

## Executive Summary

Leadership development is neither new nor unique to the public sector. Why then has it become a hot issue? In general, OECD Member countries are finding that there is a gap between how their public sectors are, and how the interests of the nation need them to be now or in the future. Member countries are finding something missing between existing public service cultures and the public interest. A common complaint is lack of dedication to the underlying values of public service and the interests of the citizens served. A common response seems to be the attempt to promote a certain kind of leadership.

Leadership is a critical component of *good public governance*, which is a major theme for current OECD work. Governance can be briefly described as the way in which the underlying values of a nation (usually articulated in some way in its Constitution) are “institutionalised”. This has formal aspects such as separated powers, checks and balances, means of transferring power, transparency, and accountability. However, for these values to be actualised, they must guide the actions of public officials throughout the system. They must be imbedded in culture. In this regard “leadership” is the flesh on the bones of the Constitution. It is at the heart of good governance.

The most important role of public sector leaders has been to solve the problems and challenges faced in a specific environment. When we say we want more leadership in the public sector, what we are really looking for is *people who will promote institutional adaptations in the public interest*. Leadership in this sense is not value neutral. It is a positive espousal of the need to promote certain fundamental values that can be called *public spiritedness*.

Leadership is an important and crucial variable that leads to enhanced management capacity, as well as organisational performance. A leadership focus also plays an integrating role among various Human Resource Management components including recruitment and selection, training and development, performance management, public service ethics, and succession planning.

The leadership development strategies of OECD Member countries, historically and culturally are spread across a wide spectrum. At one end is a high level of central intervention in which future leaders are identified and nurtured from the

early stage through a centralised selection, training and career management process. In contrast there is a growing group of countries which adopt “market-type” approaches to developing and securing leaders. Between these poles, there are different mixes of the two approaches. Many countries now have designated “Senior Executive Services” membership – with varying degrees of central intervention.

General trends of leadership development in OECD Member countries are:

- *Developing comprehensive strategies:* A few countries have set up systematic strategies for leadership development. For instance, the UK Government has recently started to work on a leadership development model. The Norwegian Government has renewed its strategic plan for leadership in the civil service, in order to reflect increased concern for public sector change.
- *Setting up new institutions for leadership development:* In some countries, like Sweden and the US, governments have set up new institutions for identifying and developing future leaders in the public sector. In Sweden, the National Council for Quality and Development was created recently with the main task of identifying potential leaders.
- *Linking the existing management training to leadership development:* Many countries are expanding their existing management development programmes to encompass leadership development. One leadership development programme in Finland includes the creation of a new management development programme following re-evaluation of their previous one.

There is no single best model for developing future leaders, because each country has its unique public sector values to be emphasised and the management systems are different from country to country. Despite the diversity of strategies and approaches adopted by OECD Member countries, some general and common trends in developing future leaders can be drawn from the country experiences:

- *To define a competence profile for future leaders:* In the UK and the US, the first step taken to develop future leaders was to define the competence profile for future leaders. The idea underlying this is that competencies required for future leaders could be different from those required for present leaders in terms of their responsibility, capability, and role. For this reason, it is essential to predict what forms the future public sector will take, and what challenges will be faced in order to identify and develop leaders suitable for the future environment.
- *To identify and select potential leaders:* Given the competence framework for future leaders, the next step is often to identify and select potential future leaders. This issue involves the choice of whether to select future leaders from outside or to nurture them within the public sector. If a country puts

more emphasis on the former method rather than the latter, it should also address the question of how to recruit “the best and the brightest” candidates in competing with other sectors.

- *To encourage mentoring and training:* Once potential leaders are identified and selected, the next step is to train them continuously. For this purpose, some countries set up a specialised institution for leadership development. Others put greater emphasis on leadership in existing curricula and establish new training courses for the top executives or senior managers.
- *To keep leadership development sustainable:* As developing future leaders takes a long time, it is very important to keep the leadership development sustainable. To do so, developing a comprehensive programme from the whole-of-government perspective is essential for developing future leaders. Allocating more of managers’ time to developing leaders, and linking incentives with performance for better leadership are crucial to the success of leadership development programmes.

From the country experiences, we have noticed some pitfalls of the leadership development strategies, to which special attention should be paid. First of all, developing an elite leadership cadre has many advantages. However, there are some possible dangers in developing leadership in this way. If a group of leaders begins to pursue their own interests rather than the national interest, the country may suffer. Such a group may become closed and insufficiently responsive to wider changes in society. So, new issues on the agenda are how to build a leadership cadre that is more responsive or representative, and also, how to re-orient and refresh existing cadres if they have begun to get out of step with the society they represent.

