

Best Practices for Transforming Managers into Leaders

Based on Research Sponsored by Joint NASPAA-NISPAcee project "The Cooperative Governance Improvement and Technical Assistance Project"

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PURPOSE AND IDENTIFICATION OF NEED: TRANSFORMING MANAGERS INTO LEADERS

Senior civil servants in Central and Eastern European (CEE) states lack up-to-date conceptual knowledge and behavioral skills necessary to *lead*, rather than simply *manage*, government functions.

What, exactly, is the difference between *management* and *leadership*? While related, these functions are not the same --even in the private sector --and must be sharply distinguished. Excellent management skills are necessary but not sufficient for CEE public administrators. For good governance, leadership skills are also required. According to John Gardner, former U.S. Cabinet Secretary, founder of Common Cause and distinguished public leadership scholar:

Leaders have a significant role in creating the state of mind that is society. They can serve as symbols of the moral unity of the society. They can express the values that hold the society together. Most important, they can conceive and articulate goals that lift people out of their petty preoccupations, carry them above the conflicts that tear a society apart, and unite them in pursuit of objectives worthy of their best efforts. (Cited in prospectus for American University's *Key Executive Program*, "Educating Talented Managers for Team and Executive Leadership," p. 2)

Management and leadership skills are not mutually exclusive. They are complementary. Managers lead and leaders manage; however, the two functions reflect different --at times overlapping --sets of skills. Public sector managers, like those in the private sector, need to expand their repertoire of skills to include *both* functions.

"What is needed are both managers and leaders (ideally, both in the same body)," according to a recent panel of the U.S. National Academy of Public Administration, "with the need for leaders growing immensely as predictability and order give way to change and ambiguity" (*Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders*/NAPA. 1997, p. 5).

U.S. scholars such as John Gardner, Warren Bennis and John Kotter have reached consensus on at least six key differences between managers and leaders:

- (1) Managers do things right, while leaders do the right thing.
- (2) Managers maintain the status quo, while leaders move others to committed change.
- (3) Managers follow established rules up-and-down the "chain of command:" while leaders challenge the status quo.
- (4) Managers control financial human and technological resources, while leaders enable others to act with enhanced creativity, enthusiasm, and initiative.
- (5) Managers establish timetables to monitor work and, if necessary, coerce subordinates, while leaders lead others to lead themselves.
- (6) Managers stress consistency and reliability, while leaders develop strategies to inspire a shared vision for the future and align stakeholders with the larger vision.

Today leadership is no longer seen as a *single person* who occupies a position at the top of a hierarchy and issues commands. Leadership is a *relationship of mutual trust that* develops over time only by repeated experiences of deep listening to constituents and honest exchanges of

communication (Robert Kramer, "Leading by Listening," unpublished Ph.D. dissertation, School of Business and Public Management George Washington University, 1997).

Leadership is a relationship not a monologue. In CEE states, "The relationship between citizens and their public administration is a central issue of strategic importance to improving governance," writes Joanne Caddy, Administrator of SIGMA's Public Administration Development Strategies Unit. "Better channels of communication and greater citizen engagement increase both the effectiveness and legitimacy of public administration --and hence its capacity to deliver results" (*Public Management Forum*, OECD, May /June 1999, p.1). Actions such as constructing better channels of communication and inspiring greater citizen engagement call for more than just *managers*. They call for *leaders*.

Currently, few public managers in CEE states possess the leadership skills necessary to serve in senior civil service positions. In almost all CEE states, mid- level communist bureaucrats have been retained because there are no readily available alternatives. Under communism, civil servants were accountable to the Party but not to the broader population of stakeholders they were supposed to serve. As a result, since 1989, citizens of CEE states have become increasingly disillusioned with the rhetoric of "democracy" and " free markets." Many have lost trust in politicians and civil servants since both appear increasingly disconnected from the everyday concerns of ordinary citizens Jane L. Curry, "The Sociological Legacies of Communism" in *The Legacies of Communism in Eastern Europe/* edited by Z. Barany and I. Volgyes. Baltimore: The Johns Hopkins University Press, 1995).

Unethical behavior is endemic. A recent survey of more than 3,000 CEE companies by the World Bank and the European Bank for Reconstruction Development (EBRD) revealed that bribery and corruption are widespread in the region. "A small group of firms exercises influence over state policies that affect the activities of many firms across the economy," according to the EBRD survey (*The Wall Street Journal Europe*, November 9,1999, p. 2). This is not healthy for democracy. As former V.S. Vice-President Al Gore observed at the January 1999 *International Conference on Reinventing Government*, "Ensuring the integrity and efficiency of government will strengthen democracy and help it accelerate, instead of suffocate, the entrepreneurial initiative of its private sector" (Web site of V.S. Department of State).

Building a genuinely democratic and ethical civil society in the CEE states demands training a cadre of public administrators in *leadership* not just *management*. Top CEE managers must be transformed into leaders who share democratic values, represent a broad range of social groups, and view themselves as accountable to much broader constituencies than before.

Top CEE managers must learn, metaphorically and practically, how to "lead by listening" (Kramer, 1997). If social unrest in CEE states is to be forestalled, participation in policymaking, especially as it relates to meeting the requirements of European Union (EU) accession, needs to be expanded to the widest possible spectrum of citizens, business firms, professional associations, NGOs and interest groups. In the long run, ensuring widespread collaboration by all stakeholders in the EU accession process will allow for big savings in the cost of the regulatory apparatus of government given that successful implementation of the *acquis* laws and regulations across Central and Eastern Europe relies heavily on voluntary compliance by citizens and firms. Even in the short run, coercion is neither practical nor effective.

Senior CEE civil servants must learn to master previously undeveloped skills in leadership -especially more open and reciprocal communications --to promote support for government initiatives inside the

public sector as well outside, in the community of stakeholders at large. In a recent report entitled "Developing Public Service Leaders for the Future" (*HRM Working Party Meeting Paris, July 3-4, 2000*), the OECD wrote:

...leadership plays an important role in the implementation of reform because it involves two of the most important aspects of reform: *change* and *people*. Leadership is manifested in relations between people. Good leaders inspire people. Changing organizations is really about changing people's behavior, so organizations undergoing reform need leadership. Leaders, spread throughout an organization, can help diffuse and maintain the new values necessary for public sector reform. (p. 3)

DEFINITION OF PROJECT THEME: RESEARCHING BEST PRACTICES TO TRANSFORM HUNGARIAN MANAGERS INTO LEADERS

No CEE research on best practices to transform public managers into leaders has ever been conducted. As one of the more advanced CEE states, Hungary is well-positioned to serve as a "reinvention laboratory" for research in best practices to develop the leadership skills of public administrators. Such research is not yet feasible in economically struggling CEE or NIS governments with weak civil servants who still need to develop the most rudimentary organizational and financial management skills. However, lessons learned from research in Hungary are expected to be generalizable without much difficulty to the other CEE states, and eventually to the NIS governments, once managerial skills in these states become more established and reliable.

Although generally competent as managers, senior civil servants in the Hungarian government, still strongly mistrusted because of decades of socialist misrule, lack the leadership skills to bring their private citizens, public interest groups, professional associations and firms into a more mutually beneficial partnership with government officials (*Top Management Service in Central Government: Introducing a System for the Higher Civil Service in Central and Eastern Europe*. I SIGMA, Paris, 1995).

According to Lajos Lörincz, member of the Hungarian Academy of Sciences and former chair of the Department of Public Administration at Hungary's National School of Public Administration, only 40% of senior executives in Hungarian public administration have a university or college diploma, even though these managers embody state power and have legal authority to adopt measures binding on all citizens (see chapter on *Administrative Law*, 1998, by Lajos Lörincz, pp. 46-48.) The 1999 *Report of the EU Commission on Hungary's Progress Towards Accession* stated that, "The Hungarian Government has continued to take important steps towards the reform and strengthening of its public administration. Since July 1998 the role of the Prime Minister's Office in the overall coordination between Ministries has significantly increased" (pp. 58- 59). Nevertheless, the report adds that, "administrative capacity [to apply the *acquis*] in certain key areas such as standardization, state aid control and regional development is weak and a concerted effort will be needed to strengthen institutions in these areas" (*ibid.*, p. 58).

Transforming public managers into leaders has not yet occurred at any level of government even in a CEE country as advanced economically, politically and socially as Hungary. Until recently, following the continental law tradition, public management in Hungary was researched, studied and taught in law school faculties or at the technical college level of the National School of Public Administration

(György Hajnal, *Evaluation of Academic Programs in the Field of Public Administration: Hungary Report*, NISPAcee, May 2000). Neither a university-based program in leadership for entry-level civil servants nor a center for mid-career, "in-service!! leadership education exists in Hungary.

Research in a relatively well-functioning CEE culture on requirements for developing the leadership skills of public administrators is now essential.

RESERACH PLAN OBJECTIVES:

The team members engaged in four phases of research and produced four written deliverable as outcomes of the 4 phases:

PHASE 1

Research begun in January 2002 on “best practices” for developing the leadership skills of the new corps of 300 senior executives (*Fotisztviselo*) in the Hungarian government. Due to the terrorist events of 11 September 2001, the research could not begin in October 2001 as stated in the grant agreement. There has been no change in project personnel and no significant discrepancies with the original funding proposal.

1. Analyze existing legal regulations on training for senior executives (Fotisztviselo) in Hungary’s civil service.

1.1. Legal Regulations on Senior Executives (fotisztviselo)

Amendment of the Act XXIII. on Public Servants was extended by the provisions of *fotisztviselo*:

Fotisztviselo are civil servants who, through competition, were selected recently by the prime minister of Hungary for a position in the corps of senior executives. To succeed in their new positions, these *Fotisztviselo* must learn to take on three roles simultaneously: (1) public administrator, (2) public manager, and (3) public leader.

According to legislation, the 300 *Fotisztviselo* are required to:

- a. *Administer* laws and rules that help move Hungary toward EU accession
- b. *Manage* financial, human and technology resources
- c. *Lead* people and change needed for a performance-based civil service

Along with these three roles, the legal responsibilities of the *Fotisztviselo* include:

- d. Contributing to strategic decision-making
- e. Implementing the strategy of the government
- f. Executing, case by case, assignments from the prime minister or the minister of the Chancellery

By governmental decree, *Fotisztviselo* may receive a maximum of 40 days of training a year. It is the task of the Hungarian Institute of Public Administration, (Josef Kokenyesi, Deputy General Director) to plan and conduct training. However, the staff and technical conditions of the Institute are not sufficient. Research on “best practices” for developing the leadership skills of these senior executives is being conducted under a \$12,000 grant from NASPAA and NISPAcee. The researchers are:

1.2. Senior Civil Servants in Legal Regulations of Hungary

According to the Hungarian Constitution, the members of the Government are the prime minister and the ministers.

Act XXIII of 1992 on Civil Servants regulates civil servants of central public authorities and local governments. The Act on Civil Servants does not define senior civil servants. It is declared, however, that the Act does not apply to the prime minister, the ministers and the political state secretaries of the

ministries. The Act partly applies to the administrative state secretaries and the under-state secretaries of ministries.

Act LXXIX of 1997 on Members of Government and State Secretaries regulates the prime minister, ministers, state secretaries and under-state secretaries. The Act classifies the aforementioned positions as political (prime minister, ministers and political state secretaries) and professional (administrative state secretaries and under-state secretaries)

On the basis of the aforementioned legal regulations, it is not clear which positions can be considered politically appointed or career senior civil servants. For this reason, this paper makes classifications as follows:

Politically appointed senior civil servants:

- prime minister
- ministers
- political state secretaries of ministries and the Chancellery

Career senior civil servants:

- administrative state secretaries at ministries and the Chancellery
- under state secretaries at ministries and the Chancellery
- head of departments at ministries
- senior counsels at Chancellery
- senior executives (fotisztviselo)

Tasks of Senior Civil Servants

- Prime minister is appointed by the Parliament based on the winning political party's preference. The prime minister's tasks are to lead meetings of the Government and implement governmental decrees and resolutions
- The ministers are appointed by the president of the republic, based on the prime minister's nomination. The ministers are accountable to the prime minister for all actions of the ministry. The ministers' tasks are to develop public policies based on the governmental program, prepare proposals for the acts and pass decrees in the framework of acts.
- The minister of the Chancellery is responsible for strategic control of governmental activities and monitors whether or not governmental program are implemented at the ministries. The minister of the Chancellery also evaluates the work of ministers, initiates actions in accordance with governmental programs, negotiates with the ministers on the performance of government policies and makes complex evaluations about the proposals of ministries and submits them to the prime minister.
- Political state secretaries are appointed by the prime minister. Their tasks are to maintain relationships with factions of political parties in the Parliament and coordinate cooperation with interest groups, NGOs, professional associations, and other civil organizations.
- Administrative state secretaries are appointed by the prime minister and work under the direct control of the minister. They are obliged to meet legal and professional requirements when performing tasks.
- Under-state secretaries are appointed by the prime minister. They supervise a unit of the ministry and are obligated to meet legal and professional requirements when performing tasks.
- Heads of department are appointed by the minister. They are responsible for the preparation of decisions and are obligated to work in accordance with legal rules, tasks identified in their appointment and the instructions of their supervisor.
- Senior counsels at the Chancellery are appointed by the prime minister or the minister of the Chancellery. They serve at special departments of the Chancellery, help the work of the minister of the Chancellery or directly advise the prime minister.

