Publicness, Motivation, and Leadership: The Dark Side of Private Management Concepts in the Public Sector

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Abstract: The public sector has for several years been facing tight finances on the one hand and growing demands on the part of citizens on the other. In the light of this situation, Public Sector Leadership has therefore steadily increased in practical relevance. Nevertheless, leadership remains a topic that has hitherto been neglected in research on public management. This article elucidates the 'difference' between leadership in the public sector and leadership in the private sector, relates these concepts to motivational foundations of employees, and argues that some concepts developed in the private domain are in fact harmful for the public sector.

Keywords: *job context; leadership; motivation; publicness*

JEL: *J24, L32, M12.*

Introduction

"Nothing is more important than leadership." This is one of the impactful statements made by the American authors David Osborne and Ted Gaebler who champion the notion of 'entrepreneurial administration' (Osborne & Gaebler, 1992). In their book they follow the typical recipe for a management bestseller: a drastic scenario threatening catastrophe at every turn, success stories from practical experience and proposed remedies that resolve the crisis as easily, it seems, as falling off a log. If, however, we tune out the rhetorical background accompaniment, we can grasp the true essence of the message. Leadership is still, after two decades of New Public Management, a central issue in public service (OECD, 2001; Teelken *et al.*, 2012; Van Wart & Dicke, 2008).

The scientific and practical field of New Public Managements emerged in the early 1980s as a reaction to economic crises and a general atmosphere of querulousness among bureaucrats; it denotes a bundle of administrative-political reform strategies, which are largely shaped by business thinking (Pollitt & Bouckaert, 2003; 2011). Central issues of New Public Management include effect-orientated management procedures with goal-setting agreements and performance measurement instruments, business accounting, privatization and Public Private Partnership. The goal of these reform strategies is to make the State more efficient, more effective, more 'customer-friendly' and more transparent. To paint a pretty

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picture, the ugly duckling of public administration is supposed to turn into the beautiful white swan of a private enterprise.

Meanwhile, reform protagonists have become considerably more sceptical with respect to an analogue transferral of private-domain logic to public management. It is over-simplistic to believe that public administrators need only acquaint themselves with the instruments of private business in order to become more business-like and citizen-friendly. Or as Tripathi and Dixon put it: The transferability of leadership styles from the private sector to the public sector lacks empirical evidence (Tripathi & Dixon, 2008). However, everyone agrees on one thing: Leadership styles play a key role in the efficiency and effectiveness of organizations (Lowe *et al.*, 1996). That applies just as much to public administrations as it does to private enterprises. The importance of Public Sector Leadership is even set to grow in the future.

1. Public administrations must provide more performance-output with fewer staff

One reason why leadership in the public sector has become more important is that the personnel structure in public services has changed. Many welfare states have for decades been confronted with massive cutbacks in spending. Socio-economic changes have led to a tight financial squeeze and painful austerity measures that have not spared the public sector.

At the same time, however, the workload on public administrations has not grown smaller in accordance with this shrinkage. On the contrary: social problems and thus citizens' needs and demands with regard to public administrations have grown more complex. Many citizens demand more extensive co-determination rights, faster settling of their affairs and more transparency with regard to how administrators operate. E-Government, service portals and flexible opening times are just a few of the buzzwords. Consequently, the performance and output requirements imposed on public service have likewise increased. Managers are particularly affected by this, because their scope of responsibility is constantly growing. Modern public management directs control mechanisms, namely of resources and rules, towards the production-related results and effects of public service provision. That is why managers bear more responsibility for results, while at the same time they have wider scope for decision-making with regard to execution of the tasks assigned to them. Both sides of this equation exact tough requirements on managers in the public sector with regard to qualifications. Not only are managers in the upper echelons of ministries and city halls affected, but middle and junior managers, too. The de-centralization of responsibility is in keeping with the principles of New Public Managements, which aims to achieve a higher level of competitiveness and effectiveness in this way.

