

THE SMART AND SIMPLE WAY TO EMPOWER THE PUBLIC SECTOR

By Jason LaBresh, Mark Watters, and Sachpreet Chandhoke

ASK MOST PEOPLE WORKING in government agencies and NGOs why they chose their vocations, and they'll tell you that they wanted to make a difference and thought a career in the public sector would be rewarding. But they may also say that the reality is very different. When we interview public-sector workers around the world, we commonly find people who are frustrated, unenthusiastic, and full of angst. While 89% of private-sector employees say they are proud to work for their organizations, only 59% of public servants agree.

How can it be that people who should have the most fulfilling jobs in the world are generally far less engaged and productive than those we encounter in the private sector? The root causes, we believe, are organizational cultures that are strangled by rules. Myriad rules define the public-sector workplace—rules spelling out procedural red tape, layers of decision making, regulatory compliance, and employee safeguards. These rules are put in place for the best of reasons, such as to ensure fair hiring practices and prevent corruption, favoritism,

and the influence of special interests. But as rules proliferate, they often congeal into inefficient, costly bureaucracies that slow decision making, stifle initiative, discourage cooperation, and frustrate employees.

It doesn't have to be like this. In our work with thousands of organizations globally, we have seen how public-sector leaders can achieve a step change in performance by adopting an approach that The Boston Consulting Group calls Smart Simplicity. This approach helps them simplify their organizations, take a systematic view of challenges, and create norms that promote the good behavior or actions needed to help the organization achieve its mission. The result, in our experience, is employees who approach their work with greater pride and passion and feel more fulfilled in their careers.

The Reasons for Dysfunction

Smart Simplicity is designed to solve the kind of organizational dysfunction that results when rules run amok. At public institutions in particular, morale is often weak-

ened by rules that are framed in the negative—all the things one must *not* do—rather than being designed to reward dedication and initiative. As the lattice of rules builds over time, managers feel they have no room to maneuver. Meanwhile, systems such as tenure-based promotion, which originated with the good intention of replacing nepotism with meritocracy and protecting career employees from the whims of politicians, can discourage rising stars. Private companies, by contrast, can more freely reward good performers with financial incentives and promotions—and let go those who perform poorly.

The way in which one government attempted to reform defense procurement illustrates the challenge. Major reviews of procurement were conducted every two to three years. Each review generated dozens of recommendations, usually for new senior-leadership positions, new organizational units, new training programs, new policies, new rules, and additional oversight. Recommendations from previous reviews typically were repeated. Yet there was little improvement. In some respects, such as meeting deadlines, performance worsened. When we looked at the organization, we found—through dozens of interviews—that staff were confused about their roles, had low morale, and were deeply cynical about whether the situation could ever be turned around.

This is not an isolated case. It is our observation that public-sector organizations fail to resolve dysfunction because they tend to rely on a familiar but ultimately unhelpful set of remedies. These remedies often revolve around creating more rules to prevent bad things from happening or revising the organizational structure through new roles or reporting lines.

The problem with adding more rules is that it creates a compliance-based culture in which staff do not feel empowered to make decisions, and the organization becomes stymied by a growing pool of “checkers” and a shrinking pool of “doers.” The problem with relying on organization design is that it focuses on structural or

surface-level changes, rather than on underlying issues related to power dynamics, collaboration, and work flows.

Other common reactions are to invest more resources and hire more people to launch new initiatives, conduct training workshops, or add process steps. As in the defense procurement example above, these “reforms” only exacerbate the problem by adding yet more rules, layers, and handcuffs, all of which make it more difficult for people to do their jobs.

Smart Simplicity and How It Can Help

We believe that the key to improving organizational outcomes and staff engagement is greater collaboration and cooperation. Smart Simplicity, which is based on game theory, behavioral economics, and sociology, essentially connects the mission of an organization with the purposes and passions of its employees. It is built around two basic assumptions: performance is the result of what people do on the job, and behavior is driven by rational responses to the workplace. By changing the context—such as decision rights, work processes, reward systems, and career paths—organizations can achieve an observable change in employees’ behavior. People will become more enthusiastic about fulfilling their tasks and more willing to cooperate and share ideas. Such changes in behavior, in turn, lead to measurable improvements in performance, such as better cost control, improved efficiency, and more innovation.