- Senior executives (*Főtisztviselő*) are newly established positions enacted by amendment of Act XXIII of 1992 on Civil Servants a year ago. Positions of senior executives are announced for competition. They are selected by the prime minister for an indefinite time. Senior executives perform occasional tasks determined by the minister of the prime minister's office (Chancellery). They can be appointed to work in any field of public administration, regardless of their professional skills. They are regular civil servants as well as senior executives. However, the salary of senior executives is extremely high compared to a regular civil servant.

On the basis of the relevant legal regulations, the conclusion can be reached that the main task of the politically appointed senior civil servant is to assure that political decisions made by the government are implemented at the ministries and other public authorities, accepted by the political parties of the Parliament and the civil sector.

Career senior civil servants, on the other hand, are expected to implement their supervisor's political instructions while meeting legal and professional requirements. Career senior civil servants do not have the right to make their own political decisions.

Senior civil servants of the Chancellery have special scope to control, direct, monitor and evaluate whether or government policies are implemented by the central public authorities. The newly selected senior executives (*Főtisztviselő*) also serve to strengthen the central government and assure that governmental decisions are, in fact, implemented at all levels of public administration.

Do legal regulations deal with leadership issues of senior civil servants? No. Legal regulations typically deal with the conditions of appointment, termination, incompatibility, salary, work-hours, holidays, etc. in every detail, but not with leadership issues.

The Act on Civil Servants

- Declares in its preamble that civil servants' work should be politically neutral, conform to the rule of law, be carried out professionally and in an unbiased manner.
- Requires employers to examine candidates of civil servants in exceptional cases, (e.g. when they will be leaders) to determine if they are capable of meeting the requirements.
- Obligates supervisors to evaluate civil servants every year, to see if they meet the professional requirements, skills, abilities and developmental goals set by the supervisor. Evaluation should be based on facts and give reasons. The civil servant may sue the supervisor if the evaluation is not based on fact.
- Civil servants are accountable if they violate obligations regulated by laws, ethic codes or by contract made with their employer.
- Obligates central governmental authorities to organize training for civil servants. Civil servants are required to pass basic and special administrative exams. Curricula of this training focus primarily on administrative and professional skills. No training is offered in developing leadership skills.

Laws other than the Act on Civil Servants do not mention anything about leadership issues of senior civil servants. On the basis of the aforementioned legal regulations, we conclude that professional, rather than leadership, skills are required by law. Similarly to other continental European countries, a centralized and law-governed public administration has developed in Hungary, but as a result of the communist legacy it still contains unhealthy bureaucratic features. Management and leadership traditions are lacking.

Laws are expected to regulate the scope and task of public authority in every detail, in the framework of the Constitution. Public authorities can act only if they are legally entitled to do so. In other words, these regulations serve to protect the freedom of citizens from state-intervention.

The actions of public authorities are classified as jurisdiction (the application of administrative legal rules), the passing of decrees (based on superior acts), and service (when organizing certain public services)

Civil servants are normally required to implement the tasks of the public authority where they serve and carry out orders of their superiors, rather than lead or manage public matters. Legal regulations determine in detail their tasks, career, accountability, etc., as well.

The promotion of management and leadership skills of senior civil servants is problematic in this system. However, legal regulations may specify leadership skills for senior civil servants as an important requirement for their selection, evaluation, career and salary. Laws may oblige central public authorities to provide training for senior civil servants in order to develop their leadership skills.

Public policy issues are regulated by acts as important principles that laws should follow in detailed regulations. In the absence of such legal regulations there is little chance to establish leadership development in this system. The tradition of regulating important issues by laws cannot be changed.

Act XI of 1997 on Legislation Process regulates the procedure of legislation. According to the act:

- Citizens and representative organizations of interest groups should take part in the legislation process.
- The government meeting (members of the government, i.e. the ministers, which body exercises the right of the central government) should prepare a program for the legislation. (This program is normally based on the preferences of the political parties in power.) The government meeting has to ask the opinion of the Superior Court, Chief Prosecutor, local governments and representative organizations of interest groups about the legislation program. It should be submitted to the Parliament for approval, too.
- It is the task of the minister, subject to the theme of the legal rule, to make the proposal for the act with the cooperation of the minister of justice. If the legal rule has special relevance, e.g. important reforms, a codification committee should be established, whose members are the representatives of scientists and the interest groups of the field to be regulated.
- President of the Superior Court, the Chief of the Prosecution, ministers, and local governments should give their opinions about the proposal.
- The proposal should be approved by the government meeting and submitted to the Parliament for discussion.
- The Parliament passes the acts. The governmental decrees are passed by the government meeting.

The current government centralized its power into the Chancellery by amendment of the 137/1998. (VIII. 18.) government decree. The decree determines the scope of the Chancellery to coordinate between the ministries and the Chancellery.

The Hungarian civil service system is not based on a "spoils system". Legal regulations declare that the prime minister, ministers and political state secretaries are politically appointed. This means that it is the right of the political parties in power to nominate them. Other senior civil servants should be politically neutral.

The Act on Civil Servants strictly regulates conditions when civil servants can be removed or fired. It always should be based on a violation of written rules, such as provisions of the act, the appointment and the ethical code.

The Act on Personal Data and Transparency of Public Data, obligates public authorities to open data of their activities to the public. If they do not do so, any citizen may open a legal procedure before ordinary court against the public authority to ask the court to order the publication of data.

1.3. Proposal of the Prime Minister's Office for Training Fotisztviselo

The aim of establishing fotisztviselo:

- Promotion of the efficient operation of state budget.
- Increase of effectiveness of the activity on European integration.
- Increase of efficiency of the state leadership and administration
- Preparation of the strategic decisions of the public administration

The Act determines the tasks of fotisztviselo so that the aforementioned aims could be achieved. The fotisztviselo shall

- Help preparation and implementation of the programs on administrative strategic decisions
- Help performance of government tasks relating to European integration, and
- Implement of the tasks determined case by case by the prime minister or the minister of the Chancellery.

The Act determines regular and compulsory training for the fotisztviselo, which shall be assured by the minister of the Chancellery and based on the annual training of fotisztviselo as a part of the annual general training program of the Chancellery.

Training strategy of fotisztviselo shall be determined, i.e. setting up aims for the training, choosing means, creating conditions of performance.

Specialties determining training of fotisztviselo

- Fotosztviselo is special, emphasised group of civil servants. This group shall have modern, administrative knowledge and skills which make them to be capable to solve problems on the level of their colleagues of the European Union. Regarding the knowledge/skills and the training methods, the newest European tendencies should be adopted by training.
- Fotisztviselo has a dual position. Each fotisztviselo is a public servants - at least from his or her appointment as a fotisztviselo – which means that the Act on Public Servants shall be applied to their position. From the point of view of training it means that the fotisztviselo
 - is obliged to pass basic and advanced administrative exams
 - is obliged to participate the courses training them for the exams
 - has the right to have at least 30 hours in 3 months to attend such training courses
- is obliged attend as public servant the training courses determined by the employer or the annual administrative training plan
- is obliged to attend as fotisztviselo the training courses determined by the annual training plan for fotisztviselo

Most probably, the group of fotisztviselo will be very different in their professional and educational background, skills of European Union, management and leadership. This circumstance should be taken into account when conception of their training will be shaped.

Fund to be generated for training of fotisztviselo is not identified neither in the Act on Public Servants, nor the Government decree of 164/2001. (IX. 14.) on the operation of fotisztviselo. (This latter one regulates fotisztviselo in detail, based on the Act on Public Servants.) However, the legal regulations state that training of fotisztviselo is the task of the state, should be organised by the minister of the Chancellery, and financed by the budget of the Chancellery. When shaping the conception of training for fotisztviselo, it should be considered that not only the training needs of fotisztviselo, but the limited possibilities of the state budget will influence the real fund to be generated for this aim.

According to the aforementioned governmental decree, fotisztviselo may attend training courses in 40 days in a year, at the most. The term of 40 days includes the time for learning for the exams, as well. A part of the term of 40 days can be a training abroad.

The general training material shall be taught by distinguished academics and practising experts. Actual skills and knowledge needed to establish government strategies will be taught by high-level government officials and fotisztviselo working in the specialised field. Academics and practising experts shall be trained, as well, if it is needed.

It is the task of the Institute of Public Administration to organise training, prepare plans for training and implementing training. The current staff and technical conditions of the Institute are not sufficient. For this reason personnel and technical requirements for the Institute should be established.

Aims of Training of Fotisztviselo

The aims of training of fotisztviselo were identified in the first part of this conception. To achieve these goals,

- The training should be assure a minimum knowledge and skills for the fotisztviselo, so that differences in their professional level could be balanced. The training should guarantee that the fotisztviselo can be able to pass the compulsory exams in 2 years after their appointment.
- Fotisztviselo should know the latest theories on public administration, political sciences, management, leadership, and the applied international practices. The training courses shall introduce administrative systems of the developed countries, principles, practices in these countries. Fotisztviselo should be capable to make comparison with a critical view between the several applied means and methods in their home countries and abroad.
- The training courses should achieve an approximately same knowledge and skill in the group of fotisztviselo in the field of strategic planning, decision-preparing, performance-management. Fotisztviselo shall study modern politico-administrative, administrative-management and leadership theories and practices.
- Fotisztviselo has to learn aims of governments, current tasks of implementation of governments programs, be capable to organise these programs in their job, or in the job determined by the prime minister, to lead or participate in the organization established for a special aim. Fotisztviselo has to be capable to adjust his or her special professional skills to the whole governmental works, see the network of the sectors, communication, common job with the civil sector (local governments, business, nonprofit organizations, public opinion)
- As a result of the training, fotisztviselo should have communication skills (PR, lecturer, negotiation) on the level of the recent requirements and be capable to work in teams.
- Training should achieve the fotisztviselo learn EU institutions, legal regulations, mechanisms of representation, be capable in their special field to participate in negotiations of EU join, and perform tasks relating to the EU.
- Training has to teach fotisztviselo to teach newly appointed fotisztviselo.
- Training has to promote skills of fotisztviselo to participate in research on development of public administration.
- Besides compulsory training, fotisztviselo has to have time to learn on their own in the framework of training programs.

Means of training fotisztviselo

Training should be based on plans, selected training methods, and available teachers and curricula.

- Planning of the training

It is the task of the minister of the Chancellery, but the Institute of Public Administration will in fact implement the training programs. Planning should assure that the aims will be achieved during the training.

- In 2 years after the person responsible for the training has been appointed, should estimate the needs of training of fotisztviselo and help him or her to prepare a plan for his or her own training program.
- Compulsory training courses should be organised in 2 years.
- Training courses aiming exchange of governmental information, experiences, development of skills

Training courses should be based on moduls. Moduls are as follows:

- *Modern public administration* (European tendencies in the development of public administration, public policy creation, strategic planning, program evaluation)
- *Modern public management* (management sciences, organising public services, quality and performance management, finance management, preparing legal rules, planning)
- *Public leadership* (human resources management, staff administration, strategic management, crisis management)
- *Strategic planning* (planning, program-making, finance planning, finance management, program-performance, monitoring and evaluation, finance control)
- *Operation of EU institutions, special EU training* (application of laws, preparing for negotiations, prepare decisions, decision-making and participation in EU institutions)
- Giving governmental information, communication between governmental organisations and other (local governments, civil and business sphere)
- Training to develop skills (communication, press, rhetoric, technique for negotiations, organisation leadership, team-working)
- Training for andragology
- Special training based on the individual programs (language, computer sciences, training of development of personality and writing, protocol, etc.)

Methods of training

Individual training, training outside of the traditional educational system (lecture, training, consultation, seminar, discussions, professional meeting, professional practice, conference) and training from another location. It means a special education based on the interactive relationship between the teacher and the student, and independent work of the student or combination of the 3 aforementioned methods may be applied.

Some of the training will happen abroad, and some of the in Hungary.

Teachers

Requirements for the teachers should be identified. Training of the teachers should be implemented, which consists of the professional and educational-methods skills.

To assure conditions of performance

Sufficient organisational, personnel, material, technical, building and finance conditions should be assured.

It is the task of the Centre of the Leadership Institute. They are as follows:

- a.) Proposal for the conception
- b.) Proposal for the plan
- c.) Use of fund generated for this aim
- d.) Invite bids for training, making programs for training, develop curricula, publish
- e.) Training the teachers
- f.) Implement programs
- g.) Elaborate electronic education methods and means and run the system
- h.) Establish a co-operation with professional bodies in abroad so that international training programs could be developed
- i.) Maintain secretary of the Professional Fotisztviselo Training Board
- j.) Register teachers and students participated training programs
- k.) Co-operate with the owners of the institutions where the training courses take place

The training will be supervised by the minister. Professional Fotisztviselo Training Board shall be established, which helps the minister as a advisory, consulting organisation. The members of the Board will be selected from the recognised experts, academics of public administration. The tasks of the Board

- a.) make proposal for the minister
 - if the proposal of the plan for the training made by the Institute of Public Administration can be approved
 - use of the fund
 - fees to be paid for the training programs
- b.) gives opinion to the bids, tenders invited by the Institute of Public Administration

Personnel conditions of the training programs should be assured. It is the task of the staff of the Institute of Public Administration to elaborate training programs, and teach there, as well.

