTOR IS DISORGANIZED

Test: Are decisions based on rational processes?

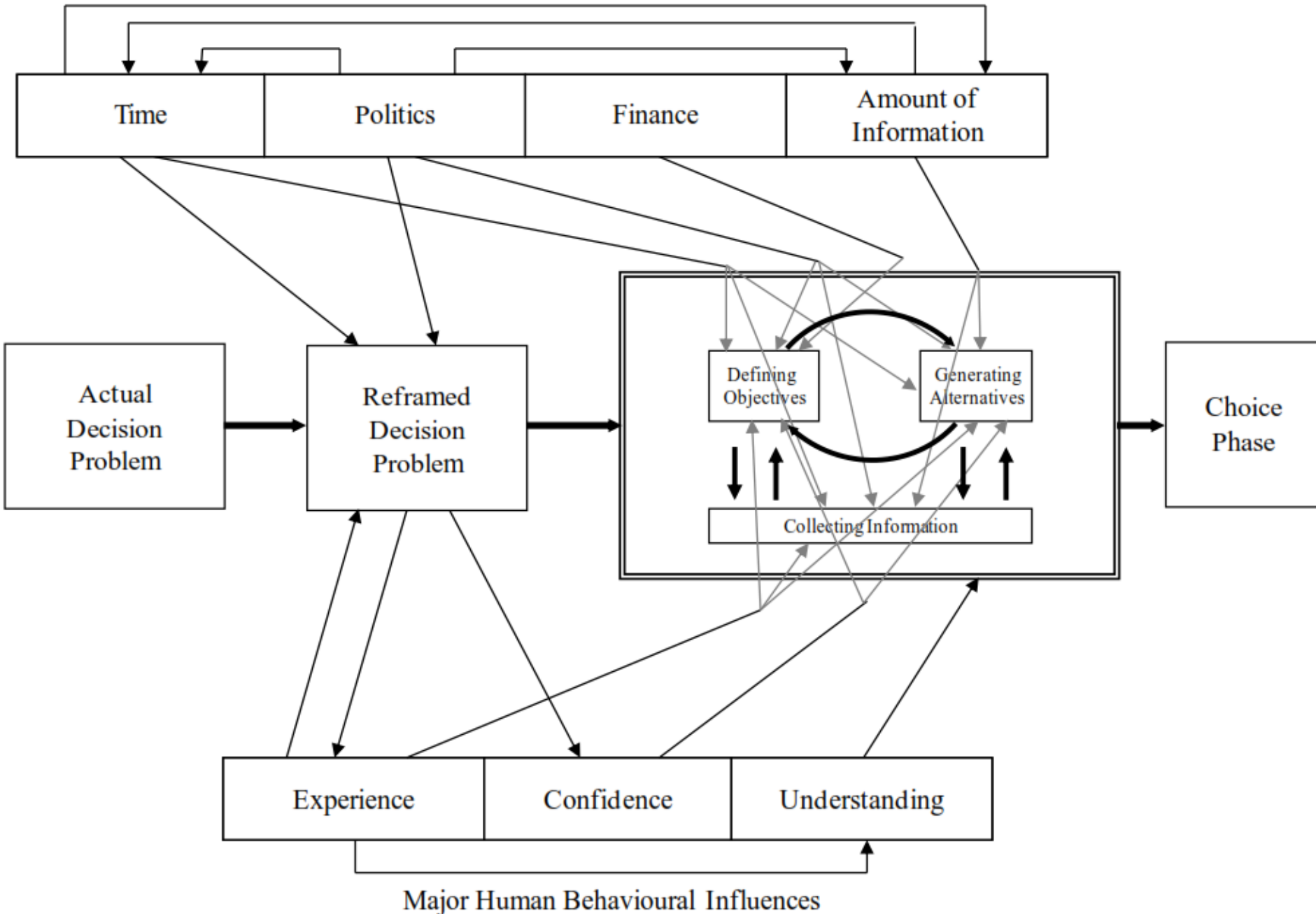
Strategic Decision Making



Source:

