Considerations on the Public Sector Organizations Performance: A Systems Approach

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Abstract

The Public Sector is characterized by its monopolistic orientation and the inability of its owners - citizens to exercise direct control over a specific Public Sector Organization (PSO). Realizing that a PSO can never be equally productive to an equivalent one in the Private Sector, one can, nevertheless, improve its productivity by: (1) increasing the "Managerial Perspectiveness" among the employees, (2) applying "Selective Radicalism" for high priority areas and, finally, (3) "Privatization".

1. Introduction.

The Public Sector covers the part of the economy of which the activities are directly controlled by elected officials or their appointees. The majority of the organizational entities that operate within the Public Sector are mostly monopolies (Central Government, Regional and Local Governments, Public Authorities, etc.) but some of them operate within an antagonistic environment, thus overlapping with the Private Sector (1).

If there is one single operational characteristic that differentiates the Public from the Private Sector, this is the inability, in general, for a specific public organizational entity to be directly controlled by its owners, i.e. a set of citizens. This can either be the set of the entire population of a country, as in the case of the army, which is a national monopoly, or a subset of citizens as in the case of a city or a village.

The Public Sector presents an enormous complexity inherent to its own nature. For the purpose of this discussion, the problems of the Public Sector can be classified into three categories. The first contains problems related with to identification of objectives and goals, the second to problems of organizational structure and the third to the question of how to motivate Civil Servants.

The three problem areas - objectives, structure, motivation - will be examined, regarding the alternative and complementary strategies that one can follow to increase the productivity of the Public Sector for the benefit of its owner-users, i.e. the citizens.

2. Objectives and Goals in the Public Sector.

Any organization can be viewed as an "open system", i.e. an assembly of components that is connected to, and interacts with its environment (2). In order to continue to exist and to perpetuate itself, an open system has to have the ability to cope with its environment in a way that it will impose its existence.

This means that an organization, in order to survive, should have adequate acceptance by its environment. To obtain acceptance, it should fulfill a certain "mission" useful in covering needs of one or more other open systems with which it interacts and communicates. The collection of all the other open systems with which it interacts and communicates, directly or indirectly, comprises the system's environment which is specified only in relation to a certain interest of the viewer.

It is not necessary for an organization to be

fully aware of its mission in order to survive. Nevertheless, when one talks about socio-economical organizations, where human consciousness is present, the realization of a mission's scope can be helpful to maintain survival, provided that one can have a choice of alternative missions and abilities to fulfill them.

Given the presence of consciousness in an organization, the level of awareness of its mission is proportional to the environmental threats for survival. Thus, the mission's awareness among organizations that live in a competitive environment has to be higher than those in a monopolistic one. In addition, this awareness is higher in entities that can exercise control in the level of fulfillment of their mission or of a surrogate of it.

To be more explicit: a surrogate of the level of the fulfillment of a mission is a set of situations - states - which an organism can create and which are spread over the time. These "situations" usually are called "objectives". Attainment of the objectives implies possible fulfillment of the mission. The quantitative expression of an objective could be called "goal".

The level of productivity in an organization is a function of: (a) the degree in which a certain goal is achieved (effectiveness) and (2) the ratio of the output produced over the input used (efficiency).

This implies the obvious prerequisite that: (a) a goal can be identified, (b) the activities required to obtain the goal can be also identified and (c) the attainability of the goals, is relate to the organization's survival.

If we could follow this logical path of the interlinked concepts of: effort for survival - mission - objectives - goals on the one hand and productivity on the other, we can see easily the basic disadvantage of most PSOs in being, on average, equally productive with Private Sector Organizations. First, their monopolistic nature allows them to survive with less effort than Organizations of comparable level of complexity operating under constant threat from its competitors. Second, the service nature of most PSOs renders an additional difficulty to properly quantify their goals and, subsequently, coordinate and direct the required activities to achieve these

goals.

3. Organizational Structure in the Public Sector.

The lack of clearly defined goals has a direct impact on the organizational structure. This is so because such a structure depends on the way that the various activities are grouped together. Unclearly defined goals have as direct consequence overlapping and redundant activities, since there is no clearly defined connection between activities and goals. In addition, there is very little motivation for the civil servants to improve the situation because of the monopolistic, usually, environment which allows them to operate at a relatively lower level of effort than their Private Sector counterparts.

This situation results, in most cases, in excessive personnel, which is usually tenured. To make things worse, the PSO may suffer from political interference from elected officials, or their designated deputies.

The system of the elected officials, being a separate system, has its own needs, the most important of which is - as in all systems - the need for survival. The survival of a politician is synonymous to re-election, in a country where politicians are being elected (otherwise, the need for re-election is substituted by the need for continuation of support from a powerful subset of the society). This implies that the politician must satisfy his constituency. It entails, for example, that he may try to place as many of his supporters as possible in the public payroll.

In addition, the elected officials are not chosen, in many cases, for their managerial ability and particular knowledge of the PSO that are managing. It can be clearly seen that there is no guarantee that the fundamental objectives of the political power in a PSO, i.e. the elected officials, are the same with those of the PSO itself. The gap between these two classes of objectives can determine, to a large extent, the level of the organizational mis-function.