Secondly, many Member countries are looking to the strengthening of leadership as the solution to national public challenges. How they approach leadership however needs to be viewed in the context of the kinds of problems being faced. It seems important for leadership strategies to be based on a clear diagnosis of the national challenges being faced, and the current characteristics of the public sector culture – pursuing “leadership” development without that diagnosis and strategy is likely to be ineffective.

Thirdly, any successful leadership strategy involves culture change. We know both that culture change is very difficult, and that where it does take place it is over a long period and in response to a variety of powerful pressures. In strengthening OECD efforts in this area it is clear that we need better quality information on the degree to which past public sector leadership promotion strategies have actually changed behaviour. On this basis, countries will be better placed to diagnose the current problem and formulate strategies which are likely to be effective.

## Chapter 1

# Developing Public Sector Leadership for the 21st Century

### 1. Introduction

This chapter proposes a way of thinking about public sector leadership. It describes various leadership development strategies adopted in OECD Member countries, it draws some strategic lessons learned from the country cases and, finally, it outlines areas which need future work. It is based mainly on the OECD Member countries' practical experience that was presented to the OECD Human Resources Management (HRM) Working Party meeting held in July 2000. It also refers to the results of PUMA's survey conducted in June 2000 on recent HRM developments in OECD Member countries.

#### *Leadership as a concept*

Leadership means a variety of things. Sometimes it refers to the possession of personal properties such as courage, stamina, or charisma. At other times, it means a property of a position which dispenses power, authority, and responsibility. A review of literature on leadership suggests as many definitions of leadership as there are scholars who have attempted to define it. Perhaps the closest to a consensus definition of leadership is that of *social influence process*, although the same may be said for most experiences that involve more than one person.

The Public Management Service (PUMA) has been asked by Member countries to work on leadership. We take the position that the core of leadership is how individuals influence others, particularly in respect to accessing their *inner* motivation. Leaders appeal because those who follow them believe that their values and deeper interests are served by so doing. Although not a clear-cut distinction, leadership differs from management in so far as the latter tends to be about more tangible incentives on behaviour.

But of course leaders can be good or bad, and the attributes of leadership can be used in support of, or contrary to the public interest. We have assumed that our Member countries governments are not interested in a treatise on leadership in this amoral sense.

### *What is the problem?*

So we have instead asked *what is the problem that Member countries are facing to which they hope leadership may be the answer?* In general Member countries are finding there is a gap between how their public sectors are now, and how the interests of the nation needs them to be now or in the future. In all countries structural and management reform in the public sector has been used to better align public services with the needs of contemporary society. But, both in trying to make these reforms and in how things are after such reforms, Member countries are finding something missing between existing public service cultures and the public interest. What is it? A common complaint is lack of dedication to the underlying values of public service and the interests of the citizens served. How to fix it? A common conclusion seems to be by promoting a certain kind of leadership.

### *Our definition*

We therefore define the public sector leadership problem in a normative way.

*How to develop more public officials who can draw others into a strong spirit of public service geared to the needs of contemporary society, and thereby make their services to government and to citizens more effective?*

In addressing this problem we are not assuming that leadership comes only from those in positions of formal authority. Our study pays special attention to this senior group, but it also recognises that officials at all levels exert influence on others. For this reason, this study is about the development of *leadership*, including, but not confined to, development of *leaders*.

### *Leadership and governance*

Leadership is a critical component of *good public governance*, which is a major theme for current OECD work. Governance can be briefly described as the way in which the underlying values of a nation (usually articulated in some way in its Constitution) are “institutionalised”. This has formal aspects such as separated powers, checks and balances, means of transferring power, transparency, and accountability. However for these values to be actualised, they must guide the actions of public officials throughout the system – they must be imbedded in culture. In this regard “leadership” in the sense we have defined, is the flesh on the bones of the Constitution. It is at the heart of good governance.

## **2. Why Leadership Now?**

The concept of leadership is neither new nor unique to the public sector. It has been discussed frequently in the public management, as well as business management, literature. It seems, however, that interest in public sector leader-

ship development has had a resurgence in recent years. An OECD Survey shows that many OECD governments, including Germany, Iceland, New Zealand, Norway, the UK, and the US, have given high priority to this issue during the last couple of years.