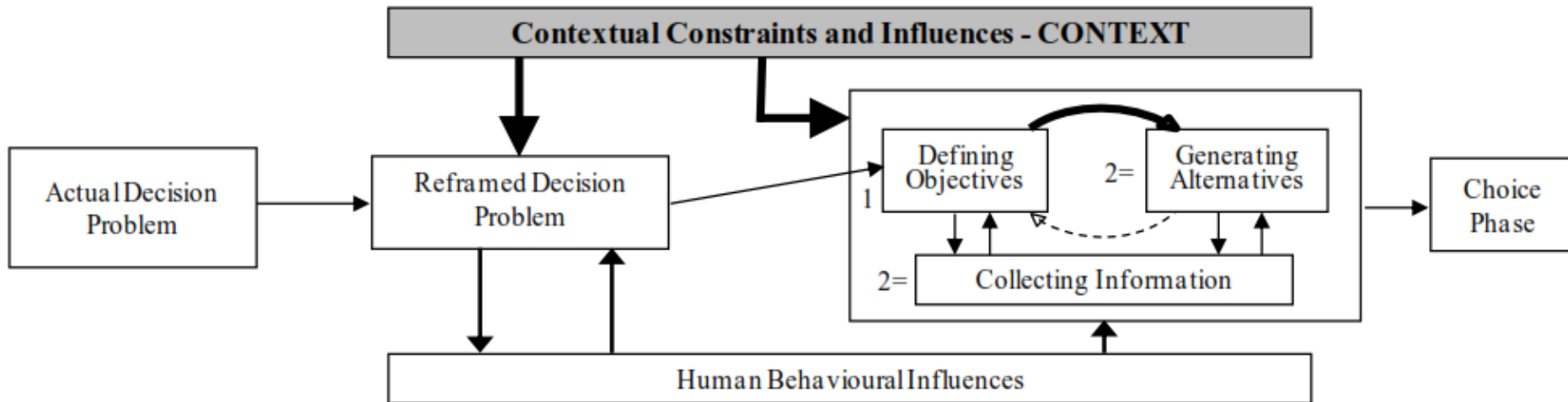
Dean, J. W. and M. P. Sharfman (1996). "Does Decision Process Matter? A Study of Strategic Decision-Making Effectiveness." *Academy of Management Journal* 39(2): 368-396.

Major Contextual Constraints and Influences



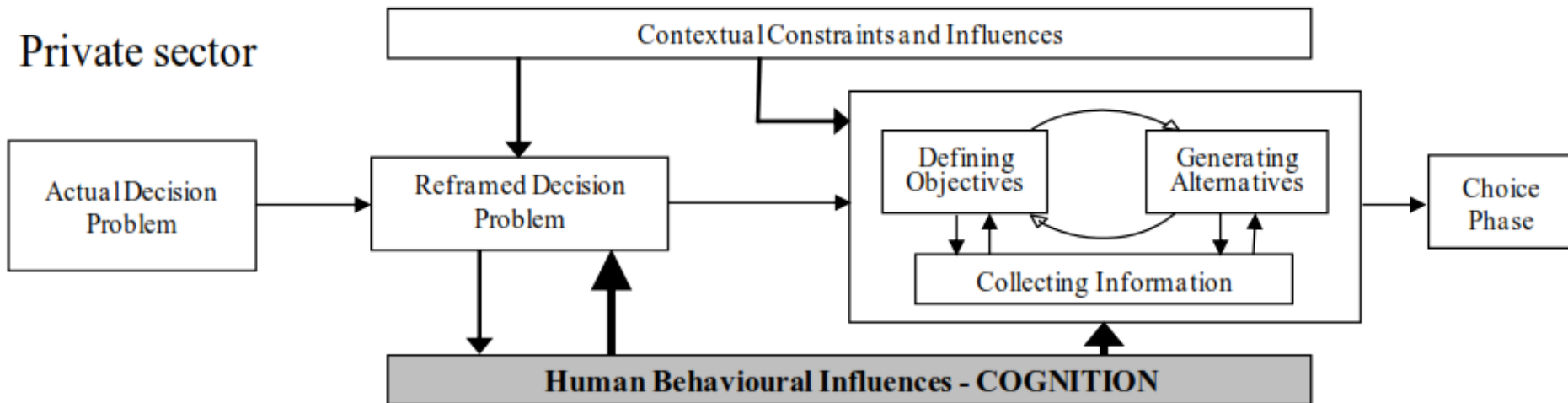
Source: S. Dillon, J. Buchanan and J. Corner, "Comparing Public and Private Sector Decision Making: Problem Structuring and Information Quality Issues" in *Proceedings of the 45th Annual Conference of the QBSNZ*, 2010.