2. Interview a sample of key Hungarian stakeholders (e.g., members of Parliament, government ministers, mid-level managers, civic groups, business leaders, professional associations, and NGOs) on what they see as the most important leadership skills needed for senior executives (Fotisztviselo) in Hungary.

In January 2001, the researchers conducted 19 interviews with staff of the prime minister's office, members of Parliament, former government ministers, mid-level managers, civic groups, business leaders, NGOs, professional associations, and academics on what they see as the most important challenges of developing the public leadership skills of senior executives (*Fotisztviselo*) in Hungary.

2.1. Classification of Results of Interviews with Hungarian Stakeholders

After over twenty years of psychometric research, the U.S. Government defined in 1997 a set of five executive core qualifications for candidates who seek entry into the Senior Executive Service, a cadre of the top 7,000 civil servants in the U.S. government. These five executive core qualifications are: (1) *leading change*, (2) *leading people*, (3) *being results driven*, (4) *employing business acumen*, and (5) *building coalitions and communications*. The U.S. government identified 27 components of these five core qualifications. (For example, "*leading people*" consists of 8 components: continual learning, creativity and innovation, external awareness, flexibility, resilience, service motivation, strategic thinking, and vision.)

The history, culture and political system of the U.S. are vastly different from the history, culture and political system of Hungary. Although the researchers do not intend to naively apply U.S. leadership models to public administrators in Hungary, we believe that much can be learned from the U.S.

experience, after taking cultural differences into account. Using content analysis, therefore, the researchers analyzed and categorized the interviews with the 19 Hungarian stakeholders, and correlated their responses with the 27 U.S. competencies.

The table below shows the results of this analysis. (For example, 2 of the 19 respondents said during the interview, in more or less the same terms, that “continual learning” is a requirement for leadership development in Hungary; 7 of the 19 respondents said, again in more or less the same terms, that “creativity and innovation” is a requirement; 9 of the 19 respondents said that “external awareness” is a requirement, etc.).

Special note: One competency often mentioned by Hungarian respondents, but not included in the U.S. Government’s five core executive qualifications, is “fluency in foreign languages,” in particular German, English or both (10 respondents).

RESULTS OF INTERVIEWS WITH 19 HUNGARIAN RESPONDENTS

1. <i>Leading Change</i>	Continual Learning (2 respondents) Creativity and Innovation (7 respondents) External Awareness (9 respondents) Flexibility (12 respondents) Resilience (9 respondents) Service Motivation (7 respondents) Strategic Thinking (14 respondents) Vision (12 respondents)
2. <i>Leading People</i>	Conflict Management (15 respondents) Cultural Awareness (2 respondents) Integrity/Honesty (16 respondents) Team Building (7 respondents)
3. <i>Being Results Driven</i>	Accountability (7 respondents) Customer Service (3 respondents) Decisiveness (9 respondents) Entrepreneurship (3 respondents) Problem Solving (10 respondents)
4. <i>Employing Business Acumen</i>	Financial Management (7 respondents) Human Resources Management (5 respondents) Technology Management (1 respondent)
5. <i>Building Coalitions and Communication</i>	Influencing/Negotiating (14 respondents) Interpersonal Skills (17 respondents) Oral Communication (16 respondents) Partnering (6 respondents) Political Savvy (12 respondents) Written Communication (13 respondents)

According to officials the researchers interviewed at the U.S Office of Personnel Management and the Federal Executive Institute, the US government uses the five executive core qualifications to: (1) identify developmental needs of candidates for Senior Executive Service; (2) select and certify candidates for the SES, which is the most senior level of civil service in the U.S., and (3) measure performance in the first year of service for those newly appointed to the SES.

Interviews Conducted in Hungary, 2002 January 5-25

1. Peter Janza, Vice-President, Government Control Office, Office of Prime Minister
2. Emese Toth, Director-General, Center for Detailing Governmental Personnel, Office of Prime Minister
3. Ferenc Dudas, Head of Department for Development of Public Administration, Ministry of the Interior
4. Gabor Fodor, Member of Parliament (political party: SZDZS), former Minister of Education and Culture, 1994-1996
5. Ivan Vitanyi, Member of Parliament (political party: MSZP)
6. Janos Horvath, Member of Parliament (political party: FIDESZ)
7. Josef Kokenyesi, Deputy General Director, Hungarian Institute of Public Administration
8. Szabolcz Fazakas, Head, Daimler Chrysler Corporate Representative Office, 1999-2001; Hungarian Minister of Industry, Trade and Tourism, 1996-98; Hungarian Ambassador to Germany, 1996; Administrative State Secretary, Ministry of Industry and Trade, 1995-1996

9. Elemer Hankiss, Chairman of Hungarian Television, 1990-1992, former Professor of Political Science at Budapest University, Former research fellow, Woodrow Wilson Center, Institute for Human Sciences, Vienna, and Center for Advanced Study in the Behavioral Sciences at Stanford University
10. Donna Culpeper, President, Civic Education Project
11. Rita Galambos, Country Director for Hungary, Civic Education Project
12. Laszlo Frenyi, Dean of Faculty, Western Maryland College in Budapest
13. Laszlo Keri, Senior Researcher, Institute for Political Sciences, Hungarian Academy of Science
14. Ferenc Eros, Professor, Institute of Psychology, Hungarian Academy of Science
15. Erzebet Szalai, Scientific Researcher, Institute for Political Sciences, Hungarian Academy of Science
16. Andras Bozoki, Associate Professor of Political Science, Central European University
17. Gyula Bakacsi, Pro-rector, Budapest University of Economic Sciences and Public Administration
18. Sabine Kroissenbrunner, Attache, Embassy of Austria
19. Robert Manchin, Vice-President, Gallup-Budapest (opinion polling firm)

2.2. Difficulties Encountered for Leadership Development in Post-Communist States

Senior executives in post-Communist states such as Hungary lack up-to-date conceptual knowledge and behavioral skills necessary to *lead*, rather than simply *manage*, government functions.

What, exactly, is the difference between *management* and *leadership*? While related, these functions are not the same -- even in the private sector -- and must be sharply distinguished. Excellent management skills are necessary but not sufficient for senior executives. For good governance, leadership skills are also required. According to John Gardner, former U.S. Cabinet Secretary, founder of Common Cause and distinguished public leadership scholar:

Leaders have a significant role in creating the state of mind that is society. They can serve as symbols of the moral unity of the society. They can express the values that hold the society together. Most important, they can conceive and articulate goals that lift people out of their petty preoccupations, carry them above the conflicts that tear a society apart, and unite them in pursuit of objectives worthy of their best efforts. (Cited in prospectus for American University's *Key Executive Program*, "Educating Talented Managers for Team and Executive Leadership," p. 2)

Management and leadership skills are not mutually exclusive. They are complementary. Managers lead and leaders manage; however, the two functions reflect different -- at times overlapping -- sets of skills. Public sector managers, like those in the private sector, need to expand their repertoire of skills to include *both* functions.

"What is needed are both managers and leaders (ideally, both in the same body)," according to a recent panel of the U.S. National Academy of Public Administration, "with the need for leaders growing immensely as predictability and order give way to change and ambiguity" (*Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders*, NAPA, 1997, p. 5).

In a sense, "leadership" is a metaphor for being integrated, focused, and centered -- a metaphor for emotional and intellectual balance in all aspects of life. Leadership is connecting feelingly to what moves in one's soul -- and makes one come alive -- and to what moves in the souls of others and makes them come alive.



Leadership does not happen when others follow directions based on commands, threats or promised rewards. Leadership is deep listening -- listening to yourself and listening to others. One of the most important skills a leader needs is the ability to listen mindfully and listen feelingly. The Chinese characters that make up the verb "to listen" tell us something significant about the skill. Chinese characters are really picturegrams. This picturegram for listening means, "When in stillness, one listens with the heart. The ear is worth ten eyes. A King, in

order to be a true leader, must listen with ears, eyes, and heart ... giving undivided attention to the people.“ Leaders are mindful and feelingful listeners.

A mindful and feelingful listener is a leader who:

- Listens mindfully to the whole message -- not only the words, but the "music": the tone of voice, the facial expressions, the gestures, the feelings and the silences between the words.
- Allows the speaker to feel fully valued and deeply respected.
- Is able to sustain concentration, focus intently and recall the speaker's message -- the words, feelings and the "music" -- many days later.
- Listens to one's own thoughts and feelings as he or she speaks -- carefully choosing words and non-verbal ways of expression (the "music") that match one's intended meaning.

As the last point suggests, leadership is about speaking persuasively just as much as it is about listening deeply. *Leaders move themselves and others to committed action.* Leaders know how to draw out enthusiasm in others, not merely compliance.

Authenticity -- being yourself -- is the most important prerequisite for leadership. Leaders know their deepest convictions, are true to them, and act with empathic understanding and positive regard for others' differences. Leadership is more than a formal position in a hierarchy. Leadership is not an attribute of a position. It is an encounter -- a feeling relationship -- between human beings. Leadership is a *relationship*, not an individual.

Leaders are persons who:

- Know, deep down, who they are and how they are different from others
- Know, and continue to learn about, their strengths and weaknesses
- Know how to deploy their strengths and compensate for their weaknesses
- Know what they want and what others want
- Know why they want it
- Know how to communicate what they want to others in order to get their cooperation and support
- Know how to achieve their goals

Traditionally, leadership has been seen as a mysterious, lofty quality granted only to a few privileged people, and if one is not born with that quality, one cannot acquire it. Not so. Leadership is a composite of behaviors that can be learned, developed, and used by anyone in working with others to carry out a task. While traditional conceptions of leadership tend to be dominated by images of a single person such as a president, prime minister, CEO or manager speaking to the masses and motivating them from "on high," leadership has little to do with domination or "external" motivation.

The answer to the question, "How do you motivate people?" is: "You can't." The door to motivation is locked from the inside. People motivate themselves. Although people can be threatened or rewarded to do what others want them to do, that is not leadership. Leadership occurs only when leaders articulate a vision that people can freely and willingly align themselves with. Leadership does not occur when people obey commands or comply based primarily on threats or promises of reward. Leadership does not occur when people respond to a situation based primarily on direction by someone else. Leadership does not occur merely when you get other people to do what you want them to do.

U.S. scholars such as John Gardner, Warren Bennis and John Kotter have reached consensus on at least six key differences between managers and leaders:

- (a) Managers do things right, while leaders do the right thing.
- (b) Managers maintain the status quo, while leaders move others to committed change.
- (c) Managers follow established rules up-and-down the "chain of command," while leaders challenge the status quo.

- (d) Managers control financial, human and technological resources, while leaders enable others to act with enhanced creativity, enthusiasm, and initiative.
- (e) Managers establish timetables to monitor work and, if necessary, coerce subordinates, while leaders lead others to lead themselves.
- (f) Managers stress consistency and reliability, while leaders develop strategies to inspire a shared vision for the future and align stakeholders with the larger vision.

In Western European and U.S. governments, public leadership is no longer seen as a *single person* who occupies a position at the top of a hierarchy and issues commands. Leadership is a *relationship of mutual trust* that develops over time only by repeated experiences of deep listening to constituents and honest exchanges of communication.

Leadership is a relationship not a monologue. In Central and Eastern European (CEE) states, "The relationship between citizens and their public administration is a central issue of strategic importance to improving governance," writes Joanne Caddy, Administrator of SIGMA's Public Administration Development Strategies Unit. "Better channels of communication and greater citizen engagement increase both the effectiveness and legitimacy of public administration -- and hence its capacity to deliver results" (*Public Management Forum*, OECD, May/June 1999, p. 1). Actions such as constructing better channels of communication and inspiring greater citizen engagement call for more than just *managers*. They call for *leaders*.

Currently, few public managers in Hungary possess the leadership skills necessary to serve in senior executive (*Fotisztviselo*) positions. As in almost all other CEE states, mid-level communist bureaucrats have been retained in Hungary because there are no readily available alternatives. Under communism, civil servants were accountable to the Party but not to the broader population of stakeholders they were supposed to serve. As a result, since 1989, citizens of CEE states have become increasingly disillusioned with the rhetoric of "democracy" and "free markets." Many have lost trust in politicians and civil servants since both appear increasingly disconnected from the everyday concerns of ordinary citizens (Jane L. Curry, "The Sociological Legacies of Communism" in *The Legacies of Communism in Eastern Europe*, edited by Z. Barany and I. Volgyes. Baltimore: The Johns Hopkins University Press, 1995).

