

The Private/Public Management Divide



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Some of my executive clients share that they are attracted to government by the desire to improve service to the Canadian public in a more cost efficient way. They appreciate not being chained to quarterly results, allowing for more considered long term goal setting. They complain, however, about their difficulties in transitioning from the private sector to the public sector. They are challenged by what they perceive as the inadequacies and ineffectiveness of public administration. Some have argued that government should adopt standard business practices. One client related that it took him a full year to transition from the private enterprise to his new public sector position. He had been hired chiefly due to his business expertise as a results-oriented executive. Once on the job, however, he found the corporate public sector culture averse to his management style. He concluded that he was failing. It took time and considerable self-awareness for him to understand that he would have to adapt his leadership approach to be successful in his new reality. Having worked in both the private and public sectors, I understand the challenges these executives face and the frustrations they feel.

My experience coaching these clients has led me to reflect on the nature of leadership in the private sector and government. Leadership is unquestionably challenging in any environment. At the macro level, there are similarities in management practices between the two sectors. Both are comprised of organizations with diverse sizes, budgets and missions. And, their leaders have similar tasks, including:

- Strategic planning and succession planning
- Managing and motivating employees
- Ensuring their own leadership competencies remain at peak levels of efficiency
- Maintaining/improving organizational operations and performance
- Leading organisational change
- Balancing multiple and often shifting priorities
- Influencing stakeholders

Private sector organizations operate in a corporate or entrepreneurial environment. They are market-driven, with particular emphasis on economic efficiency. Their primary focus is on optimising profits and shareholder value. While the size, dollar value, and complexity of many federal and provincial government departments and agencies exceed those of numerous private sector companies, their objectives cannot be measured in the same manner. Public sector goals are not as straightforward and there is rarely a clear profit and loss bottom line. In Canada, government departments and agencies generally focus on regulatory implementation of legislation, managing government programs, and on providing direct and indirect services to multicultural and geographically dispersed stakeholders. Their success is measured by the efficacy of their service to the public.

Thus, not surprisingly, there are significant differences in management practices between the private sector and government. Two key areas should be highlighted: compensation (including financial incentives to motivate executives) and managing employees. Private sector companies rely heavily on financial incentives and perks to attract and keep high performing executives (e.g. often large bonuses, stock options, company vehicles, expense accounts). The federal government, for its part, offers a system of performance pay, based on "at-risk" remuneration and bonuses, designed to attract qualified managers. While typically entry-level executive salaries are comparable to those offered in the private sector, the salary gap widens appreciably as executives climb the corporate ladder. In some cases, executive government salaries are lower than those of their direct reports (Kathryn May, "PS executives want pay raises and a review of how they are paid", iPOLITICS. April 26, 2018). Such scenarios are demoralizing for government executives.

Private sector and government leaders manage employees under different circumstances. Government employees are generally well-paid. One study estimates that they earn a 7% to 10% wage premium in Canada over their private sector counterparts; perhaps more when their defined benefit pension plan is included (Charles Lamman and al., "Comparing Government and Private Sector Compensation in Canada", Fraser Institute Bulletin, December 2016). Government managers also have less discretion in addressing underperforming employees due to protections enshrined in collective agreements. Many government executives lament the complexity and time it requires to hold these employees to account, including removing them when appropriate. Private sector leaders do not face this problem - at least not to the same degree.

There are similarities, differences and critical nuances between private sector and government management practices. The real private/public management divide, however, resides less in the nature of their leadership approaches than in how executives strive to meet their objectives in very different contexts. My role as an executive coach is to assist my clients identify and understand the leadership challenges specific to their role and corporate culture, and to develop the proactive techniques they require to succeed.