

# Transforming Government

## Leadership and talent

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# Introduction

Welcome to the third edition of *Transforming Government*, devoted to issues of leadership and talent.

The first three pieces address the surge in retirements across the public sector and the challenge to both talent and leadership that it could pose. By example, these pieces largely focus on the implications for the US public sector, but the challenge affects many countries.

“Hard numbers,” the first article in the collection, shows that across much of the globe, retirements will be more severe in government than in the private sector. In the United States, baby boomers are beginning to retire—and they tend to retire earlier in government than in other sectors. Accordingly, “Planning for the next generation” and “Attracting the best” address two critical questions: What must the government do to ensure orderly successions as senior individuals depart? And how can it take advantage of this generational shift to attract the highest possible caliber of individuals into public service?

The next article, “Bahrain’s new vision,” looks at the leadership and talent challenges inherent in a country that is rapidly emerging onto the global scene. The head of Bahrain’s Economic Development Board, Sheikh Mohammed bin Essa Al-Khalifa, discusses the kinds of leadership needed for the next phase of the country’s explosive growth and identifies how to go about getting it.

Finding leadership to fill openings is only part of the solution. What happens once new leadership arrives? “Take charge—without taking over” outlines the hurdles new executives face as they assume the leadership of existing management teams. What skills and approaches do leaders need to make an existing team their own and to effect change in the short period of a typical political appointment? That advice is buttressed by the real-life experience of former President Bill Clinton’s chief of staff, Leon Panetta, who describes the leadership challenges he himself faced and how he overcame them.

In the course of developing material for this volume, we talked to many senior leaders in the public sector about what it takes to be successful. We have summarized in brief segments, under the title “Leaders on leadership,” their ideas on the four issues that matter most when managing a government department. The issues themselves—*vision, delivery, people, and communication*—will surely not surprise. But perhaps some of the advice will.

Much but not all of this volume addresses itself to the problems of talent at the top: where leaders can be found and how they should conduct themselves upon arrival. In “Of summits and sherpas,” we close with a reiteration of the importance of having talented people below the leadership level. Jan Larsson was state secretary and “sherpa” to Swedish Prime Minister Göran Persson. Now a consultant with McKinsey, he advocates for improving intergovernmental cooperation through the agency of the sherpa, a name used by Western governments for the chief support individual to a head of government.

We encourage you to read the articles in this issue and, whatever your response, to let us know what you think at [feedback\\_transforminggovernment@mckinsey.com](mailto:feedback_transforminggovernment@mckinsey.com).

Our current plan for the next issue of *Transforming Government* is to address government operations and productivity, but we expect soon to revisit questions related to human capital in the public sector, with talent development high on our list. As such, we welcome thoughts on any and all topics related to the challenges facing governments around the world as they seek to transform themselves to meet the challenges of the current century.



Nancy Killefer  
Director, McKinsey & Company



# Hard numbers

*The rapid aging of the public-sector workforce and the expected surge in employee retirements present an immense human-capital challenge for governments around the world.*

**Tegan Blaine**

<sup>1</sup> *Ageing and the Public Service: Human Resource Challenges*, OECD Publishing, 2007.

<sup>2</sup> "Issue brief: Brain drain 2008," Partnership for Public Service, May 2008.

**Governments in many nations** are facing a human-capital crisis. Across the globe, public-sector workforces are aging rapidly—faster than the overall population—and over the next few years, unprecedented numbers of government employees are expected to retire. Data from a 2007 report<sup>1</sup> by the Organisation for Economic Co-operation and Development (OECD) tell an alarming story. In several OECD member countries, the largest age cohorts in the public services are made up of people aged 40 to 50 and those 50 and older (Exhibit 1). And the demographic trend is accelerating quickly: in Australia, the average age of public-sector employees increases by one year every three years. In Ireland, the same phenomenon takes a mere

15 months. In the United States, from 1995 to 2005, the number of federal workers older than 50 jumped 10 percentage points, to 37 percent.

Although many private-sector organizations are also preparing for a massive wave of retirees, in most countries—including the United States—the public sector has a greater proportion of older workers than the total labor market (Exhibit 2). The average age of federal employees in the United States is 46 and climbing.<sup>2</sup>

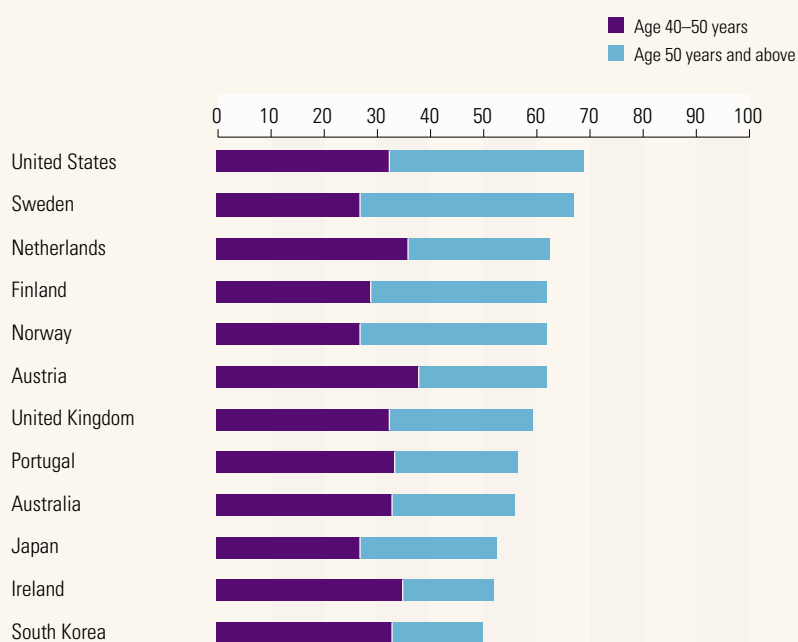
Compounding the talent challenge for governments, employees in the public sector tend to retire earlier than those in the general

Exhibit 1

## Aging employees

In many countries, the largest age cohorts among public-sector employees are 40 years or older.

% of employees, 2005



Source: Organisation for Economic Co-operation and Development (OECD)

Exhibit 2

# Government's older workforce

The public-sector workforce tends to be older than the total labor force.



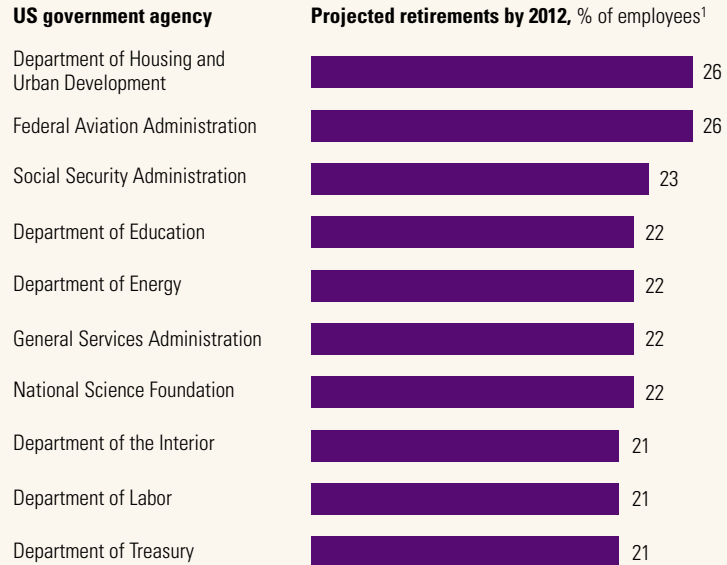
Source: Organisation for Economic Co-operation and Development (OECD)



## Exhibit 3

**Brain drain**

At ten large US agencies, at least 21 percent of employees are projected to retire by 2012.



<sup>1</sup>Based on permanent full-time employees on board as of Oct 1, 2006.

Source: "Issue brief: Brain drain 2008," Partnership for Public Service, May 2008.

labor market. Again, the United States is a prime example: the average retirement age is 58.7 in the US government,<sup>3</sup> compared with 63 in the overall labor force.<sup>4</sup> According to forecasts from the US Office of Personnel Management, by 2012, 23 large US agencies will see at least one-fifth of their workforces retire. Exhibit 3 shows the top 10 of these agencies.

Although some government organizations have begun to tackle these challenges, much more remains to be done. The next two articles offer solutions for heading off the retirement crisis. "Planning for the next generation" suggests ways in which governments can ensure that the most suitable people will be available to fill key posts in years to come,

while "Attracting the best" explores how agencies can more effectively recruit high-quality talent at all levels. The articles focus primarily on the United States, but many of the lessons are relevant to government organizations worldwide. ●

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<sup>3</sup>US Office of Personnel Management, 2004.

<sup>4</sup>Center for Retirement Research, Boston College.



Brian Stauffer

# Planning for the next generation

## Article at a glance

As the public sector prepares for a wave of retirements among its employees, designing effective succession-planning solutions becomes more critical than ever.

The most successful government agencies take a proactive approach—establishing a strategic process, looking to a variety of sources to fill key roles, and creatively negotiating HR restrictions.

Public-sector leaders should treat baby-boomer retirements as an opportunity to embed succession planning into their organizations, rather than as a one-time challenge.

*To groom potential leaders, public-sector agencies should institute a strategic succession-planning process, consider a diverse array of candidates, and creatively address HR constraints.*

**Michael D. Kerlin,  
David McGaw,  
and William Wolf**

**Preparing the next generation** for leadership roles is more important now than ever for government organizations. As the data in “Hard numbers” show, governments must be ahead of the private sector in devising large-scale succession plans because their employees are older and retire younger. In our work with public-sector organizations, we have found that those most effective at succession planning do three things. They put in place a strategic process for succession planning—an obvious step that is nevertheless often neglected. They consider a wide range of potential successors for critical positions instead of drawing from just a few trusted lieutenants. And they find creative ways to address HR policies that would otherwise hamper the leadership development that is necessary to good succession plans.

### **Establish a strategic process**

Too often, succession planning is a reactive exercise undertaken only when turnover occurs. The most effective agencies, however, proactively groom successors for critical roles. What is required is a strategic process underpinned by data.

