

Public Sector

I take a lot of encouragement from the extent to which the survey respondents concurred with the sector hypotheses.

Look at the approval rates (i.e. those who agreed or strongly agreed): 88 percent for hypothesis #1, followed by 74 and 76 for the next two. That's a ringing endorsement for the points being made and indicates that senior management within public sector organisations are cognisant of the need for radical change. However, I believe that all these good intentions are yet to be translated into much in terms of progress on the ground. I just don't see it happening yet.

Despite the high approval rate for hypothesis #2, the involvement of the private sector in public sector service provision remains limited. I have seen even less progress on the points regarding payment by results and performance related pay in hypothesis #3 – yet a staggeringly high 40 percent strongly agree with the hypothesis.

To understand why words are not being translated into action is to understand how the public sector operates. Firstly, such organisations operate far more consensually than their private sector counterparts. The 'command and control' ethos which the private sector CEO may be able to implement is rarely found here. In the public sector, organisational consensus is far more important – and resistance can often be encountered within the more junior ranks. Some of that resistance can also be seen among the leaders as a significant 16% disagreed with performance related pay or payment by results in hypothesis #3.

Secondly, there is the simple issue of political resistance; something which few private organisations ever have to worry much about. Achieving the requisite movement at a bureaucratic level is never a rapid process.

Still, let's not talk down these numbers. The very fact that senior thinking is evidently so advanced on the need for radical change is highly encouraging.

Looking at the theme results, a couple catch my eye. When asked about using technology as a strategic enabler, the percentage of public sector respondents citing this as a priority exceeds the average from across the survey. It's encouraging that the public sector is finally waking up to the importance of technology and the way it can be used

to engage with citizens and to provide services online. This is something it has struggled to grasp in the past. For that reason, I wish that percentage had been higher still – as there is huge untapped potential in this area.

The other noteworthy point is the low priority given to cash and capital management. This is an area where the public sector does itself no favours. Senior figures simply do not appreciate the importance of having a grip on the financial numbers in the way that the private sector does, despite the recognition of cost reduction as the top theme.

Financial tasks are often delegated down the organisation to people who are not on top of the key issues in the manner they should be. This results in poor financial forecasting and constant surprises at the monthly results. It remains a major weakness across the public sector. It's good to see that public sector leaders have ranked changes to their business models as highly as their private sector counterparts. In the past, the public sector has struggled to see the relevance of business models as a concept.

Contacts

Alan Downey
Sector Head

T: +44 (0) 207 311 5641

Jeremy Kay
Theme Contact for
Sustainable Cost Efficiencies
T: +44 (0) 207 694 4540

Andrew Ashby
Theme Contact for
Cash & Working Capital
T: +44 (0) 207 694 3231

John Kelly
Theme Contact for Growth
through Transactions
T: +44 (0) 207 694 3528

Andrew Underwood
Theme Contact for Revisiting
the Organisation
T: +44 (0) 121 232 3886