The growing demands imposed on the management competence of officials in public service are aggravated by a demographic development that makes it increasingly difficult for public administrations to attract highly qualified

and ambitious new recruits to make their career in the public sector. Qualification deficits among public managers cannot always be remedied by personnel development alone; an accurately targeted recruiting strategy is required. However, private firms with a positive employer image are more likely to rank higher on the popularity scale of university graduates than the public sector. Thus human resources are becoming ever sparser and the war for talents ever fiercer for public administrations (Berman *et al.*, 2010; Horton, 2009).

2. Structural and interactional leadership

Although it has become increasingly obvious in administration practice that the leadership role of superiors is of enormous importance, scholarly research is still in the starting blocks as regards Public Sector Leadership (e.g., Andersen, 2010; Atwater & Wright, 1996; Bourantas & Papalexandris, 1993; Hansen & Villadsen, 2010; Hooijberg & Choi, 2001; Teelken *et al.*, 2012). One reason for this lies in the common assumption that there is not much room for manoeuvre for managers in public administrations – the regulation 'undergrowth' of bureaucracy is accordingly so dense, that the majority of decisions and initiatives are predetermined by law, anyway. The resulting plans, programmes, rules, regulations, etc. are frequently lumped together and called 'substitutes for leadership', because they regulate behaviour without a person exercising an influence. However, the term 'substitute' is misleading: structures are not a substitute for leadership; they are one medium of leadership. Therefore, we can talk about structural leadership if the behaviour of employees is influenced by the framework of legal and organizational conditions, in order to align employees' personal goals with the goals of the public administration. This purpose is also fulfilled by the counterpart to structural leadership: interactional leadership provides behaviour incentives in the direct relationship between superiors and employees. This happens mainly via personal communications between the involved parties.

Wherever structural leadership is highly pronounced, interactional leadership will never be superfluous. On the contrary, it is precisely those employees who work in a bureaucratic environment where there is apparently little freedom of action and few opportunities for development who need a personal meaningfulness in their everyday working lives. That is particularly true in phases in which the modernization of the administration causes an atmosphere of insecurity due to structural changes. That is why interactional leadership competence is required of managers, and precisely managers, in the public sector. How sophisticated are these competences, and to what extent do officials in the public domain put them to good use? How do managing officials and employees perceive their leadership roles? Also, what differences do they show in their leadership style compared to the private sector?

3. Is leadership in the public sector different from the private domain?

The theme of 'leadership' has been widely treated in popular-scientific management literature, but these tips and hints are mostly written by, and thus for, managers in private enterprises. What does leadership look like in the public domain? It is obvious that managers in the public sector behave differently to their counterparts in private enterprises. Public administration necessarily pre-provides specific frameworks, which is bound to have an effect on the behaviour of organization members. The orientation towards public weal, the wide range and equivocal nature of objectives, the interrelationship of political, juridical and economic rationalities and the special role in exercising the law are just a few of the peculiarities associated with the public domain. How, do these special characteristics affect the leadership styles of managers in the public domain? Relatively little is known about the concrete differences to the private sector (e.g., Andersen, 2010; Atwater & Wright, 1996; Bourantas & Papalexandris, 1993; Hansen & Villadsen, 2010; Hooijberg & Choi, 2001; Teelken *et al.*, 2012).

As an initial approach, we can enquire in a more general way whether employees in the public domain possess a specific motivational set, independent of their hierarchical position. Does the so-called 'Beamtenethos' (public-official ethic) really exist? There are numerous studies on 'public service motivation' that show that the motivation of public officials is quite different from that of employees in the private sector. James Perry and Lois Wise published one of the most cited studies on this subject in 1990 (Perry & Wise, 1990). In their study they identify three public service motives which distinguish employees in public administrations from their counterparts in private enterprises: rational, norm-based and affective motives. Rational motives are motives which stem from an individual's will to maximize their own benefit. Norm-based motives originate from particular normative orientations, while affective motives are displayed in an emotional response to a certain social context (table 1).

Of course, the cited study does not allow over-simplified generalisation of these kinds of motivations for all organization members of public administrations – on average, however, the differences compared with private enterprises are significant. There are two possible effects which can cause these differences: A selection effect means that, from the very start, only people with an above-average level of political interest and pro-social attitudes opt for a career in public service and can thus be won by public administrations. In addition, a socialisation effect intensifies these dispositions as the career progresses. The result is a motivational set which only exists in that particular form in public administrations. This Public Service Motivation is an important resource, because it fosters the personal aspiration on the part of the employees for excellent performance (Perry *et al.,* 2010).

