Chapter 2: The Enterprise Model: A New Way to Think About Government

Key Ideas in Chapter 2:

- In enterprise government, resources would be networked across agencies to achieve an optimal balance of central control and efficiency, while remaining responsive to each agency’s goal of optimal delivery of services.

- Unlike the private sector, profit or loss is not the main criterion for success or failure in the public sector. Instead, the public sector seeks to meet broad social objectives such as improving the quality of the environment, protecting public health, or providing goods and services that are not in the private sector’s interest to provide.

- One of the hallmark values of any representative government is service to its citizens. Customer service must be reflected in the way government plans for and monitors its efforts to meet the varying needs and preferences of its constituent citizens.

- Currently, Mississippi state government does not have a formal system for improving customer service and lacks a directed emphasis to collect and analyze the data needed to serve as a basis for improving customer service.

- To achieve the benefits of a more customer-oriented service structure, Mississippi state government must harness the wisdom of its customers to improve decisionmaking, must allow agencies to work together to deliver shared outcomes, must customize programs to address diverse needs, and must improve efficiency without diminishing access.

Opportunities for Change: Customer Service

- Mississippi government needs a uniform system that will allow state agencies to assess customer satisfaction. Without proposing a specific model at this time, PEER wishes to highlight the importance of considering the use of a centralized customer service model, at the statewide level or at the agency level, as a basis for improving customer service efforts.
Chapter 2: The Enterprise Model: A New Way to Think About Government

The Deloitte Study: Government as an Enterprise

As noted in Chapter 1, the general message found in the Deloitte book States of Transition is that state government officials and personnel need to be open to a fundamental change in the way we think about and carry out the core responsibilities of government. It is a basic contention of the Deloitte study that, while there may be much to be gained in improving existing systems and structures from a functional perspective, real progress in governmental efficiency and effectiveness is contingent on seeing state government as a single enterprise rather than “a loose-knit confederation of agencies, boards, commissions and programs.” Further, the authors would argue that, contrary to what one might think, difficult times may offer some of the best opportunities for such a significant shift in thinking.

This point is best illustrated by the following advice offered by Deloitte to states facing an economic downturn. It captures in a succinct way the possibilities of the enterprise model for the statewide performance review and the future of government in Mississippi:

- Take advantage of the economic downturn to drive state transformation.
- Address cost savings strategically across the state enterprise with actions such as:
  - strategic sourcing;
  - shared services;
  - enterprise technologies; and,
  - statewide revenue management.
- Plan now for addressing legacy issues constraining performance, such as:
  - unfunded pension liabilities;
  - Medicaid reform;
  - transportation infrastructure; and,

Difficult times (i.e., an economic downturn) may offer some of the best opportunities for a significant shift in thinking about how to run state government.

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1 Eggers and Campbell, States of Transition, 16.
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- education performance.

• Invest in financial management tools and analytics to guide timely future action.

• Build rainy day funds as the economy turns back.

Such advice contains exciting challenges and interesting possibilities that attracted the PEER Committee’s thinking. The concept of “state governance as a single enterprise” proved to be an anchor point in the Committee’s thinking about opportunities for change.

From “Silo” to Enterprise

If one looks at government as a whole, one can see administrative inefficiencies in the form of duplication and overlap across departments.

When we think of state government and its service structures, our thoughts turn immediately to key departments and functions (e.g., the departments of Transportation, Mental Health, Environmental Quality). This is only natural, since that is the way we have traditionally thought about and organized programs and services to meet the needs of citizens. It simply made sense to attach resources and responsibility to a particular agency of government when faced with a problem needing attention.

The larger problem, however, is that this “silo” approach (i.e., keeping units separate with their own budgets and hierarchies and focusing on their own service or delivery specialty) in some ways fragments our thinking about administrative efficiency. If one looks at government as a whole, one can see administrative inefficiencies in the form of duplication and overlap across these departments, especially regarding issues such as human resources, procurement, or use of technology.

