



FULBRIGHT  
UNIVERSITY  
VIETNAM

FULBRIGHT SCHOOL OF  
PUBLIC POLICY AND MANAGEMENT

# Public Management

SESSION 15

**Using Business Strategies  
in Public Organizations**



# Session 15

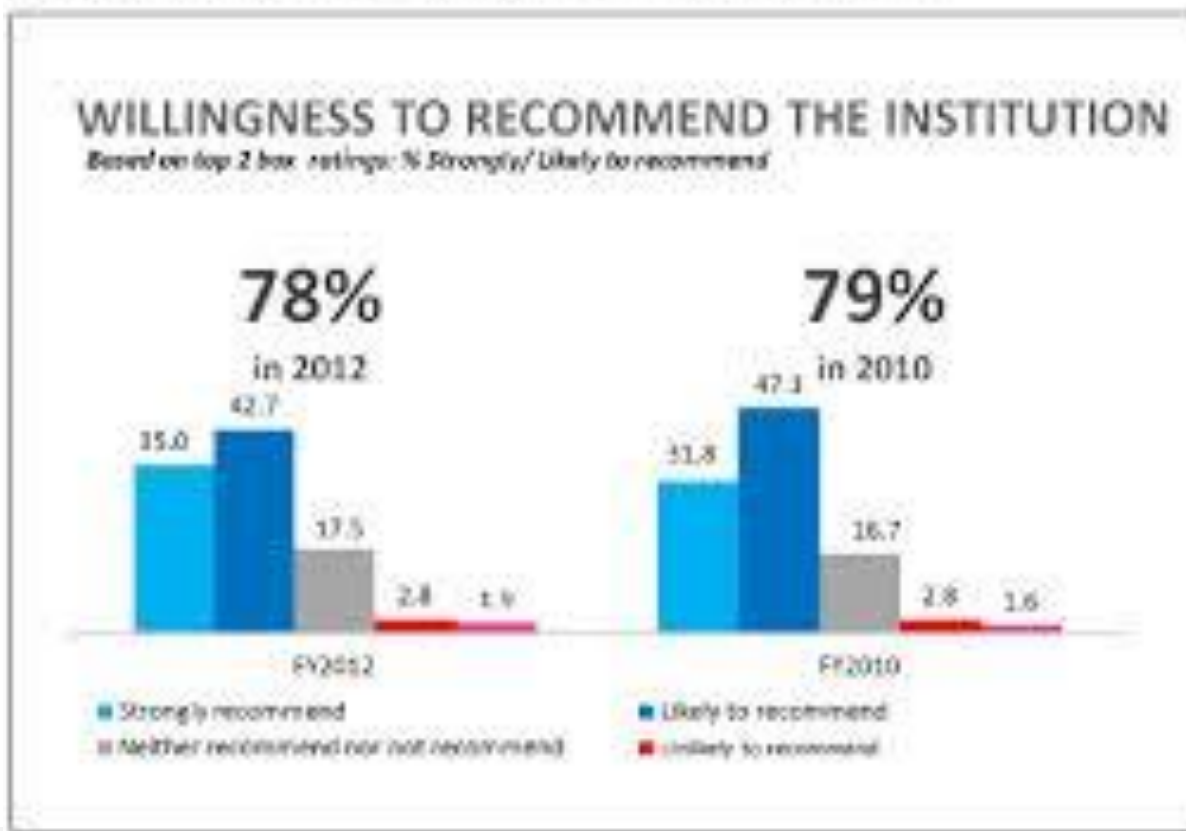
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- How to utilize business principles in public organizations? What are pros and cons?
- Customer concepts in public organizations?
- How to measure performance in public organizations?

These days, many of public organizations / enterprises use satisfaction survey. Why?

Can public organizations get benefit from this 'private-business-like' behavior?