Unethical behavior is endemic. A recent survey of more than 3,000 CEE companies by the World Bank and the European Bank for Reconstruction and Development (EBRD) revealed that bribery and corruption are widespread in the region. "A small group of firms exercises influence over state policies that affect the activities of many firms across the economy," according to the EBRD survey (*The Wall Street Journal Europe*, November 9, 1999, p. 2). This is not healthy for democracy. As former U.S. Vice-President Al Gore observed at the January 1999 *International Conference on Reinventing Government*, "Ensuring the integrity and efficiency of government will strengthen democracy and help it accelerate, instead of suffocate, the entrepreneurial initiative of its private sector" (Web site of U.S. Department of State).

Leaders who share democratic values will represent a broad range of social groups, and view themselves as accountable to much broader constituencies than before.

If social unrest in Hungary and other CEE states is to be forestalled, participation in policymaking, especially as it relates to meeting the requirements of EU accession, needs to be expanded to the widest possible spectrum of citizens, business firms, professional associations, NGOs and interest groups. In the long run, ensuring widespread collaboration by all stakeholders in the EU accession process will allow for big savings in the cost of the regulatory apparatus of government, given that successful implementation of the *acquis* laws and regulations across Central and Eastern Europe relies heavily on voluntary compliance by citizens and firms. Even in the short run, coercion is neither practical nor effective.

Senior executives in Hungary and other CEE states must learn to master previously undeveloped skills in leadership – especially more open and reciprocal communications -- to promote support for government initiatives inside the public sector as well outside, in the community of stakeholders at large. In a recent report entitled "Developing Public Service Leaders for the Future" (*HRM Working Party Meeting*, Paris, July 3-4, 2000), the OECD wrote:

... leadership plays an important role in the implementation of reform because it involves two of the most important aspects of reform: *change* and *people*. Leadership is manifested in relations between people. Good leaders inspire people. Changing organizations is really about changing people's behavior, so organizations undergoing reform need leadership. Leaders, spread throughout an organization, can help diffuse and maintain the new values necessary for public sector reform. (p. 3)

Although generally competent as managers, senior civil servants in the Hungarian government, still strongly mistrusted because of decades of socialist misrule, lack the leadership skills to bring their private citizens, public interest groups, professional associations and firms into a more mutually beneficial partnership with government officials (*Top Management Service in Central Government: Introducing a System for the Higher Civil Service in Central and Eastern Europe*, SIGMA, Paris, 1995).

According to Lajos Lőrincz, member of the Hungarian Academy of Sciences and former chair of the Department of Public Administration at Hungary's National School of Public Administration, only 40% of senior civil servants in Hungarian public administration have a university or college diploma, even though these managers embody state power and have legal authority to adopt measures binding on all citizens (see chapter on *Administrative Law*, 1998, by Lajos Lőrincz, pp. 46-48.) The *1999 Report of the E.U. Commission on Hungary's Progress Towards Accession* stated that, "The Hungarian Government has continued to take important steps towards the reform and strengthening of its public administration. Since July 1998 the role of the Prime Minister's Office in the overall coordination between Ministries has significantly increased" (pp. 58-59). Nevertheless, the report adds that, "administrative capacity [to apply the *acquis*] in certain key areas such as standardization, state aid control and regional development is weak and a concerted effort will be needed to strengthen institutions in these areas" (*ibid.*, p. 58).

Until recently, following the continental law tradition, public management in Hungary was researched, studied and taught in law school faculties or at the technical college level of the National School of Public Administration (György Hajnal, *Evaluation of Academic Programs in the Field of Public Administration: Hungary Report*, NISPAcee, May 2000). Neither a university-based program in leadership for entry-level civil servants nor a center for mid-career, "in-service" leadership education exists in Hungary.

Training Requirements for Senior Executives (*Fotisztviselo*) as Defined by Hungarian Stakeholders

To learn about leadership competencies required for senior executives (*Fotisztviselo*) the researchers conducted interviews in Budapest from 5 January until 25 January 2002. Interviews with 19 Hungarian stakeholders were conducted: staff of the prime minister's office, members of Parliament from three major political parties, former government ministers, mid-level managers, civic groups, business leaders, NGOs, professional associations and academics.

PHASE 2

- **Conduct a site visit** to the *Key Executive Program* at American University (AU) in Washington, DC. to study its curriculum. Since 1975, *The Key Executive Program*, housed in the AU Department of Public Administration, has conducted leadership development for over 500 mid-level and senior managers in the U.S. Government. After passing a comprehensive examination, based on 20 months of intensive course work, Key graduates are awarded a Master's degree in Public Administration and certified as candidates for the Senior Executive Service (SES), a cadre of the top 7,000 civil servants in the U.S. government. Many of the 500 graduates of the Key Executive Program have reached SES rank.
- **Conduct a site visit** to the *Federal Executive Institute* and the *Office of Executive Resources Management*, the component of the U.S. Office of Personnel Management (OPM) in Washington, DC that is responsible for administering, certifying and monitoring all aspects of the SES.
- **Interview** the director of the *Key Executive Program*, Don Zauderer, and the four directors of the *Office of Executive Resources Management* (K. Joyce Edwards, Daliza Salas, Joe Riddle, and Ann Kirby) on their experience and lessons learned in designing leadership development programs in the Federal sector.
- **Compare and contrast** the leadership development curriculum of the *Key Executive Program* with the leadership development curriculum of the OPM-sponsored *Federal Executive Institute*.

2. Based on the personal interviews and analyses of the two sets of curricula, synthesize in writing a set of preliminary U.S. "best practices" for transforming public managers into leaders.

A. SITE VISIT TO KEY EXECUTIVE PROGRAM OF AMERICAN UNIVERSITY

On 26 February 2002, the three researchers conducted a site visit to the *Key Executive Program* at American University (AU) in Washington, DC. to study its curriculum and interview its director, Dr. Don Zauderer. Since 1975, *The Key Executive Program*, housed in the AU Department of Public Administration, has conducted leadership development for over 500 mid-level managers in the U.S. government. After passing a comprehensive examination, based on 20 months of intensive course work, Key graduates are awarded an Executive Master's degree in Public Administration and are eligible for certification as candidates for the Senior Executive Service, a cadre of the top 7,000 civil servants in the U.S. government. Many of the 500 graduates of the Key Executive Program have reached Senior Executive Service level. The metaphor "Key" was chosen to suggest that completing American University's leadership program is a "key" that would unlock the door to success as an executive.

In addition to agency-specific requirements for experience in fields such as economics, law, finance, or science, civil servants applying for Senior Executive Service (SES) rank must also demonstrate five "executive core qualifications": (1) Leading Change, (2) Leading People, (3) Being Results Driven, (4) Employing Business Acumen, and (5) Building Coalitions & Communications. These five qualifications may be met through government service or through education or other accomplishments. The Five Executive Core Qualifications are as follows:

a.) Leading Change

The ability to develop and implement an organizational vision which integrates key national and program goals, priorities, values, and other factors. Inherent to it is the ability to balance change and continuity -- to continually strive to improve customer service and program performance within the basic Government framework, to create a work environment that encourages creative thinking, and to maintain focus, intensity, and persistence, even under adversity.

b.) Leading People

Resilience - Deals effectively with pressure; maintains focus and intensity and remains optimistic and persistent, even under adversity. Recovers quickly from setbacks. Effectively balances personal life and work.

Service Motivation - Creates and sustains an organizational culture which encourages others to provide the quality of service essential to high performance. Enables others to acquire the tools and support they need to perform well. Shows a commitment to public service. Influences others toward a spirit of service and meaningful contributions to mission accomplishment.

Strategic Thinking - Formulates effective strategies consistent with the business and competitive strategy of the organization in a global economy. Examines policy issues and strategic planning with a long-term perspective. Determines objectives and sets priorities; anticipates potential threats or opportunities.

Vision - Takes a long-term view and acts as a catalyst for organizational change; builds a shared vision with others. Influences others to translate vision into action.

ECQ 2. LEADING PEOPLE

Conflict Management - Identifies and takes steps to prevent potential situations that could result in unpleasant confrontations. Manages and resolves conflicts and disagreements in a positive and constructive manner to minimize negative impact.

Leveraging Diversity - Recruits, develops, and retains a diverse high quality workforce in an equitable manner. Leads and manages an inclusive workplace that maximizes the talents of each person to achieve sound business results. Respects, understands, values and seeks out individual differences to achieve the vision and mission of the organization. Develops and uses measures and rewards to hold self and others accountable for achieving results that embody the principles of diversity.

Integrity/Honesty - Instills mutual trust and confidence; creates a culture that fosters high standards of ethics; behaves in a fair and ethical manner toward others, and demonstrates a sense of corporate responsibility and commitment to public service.

Team Building - Inspires, motivates, and guides others toward goal accomplishments. Consistently develops and sustains cooperative working relationships. Encourages and facilitates cooperation within the organization and with customer groups; fosters commitment, team spirit, pride, trust. Develops leadership in others through coaching, mentoring, rewarding, and guiding employees.

ECQ 3. BEING RESULTS DRIVEN

Accountability - Assures that effective controls are developed and maintained to ensure the integrity of the organization. Holds self and others accountable for rules and responsibilities. Can be relied upon to ensure that projects within areas of specific responsibility are completed in a timely manner and within budget. Monitors and evaluates plans; focuses on results and measuring attainment of outcomes.

Customer Service - Balancing interests of a variety of clients; readily readjusts priorities to respond to pressing and changing client demands. Anticipates and meets the need of clients; achieves quality end-products; is committed to continuous improvement of services.

Decisiveness - Exercises good judgment by making sound and well-informed decisions; perceives the impact and implications of decisions; makes effective and timely decisions, even when data is limited or solutions produce unpleasant consequences; is proactive and achievement oriented.

Entrepreneurship - Identifies opportunities to develop and market new products and services within or outside of the organization. Is willing to take risks; initiates actions that involve a deliberate risk to achieve a recognized benefit or advantage.

Problem Solving - Identifies and analyzes problems; distinguishes between relevant and irrelevant information to make logical decisions; provides solutions to individual and organizational problems.

Technical Credibility - Understands and appropriately applies procedures, requirements, regulations, and policies related to specialized expertise. Is able to make sound hiring and capital resource decisions and to address training and development needs. Understands linkages between administrative competencies and mission needs.

ECQ 4. EMPLOYING BUSINESS ACUMEN

Financial Management - Demonstrates broad understanding of principles of financial management and marketing expertise necessary to ensure appropriate funding levels. Prepares, justifies, and/or administers the budget for the program area; uses cost-benefit thinking to set priorities; monitors expenditures in support of programs and policies. Identifies cost-effective approaches. Manages procurement and contracting.

Human Resources Management - Assesses current and future staffing needs based on organizational goals and budget realities. Using merit principles, ensures staff are appropriately selected, developed, utilized, appraised, and rewarded; takes corrective action.

Technology Management - Uses efficient and cost-effective approaches to integrate technology into the workplace and improve program effectiveness. Develops strategies using new technology to enhance decision making. Understands the impact of technological changes on the organization.

ECQ 5. BUILDING COALITIONS & COMMUNICATIONS

Influencing/Negotiating - Persuades others; builds consensus through give and take; gains cooperation from others to obtain information and accomplish goals; facilitates "win-win" situations.

Interpersonal Skills - Considers and responds appropriately to the needs, feelings, and capabilities of different people in different situations; is tactful, compassionate and sensitive, and treats others with respect.

Oral Communication - Makes clear and convincing oral presentations to individuals or groups; listens effectively and clarifies information as needed; facilitates an open exchange of ideas and fosters an atmosphere of open communication.

Partnering - Develops networks and builds alliances, engages in cross-functional activities; collaborates across boundaries, and finds common ground with a widening range of stakeholders. Utilizes contacts to build and strengthen internal support bases.

Political Savvy - Identifies the internal and external politics that impact the work of the organization. Approaches each problem situation with a clear perception of organizational and political reality; recognizes the impact of alternative courses of action.

Written Communication - Expresses facts and ideas in writing in a clear, convincing and organized manner.

B. CURRICULUM OF KEY EXECUTIVE PROGRAM OF AMERICAN UNIVERSITY

The Key program prepares mid-level Federal managers to become innovative leaders in public service. Participants are experienced public servants who are at the GS 13, 14, or 15 levels. These three levels are considered "middle management" positions in the U.S. civil service. Most participants seek to advance to SES status, which is one level above GS-15 and a rank just below that held by political appointees of the president of the United States. SES officials assume agency-wide responsibilities for leading people, leading change, building coalitions and communications, employing business acumen, and getting results. As managers, they have already demonstrated skills in controlling budgets, meeting project deadlines, building fail-safe and risk-free systems, and administering Congressional laws. The curriculum of the Key program is designed to transform managers into leaders.

If *control* is the essence of management, *change* is the essence of leadership. Managers are skilled in completing routine day-to-day work, and pursuing corrective measures when exceptions to normal processes arise. Inspiring others is not a requirement for management-by-exception. It is for

leadership. Leaders energize others by challenging the status quo, inspiring a shared vision, and enabling others to take committed action in the face of unknowable outcomes. Managers must have the skills to lead and leaders to manage. Although the two functions are not mutually exclusive, they draw on different mindsets and behaviors. The Key program produces executives who have mastered both management and leadership. The curriculum does not elevate leadership at the expense of management. Instead, Key graduates are *managerial leaders* – i.e., public servants who are as effective at *leading* as they are at *managing*. Excellence in management and excellence in leadership are essential for success at the SES level. Three of the ECQs focus on leadership -- Leading People, Leading Change, and Building Coalitions & Communications. The other two ECQs -- Being Results Driven and Employing Business Acumen -- focus on management. In other words, the job of a senior executive is about 60% leadership and 40% management.