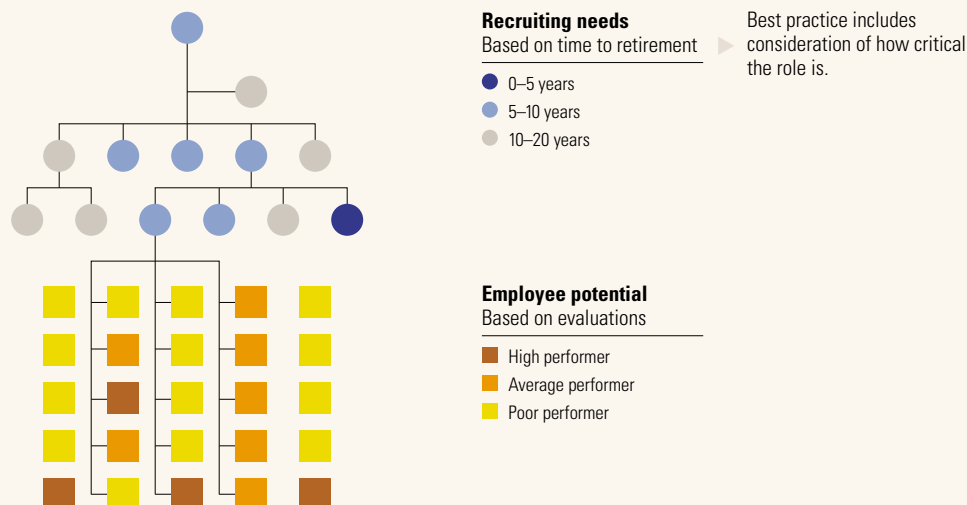
**Hold regular succession-planning meetings.** Senior executives are generally aware of the talent challenges their departments will face in the next five years. By gathering department leaders together for even one meeting a year—a daylong workshop, for example—an agency can bring to the surface its most important human-capital risks and opportunities. The HR department can facilitate such meetings, but department leaders, who know their team’s needs and capabilities best, should take responsibility for developing solutions. A simple organizational chart showing both recruiting needs and employee potential can be a helpful visual tool (exhibit).

Exhibit

## Visualizing needs and potential

A tool for succession planning can help guide leaders during meetings on talent challenges.

Disguised public-sector example



By pooling their insights in a meeting of this kind, the leaders of a European agency realized they were expecting the same 22 people to fill 100 critical roles. Another agency found that each department was expecting a modest shortfall of a particular kind of technical specialist; collectively, these shortfalls required a concerted recruiting effort.

Several large European transit agencies hold weeklong succession-planning sessions three times a year. During these meetings, they identify mid- and senior-level managers who are likely to retire in the next five years and lower-level employees on track for promotion within the same time frame. Rising stars are encouraged to pursue a developmental plan—potentially including opportunities to change roles, move to new locations, or participate in special projects—that will explicitly improve their ability to step into the shoes of a departing senior. If anticipated vacancies outnumber potential successors, the agencies ramp up their external recruiting efforts or offer incentives to likely near-term retirees to stay a few extra years.

**Plan for all critical roles.** Succession planning should account not just for top executive positions or the most specialized jobs but for all roles critical to the organization’s performance. In the private sector, these roles are usually associated with revenue or budgetary responsibility. In the public sector, they are not always so clear-cut. They might include not only leaders of large departments but also individuals managing significant reputation risks (for example, those responsible for security in a federal prison) or overseeing important change initiatives. Recognizing this, the government investment arm of Malaysia recently instructed the CEOs of the 20 largest state-owned corporations to identify critical roles and institute structured job-rotation and professional-development processes for managerial talent.

Some organizations look for successors for critical roles many years in advance. Certain civilian divisions of the US Army, for instance, keep a close eye on promising young interns and discuss their development during succession-planning meetings.

**Clearly define requirements.** Organizations cannot select the best candidate for an important job unless they understand what is needed to succeed in it. This often requires painstaking research—including workshops, interviews, and surveys—to identify the professional profiles associated with strong performance. The US Department of Defense convened more than 200 Senior Executive Service members in workshops to establish the competencies required for a range of key roles.

Once the requirements for excellence in specific jobs are clear, organizations can write the job descriptions that will yield the most promising candidates. Job descriptions for specialists should emphasize technical experience and skills; job descriptions for more general roles should emphasize behaviors and values. When a large US government agency realized that technical skills were less important than leadership skills in determining management success, it began using behavioral criteria for selecting managers for promotion. A state-operated industrial company in India recently designed a leadership model and assessment tools that recognized leadership archetypes (for example, “grower,” “turnaround artist,” “steady-state leader”) to support more effective deployment and development of talent.

### **Strengthen the ‘bench’**

Public-sector organizations sometimes view succession planning as a hereditary system—getting the boss’s job guarantees eventually getting the boss’s boss’s job, and so on. The most effective agencies, however, consider many potential successors for critical positions. Not only do they monitor the performance of all high-performing individuals within the organization, but they also look elsewhere for the best talent.

**Develop all high-potential employees.** Executives should expand succession short lists beyond the few trusted lieutenants and usual suspects that everyone considers capable. The best successors emerge when agencies encourage, and seriously consider, applications from all candidates. The key is to seek out and train the most appropriate talent while keeping an open mind toward other applicants and warding off employee grievances. One European agency reviews upcoming openings at senior levels every year and then makes all junior employees with the required expertise aware of them.

Creating new executive positions is another way to test and groom a larger number of potential successors. One South African agency expanded its executive committee to increase opportunities for up-and-coming leaders to work alongside more seasoned executives, and it invests in outside coaching for potential successors.

**Look within the public sector.** A lateral move into another branch of government can be an interesting option for executives who do not yet want to retire and do not have a cabinet-level post in sight. The British government regards its top tier of leaders, the Senior Civil Service, as a talent resource for the entire public sector. Similarly, the US government’s Senior Executive Service gives leaders opportunities to work for different







organizations. For example, the US Office of the Director of National Intelligence has moved several top executives across the various intelligence agencies.

Mobility within and across government branches can help employees become better candidates for certain leadership roles. Many large private-sector companies require high-performing employees to change jobs regularly. Some government agencies are following suit. A few now ask new employees to sign mobility agreements.

**Look to the private sector.** Many seasoned corporate executives see a move to government as exciting in its own regard and as a way to give back to their country. A top HR leader for a large government agency came from BP, and a former logistics executive and financial consultant assumed a challenging new role as CFO of a state transportation agency. There are many such examples.

Pay levels can be a challenge in these situations. Singapore routinely measures civil-service pay against benchmarks from private industry to ensure that people with other career options are attracted to government. The US Congress authorized the Internal Revenue Service to create 40 “critical pay positions”—giving the IRS streamlined hiring authority and the flexibility to offer salaries at the top of the civil-service pay scale for these roles—to attract corporate executives to the IRS for four-year terms. And an African agency woos private-sector executives for short contract periods—enough time to transfer their skills and for them to decide whether to stay for the long term.

### **Negotiate HR restrictions**

While corporations can select and groom specific successors for leadership roles as they see fit, government agencies face more restrictions. Most of the constraints—for example, required postings for every vacancy and employee-friendly grievance procedures—stem from well-intentioned efforts to quash patronage, but they can also inhibit succession planning. Public agencies have used a number of creative approaches to groom future leaders while staying within legal requirements.

**Distinguish among law, policy, and tradition.** All organizations develop norms from a complex foundation of laws, policies, and traditions. As a result, they often assume more practices are set in stone than is actually the case. Some organizations, for instance, simply do not ask workers about their plans for retirement because they fear legal liability. But surveying employees on the subject is not itself illegal and can be an extremely useful exercise as long as the survey questions are in keeping with legal limitations. Some US public-school districts even offer financial incentives for early notification of retirement plans. Sometimes such surveys can prompt immediate action: after polling senior engineers on their plans for retirement, the Tennessee Valley Authority paired near-term retirees with junior engineers to ensure knowledge was smoothly transferred.

At a large Asian state-owned enterprise, the HR team identified more than a dozen practices (for example, constraints on hiring multiple family members or extending expatriate contracts) that were mistakenly believed to be formal policies and that had

been limiting the organization's ability to recruit and retain high-quality talent. The HR team communicated with business unit leaders directly to explode these myths.

**Aggregate data from different sources.** Agency policies dictate the types of data that can be kept in employee records. In one federal agency, HR had no information about staff capabilities because, by law, employees were promoted based on seniority. The training department had to keep its records separate from HR records. But the agency was able to generate useful insights into employees' skills by comparing the average number of employees at a certain seniority level with the average portion of required training completed by staff at that seniority level.

**Create grooming opportunities.** Policies at many public agencies limit how fast an employee can ascend with regard to both position and salary. Some organizations manage these constraints by staffing teams for special projects with their highest-performing employees, regardless of rank or tenure level. Others recruit high-potential individuals into "honors" programs or "special adviser" programs—modeled after management training programs at companies such as Bank of America and Lockheed Martin—that give junior employees full-time exposure to senior executives.

Short-term transfers can also work well, particularly when they are positioned as an investment in organizational leadership and come with a clearly defined assignment and active mentoring from supervisors. One large state-owned organization in Asia has instituted skill-based "guilds," or communities of interest, to encourage and facilitate three-to-six-month project assignments in different departments and knowledge sharing among technical specialists and future executives.

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Initiatives such as these can make a great difference. They will have lasting impact, however, only if the organization's leaders are persistent. Over and above setting in motion the ideas discussed here, public-sector leaders should make a conscious effort to talk about leadership and capability building more often, and they should not shy away from potentially uncomfortable discussions about and with long-time colleagues. They should treat baby-boomer retirements not as a one-time challenge but as an opportunity to embed succession planning into their organization's long-term business processes. ●