BCG has been helping corporations implement Smart Simplicity programs for more than a decade, and we believe that the same principles can help public-sector organizations improve their performance by liberating employees from the incessant grind of rules. How does Smart Simplicity work? The first step is to understand the existing “system at work” and why people behave as they do. We have developed a process that includes a proprietary interview methodology that allows us to home in on what drives individual choices and actions, as well as a “complicatedness” survey that

helps us rapidly scan the context of an organization. Most important, we identify the aspects of the context that need to be corrected in order to make the desired behaviors the logical choice for employees.

Once they have gained a genuine understanding of organizational context and where it needs to be fixed, leaders can simplify the organization by developing “minimal sufficient” solutions. These solutions are then tested against six simple but powerful rules. (See the sidebar, “Six Simple Rules.”) Minimal sufficient solutions help organizations recognize the wide range of options available to influence behavior and lift performance—whether that means changing decision rights, removing signatures from certain documents, altering the sequence of steps in a process, instituting upward or peer feedback, or changing how work is allocated among staff members. Often the solutions that arise from applying Smart Simplicity are a series of low-tech, cost-effective changes that together create a new context—and therefore start to change behavior.

How to Nurture a More Engaged Workforce

We often hear from public-sector leaders that the levers available to influence change

are severely limited compared with the ones available in the private sector. In particular, they cite the lack of financial rewards, the difficulty of letting staff go, and the need to comply with onerous regulations.

Interviews that BCG has conducted over the years to assess worker engagement at nearly 1,000 organizations around the world confirm the engagement gap between the public and private sectors. Only 45% of the public-sector workers we spoke with had a favorable view of the way their employers recognize performance, compared with 50% of corporate workers. A mere 38% of global public sector-employees agreed with the statement that “poor individual performance is not tolerated in this organization,” compared with 48% of private-sector employees. Moreover, 40% of public-sector employees said their career opportunities were attractive, compared with 53% in the private sector. (See the exhibit.)

We believe this gap can be closed by employing a more systematic approach that starts with the first rule of Smart Simplicity: understand what your employees really do. Leaders should talk to their frontline and midlevel employees and find out what they enjoy about their jobs and what frustrates them. They should then adopt a different mindset regarding the context in

Public-Sector Workers Have a Lower Opinion of How Their Organizations Manage Performance and Recognition

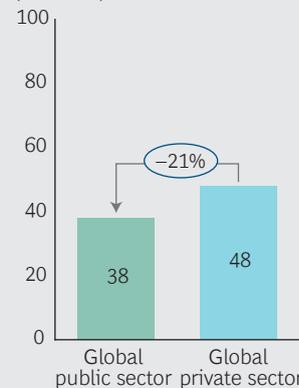
“TEAMS THAT PERFORM WELL ARE RECOGNIZED FOR IT”

Respondents who agreed or strongly agreed (median %)



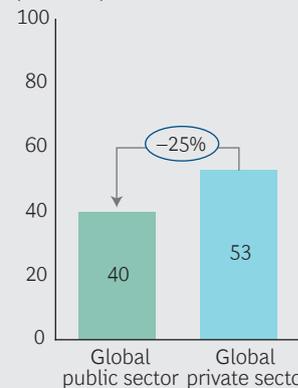
“POOR INDIVIDUAL PERFORMANCE IS NOT TOLERATED IN THIS COMPANY”

Respondents who agreed or strongly agreed (median %)



“THE CAREER OPPORTUNITIES HERE ARE ATTRACTIVE TO ME”

Respondents who agreed or strongly agreed (median %)



Source: BCG analysis.

SIX SIMPLE RULES

The six simple rules that form the bedrock of Smart Simplicity address the way work gets done and lay out solutions that facilitate stronger cooperation and engagement. The first two rules are largely diagnostic, while the remaining four are more solution oriented.