Ian Forbes
Theme contact for Turning
Risk to Advantage
T: +44 (0) 207 311 6465

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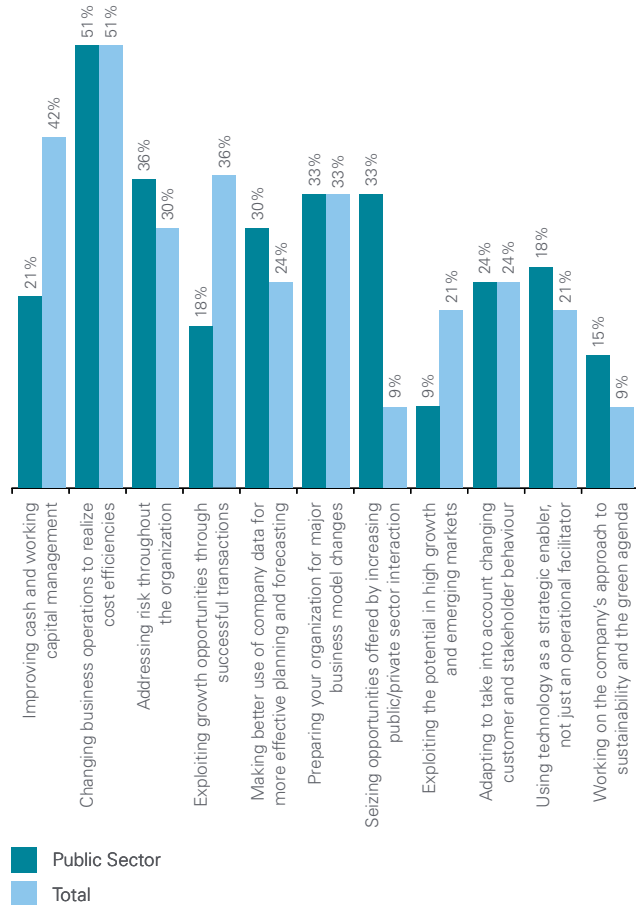
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Public Sector – Sector Results

Comparison of top business issues for the Public Sector with total results



Percentage add up to 300 percent as all respondents had three votes.

Hypothesis 1:

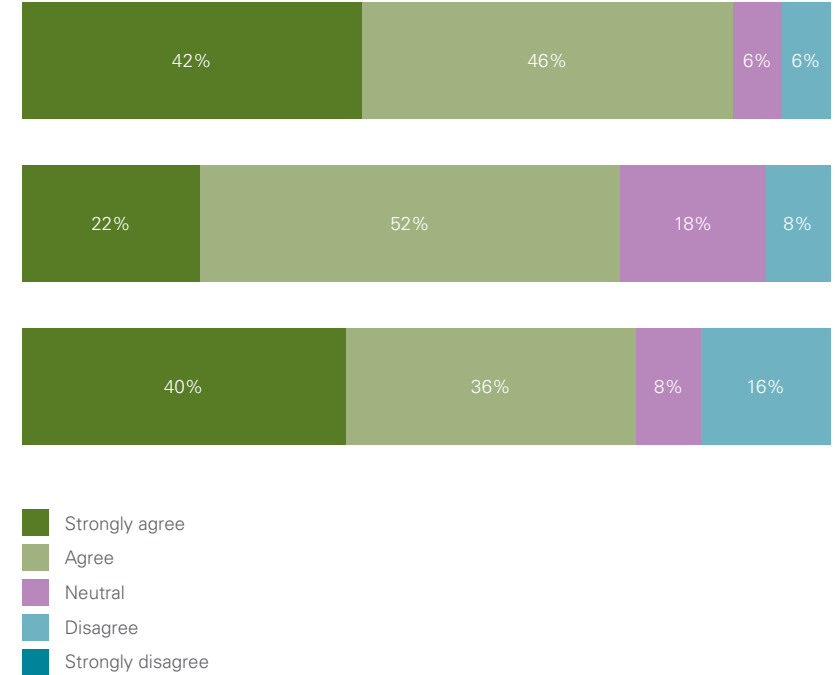
We shall see the private sector becoming increasingly involved in public healthcare, both in terms of direct medical provision but also in terms of outsourced back office functions.

Hypothesis 2:

Under increasing economic pressure, more and more countries in Europe and further eastwards will begin to move away from tax funded healthcare provision towards a model based on private provision and co-payment.

Hypothesis 3:

Another inevitable response to rising economic pressure will be an increase in M&A activity across the healthcare sector, with financially struggling organisations the first to feel the effects of this.



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Further info

The SiCW Business Leaders survey Exec Summary is available at: www.kpmg.eu/businessagenda

A suite of videos and kitcards, on the top themes is available online. This includes Jeremy Kay outlining what the Board is thinking about in terms of changing their business operations to realise cost efficiencies; and Andrew Ashby on how companies can improve cash and working capital management. To view the information please go to: www.kpmg.eu/businessagenda