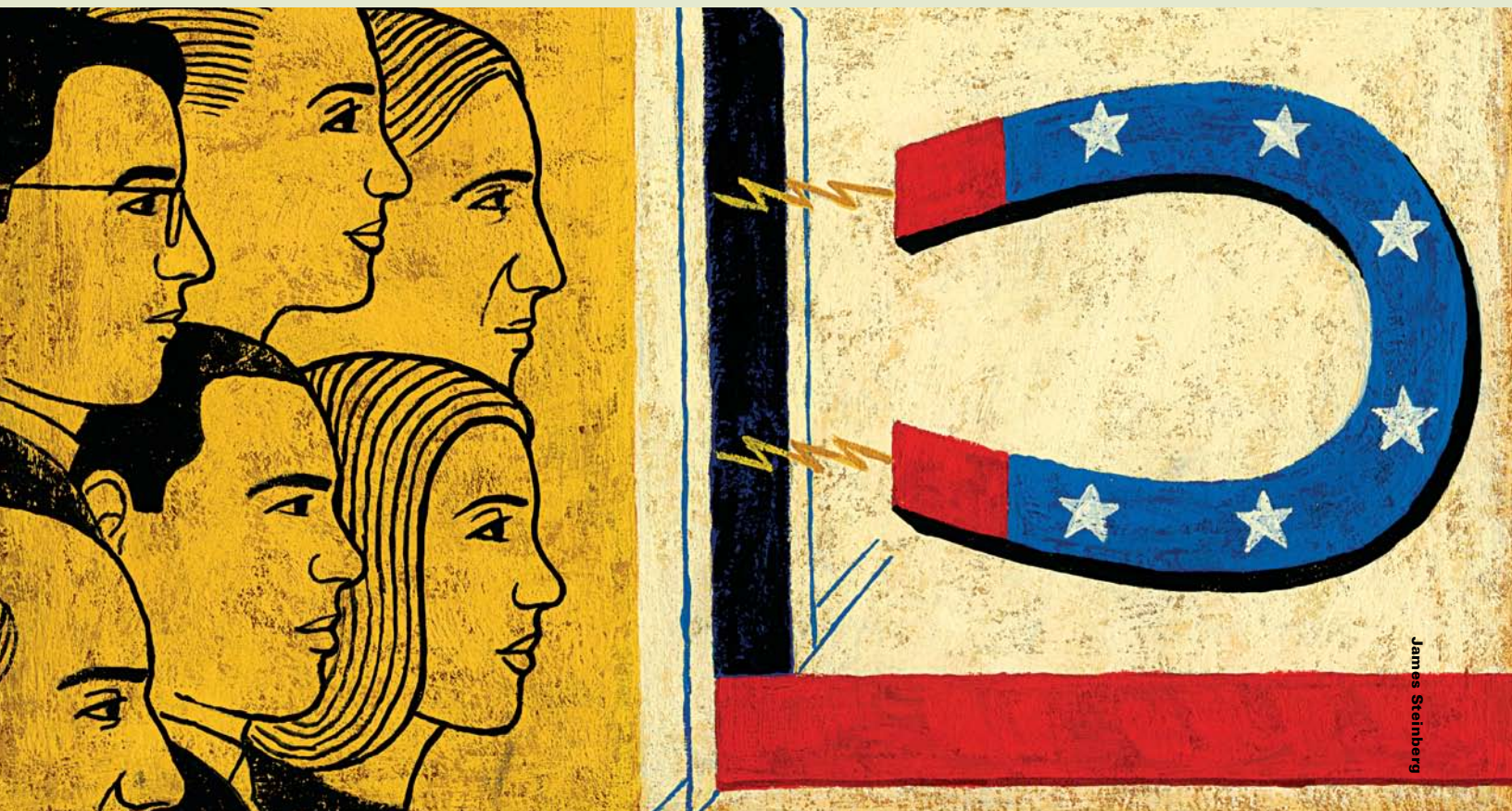
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# Attracting the best

## Article at a glance

Baby boomers throughout the public sector are beginning to retire, creating a rare opportunity for the US government to increase the caliber of its employees.

To compete successfully with private-sector employers, government agencies must change their recruiting approach in four ways: prioritize talent management, make a compelling case for public-sector employment, develop targeted recruiting strategies, and streamline the hiring process.

Using this approach, the US government will be able to recruit the talent it needs to fundamentally reshape its workforce for the longer term.



*In the pursuit of top talent, the US government faces stiff competition from private-sector employers. But with the right approach, government agencies can attract high-caliber individuals to careers in public service.*

**Thomas Dohrmann,  
Cameron Kennedy, and  
Deep Shenoy**

**Widespread retirement in the US public sector**, like most crises, presents an opportunity as well as a challenge. On the one hand, the government faces the task of persuading legions of talented individuals to work in the public sector rather than take up more lucrative private-sector alternatives. On the other hand, the impending exodus presents a rare chance to increase the caliber of government employees.

The challenge of attracting capable individuals to public service is certainly not insuperable, as nations such as France and Singapore have shown. In both countries, civil-service jobs have historically been among the most sought after, and many young people aspire to attend the prestigious schools that lead to government posts. The US public sector does not have quite the same allure, but recent surveys indicate that the appeal of public service is beginning to increase—suggesting that the government can indeed attract high-quality talent.<sup>1</sup>

Over the past two years, we have conducted many interviews with current and former government employees and people who work in government-focused think tanks or not-for-profit organizations. Based on these interviews and our work with several government agencies, we identified four changes that could substantially enhance the US government's ability to acquire top talent. First, agency leaders must make talent management a priority. Second, they must make a more compelling case for government employment, emphasizing its many advantages—including interesting work, attractive benefits, job security, and upward mobility. Third, they should develop specific

<sup>1</sup> *Back to School: Rethinking Federal Recruiting on College Campuses*, Partnership for Public Service, May 2006; “The appeal of public service: Who... what... and how?” The Council for Excellence in Government, May 2008.

strategies to source a wider range of candidates, rather than the generic recruiting approach we generally see. Finally, they must modernize and streamline the hiring process.

### Prioritize talent management

Several people we interviewed observed that senior government officials prioritize policy making over talent management and other managerial aspects of their jobs. One noted that the head of her agency “says all the right things about talent” but ends up distracted by policy issues.

Just as government officials generally fail to devote enough time to determining and carrying out a talent strategy, so too do most fail to hold their teams accountable for ensuring that the right people are in place. Many agencies treat recruitment as a purely process-oriented function to be left to HR. In one large government organization, hundreds of people focus entirely on the recruiting process; fewer than ten think about recruiting strategy. When senior executives do engage on talent issues, they tend to check boxes—is the agency hitting its hiring targets?—rather than tackle strategic questions.

Former US Secretary of State Colin Powell is widely credited with transforming the State Department’s talent-management practices. He increased the department’s recruiting budget more than tenfold, sought additional resources from Congress to make it easier for employees to do their jobs (for example, through training and by getting Internet access on their computers, often less straightforward in government departments than in corporations), and changed the evaluation process so that employees’ management capabilities—not just their intellectual and technical skills—were considered in promotion decisions. Employees at all levels talked about how these changes motivated them. In a ranking of the best places to work among 30 large government agencies, the State Department moved from 19th place in 2003 to 6th place in 2007, suggesting that the impact has extended beyond Secretary Powell’s tenure.<sup>2</sup>

Other agency leaders have personally involved themselves in upgrading the quality of their talent pools. For example, at the Federal Bureau of Investigation (FBI), which has hired more than 2,000 new analysts since September 11, 2001, Director Robert Mueller has put in place an ambitious program to attract talented analysts and strengthen their training and development. All agencies should make talent a top priority and adopt best practices of the kind the State Department and the FBI have pioneered.

### Make a compelling case

Many interviewees were frustrated that the government does not always clearly communicate the advantages of its own jobs. Some advantages are well known: generous benefits and job security. Potential candidates may know less about the opportunities for advancement, interesting and meaningful work, and the flexibility that is becoming more important as more people seek a healthy work–life balance.

Where the benefits of public-sector work are well known, the government should ensure that the details are understood by the kinds of candidates it wishes to attract and that these candidates realize how few companies offer a similar range of benefits: retirement

<sup>2</sup> The rankings, produced by the Partnership for Public Service and American University’s Institute for the Study of Public Policy Implementation, drew on responses from more than 221,000 civil servants in 283 government organizations.

savings plans, group life insurance, generous leave and vacation allowances (23 to 36 paid days off, not including sick days, compared with an average of 17 to 27 days in the private sector), and—perhaps most important—comprehensive and affordable health insurance.

Job security is likely to increase in importance to prospective candidates in a slowing economy. According to the Department of Labor, annual turnover in the US government is 7 to 8 percent, compared with 22 to 27 percent in the private sector.

*The government should emphasize **job flexibility**, which is greater in government service than in most of the private sector*

Better yet, this job security comes with career-advancement opportunities—resulting not only from the coming wave of retirements but also from emerging needs for expertise in areas such as high tech and national security. The government has also adopted some performance-based promotion schemes to supplement the traditional grade-based system. For example, the Presidential Management Fellows Program includes an accelerated promotion track.

There are also other kinds of benefits. Government employees often work at the cutting edge of a broad range of issues. A new lawyer might find himself immediately litigating voting-rights violations and participating in complex cases that a lawyer in private practice would wait years to handle. An accountant might be deployed to untangle new kinds of tax shelters. An engineer could work on designing mine-worker safety guidelines. Few employers offer less experienced workers equivalent opportunities to make an impact.

Finally, the government should emphasize job flexibility, which is greater in government service than in most of the private sector. Many agencies allow employees to fit 80-hour pay periods into eight days and take the other two days off. Family-friendly working options such as telecommuting, flexible work schedules, and part-time and job-sharing positions, combined with the availability of child care resources, will be attractive to a wide range of candidates—especially midlevel employees with families.

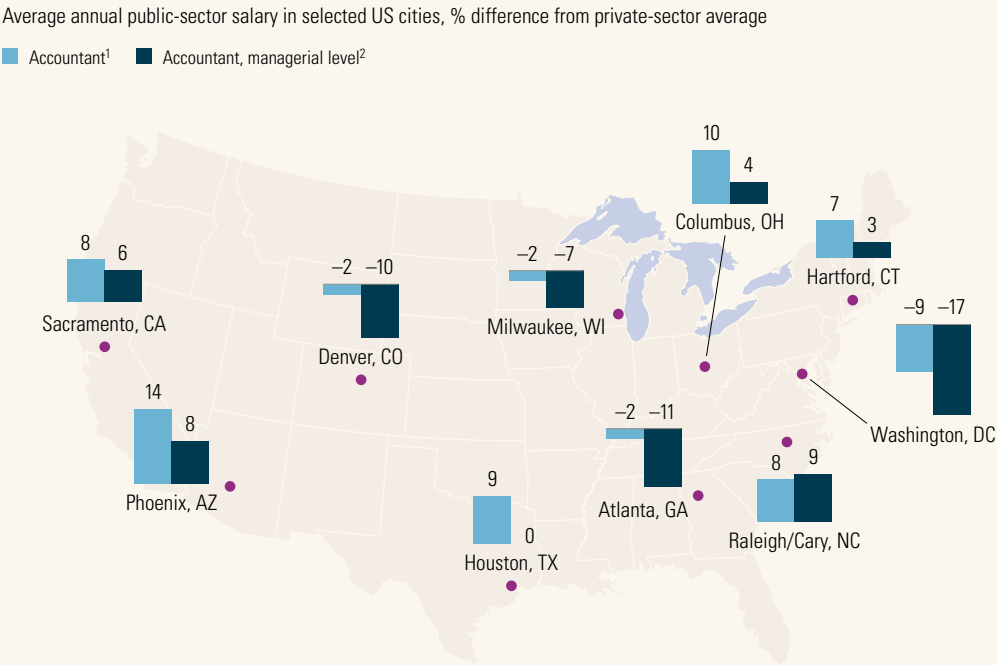
How should the case for government work be made? First, government literature can be improved, in style as well as content. When one agency translated employment materials from government jargon into language that laymen would understand, candidates expressed greater interest in government jobs. Other simple recruiting tactics that agencies should always use—but often overlook—include keeping HR materials up to date, ensuring that information on USAjobs.gov is complete and accurate, and providing links, resources, and contacts for applicants seeking additional information.

