

January - February 2000

In Government

pp.15 & 17

Challenging a risk averse public sector - interview with Tom Schneider

According to Tom Schneider, Corrs Schneider, Melbourne, in the most successful, high performing organisations there is a shared understanding of the business, the customers, the competitors and the economics of the business. He says, "everybody is trained on that front".

Tom Schneider observes "there's a strongly held perception ... that when people in government do things with risk that don't prove to be successful, they are punished for it very directly and in a very public way".

By contrast, he says private sector managers have a sense of the market expecting them to introduce change or be punished, particularly with the move to more online business.

In the United States, smaller departments and agencies are seriously rethinking what business they are in, who their customers are and what they ought to be accomplishing.

"It's clear in my mind that the similarities between the situation facing leaders and managers in Australia and US are larger than the differences," said management consultant Tom Schneider. Schneider works with managers in both countries (in Australia through Corrs Schneider, Melbourne).

"Partly it has to do with the inbred resistance within organisations to resist change, and partly with insulation from market place pressures that most government departments and agencies have, and also partly it has to do with the public treatment of the political process," Schneider said.

"There's a strongly held perception, reinforced by experience, that when people in government do things with risk that don't prove to be successful, they are punished for it very directly and in a very public way - in front of a Senate committee or the front pages of the newspapers.

"In the private sector, mistakes that happen usually are dealt with internally and if there are huge mistakes then they are dealt with in the market. There are chief executives and general managers that get fired but it tends to be a different process than is perceived to occur in the public sector - they're on the front page of the newspaper versus the front page of the business section.

"The stock market tends to understand that there's risk involved and they look at the bigger picture whereas in the government the humiliation factor tends to act as a major deterrent. What tends to happen is that the people who control the process, the legislators, come in and overlay a whole set of different rules.

"There is a strong perception in the public sector (in and outside Australia), that they can't

take the risks that come from a flattening of the organisation and eliminating rules. They depend on having the bureaucracy, with all the checks and balances, which the private sector is continually eliminating.

“Private sector managers have a sense of the market place expecting them to introduce change or be punished, particularly with the move towards more online services.

Change - private versus public sector

“One area of change is the management style – loose/tight. In time, in most successful, high performing organisations there is a shared understanding of the business, the customers, the competitors, the economics of the business - everybody is trained on that front.”

This approach relies on a clearly defined sense of what the organisation is all about - its values, its principles, what it stands for and what it believes in. It involves very clearly defined business objectives, supported by a strong set of measures which are freely available to everybody at all times. People can see where they are trying to go, they understand what they can do to make a difference and they understand what they have to accomplish, Schneider explained.

The defining process goes on even in service organisations, such as health care systems - private, public or not for profit.

“Governments have to analyse what they do, identify their customers and the services they are expecting. For the most part government does not spend a lot of time doing just that. They don't clearly define their starting point so that people understand what they have to do and how they can effect the outcomes of the business.

“In such an organisation, you can delegate an enormous amount of authority, responsibility and discretion to people and you let the objectives, the values and principles act as the control mechanisms. You can cut people loose to use their initiative and figure out how best to do the job.

Is this happening in the public sector?

The new Federal Public Service Act was intended to produce a loose/tight management structure for the public sector - to clarify objectives and values and let people figure out how best to get there.

There is a serious tension within the body politic. They want a government which is highly responsive, which is highly efficient, which uses its resources well and helps people solve problems but nobody is very comfortable giving people in the government the discretion and freedom that they give to managers in the private sector.

Information is a tool, not an end

In the US anything except huge buys are to be conducted over the net. Most normal purchasing will be online.

“Information has always been a source of power and technology democratizes it by making it available to a much broader range of people. It allows you decentralise authority and to

decentralise decision making,' said Schneider.

"You can push it down to the person who is closest to the consumer or the person who is using the government service. It really starts to change how management communicates with people.

"The ACTU, by making personal computers available to all of its members over the next couple of years, will allow the union to communicate with all its members at the touch of a button.

"Increasingly, governments realise that providing information allows people to solve problems outside the organisation, and it allows their customers to interact with them. It enables say someone on welfare support to immediately access the service and find out what is going on elsewhere in the government. The net becomes an important part of being able to provide this service to people.

"If people are unfamiliar with online services, the government needs to make it more accessible for them. It also involves training and developing public servants so that they can use the service.

"Decentralization allows government to provide a very different sort of service to people, but it would be difficult to manage such an organisation in a typical command and control bureaucratic model, it just doesn't work. Information is merely a tool. It is not an end in itself.

Change - the US experience

In US public sector there is a large amount of change taking place that has barely broken the surface as compared with the private sector, especially with direct online purchasing.

Some smaller departments and agencies are seriously rethinking what business they are in, who their customers are and what they ought to be accomplishing. The US Federal Conciliation and Arbitration Service is a group of less than 400 people who are responsible for helping labour and management work through conflicts. After some 40 years of operation, the group reassessed their direction, their goals and their organisation.

"Already they have changed how they are organised. They are training people with a broader set of skills, they laid out clear expectations for people within the agency and they flattened out the organisation. They ended by giving people at the front line a lot more discretion and authority as to how they would manage and work.

"The process has taken several years and they are now much more mature and much more revitalised and private sector clients who use the service are now speaking more highly of it than in previous times.

Regardless of the changes taking place at election times, conservatives and reformers agree that the public sector always has the core responsibility of delivering services in the most efficient and effective way.

Profile

Tom Schneider

Tom Schneider is President and CEO of the United States' leading organizational and employment consultancy, Restructuring Associates Inc. He has more than 20 years experience advising companies with highly unionised workforces in the US and Canada, including several Fortune 200 companies, on corporate strategic planning, organisational and labour issues, employee participation and ownership programs and the design of high performance, innovative organizations.

Tom is experienced assisting government and public sector employers. He advised the Secretary of a major US Government Department on the management of substantial labour force reductions and the restructuring of operations to reduce costs and improve performance and change mission.

Tom received his A.B. magna cum laude with the highest honours from Harvard University and his J.D. from Harvard Law School. He also has a D.Phil in industrial and organisational sociology from Oxford University. He speaks and is published widely on the issues of union-management relationships and the development of high performance workplaces.