Key classes are held on the AU campus on selected Fridays and Saturdays over a 20 month period. Classes are held from 8:30 a.m. until 4 p.m. Each prospective Key participant is personally interviewed by the Director to assemble a cohort of experienced, motivated and diverse participants. About 20 participants are admitted each year. Approximately 60% of each cohort is female and 40% male. Of these men and women, about 40% are Caucasian, 35% African American, 10% Hispanic, and 15% Asian or Other. The small class size enables participants to engage in active dialogue with faculty and also builds a strong sense of community and collaboration. Each class is a tightly-knit cohort that stays together over the course of the 20 months. To enhance learning, faculty and participants work with each other in a climate of mutual respect and trust – listening to each other and engaging in dialogue where all views are respected and considered. Participants regularly teach other and learn from each other, inside and outside the classroom. All assignments (written papers and oral presentations) are based on achievable academic goals, which fully engage participants' minds in a learning process that leads to intellectual growth and enhances effectiveness in leading people, inspiring a shared vision, challenging the status quo and leading organizational change. Courses are academically challenging and rigorous, and grades from A (excellent) through F (failure) are assigned by faculty. Participants are required to maintain a Grade Point Average of 3.0 (B average). If a participant's cumulative Grade Point Average falls below 3.0 after twelve credit hours in the program or thereafter, the participant is placed on academic probation for one semester. Successfully completing an intense comprehensive exam is the final academic challenge before participants are awarded the Master's of Public Administration degree.

Course	Descriptions	of	Key	Executive	Program
<i>Leadership for High Performance</i>			(Meets ECQs 1 and 2)		
Participants learn how to develop and implement an organizational vision that integrates key national and program goals, priorities, and values. Participants gain the skill, theory-based knowledge, and self-awareness to exert customer-driven leadership in public organizations. Emphasis is placed on differentiating management from leadership, and on coaching, facilitating, and political management to achieve positive change. Participants learn the importance of building trust in government by operating with civility and high personal integrity. (3 credits)					
<i>Organization Diagnosis and Change</i>			(Meets ECQ 2)		
Participants learn principles of organization diagnosis, planning, and change. Emphasis is placed on the theory and application of diagnostic models, the role of consultants in change management, issues of organization structure and design, and postmodern approaches to structuring organizations to enhance entrepreneurial behavior and value-added services for internal and external customers. (3 credits)					
<i>Public Managerial Economics</i>			(Meets ECQs 3 and 4)		
Participants learn micro and macroeconomic theories to establish a framework for optimal public policy interventions. Participants discuss the comparative advantages of short-run fiscal and monetary policy changes and of longer-run growth policy options in the context of an open economy. Microeconomic policy applications include regulatory and tax changes, as well as user fees and other forms of cost recovery. (3 credits)					
<i>Politics and the Policy Process</i>			(Meets ECQ 5)		
Participants examine the relationship of congressional oversight and OMB review to the administration					

of government policy. Participants study how participants respond to pressure groups, clientele groups, and the general public and how participants involve these groups in agency policy making. The course deals with the political basis of government organization and the relationship between top-level career executives and political executives. Special attention is given to the problems of administrative accountability, the difficulties of interagency coordination, and the devolution of current federal responsibilities to states, localities, and the private sector. (3 credits)

Budgeting and Financial Management (Meets ECQs 3 and 4)
Participants examine the use of the executive budget as a device for management planning and control. Emphasis is placed on understanding underlying concepts of public finance and the elements of budget analysis, strategy, review, and execution. Attention is also given to the factors that influence budgetary commitments and the interplay between tax policy, budgets, and fiscal policy. (3 credits)

Human Resource Management for Executives (Meets ECQ 3)
Participants study how managerial discretion is embedded in HRM policies and practices and their corresponding responsibility, accountability, and liability. Participants learn about the role of HRM in an organization and the skills and principles of effective hiring, performance management, employee development, position classification, and job analysis. Merit principles and managerial discretion are explored in the context of ethical theories on equity, equality, and considerations of democratic governance. (1.5 credits)

Ethics for Public Managers (Meets ECQ 1 and 2)
Participants explore ethical philosophy and its everyday applications in managerial decision making. Participants study a variety of complex cases that pose ethical dilemmas. Through discussions participants enhance participants ethical sensitivity and learn the importance of considering ethical values and obligations in managerial decision making. (1.5 credits)

Legal Issues in Public Administration (Meets ECQ 3)
Participants cover principles of contemporary constitutional and administrative law that guide and shape public administration in the United States. The course explains how constitutional and other legal values and requirements should be integrated into public management practices and examines the legal issues, realities, and dilemmas behind such trends as deregulation, devolution, intensified agency oversight, paperwork reduction, outcome verses performance standards in agency rule making, and agency-manager legal exposure and liabilities. In short, participants gain a measure of legal familiarity and “constitutional literacy” in the changing arena of public management. (3 credits)

Managing Conflict (Meets ECQs 1 and 2)
Participants learn how downsizing, reorganizations, new work demands, and a workforce with different expectations than in the past can all produce tensions and disputes in the workplace and new challenges for dealing with customers. More than ever, participants must be skilled negotiators and able to manage conflict. In this two-day course, participants learn to use “interest-based” rather than zero-sum negotiation techniques. (1 credit)

Executive Writing (Meets ECQs 3 and 5)
Participants learn the elements of effective writing and cover subjects such as organizing concepts and prewriting, wordiness, parallel structure, paragraphing, subordination, passive voice, transitions, report structure, nominalizations, prepositional decay, proofreading, and document design and participants. (2 credits)

Executive Problem Solving (Meets ECQ 3 and 4)
Participants study basic quantitative methods and their application to executive decision making and problem solving. Participants learn the theoretical bases and mechanics of various quantitative methods and apply them to human resource problems. The course prepares participants to be an effective initiator, consumer, and evaluator of quantitative studies. (3 credits)

Program Analysis and Evaluation (Meets ECQ 3 and 4)
Participants learn about the broad set of research activities essential for designing, implementing, and appraising the usefulness of government programs. Participants learn how to assess the effectiveness and efficiency of innovative initiatives as well as programs already in place and gain skills critical in implementing the Government Performance and Results Act. (3 credits)

Public Marketing and Strategic Communication (Meets ECQ 5)
 Participants study principles of marketing and communication to help identify what features of governmental performance are judged relevant and important by citizens; the marketing of governmental services to internal and external customers; and bringing about changes in citizen behavior in such areas as smoking, seat belt use, exercise, nutrition, environmental protection, education, and drug use. Participants learn a conceptual and theoretical framework for developing communication campaigns aimed at advancing public policy goals. (1.5 credits)

Government and Non Profit Informatics (Meets ECQs 3 and 4)
 Participants explore the implications of networked intelligence in the new economy, emphasizing themes such as enhanced individual and group performance, the integrated organization, the extended enterprise, flat organizational structures, paperwork reduction, and other implications from evolving technological change. (1.5 credits)

Acquisition Management (Meets ECQ 3)
 Participants study how to manage and exercise leverage in both the award and administration phases of the acquisition cycle. As the effective stakeholders in the acquisition process, participants learn how to influence outcomes that fulfill public policy objectives. Basic rules, regulations, laws, directives, and ethical considerations are covered with respect to both competitive and sole-source acquisitions. (1.5 credits)

C. SITE VISIT TO FEDERAL EXECUTIVE INSTITUTE AND OFFICE OF EXECUTIVE RESOURCES MANAGEMENT

On 26 February 2002, the researchers conducted a site visit to the *Federal Executive Institute* (FEI) in Charlottesville, Virginia. The FEI is a leadership development facility created in 1968 by the U.S. Office of Personnel Management (OPM), the central office responsible for human resource management in the Federal government. On 1 March 2002, the researchers also conducted a site visit to the *Office of Executive Resources Management*, the component of OPM in Washington, DC that is responsible for administering, certifying and monitoring all aspects of the SES. Interviews were conducted with Pete Ronayne, senior faculty at FEI and with K. Joyce Edwards and Carol Harvey, senior officials of OPM, on their experience and lessons learned in designing leadership development programs in the Federal sector.

A residential center, FEI is located approximately two hours southwest of Washington, D.C. The fourteen acre campus is in the heart of the university community of Charlottesville, Virginia, but is secluded by woods and terrain. Participants stay in private guest rooms and eat well-prepared, health-conscious meals. Programs are presented in well-equipped on-site classrooms. When not in class, participants may exercise in the Fitness Center. Personal health and fitness are a central component of leadership development at FEI. While the program provides a common core of knowledge and skills, it also enables each participant to tailor the learning experience to her or his needs. Since FEI was founded in 1968, over 14,000 senior managers have attended its programs.

Leadership for a Democratic Society is the major program of the FEI. About 700 participants complete it each year. The overarching theme of this program is that senior executives operate within a Constitutional framework. Conducted in residence at FEI over a four week period, the program consists of four sub-themes:

1. *Personal Leadership*

How does one get other people to follow? How does one get other people to move toward a common purpose? How does one motivate others? What are the essential characteristics of effective leadership?

2. *Transforming Organizations*
 What strategies can be used to overcome resistance to change? How does one inspire a shared vision?

3. *Leading in a Democracy*

What skills are needed to deal effectively with Congress? With media? With interest groups? With lobbyists? With ordinary citizens?

4. *Global Perspective*

What are the major global trends affecting society? How does one inter-relate with officials of other governments?

The **Leadership Development Team** is the cornerstone of the FEI experience. Teams of 7-8 participants and a faculty facilitator build a supportive learning climate and create lasting relationships that enable participants to work with each other across organizational boundaries -- both during and after the program.

During the first week of the program, each participant explores the nature of leadership and uses data from personal assessments and the Leadership Development Team experience to assess leadership strengths and identify areas for development. Each participant crafts a personal learning plan for the remainder of his or her time at FEI and beyond.

Courses and plenaries appeal to a variety of learning styles and executive needs. Participants choose a different course each week during their last three weeks from a selection based on the four program sub-themes. Courses are small and use a wide mix of interactive methods, including group exercises, case studies, simulations, skill practice, instruments, and video tapes. The plenary sessions bring the entire class together to focus on the program themes and current policy issues.

Field Experiences allow participants to explore leadership issues and practices in a wide variety of settings away from the FEI campus. Trips to private, nonprofit, and public organizations are scheduled in most programs.

Executive Forums invite participants to deliver presentations on topics of interest to their peers and thus help colleagues learn about other government agencies.

As they prepare to graduate, participants also work on a **Leadership Challenge** to present to their organization back home. This activity helps participants synthesize their learning around four key leadership questions: What drives them as participants? What are their organization's core values and purpose? Where do they want to lead their organization in facing the challenges of the future? What further personal development do they need to make their vision of the future a reality?

The Applied Learning Program

The Applied Learning Program model of the *Leadership for a Democratic Society* program also addresses the four main program sub-themes but uses an approach especially suited to participants who prefer not to attend four consecutive weeks and who wish to blend learning with on-the-job application. The first two-week residential segment focuses on the Personal Leadership sub-theme. Next is a three-month "back home" intersession during which participants apply skills learned at FEI in an Executive Learning Project. The second two-week residential segment draws lessons from the Executive Learning Project experience and focuses on the Transforming Organizations sub-theme.

FEI's Wellness Program is another special feature that helps participants balance career and health needs. Beginning with a computer-based Health Risk Appraisal, including a blood test, FEI provides personal data, a physical screening, and presentations on health risks, nutrition, and stress management. Optional daily aerobics and walking sessions as well as nutritional information on FEI's menus support participants in living healthy lives.

A Typical Day at FEI

- 6:30-8:00am** Breakfast
- 8:15-12:00noon** Classes or Leadership Development Team Activities
- 12:00-2:15pm** Lunch and Fitness Activities (optional)
- 1:00-3:00pm** Study Time
- 3:00-5:30pm** Classes or Plenary Sessions: examples of classes from the month of February 3–March 1, 2002 include "Emotional Intelligence," "From Bosnia to Bin Laden and Beyond," "Thank You, Mr. Madison!," and "Marketing for Federal Executives."
- 5:30-6:00pm** Social Interaction Period

6:00-7:00pm Dinner

7:15-8:45pm Leadership Development Team, Executive Forum, or Plenary Sessions

D. BEST PRACTICES FOR TRANSFORMING PUBLIC MANAGERS INTO LEADERS

The success of both the Key Executive Program and the FEI shows that capacities for public leadership can be developed by means of creatively structured activities, inside and outside the classroom. Both programs produce graduates who believe that leadership is more than the actions of a single extraordinary person. Leaders grow other leaders. Leaders lead others to lead themselves. Both programs have been able to transform managers into leaders over a relatively short period of time, even though leadership development is a never-completed, lifelong process. But what, exactly, “develops” in leadership development? A synthesis of the Key and FEI programs, supplemented by interviews with directors and faculty in these programs, reveals that the following 10 leadership capacities can be learned over time:

- Self-awareness
- Emotional self-regulation
- Empathy for others
- Self-confidence
- Effective oral and written communication
- Willingness to take initiatives
- Ability to take a broad view of the organization
- Ability to work effectively in complex bureaucratic systems
- Ability to think creatively
- Ability to learn from experience

Finally, the Key and FEI programs use three main strategies for leadership development:

- Both programs take participants beyond their “comfort zone” by using self-assessments, in-class exercises and simulations to promote their development as leaders.
- Both programs encourage participants to share, and learn from, their experiences with each other – in other words, participants teach each other as much as faculty teach participants and participants teach faculty.
- Both programs focus on connecting leadership development to the strategic mission of each participant’s organization.