More creative possibilities should also be considered. One of the most effective ways to excite applicants about public service is to connect them with public-sector employees with similar backgrounds. “Applicant like” recruiters—for example, freshly minted

Exhibit

Salary competitiveness varies

The government offers more competitive wages than private employers in a number of metro areas.



<sup>1</sup>Average salary defined as pay grade 11, step 5.  
<sup>2</sup>Average salary defined as pay grade 13, step 5.  
Source: Bureau of Labor Statistics; IRS data

lawyers targeting law students or rookie analysts reaching out to aspiring analysts—generate significantly more interest from applicants because they allow applicants to visualize themselves in the job. We have found, for example, that public-sector employees in their twenties who give on-campus talks about their work and professional impact draw 50 to 100 percent more job applications than the standard career-fair booth manned by an HR manager or two.

Develop targeted strategies

Government agencies need a wide range of skills and capabilities, many of which are quite specialized. Too often, however, they rely on applicants to seek out government jobs rather than proactively identifying and targeting talent. When they are proactive, they usually recruit from nearby campuses or the total labor market in major metropolitan areas such as Washington or New York. We believe the government would benefit by recruiting more aggressively and casting a wider net, with regard both to where it looks for talent and to the kinds of candidates it seeks to attract.

Our research shows that in certain regions, the government has a competitive advantage over other employers. For instance, government accountants are paid at least 4 percent

more than private-sector accountants in about a dozen metro areas, including Phoenix, Arizona; Columbus, Ohio; and Raleigh, North Carolina (exhibit). By shifting some accounting jobs from Washington—where government salaries tend to be lower than private-sector salaries—to one of these other markets, agencies can more easily attract talented accountants. Nor should government agencies restrict themselves to cities. In college towns or smaller towns near one or more universities, the government is particularly likely to be able both to find high-quality talent and to offer competitive compensation.

Moving a department's operations to a small town is not unknown in the public sector. The Bureau of the Public Debt (BPD) moved more than 700 jobs from Washington to Parkersburg, West Virginia (close to both West Virginia University and Ohio Valley University), between 1992 and 1996, in part because it could not recruit enough accountants and computer specialists in the DC area. Time and again, good candidates accepted more lucrative jobs. Today, BPD is among the most attractive employers in Parkersburg. We know of at least one other government agency considering transferring certain IT-related jobs from metropolitan offices to a smaller city to attract higher-caliber candidates.

To make a broader approach to sourcing talent effective, agencies should also tailor the way they communicate their value proposition to people at three important points in the professional life cycle: junior employees, midlevel managers, and executives late in their career. For example, the Justice Department positions itself to new law-school graduates as an ideal place to start a legal career because a stint there is impressive to private-sector employers. Other agencies could use a similar strategy to attract new entrants. For midlevel hires, agencies should approach experienced midcareer professionals whose interests and needs are well matched to the flexibility and benefits that government jobs offer. For late-career hires, retirees—who bring deep skills and long experience to the job on day one—can be strong candidates. A recent survey<sup>3</sup> found that many baby boomers are seeking “purpose driven” work; the government is extremely well positioned to fill this need, as well as to provide employee benefits important to boomers, such as comprehensive, affordable health insurance and flexible working arrangements.

We see public-sector recruiters beginning to court retirees from both government and the private sector more aggressively. The Office of Federal Procurement Policy is encouraging agencies to take advantage of legislation that allows government retirees to fill “critical vacancies” without disrupting their pensions. And a pilot program launched by IBM, the US Treasury Department, and the Partnership for Public Service aims to draw IBM retirees into federal service by making IBM employees aware of Treasury vacancies before they retire and by advising them on the federal hiring process.

As part of their strategy for sourcing talent, government agencies must tailor not only their recruiting messages but also the channels they use to communicate with the constituencies they are trying to attract, and they should move away from the one-size-fits-all recruiting approach that most agencies take. Market research (for example,

<sup>3</sup> MetLife Foundation/Civic Ventures Encore Career Survey, June 2008.

focus groups, surveys) and partnerships with other organizations can help agencies determine the right channels and refine their messages. For example, to target retirees more effectively, agencies can partner with the AARP and employers that, like IBM, have programs to help retiring workers transition into new careers.

### **Streamline the hiring process**

The hiring process should demonstrate at every step that the government is a modern, thoughtful employer. Our interviewees suggested that agencies should simplify their recruitment and hiring processes, use better techniques to evaluate applicants, and communicate more effectively with candidates about the status of their applications.

## *The hiring process should demonstrate at every step that the government is a modern, thoughtful employer*

In many cases, the documents required for government job applications bear no relation to those typically required for private-sector or not-for-profit positions, which means applicants must start from scratch when assembling materials. Furthermore, job-application requirements vary across agencies. These burdens contrast with the streamlined hiring practices of corporations and not-for-profit organizations—and even governments elsewhere. The British Civil Service has a user-friendly application process, with a series of tests and a universal assessment from which candidates can be matched to positions in a number of different departments.

The complexity of submitting applications is not the only problem; unsophisticated applicant screening is also an issue. Our interviewees noted that many public-sector recruiters are poor at assessing candidates' strengths and weaknesses. Candidates who look terrific on paper can disappoint in practice. To predict job performance more accurately, all agencies could apply techniques such as cognitive exams and structured interviews, which are already in use at some agencies, including the State Department and the FBI.

The cognitive exam is typically a written test designed to measure a candidate's intrinsic skills, particularly those related to the job in question. The FBI's cognitive exam for special agents, for instance, assesses mathematical reasoning and knowledge, data analysis and interpretation skills, attention to detail, and ability to evaluate information.

A structured interview is one in which the employer asks precisely the same questions of every candidate for a particular position—questions directly related to the job and its specific requirements. Although many managers believe they can recognize talent when they see it, evidence suggests that doing well in an unstructured interview—in which the employer asks general questions about a candidate's academic or professional experience—does not always translate into strong job performance.

Once strong candidates have been identified, they should be encouraged in every way to accept an offer. Talented applicants typically have several offers to consider; their



experience as candidates for government jobs should heighten their appetite for public service, not diminish it. Even simple things, such as regularly updating candidates on the status of their applications, can reduce the likelihood that a candidate will pursue opportunities elsewhere. Agencies might also create a buddy system, in which candidates are encouraged to approach particular employees with any questions they may have. We have seen such programs successfully engage candidates, with a small investment of time on the part of current employees—many of whom are invigorated by the knowledge that they are helping to usher in the next generation.

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One area not comprehensively addressed here is the pay gap, an issue that makes the government less competitive for certain positions, particularly senior-management jobs. Government agencies may not be able to afford across-the-board increases in compensation, but they can adopt market-based pay and pay-for-performance schemes in certain areas. They should identify the most important job categories and, as some agencies have successfully done, secure the legislative authority to introduce financial incentives and adjust their pay schedules.

Over the coming years, the US government will lose an enormous number of workers. By implementing the ideas we have outlined, it can fill these vacancies with highly capable individuals. Not only would this address the short-term challenge, it would also fundamentally reshape the government talent pool for the longer term. ●

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## Be bold but real

## The vision for change must be informed by on-the-ground realities, but it must nevertheless be bold and ambitious

“The vision thing”—as President George H. W. Bush memorably, if skeptically, described it—has tripped up many public-sector leaders over the years. The experts we interviewed on this and several other perennial leadership questions offered two messages in some tension with each other: that the vision for change must be informed by on-the-ground realities, but that it must nevertheless be bold and ambitious.

An important initial step is to envision what change should mean, first and foremost by talking to stakeholders far from the elegantly appointed offices in government buildings—a step all too easy to miss in a traditional top-down environment. One British undersecretary of state tries to visit the front line at least once a week. Doing so helps him stay passionate, obliges him to be innovative, and allows him to avoid the “bloodlessness” that is too often the fate of those who call the head office home. A former secretary of state who was at one time responsible for his country’s police force told us that he spent time in cafeterias at police stations. Another former secretary of state advocated making routine forays outside the capital, mingling in public queues, and joining backroom filers and others whose daily lives reflect the reality of an organization’s work culture, rather than the PowerPoint version of it.

Successful leaders also recognize that developing a vision takes time. After six months in a new department, many initial judgments will turn out to be wrong. The challenge lies in balancing an unwillingness to set anything in stone too early with one senior statesman’s insistence that “you can never be too radical”: leaders must recognize the full scope of what can and needs to be changed. “Don’t accept the parameters,” agreed a former prime minister. It’s worth being seen as bold when the risks allow, particularly because being labeled “indecisive” can be fatal to a political career. The art appears to be combining passion with flexibility without being regarded as a “flip-flopper.”

A lot of what is possible, we were told, “has to do with the time frame in which you work.” But this, too, appears to cut both ways. As a senior treasury official noted, “Suppose someone comes to you tomorrow and says, ‘I’ve got this really cool system. And if you give me this kind of staff and this much money, in five years, I’m going to give it to you.’ Well, cool or not, the odds of that happening successfully in that five-year horizon are very, very low. If, on the other hand, he or she says, ‘Look, I’ve got a vision, and in five years, this is where I want to be. But I can do this within 6 months, this within 14 months, and this within 2 years’—then you have something you can talk about. It allows you to tell the story.” ●

These are two of four short pieces that summarize the views of many senior public-sector figures on both sides of the Atlantic. Brief treatments of their views on *people* and *communication* also appear in this issue.



## Persist and inspire

**‘You will suffer a defeat every day of the week, but you cannot be set back’**

Delivery depends on many factors, but the most important is the “sheer determination to keep going,” according to a British secretary of state. A former US chief of staff echoed the need for persistence: “In one way or another, you will suffer a defeat every day of the week, but you cannot be set back. You have to keep coming back; you have to find another door to go through, another angle to work—you cannot walk away. You must be resilient, determined, and persistent. If you are, you can ultimately achieve good public policy.”

Organizational change is a considerable challenge—and one that requires leaders to speak to the heart as well as the head. “If you want to shake people out of defeatism, you have to generate drama,” counseled another interviewee, a World Bank head who invited private-sector leaders to inspire staff with stories of surviving takeovers and turnaround situations. Public pronouncements by politicians can also resonate with staff: ministers have a natural desire to make eye-catching announcements, which can be used to reinforce and build upon change.