An enterprise model would direct us to look differently at how we manage government, recognizing that we can achieve greater efficiencies, for example, in these administrative areas by breaking down certain boundaries among the various departments of government and thinking about them in terms of the needs of the state as a whole. Also, in areas of specific functional responsibility, a department would begin to think of its service potential not only in terms of its own programs, but also in terms of the relevant programs of other agencies or even programs outside of government.

An enterprise model would guide us to revise our thinking about government as a collection of agencies and programs, each needing a full complement of free-standing administrative support, in favor of thinking about government as a single enterprise in which resources are networked across agencies to achieve an optimal balance of
central control and efficiency, while remaining responsive to each agency's goal of optimal delivery of services. So modeled, Mississippi would become a single enterprise designed around the idea of meeting the service needs of its citizenry in the most efficient manner possible.

To be possible, much less to be effective, enterprise government must be supported by key elements. Strong, focused leadership from both the executive and legislative branches is essential, as is emphasis on quality statewide strategic planning and information gathering, a well-grounded and verified accountability system that includes performance milestones and outcome-oriented goals, a true customer service orientation in all areas of service (whether it be direct service to citizens or service in support of an agency mission), supporting enterprise-wide technologies, and uniform business processes and practices.

**Beyond “Government Should Run Like a Business”**

Unlike the private sector, profit or loss is not the main criterion for success or failure in the public sector.

The public sector seeks to meet broad social objectives such as improving the quality of the environment, protecting public health, or providing goods and services that are not in the private sector's interest to provide.

Hopefully, this shift in the way we think about Mississippi government would not be a shift to the overly simplistic and underdefined idea that “government should run like a business.” It is important to recognize there are key differences in the two environments. Unlike the private sector, profit or loss is not the main criterion for success or failure in the public sector. Instead, the public sector seeks to meet broad social objectives such as improving the quality of the environment, protecting public health, or providing goods and services that are not in the private sector's interest to provide. These objectives are somewhat ambiguous and therefore harder to specify and measure success.

Although a public organization may be portrayed as being less efficient because of political presence and the absence of competition, public organizations are charged with ensuring fairness, openness, and accountability to the general public because government belongs to its citizens. The private sector may lack these requirements, allowing one individual or small group to make important decisions quickly without input from those affected. In the public sector of a democratic society, many groups and individuals have access to the decision process. Honoring the Constitution and other democratic imperatives makes managing government far more challenging than a comparable private sector organization.

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In an article published in a 2000 issue of the Public Administration Review, Robert Denhardt and Janet Denhardt noted:

The public interest is better advanced by public servants and citizens committed to making meaningful contributions to society rather than by entrepreneurial managers acting as if public money were their own...public administrators have accepted the responsibility to serve citizens by acting as stewards of public resources (Kass 1990), conservators of public organizations (Terry 1995)...catalysts for community engagement (Denhardt and Gray 1998; Lappe and DuBois 1994) and street level leaders (Vinzant and Crothers 1998). This is a very different perspective than that of a business owner focused on profit and efficiency.... Values such as efficiency and productivity should not be lost, but should be placed in the larger context of democracy, community, and the public interest.10

The enterprise vision provides a framework for maximizing the efficiency and productivity of Mississippi state government while serving the unique values of the public sector. While the application of good business practices to the business-type functions of government (e.g., procurement, information technology) is an important component of the enterprise model, viewing government as an enterprise is much more.

“Enterprise government” is a way of thinking about government as a whole, using well-defined planning, reporting, and accountability systems to direct and share resources in ways that help government meet its service goals across a wide-ranging and diverse spectrum of need that depends on government action. Unlike business, the state does not always have the option of closing inefficient or “unprofitable” operations that are a drain on the overall health of the corporation.