Chart 2: Willingness to recommend public healthcare institutions



# Vietnam? Customer Service in Public Sector?



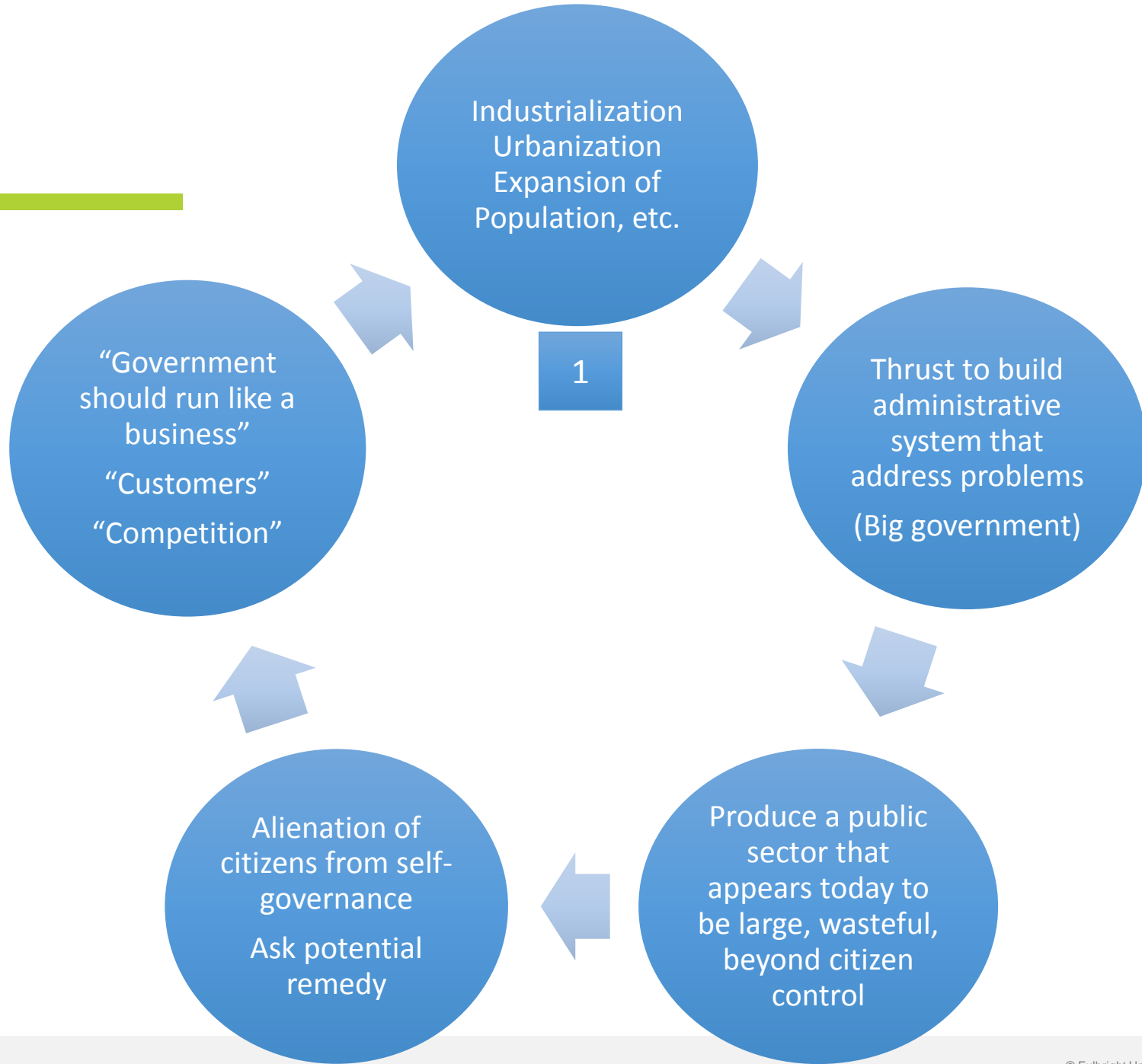
- In 2007 AFP reported: "Communist Vietnam's public servants have been told to improve their manners, stop shouting at people and refrain from cooking in government offices, state media reported Friday."
- "In communication and behaviour, civil servants must have a polite and respectful attitude," say the new rules. "The communication language must be clear and understandable."
- Prime Minister Nguyen Tan Dung has signed a new set of directives on government "office culture"