In the public sector, of course, leaders must take a starkly different approach from the one traditionally used by their private-sector counterparts. One former US national security

adviser observed that “in business, leadership essentially follows a command-and-control model.” This model may be denounced by contemporary business gurus as decades out of date, but it nevertheless speaks to how much power CEOs wield relative to leaders of government departments. The security adviser continued: “This is why a lot of business owners fail when they go into government and a lot of government people fail when they go into business. If you are the CEO of a company, there is a process by which you make a decision. You then tell your staff to execute that decision, and that decision will be executed, more or less. That’s not the way it works in government. Even if the president has given his approval to a course of action, you have to build the consensus of the people who need to act. You are going back to large bureaucracies that have their own center of gravity, their own culture, and their own ideas about what ought to be done.” ●



Leigh Wells

# Bahrain's new vision:

A conversation with Sheikh Mohammed bin Essa Al-Khalifa

## Article at a glance

Bahrain boasts a fast-growing financial sector and a diversified economy. But as it enters its next phase of growth, the Gulf state faces new challenges.

In this interview, Sheikh Mohammed bin Essa Al-Khalifa, chief executive of the Bahrain Economic Development Board (EDB), describes the role his organization has played in increasing the nation's prosperity and driving public-sector reform.

Sheikh Mohammed also offers insights into transforming the civil servant mind-set, attracting top talent, and the attributes that make for an effective public-service leader.

*The chief of the Bahrain Economic Development Board discusses the challenges of driving reforms and building strong public-sector leadership in the flourishing Gulf state.*

**Mona Mourshed**

**A modern Gulf state** with a diversified economy, Bahrain prides itself on being the freest economy in the Middle East. It is a fast-growing financial center and home to many multinational companies lured by the nation's strategic location, low costs of doing business, and transparent regulatory system.

Attracting even more investments to Bahrain and increasing the nation's growth and prosperity are the main preoccupations of Sheikh Mohammed bin Essa Al-Khalifa, chief executive of the Bahrain Economic Development Board (EDB), a public agency whose mission is to "create sustainable growth in GDP, employment, and investments that will provide opportunities for Bahraini talent to flourish on a global stage." In the past few years, the EDB has played a lead role in helping Bahrain achieve several firsts in the Gulf, including signing a free-trade agreement with the United States, fully liberalizing its telecommunications industry, and hosting a Formula 1 Grand Prix.

Sheikh Mohammed has been a close adviser to the crown prince of Bahrain for 13 years. Prior to entering the public sector, he studied abroad, earning a bachelor's degree in economic theory from American University in Washington, DC, and a postgraduate diploma in business studies from the London School of Economics. In a recent conversation with McKinsey's Mona Mourshed, Sheikh Mohammed shared his thoughts on public-sector reform and leadership.



Sheikh Mohammed bin Essa Al-Khalifa,  
chief executive of the Bahrain Economic  
Development Board (EDB)

**Transforming Government:** *What is Bahrain trying to achieve through its national reforms?*

**Sheikh Mohammed:** We want to improve the standard of living for Bahrainis, particularly within the spheres of labor, economic, and education reform. This is not just about focusing on one sector; we are trying to achieve alignment across all the ministries and other government agencies and organizations toward one vision for the country. The end goal is to make sure that the future of our children is better than the reality today.

**Transforming Government:** *What is the role of the EDB in the national reforms?*

**Sheikh Mohammed:** The EDB's role is to be a catalyst for reform. It does not directly provide services or make policies. We play a coordinating role; we make sure everybody is aligned and the aspirations of ministries are high but also realistic. In short, we help others deliver improvements in the quality and standard of living for the citizens of Bahrain.

**Transforming Government:** *To what extent does Bahrain have the capabilities and skills, in both volume and quality, to execute the vision that you've articulated?*

**Sheikh Mohammed:** Execution is one of our biggest challenges. It's all well and good, and probably easy, to come up with a vision and a strategy for executing that vision. But actually getting this done—having enough people with the appropriate abilities, experience, and skills—is difficult. We realize that this is a continuous challenge, and we are addressing it. We are taking steps to build capabilities and, more important, to institutionalize knowledge management and capability building within the civil service.

**Transforming Government:** *What are some things that the EDB is doing, or planning to do, to raise the level of reform leadership?*

**Sheikh Mohammed:** Building our internal leadership team and setting a very high standard within the EDB are priorities. If the EDB is to be the catalyst for change, we must be in a position to attract the best talent. We must be able to show strong leadership so we can practice what we preach and demonstrate to others what we are talking about. We also must be able to deliver the support that other organizations may need. Having a strong EDB that has both the quality and volume of leadership is step one; the next step is to build the performance-management system across government.

**Transforming Government:** *Tell me more about the EDB's performance-management system.*

**Sheikh Mohammed:** We are constantly striving for higher performance and higher accountability, and one way we do this is by having a clear performance-management system. What does that mean? It means that we have annual operational plans with clear deliverables for each department and that every employee knows his or her part in meeting the objectives of the department.

We also have performance contracts between senior management and employees at all levels of the organization. A performance contract specifies the job description, the key deliverables that the employee is responsible for, the managers' expectations, and so on. The employees have a say in their professional-development plans, what they want to do in their work, and the career path they want to follow. Through these performance contracts, employees understand the measures by which they will be held accountable at the end of each year, and we can assess their performance. We are always looking to refine and improve our performance-management system; we're actually reviewing some of our processes right now.

I think one facet of a performance-management system is having good communication methods to align the management team and ministry employees around the vision and strategy for reform and to help them understand where they fit in. Another important facet is empowering them with the skills they need.

*'Building a **common understanding** within the government's top team is essential'*

**Transforming Government:** *What is the EDB doing to build skills in the public sector?*

**Sheikh Mohammed:** The EDB is providing formal training and workshops for senior government officials so they understand the necessity of supporting one another and can identify where overlaps exist. Building a common understanding within the government's top team is essential.

We are providing training at the leadership level, but to institutionalize capability building, we are letting the government's key HR department, the Civil Service Bureau, roll out these services across government. The role of the Civil Service Bureau is changing: it used to be a bureaucratic police, an enforcer of procedures, but now its main responsibility is to develop talent within the government and essentially leave the administration of procedures to the ministries. The bureau is updating its plans to deliver on this new mission. Through the Civil Service Bureau, the transformation will reach the 40,000 or 50,000 people across the entire civil service.

**Transforming Government:** *For a civil servant to change from a mind-set of "I am a bureaucrat; I just follow orders" to one of "I have responsibilities and must strive to improve on a daily basis" is a major shift. How will this shift happen?*

**Sheikh Mohammed:** This change will require a mind-set shift over an extended period of time. This is not going to happen in two years. You have to walk before you run. But we are determined, and we will continue to push very, very hard. We are shifting from the common understanding of being a civil servant—"I am a civil servant; you can't hold me accountable, and if you don't like what I do, that's tough"—to one where the civil servant believes his role is to serve the customer and realizes that if he doesn't do his job, he will be held accountable.



I think this shift in mind-set is a reflection of the scale of reform. Reform is almost too small a word; we are talking about a transformation. In three to five years, we will be very different from what we are today: much better, more efficient, working toward clear goals and targets, and using definable measures of success. Once we have that culture of accountability, it will filter its way down to the bottom of all our government organizations.

*'Reform is almost **too small** a word; we are talking about a transformation'*

**Transforming Government:** *What is your counsel to CEOs of institutions similar to the EDB?*

**Sheikh Mohammed:** When you are pushing through a reform agenda, you can end up easing off a bit because you feel you might be pushing too hard. In hindsight, I always say that I should have pushed harder. So one lesson is to keep pushing, especially if you know that what you are doing is right. Keep pushing. Another is that you must have a clearly defined target. Once you have that target, make sure you are properly resourced or have a plan to develop the resources.

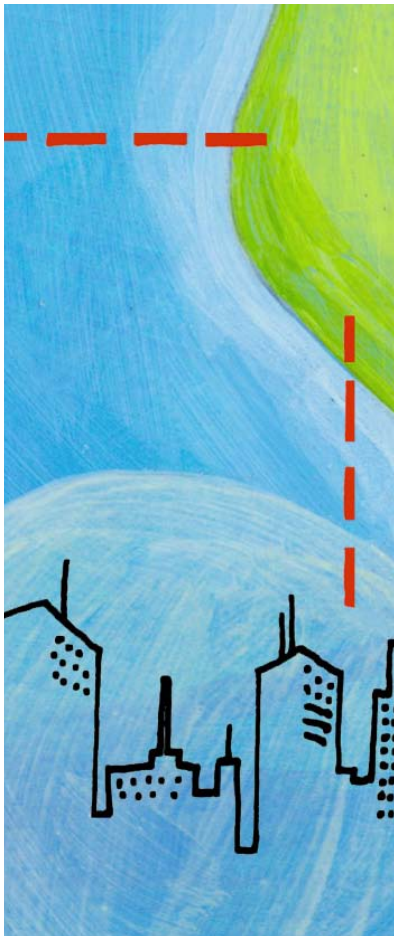
**Transforming Government:** *There are undoubtedly times when you have a clear target but insufficient resources. At that point, you can go ahead with the plan at a subscale level, or you can limit the plan to fit your resources. Which path is better?*

**Sheikh Mohammed:** I would say go slower rather than shallower. One should never reduce aspirations. I think this is an important philosophy. You sometimes have to accept that your ultimate aspiration is a bit further away than you would like, but you should never compromise on quality even if it takes a little longer. By reinforcing the quality aspect, you will actually build your case, politically speaking.

This, I believe, is one of the differences between the public sector and the private sector. You may make more money by going shallower and faster—but the sustainability of it is different. In the world of short-term profit, you may be rewarded, but for delivering credible, sustainable public services, you should never compromise on quality.

**Transforming Government:** *What do you think is the right mix of very ambitious but junior people and seasoned veterans in public-sector reform?*

**Sheikh Mohammed:** It may be better, especially in a relatively new organization, to have more junior people. It is easier to shape and mold young people into the performance culture than it is to ask somebody who has been working for 25 years to change his practices and behaviors. With young people, you may have to slow down your delivery, but if you don't want to compromise on quality, this is one of the trade-offs that you have to expect.



**Transforming Government:** *Is there a particular profile or set of attributes that must be present in an effective public-sector leader?*

**Sheikh Mohammed:** I actually think public-sector reform is more difficult than working in the private sector. Defining success and benchmarking vis-à-vis competitors are relatively easy in the private sector; it essentially comes down to how much money you are making. In the public sector, the measures of success are more complicated because there are multiple stakeholders, and success to one person may not be success to another. For example, from the point of view of the ministry of finance or the treasury, cost efficiency is a measure of success, but from the citizens' point of view, wait time in a hospital is a measure of success—and the latter measure may have an inverse effect on the budget.