Table 1. Public Service Motives

Rational	Norm-based	Affective
Commitment to a public program because of personal identification	Desire to serve the public interest	Patriotism of benevolence
Participation in the process of policy formulation	Loyalty to duty and to the government as a whole	Genuine conviction about social importance of a program
Advocacy for a special interest	Social equality	Emotional state

Source: Perry & Wise, 1990: 368-369

The phenomenon of public service motivation is of dual importance in public administrations: on the one hand, managers in the public domain, like all employees, possess this motivational structure, too. These motivational differences would lead us to expect a specific management style that differs from the private sector. On the other hand, managers in the public domain must take into account that their employees are also motivated in a specific way. Management research has been hunting for a long time for a universal management style which is effective in all situations – in vain. Managers have to adjust their behaviour as the situation requires if they want to be successful. A key steering factor in any management situation is the motivational set of the employees being managed. So, what does this mean for the management style of managers in the public domain? How do they differ from managers in private enterprises?

4. Participative or directive leadership

Two Danish authors, Jesper Rosenberg Hansen and Anders Villadsen, investigate this issue very thoroughly in their study (Hansen & Villadsen, 2010). They try to determine whether and how leadership styles in private enterprises differ from leadership styles in public administrations. They initially identify and contrast two leadership styles (c.f. table 2).

Table 2. Leadership styles – Contrasting participative and directive leadership styles

Participative leadership style	Directive leadership style
Dialogue and coaching	Follow-ups and monitoring
Cooperation and contributory influence	Rules and directives
Extensive delegation	Orders and instructions

Source: Hansen & Villadsen, 2010: 247-274

Securing the involvement of employees is a key characteristic of the participative leadership style. The manager tries, by means of delegation and coaching, to utilize in decision-making processes the capabilities and potential that the employees possess. In contrast, the directive leadership style concentrates on various monitoring mechanisms such as, for instance, rules and instructions, in

order to implement readymade, established strategies. Leadership means, in this sense of the word, defining precisely the various roles in the organization and monitoring closely adherence to them. Of course, it is not absolutely necessary for a leadership style to be practised in its purest form – managers can mix and add elements of both styles. Thus the two leadership styles are not means to one and the same continuum, but each of them is a distinct continuum in itself. Therefore, managers can lead in both a participative as well as a directive way.

The two authors interviewed in the course of their study nearly 1,000 public and private managers in senior and middle-ranking positions (Hansen & Villadsen, 2010). The results are extremely interesting: there is a significant difference in leadership style between the public domain and the private sector. Managers in the public sector favour the participative leadership style, while their counterparts in private enterprises are more likely to practise the directive leadership style. This finding, which is highly surprising at first glance, is explained by the authors of this study with interesting interrelationships (figure 1).

Thus there is a direct and an indirect interrelationship between the sectoral conditions and the salient characteristics of the leadership style (Hansen & Villadsen, 2010). On the one hand, the public context underpins the participative leadership style in a direct cause-effect relationship; that means, management is per se more geared to involvement if it occurs in the public domain (1). On the other hand, there is an indirect cause-effect relationship with regard to the perceived working environment. Managers in the public domain perceive their work as more complex, more autonomous and clearer in terms of the definition of their roles than managers in private enterprises (2). Job complexity is seen as scope of responsibility. This scope is all the broader, the more varied the interests of third parties are with which the public domain officials are dealing. Public officials must fulfil the demands of numerous stakeholders (citizens, tax payers, politicians, companies, trade unions, other organizations in the public administrative system). Therefore, public officials pursue many different goals simultaneously, which makes their jobs even more complex. Greater job complexity, clear definition of roles and autonomy at work lead, in turn – regardless of sectoral context – to an intensification of the participative leadership style (3).
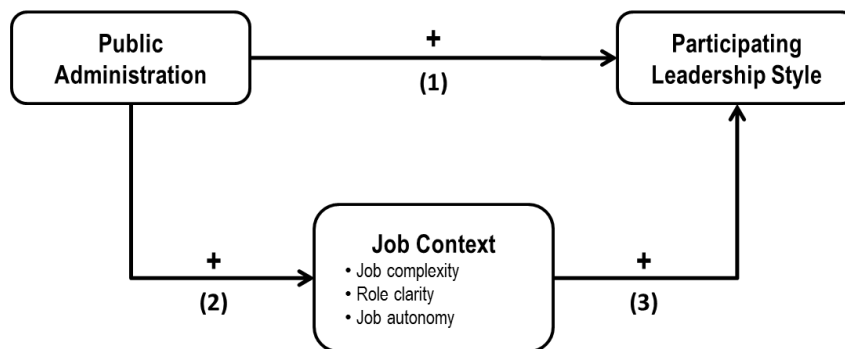