4. Motivation of Civil Servants.

The basic question regarding the motivation of civil servants to work more productively is the following: How can one motivate employees

and workers if he cannot determine, in clear terms, the activities to be performed and the corresponding goals to be achieved? How can one reward the correct behavior or discipline the incorrect if one cannot specify in concrete terms what constitutes proper and improper behavior?

There are very rare cases where civil servants are rewarded for an above average performance, and even more rare and under extreme circumstances are the cases where are disciplined for a non-satisfactory performance.

Furthermore, the Public Sector pays low salaries, which usually are unfairly distributed. One reason for the low level of salaries is that the excessive number of employees forces the PSO to spread thin its budget for salaries and wages. In addition, there is no citizen who will easily consent to civil service salaries higher than his own.

These low salaries are very difficult to be differentiated according to each one's contribution in the creation of a service output because they are not easily recognizable standards of performance. Therefore, no one will be willing to be exposed to public criticism for distributing rewards and disciplines in a rather subjective fashion.

The easy solution to this problem - and with good reason - is to reward everybody approximately equally, although, sometimes, the basic demand from the employee is being reduced to his physical presence at the job site.

Unfortunately, there is a reluctance from the average citizen to recognize the need - and the scarcity - of managerial talent in the Public Sector. The average citizen does not have the awareness of what he really pays finally for services offered by not adequately paid or otherwise motivated civil servants (3). (The implication of what is referred as "Savas Law" (4), is that for the same level of satisfaction from an identical service offered by a PSO and a Private Sector organization, the one offered by Public one has twice the cost of the Private).

Thus, the PSO is bound to operate at a lower productivity level than its Private Sector counterpart, following a trajectory that inertia rather than prudent planning and efficient management

has established. And, as it is well-known by the law of inertia, something which is immobile has the tendency to continue to do so, while something which moves will continue to move towards its set direction. The immediate question is if this direction, which was set sometime ago for the PSO is, at the present time, the proper one - in terms of having a meaningful mission to fulfill with today's societal needs.

5. Approaches to Increase Productivity.

From the previous discussion, it is quite obvious that, usually, there is no adequate motivation to improve the productivity in a particular PSO. The citizens - owners of a PSO have, mostly, no direct control over a specific organizational entity which is managed-almost "in blanc" - by official(s) elected to manage blocks of PSO's. These officials are approved periodically, through elections, for their performance in managing public affairs - at large and not for obtaining specific results from particular PSO's. The question is, being things as they are, what one can do to improve the productivity in the Public Sector.

To answer this question, one first has to get rid of the illusion that a PSO can ever achieve the productivity level of an organization in the Private Sector which operates under competition. The reasons have been discussed earlier. Having full awareness of this fact, one can improve productivity with various organizational change techniques, keeping in mind that no technique, or class of techniques, works well in all situations (5). Basically, one can intervene with one or more of the following ways: (a) by improving the managerial perspectiveness of the employees, (b) by selecting particular areas for special attention (Selective Radicalism) and (c) by privatising PSO's.

5.1. Managerial Perspectiveness improvement.

Since a PSO has to be managed anyway, whatever one can do to improve the managerial perspectiveness of its executives will be beneficial. This can be achieved through training on specific subjects or through broader training focusing on the whole culture of the organization, i.e. through organization development. Organization development is an intervention strategy which uses group processes to change beliefs,

attitudes, values, structures and practices (6). The whole effort can be supported with the introduction of Management by Objectives (MBO) type of techniques - either the classic MBO or its budget oriented versions like Zero Base Budgeting (ZBB), etc. (7) - and with the rationalization of MIS and Accounting Procedures.

5.2. Selective Radicalism.

It will be a utopia to try major improvements uniformly throughout the Public Sector Agencies. It will create an enormous resistance to change from the entire bureaucracy. What one should do - parallel to a modest effort to increase management perspectiveness - is to apply special productivity efforts in Key Areas of high priority (and/or high probability of success), by establishing extraordinary task forces from members of the particular PSO as well as outside consultants, in the hope that these special efforts will be eventually institutionalized (8).

5.3. Privatization.

Privatization means to rely more on the Private Sector rather than on the Public to offer public goods and services (9). The implicit assumption is that by introducing competition, in the environmental setting of an organization, the latter will have to work more productively in order to survive, for the benefit of the public. As Savas points out, the role of the government is to steer, not to row the boat. In this sense,

one should divide the responsibilities and functions between Government and the Private Sector, in order to take advantage of the strengths of each and to overcome the limitations of the other (10).

6. Summary and Conclusions.

The Public Sector plays a fundamental role in providing goods and services to the public. There are a number of problems in managing a Public Sector Organization arising primarily from the inherent difficulty to establish clearly defined objectives and goals and to design, subsequently, an effective Organizational Structure. These difficulties are amplified by the lack of motivation of the civil servants, (in comparison to their counterparts working in the Private Sector under conditions of competition). One should recognize the fact that it is impossible to run a Public Sector Organization at the same level of performance as a Corporation of the Private Sector working in a competitive environment.

The alternative, and complementary, approaches to increase productivity in the Public Sector are: (a) improvement of the managerial perspectiveness of the Public Sector managers, (b) focus on areas of particular interest (radical selectivism) and (c) greater reliance on the Private rather than on the Public Sector in providing goods and services for the citizens of a country (Privatization).

Footnotes

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