# “Running Government like Business” (Richard Box)

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- Increasingly, public administration practitioners and academics are faced with demands from politicians and citizens that government **“should be operated like a business.”**
- Cost efficient, as small as possible, competitive, entrepreneurial, and dedicated to **‘pleased the customer.’**
- Increasingly suspicious – fairness? Social justice? Quality of service? Environmental protection? Etc.
- Public sector is increasingly penetrated by the metaphor of the market, “running government like a business.”
- **Is this a right direction?**



# Prevalence of words



- Privatization
- Downsizing
- Rightsizing
- Entrepreneurism
- Reinvention
- Enterprise operations
- Quality management
- Customer service



# Private Sector's Customer Concepts

## Jane Fountain

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- Growing Consensus that Government should become more “business-like” merely catalyzed the diffusion of service management (New Public Management)
- **Customer satisfaction** is a key element, Idea of service management in public organizations
- Development of service management in private sector (post-industrialization period) – strategic, operational, and financial development.
- Why gained so much attention?



# Clinton Executive Order 12862



- **Identify customers** who are, or should be, served by the agency
- **Survey customers** to determine the kind and quality of services they want and their level of satisfaction with existing services.
- Post **service standard and measure results**.
- **Benchmark** customer service standards in business
- Survey front-line employees on barriers to, and ideas for, matching the best in business
- Provide **customers with choices** in both the sources of service and the means of delivery
- Make information, **service and complaint systems** easily available.



Various ways of customer-oriented public services

# Is “Customer” concept possible in the Public sector?



- Intangibility of services and tangibility of products – **Perception of quality formed by customers are really important.**
- **No clear division of labor** – the behavior of service delivery employee has far more influence than that of factory workers.
- Customers enter into the production and delivery of services as co-producers

Customer Service is to achieved through identification of customer preference and agency restructuring (market competition)

Agencies are to survey their customers to systematically gather their attitudes toward government services

Competition with other sectors (Market)

Create markets to fulfill some federal functions

# Productivity Movement: Singapore's Case

- Singapore is a successful example of government-led productivity movement. Now offers consultancy to developing countries.
- Started from 1980s – aiming at ‘mindset change’ at all levels.
- Productivity movement was introduced not only to the private businesses but also the public sector.
  - Strong commitment by the Prime Minister
  - Massive campaign
  - Cooperation among government, industry, and labor unions
  - 1981, National Productivity Council



# *Challenges*



# Operational Challenges

- The Identity of “the customer” in the public sector is highly problematic – well-known problem, not resolved clearly yet.
- Customer services is not definable in any meaningful way in the absence of **prices**.

Who is the customer?

Hard to Define

- Separation of Power (shared)
- Intergovernmental relationship
- Taxpayers and voters do not have coherent expectations (What is best service to them)
- Political compromise





## Operational Challenges (2)

- Inherent difficulty of measuring intangible services
- Problem of survey – biased in favor of those most likely to respond to surveys
- Agency goals – ambiguous, vague, or conflicting for political reasons (due to highly variable clients, inadequate resources, uncertainties).

In many street-level agencies



Bureaucrats use discretion  
Depends on heuristics such as  
favoritism, stereotyping, routinizing





# Political Challenges

- Weakening political Equality
- Private Firms: High quality services is correlated with                          status of customers (e.g. Cell phone family plan: spend more – get more discount; American Express Card). **Firms create hierarchy of service levels** → inequality.
- Firms also respond to their vocal customers.
- Variable pricing – allows customers of private or public services to pay, or to pay a premium for faster service (issuing passport).
- However, public servants are not motivated by customer retention strategies. Obligation to provide services equitably.