Mississippi may be viewed as and may function like any major enterprise. It is not too big or too complex to benefit from such “out of the box,” future-oriented thinking. Our resources are such that we cannot afford that any be wasted. Creating an enterprise vision of Mississippi government is the PEER Committee’s goal for this review. It will not be an easy task to implement such a vision nor will all of its elements be warmly received, but, again, it is a task worth pursuing. It is the PEER Committee’s opinion that we must seize this opportunity to change fundamentally the way we think about and operate state government in the twenty-first century.

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The effort that underlies the enterprise approach to government must include a basic agreement on the core values of the institution itself. What is it that we want government to do? What are our performance expectations in getting the job done? Answering questions such as these allows us to incorporate what we value and what must be changeless into our concept of enterprise. Without a clear definition of our core values and the benchmarks for success, we do not have the important boundaries and guideposts in place to consider our choices and parameters for the future.

Enterprise government may be about change, but not at the cost of sacrificing what we value most in our representative democracy. Core values describe the essential beliefs and principles of a person, group, or institution. As we alter our thinking about how government can function to be more efficient and effective, we must keep an eye on these core values. If a proposed change threatens the viability of a core value, we are not moving the enterprise in a healthy direction.

One of the hallmark values of any representative government is service to its citizens. We believe that governments exist to protect and to serve. They represent our common interests and concerns and provide for an orderly system of laws by which we can all live and prosper. Service to citizens, or customer service, to use the term most frequently associated with private enterprise, should be a “catch phrase” for any government agency or program. But customer service must be more than just a phrase; it must be reflected in the way an agency plans for and monitors its efforts to meet the varying needs and preferences of its constituent citizens. Under an enterprise model, the definition of “customer” extends beyond service to citizens to include the service that one agency can provide another in meeting service goals. Again, as stated earlier in this report, an agency of government must view its service potential not only in terms of its own programs, but also in terms of the relevant programs of other agencies or even programs outside of government. In a similar vein, a control agency must not only exercise its control responsibilities with due diligence, it must also keep a focus on how it can help those agencies under its control best meet their documented service needs.

In the foreword to a Deloitte study entitled One Size Fits Few: Using Customer Insight to Transform Government, Greg Pellegrino, Managing Director, Global Public Sector Industry, Deloitte Touche Tohmatsu, captured the essence of optimal customer service strategies for government when he said, in part:
Leading governments are improving customer service by developing personalized customer service strategies that meet the varying needs and preferences of their citizens. They understand that some families have very complex needs that require considerable attention, some businesses just want to comply with government measures and keep their interactions to a minimum, and there are individual citizens who just want to be left alone. Governments are finding that they can have the best of both worlds—personalized service delivery and reduced operational costs.11

The purpose of the balance of this chapter will be to provide an overview of an enterprise view of customer service and to provide basic insight into how Mississippi might bring the core value of customer service into sharp focus as a key component of any performance improvement effort.

How Customer Service Can be the Key to Enterprise Government

Deloitte holds the view that a key to improving the efficiency and effectiveness of programs is to understand customer experience, analyze customers’ needs and desires, and base changes to service models on improving customer experience in light of the knowledge gained.

Throughout this report, the PEER Committee has focused on the need to change fundamentally the way we think about government, breaking down the “silos” of thinking of departments and programs separately in favor of thinking about government as a functional whole. One issue that resonates well with this approach to government is the issue of customer-focused or customer-oriented service structures. The Deloitte Research Institute, a chief proponent of customer-focused service structures, holds the view that a key to improving the efficiency and effectiveness of programs is to understand customer experience, analyze customers’ needs and desires, and base changes to service models on improving customer experience in light of the knowledge gained.

Again, in One Size Fits Few, Deloitte highlights the importance of a customer service orientation to government as the basis for substantial cost savings, even in difficult economic times. It is during such hard times that government can use the benefits of sound customer service data to reduce costs without negatively affecting service delivery. Knowing a customer’s needs allows one to tailor service delivery to those needs much more efficiently than could be done through traditional retrenchment methods.

