

*November 2004*

## Private versus public sector leadership

A recent debate at Chatham House in London concluded that companies produced far better leaders than those in the public sector. I had trotted along to the debate with an open mind on the proposition. On balance, I expected to agree with those favouring the private sector. How could anyone argue the case of a public sector commonly perceived as comprising a series of over-staffed bureaucracies supporting tiers of administration?

The outcome was probably inevitable given the strong private sector representation in the audience. But they didn't get my vote. At the start it may have been a combination of bloody-mindedness and a desire to intervene on behalf of the underdog but the more the debate progressed, the more I warmed to the merits of public sector leadership.

Rob Davies, managing director of Water for Fish, the Henley-based human resources consulting business that hosted the event, argued that the public sector could not match the agility of entrepreneurs who could pick themselves up and start again if their businesses failed.

He had a point. There is something heroic about the determined entrepreneur who succeeds in the face of adversity. Tim Waterstone, the founder of Waterstone's, the bookseller, singled out the public sector's inability to replicate the private sector's willingness to take risk as a persistent failing.

In doing so, however, he exposed the flawed nature of such a debate. The demands of public and private sector are simply not comparable. As Dame Patricia Hodgson, former chief executive of the Independent Television Commission, pointed out in defence of public services, a hospital cannot afford to fail. It has to be there for its patients.

The reality is that both sectors need leadership and there are good and bad examples to be found on either side of the divide. The whole corporate governance debate on both sides of the Atlantic has been founded on business scandals. The foundering of so many reputations led to the "anti-charisma" sentiments of Jim Collins, the US management writer who argued that the best business leaders were quiet backroom types who didn't feel the need to hog the headlines.

The solid, consistent performers highlighted in Mr Collins' studies, however, are not the stuff of newspaper headlines. Nor are they the stuff of headhunter revenues or private equity interest.

Today we are seeing a new cadre of robust business personalities moving into influential positions: people such as Philip Green, the owner of BHS and Arcadia Group, and Stuart Rose, the chief executive of Marks and Spencer. Their colourful and very public battle for control of the most famous name in British retailing was a display of competing corporate egos of a fierceness rarely experienced since the struggle for Harrods two decades earlier.

Others, such as Allan Leighton, the former chief executive of Asda, the supermarket chain, who last week resigned three of his company directorships, appear to be positioning themselves in the marketplace. With corporate deals involving billions and

the incomes of the biggest players trailing not so very far behind, it is easy to overlook the contribution of public servants.

But just occasionally we have the briefest glimpse of the kind of moral decisions that can confront a public servant. Craig Murray, the UK's ambassador to Uzbekistan, was recalled to London after questioning the use of intelligence from torture victims in Uzbek jails.

It would be facile to ask how many private sector executives would have spoken out in this way. Private sector bosses do not tend to face the kind of life and death decisions confronted every day, for example, in the health service.

Some of those who possess a strong sense of public service may be unsuited to the realities of private competition. Equally there have been unsuccessful public sector moves from the private sector. In 1995 Derek Lewis was removed from his job as director of the Prison Service after two murderers and an arsonist escaped from Parkhurst Prison.

A subsequent inquiry concluded: "Any organisation which boasts one Statement of Purpose, one Vision, five Values, six Goals, seven Strategic Priorities and eight Key Performance Indicators without any clear correlation between them is producing a recipe for total confusion and exasperation."

No wonder Francis Wheen was moved when he included that quote in his recent book, *How Mumbo-Jumbo Conquered The World*, to criticise the creeping emergence of management gobbledegook into corporate processes. It wasn't the public sector that created all that guff.

On reflection, the most worrying feature of the Chatham House leadership debate was that the private sector should entertain such elevated opinions about its management capabilities. Rarely do we mourn the loss of a corporate leader by recalling the strength of his or her integrity, humility and humanity.

Yet all these words have been used in the past week in a series of fond eulogies to John Peel, the radio presenter and disc jockey, who died suddenly of a heart attack. Mr Peel would never have described himself as a leader and yet he possessed the kind of qualities that are in short supply among many companies.

A study by Ashridge Management School of personality test results among 8,000 UK managers found a dearth of what it called the "softer" leadership skills that can best handle people and relationships. The sample had an above-average representation of left-brained problem solvers able to think logically but an under-representation of intuitive types, the very people who tend to be entrepreneurial.

As a business founder, Mr Waterstone can identify with such people. But it would be misleading to suggest that all businesses are filled with entrepreneurs. They are not. For every Waterstone's, it seems, there is a WHSmith, struggling to stay in business after losing its way.

Any future debate should not dwell too long on the relative merits of public and private sector leadership but about the rarity of moral leadership in today's society. In the week that the world's most important leadership election has been fought out across the US, perhaps the most influential intervention in the whole campaign was made, not by the candidates, but by their most bitter antagonist Osama Bin Laden.

A single blurred videotape managed to galvanise voting intentions in a way that failed to happen after a series of sterile stage-managed debates. In a country that is crying out for leadership, it did not augur well.

©2004 Richard Donkin