# Other Drawbacks

- Hard to collect consistent feedback from customers.
- Political bureaucrats have an obligation to do more than satisfy customers – Sustain political legitimacy + minimize political inequality.
- Individual and social preference change over time (e.g. Today's choice → impact on future customers, pension / environment).
- Private sector customers – bear no responsibility to firms except to transact legally. Do not consider others, firms, future generations.
- Citizens interact with government during all of their adult life in ways that contribute to their identity as citizens. Citizens are intensely loyal to their government. Citizens consider obligations to other present and future citizens (Public interest / community).



# ***Performance-oriented Government***

# Performance assessment in the public sector



- Increased attention to performance assessment in the public sector coincided with the rise of administrative reform (NPM, e.g.).
- Objectives: a. cut budgets; b. improve the efficiency and effectiveness of government bureaucracy.
- Return to politics-administration dichotomy: politicians should stick to their core business, making policies (input management).
- Adoption of a larger number of private sector techniques to measure and improve performance.
- Underline assumption → “measurability of performance in the public sector.



# What is the performance paradoxes



It was agreed that patients should be on a waiting list for an operation no longer than 2 years



Successful  
The average waiting time decreased



Further Inspection

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The waiting time only began to be counted after the first hospital consultation  
Actual waiting time did not decrease





# Unintended Performance Paradox



Labor Exchange  
Agency

**Mission:** Helping those clients who are most in need of their services, such as uneducated or poor people



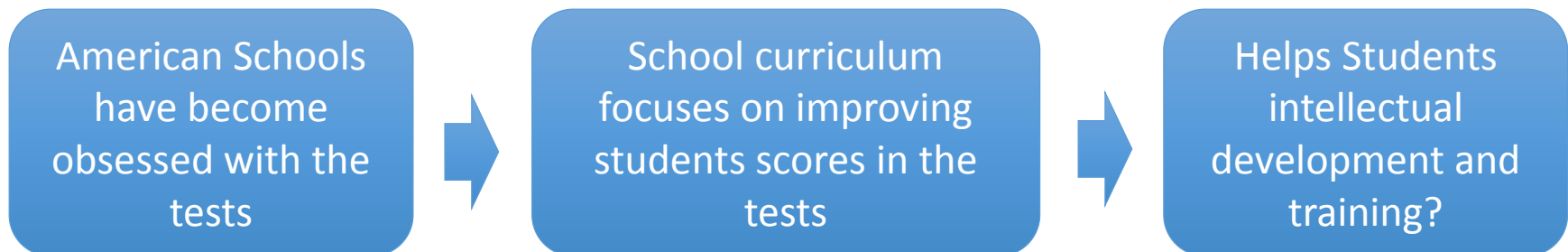
**Performance measurement:** “the number of ‘successful’ transactions”

**What can actually happen?**



# Measurable Policy Goals?

- Policy Goals are often non-quantifiable and hard to measure
- E.g. Concept of National Safety or National Health
- Does an increase in the number of apprehended criminals make us feel safer or less safe?
- Will an increase in the number of medical operations in hospitals make us feel more healthy or less?



# So, performance-orientation in the public sector

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- Can create several problems potentially.
- Delay or non-cooperative behavior (gap between reported and actual performance)
- Try to hide ill performance by misinterpreting performance indicators (e.g. emphasize easily quantifiable indicators, leave out difficult to measure).
- Sub-optimization
- Myopia (short-term objective): cream skimming, cherry picking.



# Why this paradox happen and how to cure it?

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- Why?
  - Discrepancy between politicians and executive agents
  - No real sanction (lack of potential bankruptcy)
  - Advantage of expert knowledge (hard to notice manipulation)
  - Public sector monopolies
- How to Remedy? – Various (new performance indicators, ombudsman, client panel, participatory performance review, information disclosure, independent external review, etc.)



# Q&A



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