Figure 1. The interrelationship between sector and leadership style

These causal inter-relationships explain to a large extent why managers choose a certain management style (Hansen & Villadsen, 2010): in a working environment which is perceived as complex and autonomous, managers orientate themselves towards the participative leadership style. Complex issues are presumably solved more effectively by involving the employees than by means of rules and control mechanisms. Besides, a clearly defined management role eliminates the need for continual re-establishment of management authority by means of hierarchical order-giving. Comprehensive autonomy additionally allows this leadership style to be used. In contrast, however, if the working environment is not seen as being very complex, it would seem that autonomy is limited and the role definition is less clear. In this case, the directive leadership style is preferred, which by means of rules and control mechanisms can deal more effectively with the circumstance of limited autonomy and lack of clear role definition.

5. Extrinsic incentives enable directive leadership

Another reason for the predominance of the participative leadership style in public administrations could also lie in the fact that the prerequisites for practising the directive style are simply not given. The directive management style is more suited to extrinsic incentives, that is, to control and sanctioning options, which lie outside the actual activity. Extrinsically motivated employees pursue an activity not out of self-will, but to receive a salary and to avoid punishment, results and possible consequences of the performance achieved – promotions, for instance, and performance-related bonuses (Deci & Ryan, 1985). Hitherto, public services law provided managers with only a few instruments with which to set externally these kinds of performance-related incentives. This is about to change however with the introduction of performance management in the public sector. Performance management, an instrument of New Public Management, tries to measure and optimize the performance and output of individuals or groups by means of targeted goal setting and personalized reward models. This includes the hotly debated 'performance-based pay' that links certain performance indicators to the pay level (the number of claims processed, for example) (e.g., Rusaw, 2009). As a result of this approach, the employees are supposed to be motivated thus to perform to a higher level.

Employees can, however, be motivated to higher performance and output levels in a different way, namely intrinsically (Deci & Ryan, 1985). Intrinsic motivation is said to exist if an activity is carried out for its own sake, because the contents are subjectively experienced by the doer as meaningful. In this case, it is not positive or negative sanctions that motivate the job-holders to perform more effectively, but the 'good feeling' that comes with doing something meaningful. The best example of intrinsic motivation is public service motivation, as described above: orientation to the general good, political interest and democratic participation can hardly be inducted from outside; rather they are conveyed by the activity itself.

6. Is the only good nurse a poorly paid one?

Anthony Heyes showed that different motivational sets (extrinsically or intrinsically motivated) can also affect the personal performance in a study with the provocative title "why a badly paid nurse is a good nurse" (Heyes, 2005). When the salaries of British nurses increase, the quality of their work deteriorates. The reason for this is that the "right sort" of nurse, the one who perceives her job as a vocation and whose motivation is highly intrinsic, is becoming fewer and farther between, while the "wrong sort" of nurse, the one who only does her job for the money, is on the rise. External performance incentives damage in this case the quality of work performed.

This is just one of many examples of an effect which has been repeatedly proven in research: extrinsic incentives can crowd out intrinsic motivation (Frey, 1993; Frey & Reto, 2001). The more an activity is controlled and sanctioned from outside, the more likely it is to happen, that employees do not find fulfilment in this activity, because they ascribe only an instrumental value to it. This motivational crowding-out effect does not inevitably occur, but can constitute in many cases a side-effect of new control mechanisms that should be taken seriously.