- **Understand what your people actually do.** Conduct interviews. Watch people interact. Study how decisions actually get made. Get beyond job descriptions and understand why people do what they do.
- **Find your fighters.** Identify the people in the organization who know how to get things done, especially those who can cooperate across organizational borders and resolve issues. These people may not be high in the org chart, but they have figured out how to make the rules and bureaucracy work for them.
- **Give people more power.** Figure out ways to give people more power so they are more willing to show initiative, without taking it away from others. New sources of power can be created around expertise building, choice assignments, and training.
- **Increase reciprocity.** Make sure people cooperate, especially with people in other departments and functions. Paradoxically, one of the best ways to accomplish this is by removing resources. A family with only one television, for example, will be forced to cooperate more than a family with two.
- **Make sure your employees eat their own cooking.** Give teams end-to-end responsibility for process and customer interactions so they are exposed to the consequences of their decisions. Ensure that people stay in their roles long enough to implement what they have proposed.
- **Reward those who cooperate.** Rather than punish failure, punish those who fail to cooperate or fail to ask for help. Link compensation, performance measurements, and career advancement to individual and team goals.

which their employees operate. Public-sector organizations should learn how to alter this context in order to enable and incentivize the behaviors that will boost organizational performance. They should take actions that empower individuals and create a positive culture.

Helping the Trains Run on Time

A European government-owned railway illustrates the gains that can be achieved in the public sector by using Smart Simplicity. The railway was struggling to boost its on-time record to above 80%. It had tried to improve punctuality by upgrading traffic-control mechanisms, hiring more agents, and dedicating more resources to monitoring delays, while skimping on such opera-

tions as cleaning and equipment checks. But any gains were marginal and also tended to have a negative impact on other aspects of performance, such as cost, quality, and safety.

So the railway took a new tack and focused on the organization. It began by talking to employees to understand their behavior on the job. What emerged was that the existing system for investigating delays, which attempted to identify the department responsible and hold it accountable, had led to a “blame game” that actually exacerbated the problem. To avoid being blamed for problems on their watch, station teams frantically tried to minimize delays instead of reporting them to other teams. But that made it impossible for the rest of the sys-

tem to adjust. As a result, trains ran behind schedule, prompting fresh “investigations.”

The railway took measures to improve cooperation among units whose performance affected timeliness, such as maintenance, station crews, and conductors. By working more closely together, each unit found that it could anticipate, absorb, and compensate for delays or problems occurring in other units.

There was still an organizational flaw, however. Employees in some units were more concerned with not getting blamed for delays than with actually reducing them. This was a rational response to a set of rules that assigned fault only to units responsible for the root cause of a delay. Other units had little incentive to help solve the problem.

The railway resolved this dilemma through a Smart Simplicity approach. It implemented new rules rewarding units that request help as well as those that provide it. If a unit fails to respond to a request for help, it is held responsible for the delay. Station managers, who are directly involved in resolving delays, identify the units that contribute to solving problems. In just four months, on-time performance jumped to 95% on the major lines where this change was made.

An Australian government-owned railroad took a different approach to improving timeliness, also based on Smart Simplicity. In interviews with 200 train drivers, the railroad discovered that these employees rarely knew the cause of delays—they just saw the red signal. Drivers were frustrated at being out of the loop and unable to explain delays to passengers. The interviews also revealed that drivers frequently were assigned to different routes and shifts from one day to the next, making it difficult to track their performance. The drivers wanted more control.

The railroad responded by installing a new communications and public-address system and reducing shift and route changes. These measures bought tremendous good-

will among train drivers. They felt they had been listened to and responded by going the extra mile to meet timetables and improve the passenger experience. The railroad’s on-time percentage increased from the low 80s to the mid-90s.

Implementing Smart Simplicity

How can a public-sector leader know whether an organizational problem can be solved using Smart Simplicity? One good indication is when the organization has already tried the usual remedies but has seen no progress. It has commissioned reviews, made structural changes, held training programs for employees, and so on, but the same problems persist. Employees remain disengaged, risk averse, and nestled in their silos.

Another indication is when a leader is new to the organization. New leaders may receive briefings and organizational charts, but these do not necessarily give them an understanding of the organization’s culture, where the power bases are, how work flows between functions, and the constraints that employees have become accustomed to. These are insights that can only be gleaned from an in-depth organizational “listening tour” that leads to a real understanding of the psychology of an organization and why it operates the way it does. This is where the Smart Simplicity approach can be helpful.

It may seem at first that leaders of public institutions have little real power to streamline bureaucracy. As they begin to apply the rules of Smart Simplicity, however, we believe they will discover enormous potential for creating a more engaged, innovative, and productive workforce.

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