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?

Three Components of Creativity



Adapted from Adams, K. "[Sources of innovation and creativity: A summary of the research.](#)"



Myth #3

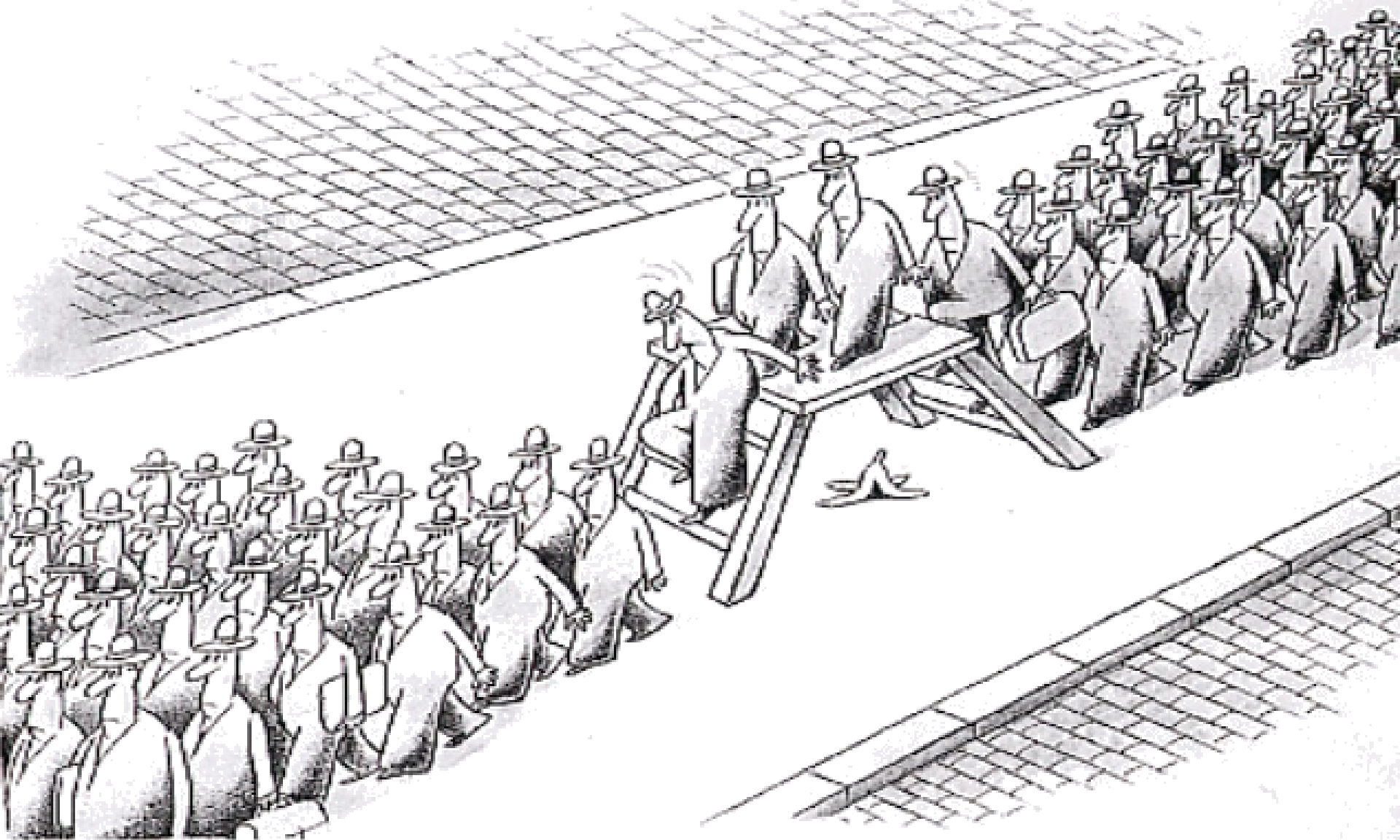
THE PRIVATE SECTOR IS MORE INNOVATIVE

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?





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?





But kind of irrelevant

Myth #6

PUBLIC SECTOR PAY STRUCTURE DOES NOT INCENTIVIZE PERFORMANCE

Test: Does public sector pay scheme incentivize performance?