PHASE 3

Drawing on these preliminary U.S. “best practices” and the specific training needs expressed by Hungarian stakeholders, propose in writing to the Hungarian Prime Minister’s Office and the Hungarian Ministry of Interior a series of pilot tests -- including rigorous evaluation protocols -- of leadership development for selected groups of senior Hungarian managers.

PROPOSAL for Developmental Training of *Fotisztviselo*

This is a proposal to develop the administrative, managerial, and leadership knowledge and skills of *Fotisztviselo*. Three modules will be provided:

- ❑ **Modern public administration** (for example: knowledge of European tendencies in public administration, public policy creation, strategic planning, program evaluation)
- ❑ **Modern public management** (for example: knowledge of human resources management, staff administration, strategic management, crisis management)
- ❑ **Modern public leadership** (for example: practical skills in communication, press, rhetoric, technique for negotiations, organizational leadership, team-working)

Aims and Responsibilities of *Fotisztviselo*

To succeed, *Fotisztviselo* must learn how to take on three roles: (1) public administrator, (2) public manager, and (3) public leader. According to law, *Fotisztviselo* are required to:

- ❑ *Administer* laws and rules that help move Hungary toward EU accession
- ❑ *Manage* financial, human and technology resources
- ❑ *Lead* people and change needed for a performance-based civil service

Along with these three roles, the responsibilities of *Fotisztviselo* include:

- ❑ Contributing to strategic decision-making
- ❑ Implementing the strategy of the government
- ❑ Executing, case by case, assignments from the prime minister or the minister of the Chancellery.

Main Purpose of Training

The main purpose of these three modules is to help *Fotisztviselo* understand, in theory and practice, their three roles as public administrators, public managers and public leaders in the Hungarian civil service.

Objectives of Training

- To enable *Fotisztviselo* to understand the differences among (1) public administration (2) public management and (3) public leadership
- To broaden *Fotisztviselo*’s understanding of the practical competencies and skills necessary to be a successful public administrator, public manager and public leader in the Hungarian civil service
- To provide a forum for mutual learning, exchange, and effective collaboration among the *Fotisztviselo*

Orientation for Participants

Participants will begin with a one-day orientation session designed to allow them to become acquainted with each other, build group identity and rapport, clarify norms and expectations, learn about the curriculum, and start the process of self-assessment.

Training Philosophy

- ❑ To provide a distinguished faculty that has practical knowledge of modern public administration, modern public management and modern public leadership

- To actively involve participants in the learning experience using course content that is grounded in their personal experiences in Hungarian public administration.
- To provide course content that is relevant to current issues that participants face, on a day-to-day basis, in their ministries.
- To build a strong support network among the participants.
- To incorporate into the curriculum the most recent developments in building administrative, managerial and leadership capacity
- To provide assessments and feedback that enable participants to deploy their leadership strengths and compensate for their leadership weaknesses.
- To create a safe and respectful environment where participants can learn and practice their public leadership skills

Learning Methods

A mix of learning methods, including mini-lecture, assessment, feedback, interaction, dialogue, and exchange will be used. Classes will be highly interactive and will include self-assessments, case studies, group exercises, action planning sessions, and discussions.

Diagnosis of Current Leadership Skills and Creating a Plan for Future Development

For the third module (Modern Public Leadership), participants will work closely with a trained coach to diagnose and assess their current leadership skills. After assessment, the participant will speak with a coach, on a private basis, to custom design a development plan that builds on their leadership strengths and identifies behaviors that may be impeding their effectiveness as a leader. These assessments are strictly confidential and will be used only for developmental purposes. They will not be used for performance evaluation and will not be released to anyone other than the participant. Specific needs of each participant will be addressed and unique development plans will be prepared for each participant.

PHASE 4

1. Present results of Key Executive Program, OPM and Federal Executive Institute research on “best practices” and results of interviews with Hungarian stakeholders **at NISPAcee and ASPA meetings so that academics can consider piloting similar projects in other CEE countries.**

2. Summarizes results of Key Executive Program, OPM and Federal Executive Institute research on “best practices” and results of interviews with Hungarian stakeholders **for publication in peer-reviewed journal articles in the U.S. and Hungary.**

PAPERS:

Beyond Max Weber: Emotional Intelligence and Public Leadership

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“We’re always talking about efficiency, productivity, restructuring and accountability. And to the ordinary citizen this means little. What the citizens want to hear is honesty, service ... You have to communicate with people at an emotion level -- the issues that are confronting them as ordinary citizens” (Delegate to OECD Symposium, cited in Lau, 2000, p.59).

All governance is people governance. All public service is people service. It’s all people. Relationships are the DNA of governance. Without people who can develop trusting relationships with other people

there is no governance. Governance is more than the machinery of public administration and more than impartial cost-benefit analysis. At the 1996 OECD Ministerial Symposium on the Future of Public Services, governance was defined entirely in terms of relationships. Governance, concluded the OECD ministers, “encompasses *the set of relationships* between governments and citizens, acting as both individuals and as part of or through institutions, e.g., political parties, productive enterprises, special interest groups and the media” (Lau, 2000, p. 112). Relationships are at the heart of governance. To the extent that public administration mirrors the hearts and minds of people, it is governance. To the extent that public administration is disconnected from people, it is not governance. Public administrators are much more simply human than otherwise. Like the rest of us, public administrators are people, too.

1.0. Relationships are the DNA of Governance

If relationships are the DNA of governance, I want to pose a question that is rarely asked in schools of public administration in Central and Eastern Europe: what, exactly, would be the value *for governance* of public administrators who can build relationships of mutual understanding and trust with:

- people who are peers in their own ministries?
- people who are peers in other ministries?
- people who are political superiors?
- people who are lower-level civil servants?
- people who are heads of parliamentary committees?
- people in business firms?
- people in special interest groups?
- people in media?
- people who are academicians?
- people who are NATO and European Union officials?
- people in the civic sector, non-profits and NGOs?
- people who are ordinary citizens?

Trust is a precious commodity. It is virtually impossible for any human being to build trusting relationships with so many people at once. So, let’s pose a more modest question: What, I wonder, would be the value of public administrators who can build relationships of mutual understanding and trust *merely with people who are peers in their own ministries?*

Public administrators all over the world hold on, with amazing rigidity, to “turf,” “stovepipes” or “silos.” In my 25 years of experience in the U.S. government, including a stint on vice-president Al Gore’s task force to reinvent government, I often saw the harmful effects on American governance of this problem. Even after September 11, Governor Tom Ridge, who was appointed by President Bush to coordinate “homeland security” for the United States, cannot gain the cooperation of people in the two dozen Federal agencies whose mission is connected to homeland security. There are many reasons for the insidious durability of “silos,” one of which I will touch upon later in this paper, when I explore the unexamined assumptions of Max Weber’s theory of bureaucracy. But, in the simplest sense, what a metaphor like “silo” signifies in CEE and NIS governments is that -- even in the same ministry, even in the same department of the same ministry, even on the same floor of the same department of the same ministry -- public administrators *do not see a need to build relationships with each other*. If they do not see a need to cooperate with each other in the same ministry, if they do not see a need to build relationships of trust with the people they work with on a daily basis, why on earth would they see any need to cooperate with people in other ministries? Or with political superiors? Or with EU officials? Or with media? Or with citizens? *Or with anyone?*

I suspect that these questions are so rarely asked in schools of public administration because of the tendency toward isolation and “silos” in academic departments themselves. Few professors see any need to cooperate with colleagues. But, even with their devotion to individualism, professors usually respect the intellectual merit of the major disciplines of the field of public administration. The discipline of economics, for example, is highly valued for its intellectual rigor. So, if you have not yet fully understood the implications of my original question, let me now rephrase it, but this time strictly in economic terms: What would be the value for governance of public administrators who see the need for building stocks of social capital in administrative space? Mutual respect is a prerequisite for building understanding and trust in the space between people. In the public sphere, “administrative

space” is merely the name that political scientists give to the “space between people” -- the space that economists have shown can be filled with “social capital.”

2.0. Social Capital

What, exactly is social capital? For CEE states, especially those about to enter the EU, building social capital may be even more valuable than investing merely in physical, financial and human capital. Physical capital comprises the machinery, tools and technology of production. Financial capital refers to money. The people who produce goods and services are human capital. Social capital refers to the bonds of mutual respect and care among members of a collective. Social capital allows for reducing the transaction costs of economic exchange (Wiegel, 1997).

Human capital is invested in people. Social capital is invested in *relationships* among people. When public administrators invest in social capital, government earns a big return on investment. Public administrators earn currency in the form of increased trust in governance:

We can think of it as money in the “relationship bank.” As we work with people over time, deposits are made. We learn when someone gives us their word that we can count on it or that when they make commitment, these commitments are kept. We learn through working with them that we can count on them for straight talk and reliable action. When we have worked with someone over time and they have built up a trust account with us, if they are suddenly less than candid or they do not meet a commitment, we are likely to give them the benefit of the doubt. However, there is a point at which the balance in the relationship bank becomes depleted and trust changes to mistrust. That is the point at which people begin to disengage from the relationship (Axelrod, 2000, p. 168).

When public administrators fail to invest in social capital, they lose legitimacy, add to cynicism, and reduce the willingness of citizens, businesses and interest groups to bear the costs of painful reforms.

Without large investments in social capital, the tens of billions of dollars of World Bank and other local taxpayer monies allocated to modernize the economies of CEE and NIS states are liable to be wasted, deepening the chasm of mistrust and cynicism, fostering more corruption and increasing citizen apathy. The currency of social capital is trust (Rose, 1996; Fukuyama, 1995). The “cash value” of this currency is real. As trust in government continues to plummet, CEE and NIS states will need a new Marshall Plan to increase investment in social capital even more than they need infusions of World Bank and other financial capital.

Economists have compiled 30 years of multivariate statistical analysis to demonstrate that earnings from social capital help lift trust in governance (Putnam, 1999). Likewise, psychologists have compiled 30 years of multivariate statistical analysis to demonstrate that the level of social capital in any human system is dependent on its collective level of emotional intelligence (Goleman, 1997). The higher the level of group emotional intelligence, the higher the level of social capital. Would it be too far-fetched, therefore, to conclude that “social capital” is nothing more than an abstract name that the discipline of economics gives to what neuroscientists call “emotional intelligence”?

3.0. The Intelligence of Emotions

What, exactly, is emotional intelligence? Doesn't IQ cover all we acknowledge and mean by the word intelligence? According to Douglas Hofstadter (1980, p. 26), Pulitzer-prize winning author of the brilliant book *Godel, Escher, Bach*, intelligence can be defined in terms of the following eight abilities:

1. To respond to situations very flexibly.
2. To take advantage of the right time and right place.
3. To make sense of ambiguous or contradictory messages.
4. To recognize the importance of different elements of a situation.
5. To find similarities between situations despite differences that may separate them.
6. To draw distinctions between situations despite similarities that may link them.
7. To synthesize new concepts by taking old concepts and combining them in new ways.
8. To develop ideas that are novel.

Are emotions “intelligent”? Evidence from evolutionary biology and neuroscience is overwhelming that emotions are, in fact, highly intelligent, and that they have primacy over IQ for building group intelligence and social capital:

In meetings and other group settings where people come together to collaborate, there is a strong sense of group IQ, the sum total of intellectual knowledge and skills in the room. However it turns out that the single most important element in group intelligence is not the average, or highest, IQ, but emotional intelligence. *A single participant who is low in emotional intelligence can lower the collective IQ of the entire group.* Chris Argyris, from Harvard, asks. “How can a group where everyone has an individual IQ of 130 together and collectively end up with an IQ of 60?” (Cooper and Sawaf, 1997, p. xxxiv)

IQ alone cannot build group intelligence. IQ has no heartbeat. Emotional intelligence, on the other hand, focuses like a laser beam what is important to us. Without the signals communicated by emotions, life would be drab, colorless and meaningless. I would care no more what happens to me or to you than does a machine. I would be interested in nothing. Without emotions we could not attach meaning to the word “interest” in the term “public interest.” Organized society could not function without emotional intelligence. Without emotions we could not attach meaning to the word “organized” in the term “organized society.” Emotions can certainly be harmful to governance, especially the emotions of hatred, greed, vengeance and lust. “There has never been any doubt that, under certain circumstances, emotion can disrupt reason,” says Antonio Damasio, professor of neurology at the Medical School of the University of Iowa. “yet research shows that reduction in emotion may constitute an equally important source of irrational behavior” (*ibid.*, p. xxxiii).