There are various reasons for leadership development becoming a more important issue in OECD Member countries. Part of it seems to be the effort to drive reform. The British Government cites stronger leadership as one of the six key themes for civil service reform. With the growing interest in public service accountability and co-operation, the New Zealand Government stresses the importance of leadership to foster these ideals. In general, there seem to be at least four reasons for the growing attention to leadership.

### *Changing environment requires a new type of leadership...*

Globalisation, decentralisation, and more intensive use of IT are some key elements for government in the new century. Globalisation of economic and social policies creates a need for new capacities to exploit new opportunities to deal with international implications of policy issues. At the same time, greater decentralisation of national policy is increasing fragmentation of policy responsibilities, posing major challenges of policy co-ordination, accountability, and coherence. Rapid development of information and technology gives the potential for governments to cope with new problems in a swift, transparent and flexible manner. In order to effectively cope with a variety of dynamic demands such as aggressive competition, employee needs, market demands, IT advances, and global economic shifts, new approaches to leadership are required, which are better fitted for the tasks of redesigning, renovating or reinventing existing organisations, as well as securing coherence, accountability, and co-ordination among policies and various interests.

Within this changing environment, OECD Member countries are placing more emphasis on leadership because:

- The growing need for people to think and act global and local requires leaders to pay more attention to policy coherence. In particular the shift of power between citizens and government has increased the importance of leadership in the public service and has made the task of managers more demanding.
- In many OECD Member countries the attractions of work in the private sector and other parts of society seem to be increasing at the expense of the public service, and there is an increasing need for many countries to take a new look at how to ensure they have leaders and managers of the right quality.

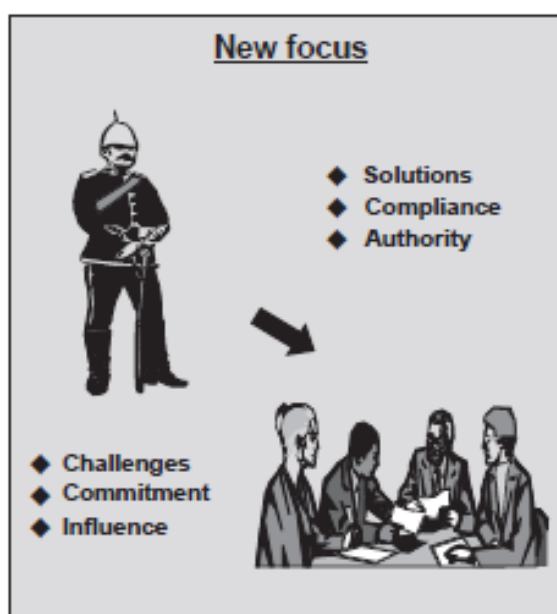
- In a knowledge-intensive economy, government needs to increase the knowledge basis of their activities and keep track and integrate knowledge as it is increasingly produced. This calls for a new type of leadership that inspires others to create and share knowledge.
- Finally, our external environment is changing fast and there is a continuing need for public sector organisations to make very serious adaptations if they are to continue to be useful. In practical terms this situation puts greater demands on leadership – not just amongst senior managers, but amongst all public officials, elected and appointed.

### *Leadership focus is changing...*

Truly effective leaders in any age have always been more subtle, but the traditional paradigm of leadership is strongly that of command and control in which there is a clear distinction of roles of leaders and followers. Under this model, the relationship between leaders and followers is based firmly on the leaders' authority, and the subservience of the followers to that authority.

However, in a decentralised, knowledge-intensive, and "webbed" society, this classical leadership model is losing ground. Relationships between leaders and followers have been changing.

Authority is no longer as complete as it used to be, hierarchies have been lowered in many organisations, and because of a range of social changes, including more mobility and job opportunity, today's public sector leaders need to get *commitment* from their followers, not just their *compliance*. As a result, today's leaders have to find ways beyond their authority to influence their followers effectively.



Source: OECD.

### *Leadership differs from management...*

"Leadership" and "Management" are often used interchangeably. In practice, the two concepts overlap heavily. They share many common features in that both are based on institutional structures and systems, and both are oriented towards better performance of the organisation. But they do represent a difference in emphasis. According to Jo Brosnahan,<sup>1</sup> leadership means paying more attention to the development of attributes that focus on integrity, vision, the ability to inspire

others, awareness of self, courage to innovate, and judgement. While management puts more emphasis on formal systems, processes and incentives, leadership is more about informal influence – how to mobilise people through values and visions.