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

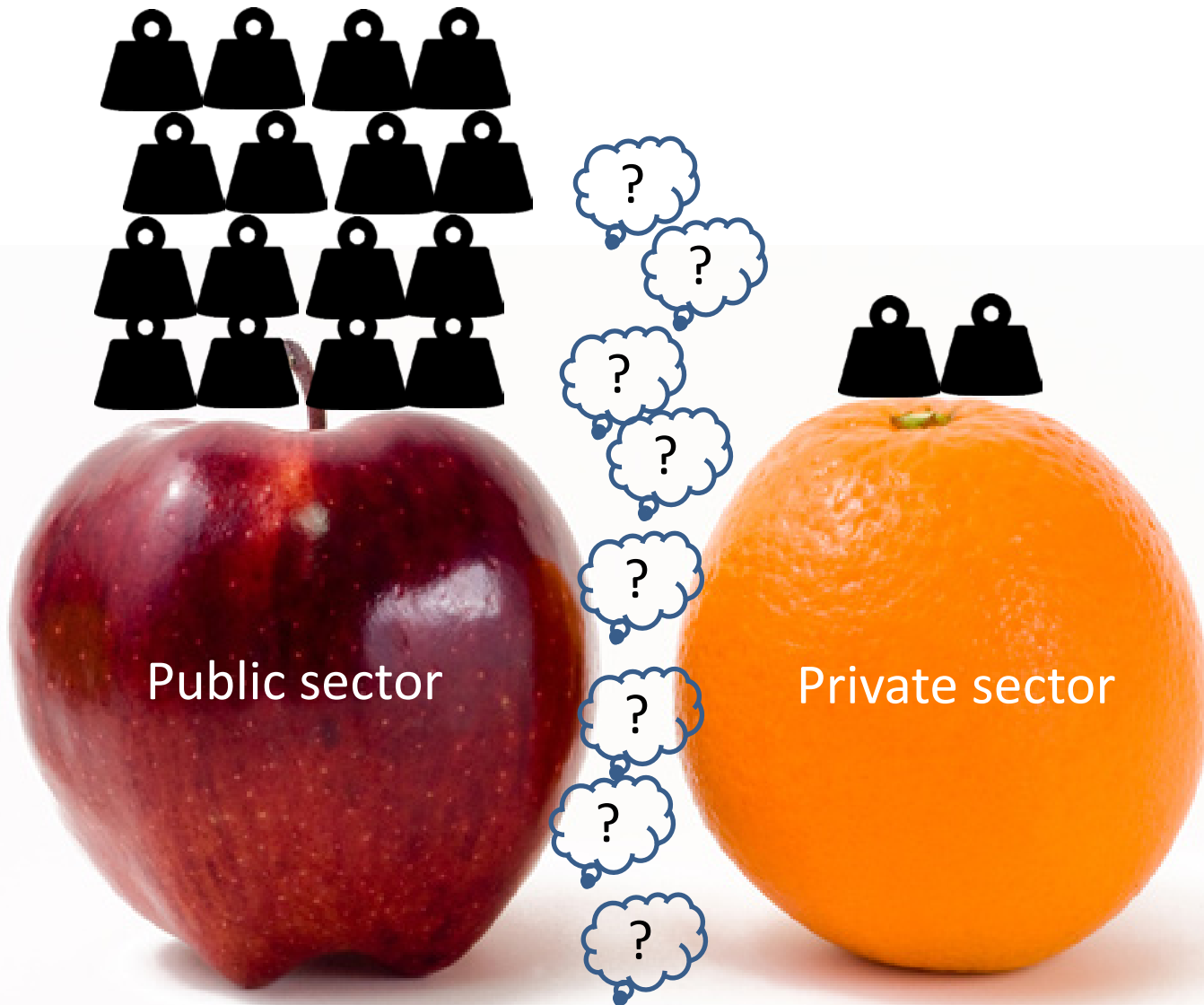
PRIVATE SECTOR EMPLOYEES ARE MORE EFFICIENT

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 X
2. Private sector more cost effective X
3. Private sector staff more motivated X
4. Private sector staff more efficient X
5. Private sector more productive ~√
6. Public sector immobilized by red tape √
7. Public sector pay structure does not incentivize performance √*
8. Private sector more innovative √

Effectiveness scoreboard

Effectiveness component	Element	Private	Public
Objectives	Clarity of objectives	✓	
Alignment	Decision making	-	-
	Information for decision making	✓	
	Staff motivation and performance		✓
	Risk tolerance	✓	
Resources	Innovation	✓	
	Cost effectiveness		✓
	Service quality	-	-
	Procurement	✓	
Feedback	Connection b/w actions & results	✓	
	Performance management	✓	

What to keep doing?