Public-sector leaders, therefore, must be sensitive to a greater variety of stakeholders, and finding the right balance is not easy. It is said that politics is the art of the possible. You can set a high goal, but the political reality you inhabit may make that goal impossible to achieve within the time frame you set. If you need a new law but parliament is not going to pass it within two years, you're not going to meet your goal—this is beyond your control. Politics complicates things, so it is crucial to have the ability and flexibility to sense what is possible. ●

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# Take charge—without taking over

## Article at a glance

New leaders often find winning support from existing management teams to be a difficult proposition. Frequently, they approach the challenge head-on, barreling through resistance and squandering early opportunities to win support.

Leaders should instead try to draw underlying resistance out into the open, by giving team members an opportunity to voice their concerns and taking that time to listen. New leaders are then better equipped to identify negative energy and redirect it into positive channels.

Once new, more positive behaviors are in place, leaders must sustain the change by applying a range of management practices, such as setting expectations for collaboration and being clear about consequences.



*To win the support of a new team, leaders must listen to members' concerns and then redirect resistance, rather than trying to counter it head-on.*

**Eric Braverman  
and Nick Lovegrove**

**New leaders often find** it difficult to drive change in the public sector, where influence depends as much on being able to navigate a complex network of relationships and informal understandings as on expertise and position. The most common mistake is to proceed without securing the support of the teams they inherit. Such support is not easy to earn: these teams have often heard calls for change from appointees whose political lives prove much shorter than their own. If a new leader doesn't win over the team, the team can simply wait that leader out.

But there is a brief opportunity early on to gain the team's respect and support. Too often, new leaders squander this opportunity, barreling through team members' reservations by "taking charge"—meeting challenges head-on, combating inaction with action, filling silences with speeches, and answering argument with counterargument. As one senior government executive told us, the "worst thing" a political appointee can do is to "come in and give a series of directives as if you were a one-man band. One, you may not know the consequences of what you are asking. Two, unless you've got a lot of prior government experience, you're going to alienate people. If they don't like what you're talking about, they will find a zillion ways to meet technical compliance, without ever coming close to achieving your objectives."

Instead, new leaders should seek to understand anything resembling resistance by genuinely listening to what the team is saying, and then turning the energy inherent in that resistance to their advantage.

The need to address a team's resistance comes with the territory for new leaders in the public sector. The leadership structure in many agencies creates incentives for career civil servants to ensure that new initiatives do not distract the agency from its core responsibilities. Civil servants also often have more influence than their private-sector counterparts to determine the pace of organizational change, for example, by virtue of their budgetary control. So our approach is broadly applicable, as even those political appointees with the best intentions and clearest mandates for change must persuade team members that their initiatives are in the best interest of the agency.

### Start by listening

To enlist a team's support, a new leader must understand what drives its members. Because resistance rarely comes out into the open, a leader's first task is to give team members an opportunity to talk—and to take that same opportunity to listen. Most government agencies already have regularly scheduled weekly or semimonthly team meetings. These can serve as excellent venues for drawing people out. New leaders should allow the meetings to continue on their existing model for several meetings, typically for four to six weeks, and encourage people to voice their concerns. They should resist the temptation to cancel these meetings or change the attendee list right away. Before putting in place a new meeting structure with a new “kitchen cabinet,” they must be certain they understand why this group meets (for example, as a result of influence or relationships) and show respect for the traditional approach.

*A leader's first task is to give team members an **opportunity to talk**—and to take that same opportunity to listen*

Lucky new leaders may discover that their teams are broadly supportive and likely to function quite well. At the other end of the spectrum, a leader may quickly detect power struggles or competition for resources, with discussions degenerating into arguments or members declining to share their opinions in any meaningful way. In such situations, it is critical to refrain from negative statements, such as “We really need to cut the infighting” or “I've never seen a team behave like this.” This kind of response will send the bad behavior underground, creating a situation in which, as one chief of staff noted, “It will be difficult to disarm any disruptive patterns, because you need them out in the open to do that.” Unfortunately, underground resistance is an extremely common phenomenon. Often it takes the form of identifying many minor obstacles to a proposal or responding with a “pocket veto,” in which a team does not fully implement an agreed-upon plan.

When leaders encounter this kind of resistance, they should avoid punishing uncollaborative behavior, both openly—for example, by making disparaging remarks about a team member—or more subtly, such as by limiting a team member's access or raising questions about his performance. Instead, leaders should actively create opportunities for their staff to reveal their motivations and voice their concerns, and then they should reward those who do. Many of the leaders we interviewed created potentially anonymous communication channels similar to those used in the private sector, such as suggestion boxes or online suggestion boards. Whenever these leaders receive a signed comment, they



make a point of publicly thanking the relevant team member and of acknowledging the remark without criticizing it. Some leaders also give out small but visible prizes, such as mugs, for team members who come forward with comments. Doing so may seem kitschy, but it works. “Soon everyone [will have] a mug,” one CEO remarked.

In short, the new leader should continue to listen, steadily enhancing his understanding of the dynamics of the team. As he does so, he should supplement what he is hearing by gathering outside perspectives. Leaders should solicit viewpoints far beyond those expressed by their team in order to develop a comprehensive understanding of what team members really believe, what they are most excited about, and what they are most frightened by. That means walking the halls and holding one-on-one discussions with lower-level managers and employees, as well as direct reports. Such interactions are critical for learning about concerns, establishing credibility, and identifying sources of influence deep within the organization. A leader should also reach out to oversight committees and other stakeholders inside and outside the agency. Besides acquiring valuable information, the new leader will also begin to build the relationships necessary to pursue his agenda. As one senior official at the US Treasury Department put it, “Don’t define your universe too small.”

After a month or two, new leaders should understand the challenge they face in molding coherent teams that will enthusiastically endorse their leadership. Does the resistance stem from one or two people, or is it general? Is it individual or collective? Does it seem to be dissipating of its own accord? If so, time can be allowed to pass and the situation reevaluated later. If resistance is coming from a couple of people, the leader can make those people responsible to the whole team for a particular task, creating a situation in which team members who are not actively cooperating must make a choice between joining the collective effort and resisting outright. They are likely to make the first choice.

More often, the situation is subtler. Consider, for example, what one government leader recently faced when he inherited an executive team that showed little evidence of being

able to work together. The tone in meetings was profoundly negative, and no one on the team seemed able to get along. But there was one way in which team members acted as a team: in relation to their new leader. Any time he announced a new initiative, they would assess it relative to some experience they had shared in the past and find a reason not to fully support it. Any time he spoke negatively of the team's work, they would rise to one another's defense. The leader quickly found that he would only intensify the team's resistance by asserting his leadership head-on and instead sought a way to redirect it to his advantage.

### **Redirect negative energy**

Cases of this kind, in which a leader inherits a team that fully unites only in resistance, are common. The most effective response is to select one or two members of the team and ask them to lead the change of a business process that affects everyone on the team. Drawing on what the leader has learned during the listening phase, he should select team members who are respected and represent a broad enough constituency on the team to have credibility (for example, because of length of service or union leadership). The process selected should be routine, so that it will be easy for the team to recognize and acknowledge the improvement when things start to change. But it should be sufficiently challenging, so that the improvement is significant.

Suppose, for example, that no decisions are made at team meetings. To address this process challenge, leaders can work with the insiders to clarify decision rights, identify needed facts, establish procedures for bringing those facts (not just opinions) into the room and ensuring that they provide the basis for decisions, and design and set standardized agendas that can be modestly tailored to each meeting. Alternatively, if the process challenge is that there never seems to be any follow-through on decisions, the insiders can design management dashboards, post people's commitments in the meeting room itself, and collect feedback from everyone on progress. As far as possible, leaders should limit their own visible involvement to setting out what they want the leaders of the change to do, making it clear to everyone that they have assigned this task to the chosen change leaders, and responding to appropriate requests for guidance. Leaders need to work actively behind the scenes, however, meeting regularly with the change leaders, creating incentives for their performance, and continuing the effort to listen to what all team members are saying.

This approach disrupts the negative team dynamic, provides one or two influential members with a powerful incentive to take direction from the new team leader, and makes any individual lack of collaboration clearly visible—and so less likely.

During the period when the team is re-forming around a new leader, the leader should keep all messages explicitly positive, or at least neutral, and defer all penalties until it is clear that positive behavior will not emerge without them. Allowing team members to voice concerns on an ongoing basis is essential when seeking to redirect the team's energy. The leader should also always bear in mind that the more an existing team believes that its change in behavior is self-generated ("We did change, but it

wasn't up to him—it was up to us”), the likelier it is that its energy will be channeled into active support for continued change.

We recently used this approach—understanding the team dynamics and using a team-led initiative to channel the team's energy in positive ways—in an effort to help the leader of a US government agency improve the decision making of an executive team whose meetings were notable for a nearly complete absence of communication. We began by surveying team members to assess how well they judged their effectiveness as a team and found poor results in virtually every dimension. For example, team members acknowledged that they failed to map the operational implications of their strategic choices, align the resources required for achieving goals, or spend enough time drawing upon team members' perspectives when problem solving.

*When the team is re-forming around a new leader, the leader should keep all messages **explicitly positive** and defer all penalties until it is clear that positive behavior will not emerge without them*

We chose the two team members with the most negative views and focused our efforts on understanding the basis for their concerns. At our suggestion, the team leader appointed them to lead an initiative on improving team effectiveness, while appointing other team members to lead different initiatives. Through a series of workshops, we worked with the team to identify a focused set of priorities, develop meeting agendas and management dashboards, and record feedback from meetings. After several months, we performed another effectiveness survey and found a dramatic improvement: the team had set a manageable number of strategic priorities and made faster, fact-based decisions, and the level of trust among team members had improved. Importantly, team members felt that they were responsible for their improved performance.

Leaders often bring one or two of their own people with them to an agency, and they must also be sensitive to the challenge of integrating these new members with an existing team. In such situations, leaders may inadvertently encourage resistance from existing team members if they are perceived as creating an inner circle with privileged access. At one government agency, top-team activities nearly ground to a halt with the arrival of a new agency head and his chief of staff, as team members kept a wary eye on the new leader's door to see who was gaining access. During this critical early period, we worked with the new leader to ensure that no team member was perceived as having a privileged position. The equality of team members was emphasized in the way team meetings were scheduled and structured, all team members were given an opportunity to edit documents produced by the team, and accommodations at an off-site program were provided on an equal basis.

To build a fresh sense of common identity in a situation of this kind, the leader should select one important goal for the team and then give everyone a role in accomplishing





it. The goal should require staff to function as a team and should not be achievable through a series of independent actions. Creating a strategy for a new service or for new legislation is a good example.

### **Maintain momentum**

Once new leaders begin turning a team's energy in their favor, they need to sustain the change by applying a range of traditional management practices: setting expectations for collaboration, balancing the breadth of goals with achievable milestones, maintaining focus, being smart about timing and sequencing, and being clear about consequences.