Without the intelligent guidance of emotions, human beings cannot respond to situations very flexibly, take advantage of the right time and right place, make sense of ambiguous or contradictory messages, recognize the importance of different elements of a situation, find similarities between situations despite differences that may separate them, draw distinctions between situations despite similarities that may link them, synthesize new concepts by taking old concepts and combining in new ways, or develop ideas that are novel. Without the guidance of emotions we cannot be intelligent. Without the guidance of emotions we cannot be rational.

Emotional intelligence is registered through *deep listening* -- listening to oneself and listening to others (Kramer 1995, 1999). People who are high in emotional intelligence know how to listen to their emotions and regulate their intensity so they are not hijacked by them. Emotionally intelligent people know how to keep disruptive emotions in check. Emotionally intelligent people sense the effect their emotions have on others. Emotionally intelligent people can laugh at themselves. Emotionally intelligent people know how to deploy their strengths and compensate for their weaknesses. Emotionally intelligent people listen to other people’s emotions and can empathize with them. Emotionally intelligent people act ethically and build trust through integrity and reliability. Emotionally intelligent people admit their own mistakes and learn from them. Emotionally intelligent people are comfortable with new ideas and new information. Emotionally intelligent people are skilled at listening to a group’s emotional currents and discerning the power relationships. Emotionally intelligent people can negotiate and resolve disagreements. Emotionally intelligent people listen to other people and know how to communicate effectively (Goleman 1997).

Emotionally intelligent behavior is a prerequisite for building bridges of mutual understanding and trust in the space between people -- in “administrative space.” To promote effective and efficient governance, large stocks of social capital are needed to fill the gaps of mistrust in every ministry, in every department, in every office, and in every nook and cranny in administrative space.

4.0. Leading by Listening

To build stocks of social capital, one of the most important skills a public administrator needs is the ability to listen -- to self and others. The Chinese characters that make up the verb “to listen” tell us something significant about this skill. Chinese characters are really pictograms. “When in stillness,” reads this pictogram, “a king listens with the heart. The ear is worth ten eyes.” In order to be a good king, one must listen with ears, eyes, and heart, giving undivided attention to the people. In the philosophy of Taoism, a king is defined as a servant-leader who is a mindful listener. In a sense, the Chinese pictogram suggests an ancient wisdom: “leadership” is a metaphor for being integrated, focused, and centered, a metaphor for emotional and intellectual balance in all aspects of life.



Leadership is connecting mindfully and feelingly to what moves in one's soul -- and makes one come alive -- and to what moves in the souls of others and makes them come alive. Public service leadership is soulwork.

Traditionally, leadership has been seen as a mysterious, lofty quality granted only to a few privileged people, and if one is not born with that quality, one cannot acquire it. Not so. Leadership is a composite of listening and speaking skills that can be learned, developed, and exercised by anyone in working with others to carry out a task. An outstanding public servant, according to the Chinese pictogram, is a leader who:

- Listens to the whole message -- not only the words, but the "music": the tone of voice, the facial expressions, the gestures, the emotions and the silences between the words.
- Allows the speaker to feel fully valued and deeply respected.
- Is able to sustain concentration, focus intently and recall the speaker's message -- the words, emotions and the "music" -- many days later.
- Listens to one's own thoughts and emotions as he or she speaks -- carefully choosing words and non-verbal ways of expression (the "music") that match one's intended meaning.

As the last point suggests, leading is about speaking persuasively just as much as it is about listening deeply. By tapping emotional energies, leaders move themselves and others to committed action. Leaders know how to draw out enthusiasm in others not merely compliance. Authenticity -- *listening to oneself* -- is the most important prerequisite for public service.

Public service leaders know their deepest convictions, are true to them, and act with empathic understanding and positive regard for others' differences, without demanding that everyone else feel, think or act the same way that they do (Kramer, 1995). Public service leaders listen deeply as a way to find common ground for action and results. Public service leaders hold their ground and stay connected. Public service leaders are ethical. Public service leaders who have the capacity to listen deeply to themselves and others know five things. They:

- Know, deep down, what their values are and what other peoples' values are;
- Know how to communicate what they need in order to get cooperation from peers, political superiors and others;
- Know how to build coalitions to support the needs of peers, political superiors and others;
- Know how to say no to illegal or unethical acts of government;
- Know how to build social capital.

5.0. Do Public Administrators Have a Right to Lead?

Public administrators are accountable to political superiors. Doesn't this imply that they are responsible solely for following mandates granted from those who are elected to represent the "will of the people"? Public administrators are followers not leaders. Public administrators follow laws and regulations. Public administrators follow the will of elected chief executives and elected legislators. Public administrators follow the election returns. Public administrators are cogs in the machinery of government. Public administrators are mechanical transmission belts. Public administrators merely transmit the emotional energy imparted to them from above, making no additional contribution to the total effort. What they see, hear and feel is irrelevant to implementing the "will of the people." Only elected political officials have the right to lead. Public administrators are not the equivalent of Chinese kings. What right, you might ask, do unelected public administrators have to lead? Wouldn't this open the door to administrative tyranny and arbitrariness? Is it ethical for public administrators to see themselves as "leaders" in governance? According to Harvard professor Robert Behn (1998), leadership is not merely a right of public administrators. It is a necessity:

Leadership from [public administrators] is necessary because without leadership public organizations will never mobilize themselves to accomplish their mandated purposes. Leadership from [public administrators] is necessary because the elected chief executive can provide leadership for only a few of the many agencies and programs for which he or she is responsible. Leadership from [public administrators] is necessary because the legislative branch of government gives public agencies missions that are vague and conflicting and often fails to provide enough resources to pursue seriously

all of these missions. Leadership from [public administrators] is necessary because a narrow interest can easily capture a public agency and redirect government programs for their own gain. Leadership from [public administrators] is necessary because the citizenry often lacks the knowledge and information (or will) necessary to perform its responsibilities. (p. 209)

Because neither chief executives nor legislators are perfect, governance cannot exist without public administrators who are also leaders. Because chief executives and legislators are fallible humans, who often give inconsistent or incomplete directions, public administrators must help them lead. Elected officials represent the will of the people. But public administrators in democracies may be even more representative of ordinary citizens than elected officials (Krislov and Rosenbloom, 1981). When elected officials attempt illegal or unethical acts only public administrators can block the implementation of these acts. All governance is people governance. Elected chief executives and legislators are much more simply human than otherwise. Like the rest of us, they are people, too. If leadership is manifested in relations between people, then, in economic terms, the most important contribution of public administrators to governance may be to work purposefully and ethically with elected officials to *increase stocks of social capital in administrative space*. Only leaders who know how to listen deeply -- to themselves and others -- have the capacity to increase social capital.

6.0. Leadership is a Relationship Not a Position in a Hierarchy

Leadership is more than a formal position in a hierarchy. It often starts as a formal position, but it is always more, much more, than merely a position. Leadership is an encounter -- a listening relationship -- between human beings. Leadership is a *relationship* not an individual (Kramer, 1995).

While traditional conceptions of leadership tend to be dominated by images of a single person such as a president, prime minister, Member of Parliament, or business CEO speaking to the masses and directing them from "on high," leadership has little to do with domination. Although people can be threatened or rewarded to do what others want them to do, that is not leadership. Leadership does not occur when people obey commands or comply based primarily on threats or promises of reward. Leadership does not occur when people respond to a situation based primarily on direction by someone else. Leadership does not occur merely when you get other people to do what you want them to do.

Today leadership in democracies is no longer seen as a single person who occupies a position at the top of a hierarchy and issues commands. Leadership is not an attribute of a position. Leadership is not an attribute of status, either in business or government. We must not confuse leadership with the top-ranking person in a hierarchy. Many a "No. 1" in politics or public administration could not lead a squad of ducks across the street. Likewise, we should not confuse leadership with power. Military dictators like Saddam Hussein wield power. The al-Qaida terrorist who lays a knife on the neck of an airline pilot has power. Leadership is more than power. Leadership is also more than legitimate authority. The police officer who issues you a speeding ticket has legitimate authority, as does the Motor Vehicles Bureau clerk who tests your vision before granting you a license to drive. "Corporations and government agencies everywhere have executives who imagine that their place on the organization chart has given them a body of followers," writes John Gardner (1990), a former U.S. cabinet secretary. "And of course it has not. They have been given subordinates. Whether the subordinates become followers depends on whether the executives act like leaders" (p. 3).

7.0. Followers Can Be Leaders and Leaders Can Be Followers

"The only definition of a leader," according to Peter Drucker (1999), "is someone who has followers" (p. xii). In other words, without willing, active, and committed followers, there are no leaders. Since leadership is a relationship of deep listening, any person in the "administrative space" of governance can "take the lead" and any person can "follow the lead." These roles are not fixed. They can alternate. We shift frequently in ordinary group relationships from one role to the other without even thinking about it. In my Sunday morning prayer circle I can be a leader. In my Sunday night bowling club I can be a follower. A new view of "followers," first articulated by Joseph Rost (1991, p. 109), is now emerging in the context of governance relationships:

- *One person does not make a relationship.* If leadership is a relationship, then it is not possible for leadership to equal a single person.
- *Only active people are followers.* Only people who engage with others in the leadership relationship should be called followers. Passive people have chosen not to participate in a relationship. Passive people are not followers. Passive people are non-players. Passive people have chosen to withdraw their social capital from public life and invest it in their private life.
- *Followers can be transformed into leaders and leaders into followers.* Sometimes we choose to lead and other times we choose to follow. People are not stuck in the same role all the time. In one meeting on Monday morning I can be a leader, and in another meeting on Monday afternoon I can be a follower. Few people have interest in leading 24 hours a day, 7 days a week. In public life, some people choose to be followers much of the time and some people choose never to participate in any leadership relationships.
- *Followers are not doing followership, they are doing leadership.* Both leaders and followers co-create one relationship that is “leadership.” If a leader’s influence is based more on persuasion than on authority, position or status, then followers actively and deliberately choose when, where, why and how they allow themselves to be influenced. Followers and leaders continually influence each other. If they did not influence each other, they would not be in leadership relationship.

Public leadership, therefore, is a relationship between leaders and followers who develop mutual understanding and trust by repeated experiences of deep listening. People who participate in this relationship are the stakeholders in governance.

Stakeholders are the DNA of governance. These stakeholders have different names. Depending on the situation, time and place, we may call these stakeholders “leaders,” “followers,” “elected officials,” “public administrators,” “government employees,” “constituents,” “citizens,” “customers,” “interest groups,” “NGOs,” “academicians,” “media” or any other name for a human being that designates an active and willing partner in governance.

8.0. “360-degree” Leadership

By definition leadership is about leading change. To maintain the status quo there is no need for leadership. There can be no reform of CEE governance without the emergence of many people who are willing to be leaders. A handful of officials at the top of a hierarchy in the Prime Minister’s office or the Parliament is not enough. To implement reform of governance, elected political leaders are necessary but not sufficient. Career public administrators must also lead. In a report entitled “Developing Public Service Leaders for the Future,” the July 2000 *HRM Working Party Meeting* in Paris concluded that:

... leadership plays an important role in the implementation of reform because it involves two of the most important aspects of reform: *change* and *people*. Leadership is manifested in relations between people. Good leaders inspire people. Changing organizations is really about changing people’s behavior, so organizations undergoing reform need leadership. Leaders, spread throughout an organization, can help diffuse and maintain the new values necessary for public sector reform. (OECD, 2000, p. 3)

Just as governance is a relationship, so, too, is leadership. *Leadership is not a single person*. In CEE states, “The relationship between citizens and their public administration is a central issue of strategic importance to improving governance,” writes Joanne Caddy, administrator of SIGMA’s Public Administration Development Strategies Unit. “Better channels of communication and greater citizen engagement increase both the effectiveness and legitimacy of public administration -- and hence its capacity to deliver results” (Caddy, 1999, p. 1). All public service is people service. It’s all people and relationships. For governance to mean anything, it must mirror the souls of people.

Actions such as constructing better channels of communication and inspiring greater citizen engagement call for more than just public administrators. They call for *public leaders*. More precisely, they call for public administrators who know how to lead by listening – which means they know how to

touch the souls of people, their own souls and those of others. They know how to listen to their own heartbeat and to the heartbeat of others.

Few public administrators in CEE states possess the leadership skills necessary to serve in senior civil service positions. In almost all CEE states, mid-level communist bureaucrats have been retained because there are no readily available alternatives. Many of the best public administrators have left government for the private sector. Under communism, civil servants listened to the Party but not to the broader population of stakeholders they were supposed to serve. As a result, since 1989, citizens of CEE states have become increasingly disillusioned with the rhetoric of “democracy” and “free markets.” Both elected and career officials often appear to be deaf to the everyday concerns of ordinary citizens. This is a failure in leadership and a failure in listening. As a result, many CEE states are creating a massive deficit in social capital.