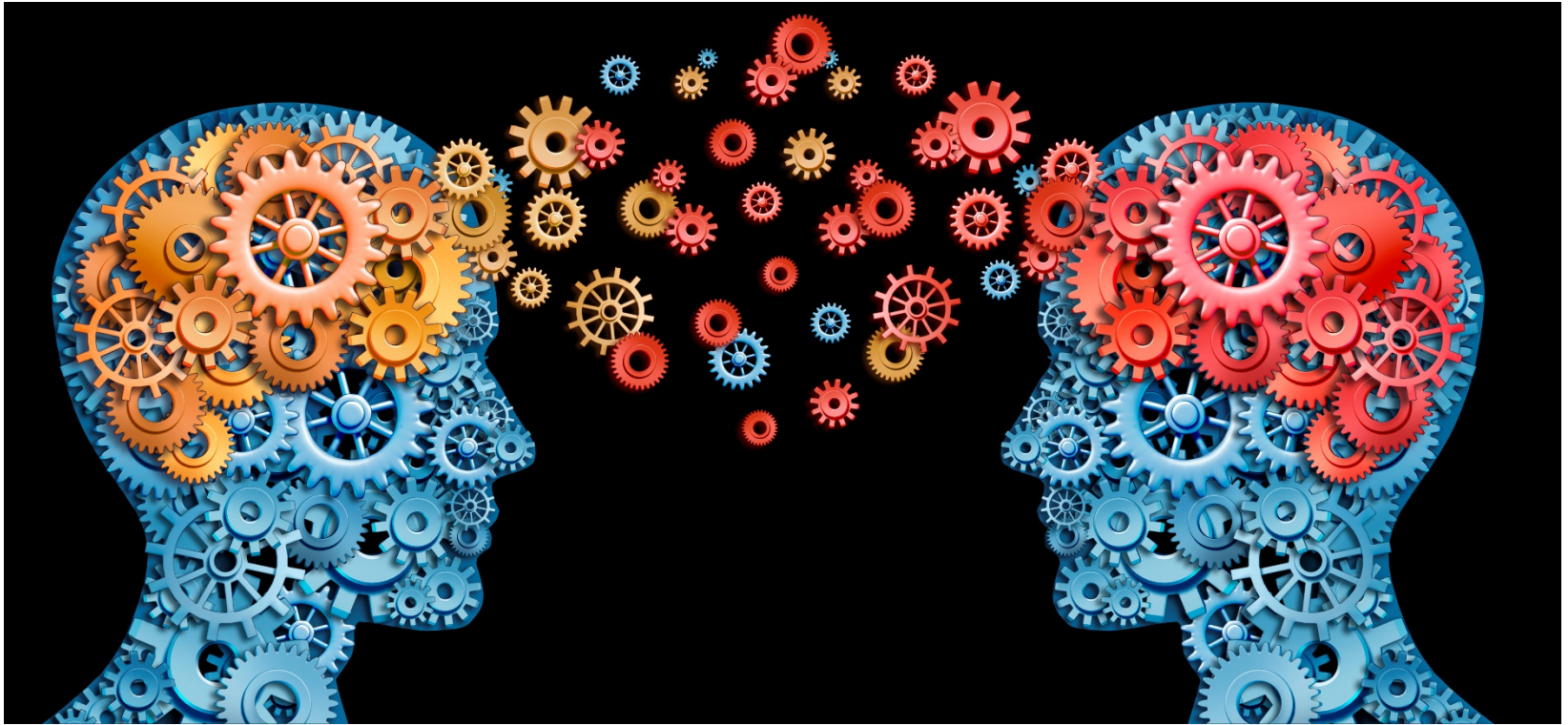
- Motivation 'for good'
- Being cost effective
- Delivering high quality services
- Using rational decision processes
- Good data and analysis
- Engaging with stakeholders

What are the challenges?

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

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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