In setting expectations for collaboration, leaders should be careful not to signal negative consequences for taking risks or thinking independently, but they should be equally careful to establish explicit norms for how people should behave toward each other. They should also model these norms themselves; people will notice. Among other things, this means keeping a clear open-door policy, especially in the early days, to alleviate fear that access is being limited to the leader's "own people," and it means transparency in allocating financial resources and staff to avoid the perception that backroom deals are being made.

Balance is crucial when setting goals. Stretch goals, such as striving for improvements in core capabilities that will be favorably noted by the public or oversight committees, are valuable. But they must be balanced with more achievable ones—indeed, with goals set less broadly than the team intends to deliver on them. "You should shoot for the moon even if what you need most is focus," one executive told us. "Saying something big creates a discontinuity and galvanizes people into action. Of course, you can't do that with everything because you don't have the resources, won't be credible, and won't succeed. What you need is balance between those things you over- and underpromise."

Maintaining focus and managing the scope and pace of change are also critical. One government agency we worked with fell into the trap of "letting a thousand flowers bloom," promising its oversight committee that it would completely transform the way in which it operated. The effort stalled because of a lack of leadership capacity and the exhaustion of the department. We worked with the agency's head to narrow the scope of the proposed transformation to its field force, cutting or deferring 50 percent of the initiatives. The organization has rallied around the more limited program and, having successfully completed the first wave of initiatives, is making plans to launch the remaining ones.

Once new, more positive team behaviors are in place, leaders can reinforce them through implementation programs with relatively short cycle times. There is a particularly relevant lesson here from private-sector transformations. Organizational change projects, as typically scoped, often require sustained effort over a period of years. But, as one CEO noted, "Long-term projects fail more times than not—whether because of turnover, inconsistent executive attention, or inconsistent budget environments." To overcome this, we recommend choosing a few areas where previous improvements

can be leveraged and addressing them in sequence, building momentum for change through tangible improvements.

Finally, consequences do matter—both sticks and carrots. Even though bureaucratic facts and structures often impede the enforcement of negative consequences, when necessary, a solution must be found. Leaders can make personnel changes, even though many do not believe so; it simply takes more resourcefulness than in the private sector. As one agency leader explained, “I had to do some creative things, such as moving people to other positions, to send the signal that they were no longer part of the team. I had to use the HR systems, which may be cumbersome but do work. Performance scorecards go a long way in providing the transparency you need to make tough decisions.” As for carrots, recognition and reputation are enormously important in the public sector, and there are many ways to single out employees who have made a significant contribution. Recognizing accomplishments with a handwritten note, e-mail, or call from a senior leader is a quick, easy, and much appreciated approach. Individuals can also be rewarded with public commendations, increased responsibility, rapid promotions, and bonuses. Although these are not necessarily on the scale of the private sector, many agencies have some form of merit-based bonuses.

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Alexander Hamilton famously wrote to George Washington, after Washington had delivered a speech that staved off a rebellion by army officers: “Your Excellency has, in my opinion, acted wisely. The best way is ever not to attempt to stem a torrent but to divert it.”<sup>1</sup> While public-sector leaders today face subtler and more complex forms of resistance, the core message holds true: the best way to take charge is to divert a team’s energy in the direction you favor, rather than confront it head-on. ●

<sup>1</sup> Harold C. Syrett, ed., et al., *The Papers of Alexander Hamilton*, New York: Columbia University Press, 1987, Volume 3, p. 291.

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# Perspectives on change:

A former chief of staff reflects

## Article at a glance

Leon Panetta, former President Bill Clinton's chief of staff from 1994 to 1997 and a long-serving politician with a knack for making change happen, shares his views on making things work in the public sector, developing strong leadership, and the challenges confronting the US government.

Emphasizing the importance of honest conversation and dialogue in government, he suggests that the most important way to inspire leadership is to give people the chance to say what they believe—and then to listen to what they say.

Panetta also discusses the need for businesses to be on the cutting edge of challenges such as global warming, and the importance of strong public-private partnership in making broad policy change.



*Leon Panetta discusses how to make change happen, public–private partnerships and their effect on policy, and the major management challenges confronting the new administration.*

**Lenny Mendonca and  
Allen Webb**

**A long-serving politician** with a reputation for getting things done and telling it like it is, Leon Panetta has had a distinguished public-service career. A lawyer by training, he joined the US Army in 1964, entered politics two years later, and represented California's 16th (now 17th) district in the US House of Representatives from 1977 to 1993. He is best known for having served as President Bill Clinton's chief of staff from 1994 to 1997. Today, he is the director of the Leon & Sylvia Panetta Institute for Public Policy, a not-for-profit, nonpartisan center located on the central coast of California—his birthplace.

Recently, Panetta sat down with McKinsey's Lenny Mendonca and Allen Webb to share his views on how to make things work in the public sector, how to develop strong leaders, the importance of private-sector involvement, and the challenges confronting the US government.

**Transforming Government:** *What enabled you to get things done during your time in Washington?*

**Leon Panetta:** I have often said that my Army experience was a great deal more important than any government experience. In the military, I saw that you need someone at the top who is capable of running a strong organization: establishing a chain of command, maintaining a list of priorities, and making sure that everyone is working toward the same goals. All managers have to be aware of their priorities—even the

president of the United States. The bully pulpit isn't worth much if you don't have a clear sense of mission.

I used that principle of mission—of knowing your goals and collaborating to achieve them—when I became chief of staff. The situation was pretty confused; there was no organizational chart of the White House. If you had a meeting, 30 people would show up because nobody told anyone else that they didn't belong. The result was chaos. My first task was to establish a clear chain of command, responsibility, and discipline.

The critical element I used on a daily basis was a series of staff meetings. One, held early in the morning, involved key people in top jobs at the White House. We looked at issues, discussed our mission for the day, and anticipated problems and crises. The exercise was to share advice and make sure every member of this group knew what was going on and where we were headed. Then I ran a larger staff meeting to involve everybody else. Those meetings were extremely important for getting input and spotting problems.

**Transforming Government:** *How did you strike the right balance between responding to short-term challenges and tackling the administration's longer-term priorities?*

**Leon Panetta:** One of the decisions I made early on was that we could not be reactive. When I came into the White House, schedules were operating almost day to day—maybe a couple of weeks in advance at most. We established a six-week schedule to look ahead to everything that needed to get done and developed a focus for that schedule. Was education going to be a priority? Health care? Crime? Were there foreign-policy trips that needed to be planned? Basically, we wanted to handle all this ahead of time because we knew crises would always emerge that we would have to deal with. The idea was never to lose sight of the fundamental mission.

**Transforming Government:** *How similar—or different—do you think management principles are between the public and private sectors?*

**Leon Panetta:** I'm sure the sense is that these are two different worlds. But I think the fundamental principles—developing a strong organization, operating with a list of priorities, and creating a coordinated team effort—are very much the same. You see these basic principles much more in the private sector because in the public sector, the profit motive isn't there driving people to figure out the most effective ways to get things done.

So in the public sector, the way these principles are implemented ends up depending an awful lot on who's in charge. Too often, public-sector bosses let their people get into a grind where they do the same things day in and day out. They're moving paper from the in-box to the out-box, without a larger sense of mission and priorities. Sometimes they prefer to operate in their particular program or area of expertise and just stay under



Leon Panetta, former President Bill Clinton's chief of staff from 1994 to 1997

the radar, because they know that the more they communicate, the more they will be subject to other people's discipline and intervention.

One of the great temptations in government is to let everybody do their own thing and disappear into their own area and to think it's all fine as long as nothing unfortunate happens or no scandal emerges. But the job of department heads and supervisors is to make sure nobody operates under the radar. You need very strong supervisors to keep people from losing their ability to relate to the larger mission.

**Transforming Government:** *What can senior executives in government do to develop strong leaders and supervisors?*

**Leon Panetta:** I think the most important way to inspire leadership, whether in government or in the corporate world, is to give people the opportunity to say what they want and then to pay attention to what they say. You have to reward people for being honest and talking straight. Too often, I have been part of leadership groups where nobody likes to tell the boss what's really happening—especially if the boss is the president of the United States and the news is bad. But having people around who are willing to say what they believe is invaluable. Similarly, you have to support people willing to take measured risks. Finally, it's important to lead by example and be willing to work hard. You won't develop leadership if you just punch in and punch out.

**Transforming Government:** *What role do you see for the private sector in addressing major societal challenges?*

*'You won't develop **leadership** if you just punch in and punch out'*

**Leon Panetta:** Business leaders underestimate their ability to influence policy. I know they feel they can affect policy by giving money and holding fund-raisers for people running in campaigns. But the effect is even more significant when a group of business leaders comes together and champions a particular cause. When I was chair of the budget committee, a group of executives came in and said that it was really important to discipline the federal budget in order to reduce the deficit. They came forward and presented some ideas, and it was apparent they really cared about the issue. That made a difference.

We also saw this level of engagement when ten major corporations, including BP, were concerned about establishing some control on carbon emissions. They felt that this was a really important issue and collaborated to present a strong case for it. That had more impact on policy on this issue in Washington than almost anything else. Policy makers pay attention when business leaders are willing to engage as a group.

You see a lot more going on today in the private sector with regard to these types of issues. The reality is that if companies aren't on the cutting edge of dealing with challenges like global warming or education or the impact of energy issues, it's going to affect their business. If government is not taking responsibility, the private sector should.

But the best approach, in our democracy, is to have strong public-private partnerships, because even if the private sector can make some gains, it still requires government support to implement broad policy changes. An example of a partnership would be providing incentives for R&D so that the private sector can engage in cutting-edge technology: the Internet, telecommunications, and so on.

*'The greatest moments in our nation's history have been when Americans pulled together and **made sacrifices** to get things done'*

**Transforming Government:** *The United States is heading into a change of administrations. What are the big management issues that the new president will have to face?*

**Leon Panetta:** The big challenge is going to be selecting a team of qualified people who are good managers as well. The president is going to be coming off a successful campaign, and so his natural instinct will be to rely on campaign people to assist during the transition. That's probably the biggest mistake. Taking over the government involves operating in a completely different sphere.

The problem is that gearing up at the federal level takes six months to a year. No president has his entire team in place right after the inauguration. What's imperative is to develop the key team of players who can assist the president with issues that he will have to deal with immediately, so things don't fall apart. The responsibility then will be to backfill over the next year: organize the cabinet, find the right people to head departments and agencies, fill subcabinet positions, and so on.