As hierarchies are being reduced and information and technology is developing, the public sector environment requires some competencies different from the conventional management ones. Governments are finding that managerial skills and qualities that had been given importance during the last two decades or so are not sufficient to cope with future challenges. Hence the effort to re-identify skills and qualities required for public sector leaders. From the country cases, these components of public sector leadership requiring more emphasis are:

- focusing on delivery of results;
- challenging assumptions;
- being open to learning from outside;
- understanding the environment and its impact;
- thinking and acting strategically;
- building new patterns and ways of working;
- developing and communicating a personal vision of change.

### *New leadership involves all levels...*

In the traditional leadership hierarchy, leaders were considered to be those very few people in higher positions within the hierarchy. But in the new leadership model, leadership involves all levels though their roles are different from each other. The US Government identifies three different types of leadership in the hierarchy; *strategic leadership*, *team leadership*, and *technical leadership*.

- *Strategic leadership* is required at the higher levels for such components as strategic thinking, political savvy, vision, external awareness, influencing or negotiating, and cultural awareness.
- In the middle level, *team leadership* is more important than others, with team building and interpersonal skills as crucial competencies.
- The lower level employees need *technical leadership*, emphasising professional and technical skills.

The idea of leadership being required at all levels is revolutionary in its potential impact, and is an important driver of the move to redefine public sector leadership.



### 3. The role of leadership

#### *Change/reform agents*

Throughout time, the most important role of public sector leaders has been to solve the problems and challenges faced in a specific environment. What then is the problem that we need the present leadership to solve? Heifetz<sup>2</sup> argues that it is the problem of adaptation. By adaptation, however, he does not mean just coping. He is talking about the capacity to promote adaptations which will further restore and promote the fundamental interests and values of the society or organisation in question in circumstances when there is a big gap between how things are and how they should be. To put it in public sector terms, the problem is how can nations, governments and public agencies adapt to changing circumstances when the changes required are beyond the scope of existing ways of doing things?

Heifetz takes the view that when people come under severe stress because of a gap between how things are and how they would like them to be, they have two equally dysfunctional tendencies.

- One is to look for some person or organisation to blame for the stress – to create a “scapegoat”. It simplifies the problem and allows an outlet for the stress – is the IMF, for instance, really responsible for the huge changes being wrought by globalisation?
- The other is to look to some individual as their saviour – to place undue faith in the capacity of a particular individual to “lead” them out of the difficulties. Dictators almost always come to power in a period of national stress when people desperately want someone to solve their problems for them.

Following this analysis, when we say we want more leadership in the public sector, what we are really looking for is *people who will promote institutional adaptations in the public interest*. Leadership in this sense is not value neutral. It is a positive espousal of the need to promote certain fundamental values that can be called *public spiritedness*.

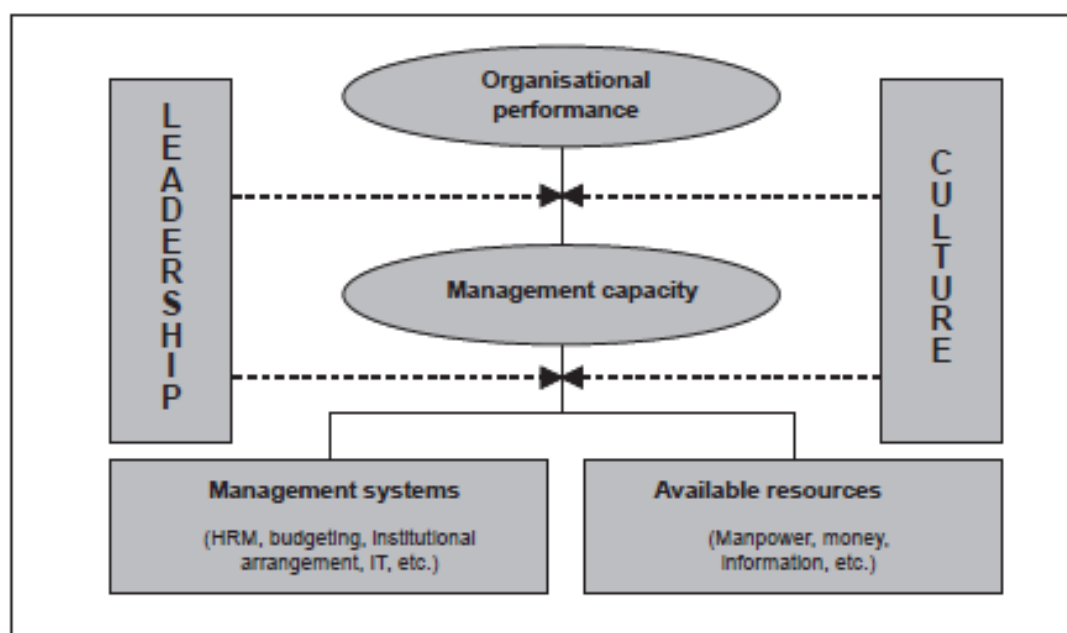
In particular, leadership plays an important role in the implementation of public sector reform because it involves two of the most important aspects of reform: *change* and *people*. Leadership is manifested in relations between people. Good leaders inspire people. Changing organisations is really about changing people’s behaviour; so organisations undergoing reform need leadership. Leaders, spread throughout an organisation, can help to diffuse and maintain the new values that are necessary for successful public sector reform. Instead of being all-powerful authority figures, leaders in the future will need to be able to persuade people and to focus their efforts on a common cause.

