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Leadership at all levels: Leading public sector organisations in an age of austerity

Keith Leslie *, Adam Canwell

Deloitte LLP, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR, United Kingdom

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Summary One of the main challenges for the public sector in the developed world is to deliver improved services through a motivated workforce in an age of austerity. This age of austerity has been brought on by the financial crisis that has left governments running enormous budget deficits, but facing electorates still expecting increased standards in public services, especially as the tax burden rises.

We interviewed and surveyed 50 senior civil servants and local government officers, mainly in the UK, but also obtained input from successful examples of financial turnaround by governments in Sweden and Canada. In addition, we obtained detailed feedback and hypotheses from intensive leadership development programmes that we have designed and delivered in the UK public sector. We tested our findings in a series of workshops bringing together think-tanks, civil servants, local government, consultants and academics. We found a startling degree of consensus that meeting this challenge does not require the identification of more people into new leadership roles nor identifying innate leadership attributes – it is about exercising more leadership at all levels. As with Dr. Sims (*Looking for the Key to leadership under the lamp post*) and Dr. Grint (*The cuckoo clock syndrome: Addicted to elegance, allergic to leadership*) we believe that the term leadership is best defined through activities or decisions rather than through looking purely at positional power or traits. Leadership for us is tied into the successful delivery of results and, importantly, requires multiple actors across an organisation or system. Thus leadership is not about an individual in a senior role, it is about many people across an organisation involved in leadership activities for which core capabilities are required. Senior public sector leaders will need to demonstrate four key leadership capabilities:

Abbreviations: GDP, gross domestic product; HR, human resources; LLP, limited liability partnership.

* Corresponding author. Tel.: +44 7768 773 995/20 7303 5494; fax: +44 20 7583 1198.

E-mail address: kleslie@deloitte.co.uk (K. Leslie).

1. Developing the insights necessary for successful change within complex systems
2. Building the cognitive skills to manage effectively in demanding environments
3. Demonstrating the emotional intelligence to motivate their people
4. Building leadership at all levels of the organisation, by developing capability and ensuring that overly complex structures do not impede the ability of individuals across the organisation to exercise leadership.

Public sector organisations have benefited from a huge injection of funding in recent years, yet with budgets being radically reduced while citizen expectations continue to rise, public sector leaders will be challenged to demonstrate a set of capabilities that will be unfamiliar to the current leadership of most public sector organisations at both central and local levels.

In contrast to many private-sector organisations, public services demonstrate enduring strengths in quality, motivation and independence – although the quality of delivery in major policy areas remains mixed. A number of pervasive myths can impede effective delivery and hinder effective leadership at all levels. This paper explores some of these myths about leadership in the public sector and outlines the emerging realities that leaders need to face and the key leadership capabilities they need to exercise.

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The leadership challenge for the public sector

Public sector leaders are facing a combination of challenges from the tough financial climate, citizens' expectations for improved services at lower cost, long-term shifts in demographics and political commitments to reform public sector management. These challenges apply in virtually every OECD country and, as OECD demand shapes the global economic environment, have been 'exported' by the wealthy 'north' to the impoverished 'south'.

Across Europe, budget deficits are at record peacetime levels. Greece, Portugal, Spain and Ireland may be most prominent in current headlines, but all the major economies are running excessive deficits – not just as a result of the economic cycle, but also as a failure to achieve balanced growth and productivity in the private- and public sectors. The IMF forecasts that almost all of the G7 will run general-government deficits in excess of 8% of GDP during 2010, with the US and UK at 11% and even Germany at 5.5% of GDP. The IMF forecasts that only Canada will cut its deficit to less than 3% of GDP. Taxes are rising and spending is being cut – and taxpayers are rightly demanding higher performance from public spending and the public sector leaders who direct the spending. Across government agencies, change or transition teams are developing plans for operating with substantially lower resources, for example, in France 50% of civil service vacancies are not being filled. Even in the most sensitive public services, resources are under scrutiny. For example, in France pension reform is on the agenda and in the UK National Health Service the chief executive has stated that from 2011 to 2014, £20 billion of savings must be found (*The Daily Telegraph*, 2009).

Against this financial backdrop, the delivery challenge remains for the public sector. The need to deliver high quality programmes, on time and on budget, will become ever more critical. Despite funding reductions – and perhaps because of a decade of tax increases – citizens still expect the quality of public services to improve. Politicians are still

struggling with the need to face complex choices and to articulate a convincing narrative for public sector reform. The recent UK election saw all the major political parties avoiding explicit statements about their plans to reduce the UK's deficit, but the new government is now committing itself to painful measures to increase taxation, drop new capital programmes and reduce operational spending through benefit and headcount restraint. The effects of longer term challenges are barely being mentioned, such as the implications of demographic change on demand and resources for health, long term care and pensions.

Leadership is vital both in implementing spending cuts and also in leading the organisations as they deliver more with less. The importance of effective leadership is evident from reviews of specific services that are high-profile currently across Europe, such as protecting children from abuse: for example, "it would be hard to overstate how significant the quality of leadership is in narrowing the gap for children within a context of improving outcomes for all, and that means leadership across all services and at all levels within services. It is the single most important critical success factor (UK Local Government Association, 2008)." In the unfortunate cases of service failures, issues of over-complex leadership structures and leaders' shortcomings are often involved (UK National Audit Office, 2001, 2006).

Public sector management and leadership is a central topic on the political agenda. Commentators propose a range of unsurprising actions that the private sector applied when the financial crisis first hit: reducing back-office administrative costs through shared services, improving frontline productivity by applying lean management techniques, abolishing unnecessary arm's length bodies, selling off under-utilised facilities and property, removing management layers and reshaping organisations, and improving performance management to shed under-performers. In addition to these efficiency improvements, many would argue in favour of more strategic leadership, governance and effective collaboration across governmental bodies – from

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