In sum, it is evident that extrinsic performance incentives make it easier for managers in the public domain to practise the directive leadership style. Without the availability of extrinsic incentives, directive leadership would be a 'toothless tiger'. It is only extrinsic incentives that give managers the means to exercise controls and enforce sanctions. So, what would happen, if managers in the public domain used this new option and swapped from a participative leadership style to a directive leadership strategy? Directive leadership reinforces, by means of performance measurement and monitoring, extrinsic motivation which can in turn reduce or even crowd out intrinsic public service motivation. More intensive orientation in the public domain to private-entrepreneurial thinking does not necessarily result in higher performance potential in public administrations; it can even be harmful, as shown in the nurse example. We summarize once again the inter-relationships between incentives, leadership and motivation in the following illustration (c.f. figure 2).
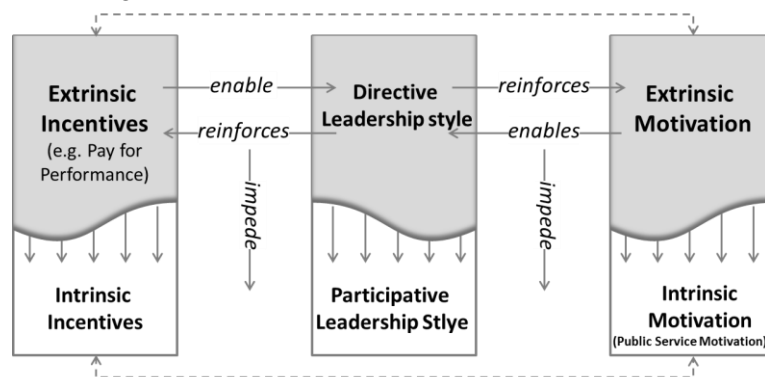

Figure 2. Inter-relationships between incentives, leadership and motivation

Conclusions

Professional leadership is essential for public administrations – *"Nothing is more important than leadership"* (Osborne & Gaebler, 1992: 326). This is particularly true in times when public administrations have to provide more with fewer staff and there is a shortage of new management recruits. The current reform efforts will leave their mark on the perception of management in the public sector. Preliminary findings of empirical studies indicate that the participative leadership style prevails in the public domain which is in keeping with the fundamental motivations of the employees.

Performance management instruments give managers in the public domain, however, the means with which to lead in a more directive manner with extrinsic incentives. Within the framework of this style, performance of individuals or groups is measured and reflected in the pay awarded. Should, then, managers in the public domain align their management style with that of their counterparts in private enterprises? We would advise extreme caution, because extrinsic incentives can cause intrinsic public service motivation (and with it personal aspiration to achieve the best possible results) to diminish. So, it is important to protect the identity of public administrations, also with respect to their management culture, and not to follow blindly the supposedly superior private sector. The participative management style is justified in the public domain and should not be abandoned too hastily.

As with every tool, the same is true of management instruments: you can do a lot of good with them, but you can cause a lot of damage, too. Practitioners should therefore err on the side of caution when they take advantage of the new opportunities that performance management offers them in the public domain. The trick is to do one thing without giving up doing the other. Directive elements must be carefully combined with participative elements, in order not to jeopardize valuable Public Service Motivation. This further increases the requirements of managers and raises the practical implication for the public domain that a great deal more thought and attention must be given to the selection and the development of managers than has hitherto been the case. Managers must be capable of giving directive or participative impulses, regardless of situation, without creating contradictions. That pre-requires high social competence as well as the willingness and ability to introspect. Both these qualities can be developed in training sessions.

Research on Public Sector Leadership is still in its beginnings. There are still gaps in the empirical findings and can only be generalised to a certain extent. Thus it must still be proven, for example, whether findings from Scandinavia or the U.K. can also be transferred to other cultural communities. Leadership in the public domain is therefore a central issue for the future as regards theory and practice of public managements.

Acknowledgement

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