### Enhancing organisational capacity/performance

Leadership is an important and crucial variable that leads to enhanced management capacity as well as organisational performance. Figure 1 maps out the hypothetical relationships between leadership and organisational performance. Within a given organisational culture, how leadership is exercised largely determines the level of management capacity, by mobilising the use of available resources such as manpower, money, and information, etc., and by affecting various management systems like HR management, budgeting systems, institutional arrangement, and IT, etc. Enhanced management capacity, however, does not necessarily lead to higher organisational performance. Management capacity should be used for achieving organisational performance. To do this, the steering role of leaders is very important in achieving the performance target. Organisational culture affects this process directly or indirectly, sometimes as an accelerator or sometimes as an obstacle.

In this light, leadership plays a significant role in achieving both enhanced management capacity and organisational performance. But there has been no particular empirical study that explores the relationships so far. It is one of the key areas to be investigated in future leadership studies.

Figure 1. Leadership and Management Capacity/Performance



Source: OECD.

In measuring organisational performance, focus has recently shifted in a couple of countries from outputs to outcomes. This goes along with a necessary change in civil service culture. It is not the outputs but rather the impact on society that really matters, which opens up the horizon to more complex and cross-cutting issues. Leadership is essential to support the cultural change thereof, communicate the new society-wide focus, motivate the staff for this task and facilitate co-operation across departmental boundaries. This outcome-oriented framework usually gives organisations a high degree of freedom and flexibility to contribute to the outcomes. Leaders must be able to use this flexibility, motivate their staff and provide them with appropriate incentives to fulfil the mission. Eventually, the leaders (or sometimes managers) will be held accountable for the outputs of their agencies.

### *Integrating other HRM activities*

Leadership constitutes an important component of human resources management. It also plays an integrating role among various HRM components. The first and most crucial stage in the development of leadership is the selection of leaders, because when wrong persons are selected, there is little use in developing them. It is essential to define the skills and competencies that future leaders should have. On the basis of this, the selection procedure should ensure applicants with the best competencies as well as a strong desire to work with people be appointed. In this regard, leadership competencies need to be tested thoroughly. As can be seen in Figure 2, leadership development is closely connected with each of the HRM activities in the personnel management cycle.

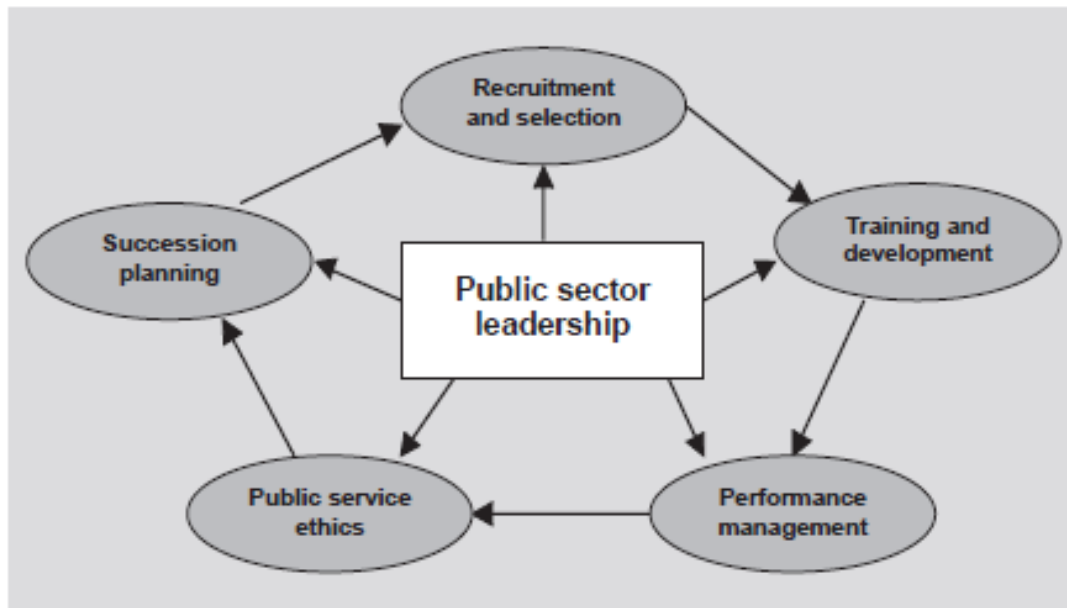
There is a particularly close relationship between public sector leadership and public service ethics. Normatively, the public sector leaders should demonstrate high ethical standards of transparency and accountability. In addition, their role as promoters of high standards of public service in general is becoming more important because public service ethics are a prerequisite to, and underpin, public trust, and are a keystone of good governance.