**Transforming Government:** *We're also headed into another transition, a turnover of government personnel as the baby-boom generation retires. What's your take on that?*

**Leon Panetta:** It's a very scary prospect, and I don't think many people have really focused on this issue. One problem is that if you are operating at a higher level, you have to go through a horrendous nominating process that involves not only background checks but also a very difficult confirming process on Capitol Hill. Then there is the low level of pay, which has made it hard to attract qualified people. Also, there is a view that the public sector is a huge bureaucracy and that everybody is a cog in the machine.

When I came back from Washington, it became clear as I talked to students that they were turned off by politics. And that really concerned me, because my years in public



life were inspired not only by my parents and two years in the Army but also by a president who said it was important to give something back to the country. For whatever reason, that message was not getting across to young people, and I felt it was important to establish an institute that would try to spark that interest. That's the purpose of the Panetta Institute—to inspire young people to think about a public-service career—and I'm proud to say our programs are working. A lot of the students who have gone through our programs are in public life, either at the state or federal level.

**Transforming Government:** *You've spoken a lot in public about the need for change in government. What do you think it will take to bring about real change?*

**Leon Panetta:** There has to be honest conversation and dialogue, and a willingness to engage in a little give-and-take. Politicians on both sides of the aisle have to be open to compromise; their main objective should be to govern rather than to win. If you're not willing to have that dialogue, if you're not willing to put everything on the table, if winning is more important than governing, if getting your 30-second sound bite is more important than solving problems—then the government will not work.

One message I try to convey to my students all the time is that in our democracy, you can bring about change either through leadership or through crisis. If there is no leadership—if political leaders are not willing to take risks, have honest conversations, and make tough decisions—then crisis will drive policy. Unfortunately, that's where we are today. Crisis is largely driving policy.

I think another missing ingredient these days is that nobody wants to talk about sacrifice. It's a politically unpopular word, and yet it's what success in this country comes down to. My brother and I would never have had the opportunity to go to college and become lawyers if my immigrant parents had not sacrificed. The greatest moments in our nation's history have been when Americans pulled together and made sacrifices to get things done. It's been a long time since we've resurrected the spirit of sacrifice in this country. ●

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## Hire first-class people and straight talkers

### If team members are too wary to speak up, leaders can quickly find themselves surrounded by yes-men

Creating a first-class team means bringing good people in—and showing bad ones to the door. Despite perceptions to the contrary, our interviewees felt that it was possible to do both in the public sector, and to do so quickly. They also agreed that leaders must trust those who report to them. And of course, since people must feel that they can take bad news to their leader, the need for trust goes both ways.

“You can and must pick your own people,” said one veteran of large-scale change in London and Washington, DC, who had been, among other things, chief of staff at the World Bank. A former national security adviser observed, “There is always some tension between the White House and the cabinet secretary about who’s going to pick your deputy, who’s going to pick your 5 undersecretaries, and who’s going to pick your 20 assistant secretaries. If you’ve picked them, you are able to put together a team that’s going to move the agency in the right direction. If the White House picked them, you probably got the guy who raised the most money in Ohio.”

Fundamental to the definition of “good people” is a certain amount of courage. If team members are too wary to speak up, leaders can quickly find themselves surrounded by yes-men. Successful leaders help their people believe they can deal with problems before

they become crises. But junior staff must be willing to step forward to share bad news—and good leaders must stay calm when they hear it. In the face of the storm, according to one British secretary of state, the right reaction is: “Let’s leave the inquest until later. Are we clear on what the facts are? Do we have a plan for the next two or three hours? The next two or three days?” This is not the same as underplaying the facts: it is wise to set expectations so that everyone knows, for example, if the story is going to dominate the morning headlines.

As for “bad people,” many believe that nothing can be done—that government jobs are too secure and present too many hurdles to firing underperforming staff. But one federal commissioner strongly disagreed. “If you are held accountable for an outcome and you don’t have the right people in place to effect that outcome, you have the power to change them. Now, you may not want to do that. When I went to one department, I knew I had to change the entire upper management. I didn’t want to do it—you know, they were nice people—but I knew that if I was going to do what I was being asked to do, I couldn’t do it with the people in place. You just have to make the hard choices. Managers choose, in my opinion, the beds they lie in.” ●

These are two of four short pieces that summarize the views of many senior public-sector figures on both sides of the Atlantic. Brief treatments of their views on *vision* and *delivery* also appear in this issue.



## Communicate clearly—all the time

### An off-the-cuff remark might have significant consequences

Communication and stakeholder management require greater effort from public-sector leaders than from private-sector ones. One reason is that public-sector leaders cannot make decisions by fiat, whereas CEOs ultimately can. Another is that CEOs and their stakeholders—employees, analysts, and investors—often share a common language.

In this regard, one former secretary of the treasury observed, “You appeal to people much more effectively in their language than in your own. So if you are an economist and you think that free-trade agreements are a good idea, you would probably be better off explaining how free trade will benefit those industries that will be able to export more than saying that free trade promotes comparative advantage. And something similar holds with respect to people in other disciplines.”

Beyond using the language of your audience, the former treasury secretary identified another issue complicating communication in the public sphere: “In a private negotiation, all that matters is where the deal ends. If I’m trying to buy a house for \$1 million and I make an offer for \$700,000, and my offer is rejected and I end up paying \$900,000, I have clearly done well. In government, if you make an offer for \$700,000, metaphorically speaking, and end up paying \$900,000, then you have actually lost in the court of public opinion. You

have to choose your starting point both with a view to dealing with your adversary and with a view to managing the expectations of the people who are watching—including the people on your side.”

Successful leaders in both sectors are relentless in pushing a consistent message. As one British cabinet secretary cautioned, “It’s no good having a great idea one week and abandoning it for a different one the next.” Another British senior civil servant, this one a permanent secretary, echoed former GE chief executive Jack Welch: “Articulate your personal priorities clearly and on every possible occasion.” Avoid saying, or doing, anything that might undermine the message. An off-the-cuff remark might have significant consequences. Never, in other words, have an unguarded moment—sober advice for all but the most self-possessed. ●

# Of summits and sherpas

*Nations can—and should—learn from one another. Forming a benchmarking and knowledge-sharing network among government officials could lead to more effective public-sector reform.*

**Jan Larsson**

## **Governments often seem to be**

reinventing the wheel. A country designs a reform program very similar to one that an administration halfway around the world has already implemented and refined. Another nation, confronting a problem that its neighbor overcame a few years ago, builds its solution from scratch. Given the common challenges that governments face, systematically learning from each other could save time, trouble, and tax money while increasing effectiveness. Yet the public sector lags behind the private sector considerably when it comes to sharing and applying lessons learned and best practices.

This has always struck me as a paradox. After all, countries' public sectors are not profit oriented and do not directly compete with one another, and political staffers are usually more than happy to talk about how they have dealt with various issues. Still, the benchmarking and sharing of best practices that happen regularly among businesspeople—for example, among executives of global companies—are seldom replicated among policy makers and government leaders.

I believe systematic knowledge sharing among countries will require frequent and focused interaction among senior government officials (in particular, politicians one or two levels below the head of state), as well as the kind of data-gathering capacity and analytical expertise that third parties can bring. In thinking about a promising model for making this happen, I look back at my own involvement in a series of summits begun in 1999 by US President Bill Clinton, British Prime Minister Tony Blair, German Chancellor Gerhard

Schröder, Dutch Prime Minister Wim Kok, and Italian Prime Minister Massimo D'Alema. Called the Progressive Governance Summit, this annual gathering provides a forum for leaders to engage in open, relaxed dialogue with other individuals who share the overwhelming responsibility of governing an entire nation. Today, the summit has a very public component, with a conference attended by hundreds of politicians and academics, but the participating heads of state still hold a private meeting, away from reporters and TV cameras.

In the years that I attended, the meeting had a unique setup. Each leader was allowed to bring only one adviser, most commonly a chief of staff or secretary of state—a “sherpa,”<sup>1</sup> who accompanied the leader to the summit, as it were. From 2002 to 2006, I had the great honor of serving as sherpa for Swedish Prime Minister Göran Persson. The sherpas remained in the background and were there only as listeners and emergency links to the outside world.

The meeting was always very informal. No one took any notes. Although the sherpas prepared an agenda, it was rarely followed, and the leaders instead talked about what was foremost on their minds. Discussions ranged from global topics—climate change, world trade, preventing genocide, promoting peace in the Middle East—to domestic policy problems, such as labor strikes in Brazil or child care reform in Sweden.

The sherpas, too, formed a network that was enjoyable and inspiring. (Some of the sherpas went on to higher political posts.

<sup>1</sup> The term “sherpa” is commonly used to refer to the personal representative of a head of state, responsible for preparing for international meetings such as the G8 summit. The term is derived from the Sherpa people, an ethnic group in Nepal, who are known for their mountaineering expertise and often serve as guides for Himalayan expeditions.

Ferenc Gyurcsány, sherpa to Hungarian Prime Minister Péter Medgyessy, became prime minister himself. Argentine President Néstor Kirchner brought his wife as sherpa, and in 2007 she succeeded him as president.) In my opinion, strengthening the network among the sherpas is key to facilitating knowledge sharing among nations. It would be unrealistic to expect presidents and prime ministers, with their extremely demanding schedules, to meet more than once a year, but their advisers could certainly meet at least every six months, even if some of the meetings were via video conference instead of in person.

The advisers could foster even closer cooperation by forming action-oriented subgroups on various topics and securing the involvement of other government staffers; a subgroup on education, for example, could bring together education officials from a dozen countries for the explicit purpose of sharing best practices and drawing lessons from one another's experiences. Although there are already a number of important forums that encourage cooperation across borders—ministers' meetings in the context of the G8 or the European Union, for instance—too often these meetings consist of ministers giving formal speeches either as part of a wider negotiation or in the presence of the media.

One of the goals of each subgroup should be to produce fact-based reports on global best practices in public-sector reform. There is no dearth of statistical reports ranking countries on certain criteria or communiqués describing long-term visions or commitments, but there are very few examples of rigorous studies yielding actionable knowledge that can guide

public officials as they seek to deliver high-quality public services.

My fellow sherpas and I actually managed to set up a few subgroup meetings, but we were never able to produce the rich catalog of best practices that we (perhaps naively) had hoped for. We had time for meetings but not for the work that needed to be done before and afterward, given the intense, always-a-new-crisis environment that prevails in every head of state's office. In retrospect, I think the missing link in the process was an external resource with expertise in conducting benchmarking studies to help us document our experiences, develop a solid fact base, analyze the relevant data, and draw concrete insights. With the powerful combination of influential sherpas, experienced government staffers, and analytical rigor provided by external experts, we certainly could have produced a wealth of practical knowledge to help governments become more efficient and effective.

Systematic benchmarking and sharing of best practices among governments can be invaluable in bringing about meaningful public-sector reform. It would be a shame if governments continue to miss out on the opportunity. ●

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