

H4 Consulting Brief

Public Enterprising

Publicly funded organisations are often criticised for being bureaucratic and slow, with rigid decision-making hierarchies that stifle creativity. Small businesses, by contrast, are often held up as examples of flat, energetic, and innovative enterprises. Alternative models of collaborative management and ownership of small publicly funded enterprises have been proposed to leverage small business approaches to deliver big public benefits.

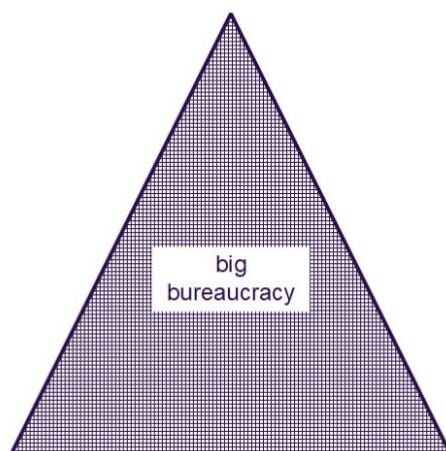
For most people who have ever lived, what we now consider public services were provided by families and communities on a tiny, local scale. Bureaucratic technologies, like writing and counting systems, gradually improved efficiency and enabled economies of scale and specialisation. Greater efficiency rewarded centralisation, and scarcity of increasingly specialised skills encouraged concentrating even more highly skilled people in one place. Constraints on information sharing and coordination encouraged the formation of large silos of the type we know today.

Most small businesses, by contrast, remained nimble and local, adapting to meet the needs of customers. Success rewarded innovation, and the costs of failure were borne by individuals, rather than the collective.

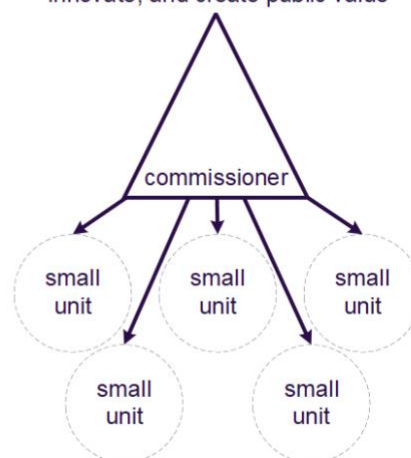
The more abstract work becomes, and the more distant from its customers, the more difficult many people find it to engage deeply with their work. Relatively small groups of interdependent workers with direct links to customers, such as in small businesses, are associated with more cohesion and satisfaction. People who are disconnected from the beneficiaries of their work tend to be less motivated to serve their customers well, both as individuals and as teams.

On a large scale, centralisation and specialisation also need more management effort to connect the dissociated parts. This means employing more people at public cost to coordinate the work of others. This all contributes to diseconomies of scale, reduced service quality, and lower satisfaction for workers.

small businesses have the flexibility to adapt, innovate, and seek out niches that create value for owners and customers



small units have the flexibility to adapt, innovate, and create public value



Breaking up big bureaucracies to commission small units, which self-manage in pursuit of defined outcomes, can combine small business innovation with public objectives. Quality and service standards can be set by a commissioner, with delivery methods determined within the small unit.

Some models are already in place, like a community nursing and homecare system with hundreds of small self-managed teams that have proven to be efficient and effective. Mutual models take a different approach to the same end. Services are better and more efficient. Staff are more committed, motivated, and closer to one another and their customers.

This approach is not without challenges, including ensuring consistency and equity of access, and creating effective performance frameworks. A steward of public funds is still required to commission services, ensure minimum outcome standards, and represent the interests of sometimes vulnerable customers.

Many long-standing workers in big bureaucracies struggle to adopt smaller scale operating models. A serious attempt to realise the benefits of this approach will need substantial transition planning, including training to help staff adapt to working in small, self-managing units. Public enterprises that apply small business practices can create big public value.

To find out more about how you can use this approach in your organisation, contact us: info@h4consulting.com.au
Find additional resources at www.h4consulting.com.au/resources