### *Leadership role differs in different context*

The degree of importance attributed to developing public sector leadership differs considerably from country to country. At the OECD Symposium on Government of the Future in 1999, delegates indicated that the importance of leadership largely depends on the make-up of the society, the structure of the organisation and the type of reform.<sup>3</sup>

- Developing leaders is more important in a diversified society than in a homogenous society, because leaders are required to transmit new values, mediate differences, and create coalitions in support of reform.

Figure 2. Leadership in the HRM cycle



Source: OECD.

- Leadership is more important in a decentralised and “webbed” government than in a hierarchical and rule-based government.
- Countries that have chosen a path of incremental reform will be less likely to mobilise many leaders at once. However, where reform is greater and more widespread, there is a higher premium placed on leadership.

#### 4. Leadership development strategies in OECD Member countries

##### *General trends in OECD Member countries*

Historically and culturally, OECD Member countries are spread across a wide spectrum in their strategies for developing their public sector leaders. At one end of the spectrum is a high level of central intervention in which future leaders are identified and nurtured from the early stage through a centralised selection, training and career management process. The most salient case can be found in the *École Nationale d'Administration* (ENA) of France. This school has played an overwhelming role in creating the French administrative elite. The top 20% of graduates, ranked according to performance, are automatically guaranteed jobs in the five elite grand corps of the French civil service, including the *Inspection des Finances* and the *Cours des Comptes*, or auditors office. East Asian countries like Japan and Korea have a similar strategy. They select potential leaders through special exams, and nurture them from an early stage.

In contrast, at the other end of the spectrum there is a growing group of countries which adopt “market-type” approaches to developing and securing leaders. In the purest form of this (of which New Zealand is perhaps a good example), there is a very light co-ordinating role at the centre, all senior posts are widely advertised and can in theory be awarded to anyone who meets the skill and knowledge requirements.

Between these poles, there are different mixes of the two approaches. Many countries have now designated “Senior Executive Services” membership – with varying degrees of central intervention. Some countries are introducing more market into centralised elite systems because the elite can over time become unresponsive to social change. In the other extreme, some countries are finding that highly market driven systems create difficulties in forming an adequate pool from which they can recruit for key public sector positions, and may undermine the development of a set of collective values to bind the public sector together.

In most OECD Member countries, control of leadership is held at central government level but there is considerable flexibility within departments and agencies to adapt leadership strategies according to their particular needs. General trends of leadership development in OECD Member countries can be summarised as follows.

#### *Developing comprehensive strategies*

According to the survey results, there are only a few countries that set up systematic strategies for leadership development. For instance, the UK Government has recently started to work on a leadership development model. The Norwegian Government has renewed its strategic plan for leadership in the civil service, in order to reflect increased concern for public sector change.

#### *Setting up new institutions for leadership development*

In some countries, like Sweden and the US, governments have set up new institutions for identifying and developing future leaders in the public sector. In Sweden, the National Council for Quality and Development was created recently with the main task of identifying potential leaders.

#### *Linking the existing management training to leadership development*

Meanwhile, many countries tend to expand their existing management development programmes to encompass leadership development. One leadership development programme in Finland includes the creation of a new management development programme following re-evaluation of their previous one. In the Netherlands, the Senior Public Service was expanded to include all senior management to cope with the increasing need for a larger number of executive leaders.