However, PEER would point out that bringing customer-focused service structures to government might not be as easy as it sounds. States have expended large amounts on efforts to improve customer service through the application of technology, ranging from customer relationship management technology to e-government, but these efforts have often fallen short of expectations. Why? Because these efforts have generally changed operations to take advantage of the benefits of technology to deliver defined services, but they have not changed the way organizations view their customers or the way employees behave toward customers. Fundamental change must occur in the way government views the customer’s role in defining and maintaining service structures if an enterprise model is to work.

To paraphrase the Deloitte study, in order to achieve the benefits of a more customer-oriented service structure, Mississippi state government must harness the wisdom of its customers to improve decisionmaking, must allow agencies to work together to deliver shared outcomes, must customize programs to address diverse needs, and must improve efficiency without diminishing access.

In order to be in a position to take advantage of the benefits of improved customer service, the Deloitte study recommends that government adopt a customer experience life-cycle approach to service and deliver a superior experience to its customers by:

- analyzing who its customers are;
- investing significant time up front understanding what customers want and how they want it delivered; and,
- evaluating on an ongoing basis how well it is identifying and meeting its customers’ needs and preferences.\(^\text{12}\)

The benefit of adopting a customer experience life-cycle approach is that it is built around an understanding of what customers need and value; time and resources are not wasted on initiatives that do not actually benefit the customer. Also, the dynamic nature of the approach allows government to learn from its successes and failures and refine its strategy in real time.

Mississippi’s Current Customer Service Environment

The customers of Mississippi state government interact with state agencies in various ways to receive services. They may physically go to a state agency office or contact state government through telephone, e-mail, direct mail, or

\(^{12}\) Dovey and Helfich, One Size Fits Few, 24.
visit agency websites or the Mississippi state government website (www.ms.gov). However, currently state government does not have a formal system for improving customer service and lacks a directed emphasis to collect and analyze the data needed to serve as a basis for improving customer service.

At present, although agencies may receive complaints regarding the services they provide and businesses and professions they regulate, there is no uniform system for capturing or analyzing the data for use in improving the customer service orientation of the state. While individual agencies may track information on the number of customer complaints filed and the resolution of complaints, no effort is made to track or compile the information on the state as a whole. If such data were collected and analyzed, it could assist the Legislature in determining the quality of services delivered to customers, identifying areas in need of improvement, and making informed decisions about program resources and priorities.

### Opportunities for Change: Customer Service

Mississippi government needs a uniform system in place that will allow state agencies to assess customer satisfaction with government services according to, at least, the following criteria:

- timeliness;
- accuracy;
- knowledge/competence;
- courtesy;
- availability; and,
- fairness.

Building a system for improving customer service is an overarching issue that will require significant additional input from existing state agencies and officials to be viable. However, without proposing a specific model at this time, PEER highlights the importance of considering the use of a centralized customer service model, at the statewide level or at the agency level, as a basis for improving customer service efforts. (See Appendix C, page 181, for a discussion of the elements of a centralized customer service model.)

Generally, in states’ performance review reports, some type of central customer service office is given responsibility for implementation and oversight of a statewide customer service system. (See Appendix D, page 184, for descriptions of selected customer service efforts in the public sector.)

The office is generally staffed with a customer service director and customer service representatives to oversee and assist agencies in development of an action plan and to
provide training to customer service coordinators designated at the agency level. The customer service office is also responsible for holding periodic meetings with agency coordinators to provide an opportunity for sharing information and best practices and to provide an opportunity to invite subject matter experts in various areas of customer service to conduct training workshops.

While such a centralized model offers the potential for constructive change, PEER again stresses that additional work should be done to understand the advances in technology and thinking that could underpin a shift to an enterprise model of government and that could truly reap the benefits of a customer-focused service structure. Additional bureaucracy is not necessarily the answer; we must truly understand the customer service information needed for decisionmaking, the program and service implications of a customer-informed enterprise model, and the implied changes in the service provider network and the way such a process should be managed across government for maximum impact. Only then can we revolutionize the customer service experience for our citizens and reap the benefits of a more efficient, effective service continuum.