This has untold economic consequences. A deficit in social capital means that the allocation of financial capital will be inefficient, wasteful and unproductive. A recent survey of more than 3,000 CEE companies by the World Bank and the European Bank for Reconstruction and Development (EBRD) reveals that bribery and corruption are widespread in the region. “A small group of firms exercises influence over state policies that affect the activities of many firms across the economy,” according to the EBRD survey (*The Wall Street Journal Europe*, November 9, 1999, p. 2). In many CEE and NIS states, trust in government has plummeted to pre-1989 levels (Rose, 1996). As former U.S. vice-president Al Gore observed in Washington, DC, at the January 1999 *International Conference on Reinventing Government*, “Ensuring the integrity and efficiency of government will strengthen democracy and help it accelerate, instead of suffocate, the entrepreneurial initiative of its private sector” (U.S. Department of State web site). Investing in social capital is good business -- it is an investment in good governance and, even more, a prerequisite for efficient allocation of financial capital.

If social unrest in CEE states is to be forestalled, participation in policy-making, especially as it relates to meeting the requirements of EU accession, needs to be expanded to the widest possible spectrum of public administrators, citizens, business firms, professional associations, NGOs and interest groups.

In the long run, ensuring widespread collaboration by all stakeholders in the EU accession process will allow for big savings in the regulatory apparatus of government, given that successful implementation of the *acquis* laws and regulations across Central and Eastern Europe relies heavily on voluntary compliance by citizens and businesses. Even in the short run, coercion is neither practical nor effective.

Promoting democratic governance in CEE states demands developing a cadre of public administrators who can “lead by listening” to stakeholders. This involves what can only be described as “360 degree leadership” -- public administrators with high enough levels of emotional intelligence to:

- Lead up -- build social capital with political superiors and elected officials;
- Lead down -- build social capital with lower-level staff;
- Lead across -- build social capital with peers;
- Lead out -- build social capital with stakeholders outside their ministry -- MPs, interest groups, NGOs, EU officials, academics, media, citizens etc.

9.0. Max Weber and Beyond

Currently, the vast majority of public administrators in CEE states lack the understanding and behavioral skills necessary to build social capital. Even those public administrators who are excellent administrators of laws and regulations lack the leadership skills to bring their citizens into a more mutually beneficial partnership with government officials.

Why, one wonders, is it so hard for public administrators to know when to *administer* and when to *lead*? Why is it so hard for public administrators to know when -- in the daily process of working with their political superiors, staff, peers, interest groups, MPs, media, NGOs, EU officials or ordinary citizens -- it is necessary for them to behave as *leaders* and when to behave as *administrators*? Why is it so hard for high-level civil servants to see that, to administer laws and regulations, to implement public policy, to build trust in governance, they must learn how to blend, on a day-to-day basis, the

law-based knowledge of an *administrator* with the equally vital listening skills of a *leader*? Why is it so hard for high-level civil servants to see that they must, in fact, combine both the skills of an administrator and the skills of a leader in *one and the same person*? Neither the responsibilities of administration nor those of leadership can be ignored, yet most public administrators, in CEE states and elsewhere, focus narrowly only on their administrative roles. Why? To be honest, I'm not sure but I have a hunch.

A major reason may be the continuing acceptance, by scholars and public administrators alike, of certain unexamined assumptions of Max Weber's model of bureaucracy. Based on my long experience in the U.S. Government, where I met few senior public administrators who were genuinely interested in or capable of "taking the lead" in governance, I have come to suspect that the unexamined assumptions of the Weberian model of "man as machine" contributes, to a large extent, to the absence of a leadership mindset in career civil servants.

According to Weber (1922), bureaucracy compares with other organizations exactly as does a machine: "The more perfectly the bureaucracy is dehumanized, the more completely it succeed in eliminating from official business love, hatred, and purely personal, irrational and emotional elements which escape calculation" (p. 15). Weber's model of human nature assumes that efficiency and effectiveness are harmed if human emotions influence the rational actions of public administrators. *Emotions are not intelligent*. Emotions are opposed to reason. Emotions are irrational. Emotions are unproductive. Emotions are subjective. Emotions should never guide administrative actions. The purpose of bureaucratic hierarchies, division of labor, classification of positions, standard operating procedures and pay grades is *to legislate against intrusive and irrational emotions*. To end nepotism, prevent capricious or subjective administration, and promote equal justice under law emotions must be eradicated. For reason to rule, public administrators are to become souls on ice.

10.0. Souls on Ice

In the classic formulation of Max Weber (1922), public administrators must be without affection or enthusiasm – *ohne Zorn und Eingenommenheit*:

Bureaucratic administration means fundamentally the exercise of control on the basis of knowledge. This is the feature of it which makes it specifically rational ... The dominance of a spirit of formalistic impersonality, "*Sine ira et studio*," without hatred or passion, and hence without affection or enthusiasm .. This is the spirit in which an official conducts his office ... Otherwise the door would be open to arbitrariness. (pp. 15-16).

Weber's lifelong project was to conquer the world of administration for rationality (Diggins, 1996). Excellent administration is "control on the basis of knowledge." *Administration, therefore, is about control*. Excellent administration is about limiting discretion. Excellent administration is about preventing arbitrariness and tyranny. For this reason, public officials do not establish relationships to persons. Governance is impersonal. Relationships are positively harmful for excellent administration. Once the boxes on the organizational chart are drawn, once the responsibilities of positions are delineated, once the irrationality of human emotion is eliminated, the organization will be a smooth running, lean and efficient machine, easily able to follow orders and implement public policy. Public organizations must be cool arenas for dispassionate reason, clear-headed analysis. Administration without people is the most efficient and effective governance. Administration without people, by definition, is excellent administration. Unless public administrators eradicate emotions that interfere with decision-making:

1. They cannot respond to situations very flexibly.
2. They cannot take advantage of the right time and right place.
3. They cannot make sense of ambiguous or contradictory messages.
4. They cannot recognize the importance of different elements of a situation.
5. They cannot find similarities between situations despite differences that may separate them.
6. They cannot draw distinctions between situations despite similarities that may link them.
7. They cannot synthesize new concepts by taking old concepts and combining them in new ways.
8. They cannot develop ideas that are novel.

Under the guidance of emotions public administrators cannot be intelligent. Under the guidance of emotions public administrators cannot be rational.

This is a prescription, of course, for transforming people into machines. But machines cannot build the trusting relationships needed to govern. Only people can govern. Yet, for those immersed in the culture of bureaucracy, the prescription against relationship virtually mandates that the daily actions of public administrators -- namely, encounters with political superiors, staff, peers, interest groups, media, members of parliaments, NGOs, or ordinary citizens -- all relationships with all stakeholders be conducted *Without Sympathy or Enthusiasm* as Victor Thomson once suggested in the title of a 1975 book.

At the time impersonal public administration was proposed, it was a necessary and essential corrective for nepotism. Standardized rules and procedures were revolutionary breakthroughs in administrative thinking and retain value as a safeguard against corruption even today. We must never let down our guard against administrative or political tyranny. The separation of executive, legislative and judicial powers, with each power being able to check and balance the others, is the best antidote to tyranny. However, I do not think that an assumption of "man as machine" is compatible with late 20th century discoveries in evolutionary biology and neuroscience. The classical bureaucratic assumption of "man as a machine" is, on the contrary, perhaps the single biggest contributor to the "occupational psychosis," (John Dewey), "professional deformation"(Thorstein Veblen) and "bureaupathology" (Robert Merton) so often observed in the behavior of high-level civil servants, not just in CEE states, but all over the world, including the U.S. Government.

The assumption of "man as machine" has induced in public administrators a state of unconscious incompetence and trained incapacity for leadership, according to the sociologist Phillip Selznick (1976):

Mechanical metaphors – the organization as a "smooth running machine" – suggest an overemphasis on neat organization and on efficient techniques of administration. It is probable that these emphases induce in the administrator a trained incapacity to observe the inter-relationship of policy and administration, with the result that the really critical experience of organizational leadership is largely overlooked. (p. 3)

In his famous 1937 Brownlow Commission Report, Luther Gulick argued that efficiency must be built into the structure of government just as it is built into a "piece of machinery." Following Weber's assumption about the harmful effect of emotion, public administrators, asserted Gulick, are supposed to be smooth running machines – transmission belts -- for carrying out the will of the people as expressed by elected officials. In 1976 Gulick, one of the most influential framers of orthodox American public administration, examined and, for the first time, regretted his assumptions four decades earlier about the merits of a mechanistic, de-humanized and emotionless model of administration:

There is good reason for dropping the idea that government is a *machine*. We should never have abandoned the notion that any team of people working together for a purpose is an "organism" not a machine ... If we think of government as an organism, a living organism, we have a totally different and more accurate and constructive understanding of a government organization. [Public administrators] are no longer cogs, they are suborgans ... They do not merely transmit the energy imparted to them from above, they each make an added contribution to the total effort, influenced by what they see, feel and are doing" (cited in Gawthrop, 2002, p. 85).

So why does it remain so hard for high-level civil servants to see that that they must blend, on a day-to-day basis, the essential skills of an efficient *administrator* with the equally vital skills of a *leader*? I can't be certain, but I suspect that it is a problem of unexamined assumptions. It is extremely painful and anxiety-provoking to examine deeply ingrained tried-and-true assumptions. But isn't examining assumptions the very definition of learning? The unexamined life, as Aristotle said somewhere, is not worth living.

11.0. Excellent Management is Not Leadership

Let me now turn to a related problem. We have just learned how extraordinarily difficult it is to see the difference between *administration* and *leadership*. The question I want now to explore is what, exactly, is the difference between *management* and *leadership*? While related, management and leadership are not the same -- even in the private sector -- and must be sharply distinguished. I believe that excellent managerial skills are necessary but not sufficient for CEE public administrators. For good governance, leadership skills are also required. Only leading by listening, in my experience, can increase social capital. We know that excellent administration alone is not capable of increasing social capital. I want now to show that excellent management *also* is not capable of increasing social capital. But why? Why is management a misleading path if we are concerned about developing the governance skills of public administrators?

Is excellent management *necessary* for public administration? -- absolutely yes. Is excellent management *sufficient* for building social capital? -- absolutely not.

The word "manage" derives from the Italian word, *maneggiare* -- which means "the handling of horses." In American sign language, the sign for "manage" is to hold the reins of a horse. *Like administration, management is essentially about control.* Management is about restraining energies. Management is about limiting discretion. In public administration, control and restraint -- especially in the expenditure of taxes collected from citizens and businesses -- is a prerequisite to demonstrate accountability to elected officials, Parliaments and citizens. In a democracy, law-based public administration is essential. Therefore, control of financial resources is absolutely necessary for public managers. *All public administrators must also be good managers.* All public servants -- whether they are elected politicians, appointed political executives or career civil servants -- must take an oath to protect monies in the public treasury from being spent illegally, imprudently or unethically. The behavior of all public managers -- elected, appointed or otherwise -- must be monitored and "controlled." It is impossible to argue this truth away even by the strenuous advocates of the entrepreneurial philosophy of New Public Management.

Leadership, however, is not about control. For decades, many scholars have assumed that leadership is excellent management (Rost, 1991). This is wrong. Leadership is not about restraining energies. Just the opposite. Leaders move themselves and others to committed action. The word "lead" derives from Old English, *leden*, which means "to go before as a guide; to take a journey." The word "motivate" derives from the Latin, *motere*, which means "to move." The word "emotion" also derives from *motere*, to move. By drawing on emotional energies, leaders take us on a journey. Leadership = emotion. Leaders begin initiatives. Leaders challenge the process. Leaders inspire a shared vision. Leaders enable others to act. Leaders model the way. Leaders encourage the heart (Kouzes and Posner, 1997). Leadership is not about control. *Leadership is about releasing human energies.* Leaders lead by tapping their emotional intelligence and the emotional intelligence of others (Goleman, Boyatzis, and McKee, 2002). Leadership is about influencing stakeholders in society to work together to achieve higher, more ethical goals.

According to the Pulitzer-prize winning political scientist James McGregor Burns, who founded the field of leadership studies, the leader's fundamental act is to lead "people to be aware or conscious of what they feel to be their true needs so strongly, to define their values so meaningfully, that they can move to purposeful action" (1978, p. 44). In other words, leaders listen so deeply to the emotional messages of their constituents that, sometimes, they have the capacity to register needs not even fully conscious to their constituents.

Leadership is the major contributor to social capital. Leadership, says Burns, "raises the level of human conduct and ethical aspiration of *both leader and led*, and thus has a transforming effect on both" (p. 20). Building social capital, therefore, depends on leaders not managers.

To be an excellent manager or administrator, one does not need to tap the emotional energies and creative will of subordinates, citizens, business firms, interest groups and other stakeholders in society. Moving others to committed action is not a necessary skill for managers. Building social capital is not in the position description of any manager. Listening to others is not what they do best. Highly motivated or inspired behavior may even be counter-productive. According to Harvard professor John Kotter (cited in Behn, 1998, p. 212):

For some of the same reasons that control is so central to management, highly motivated or inspired behavior is almost irrelevant. Managerial processes must be as close as possible to fail-safe and risk-free. That means they cannot be dependent on the unusual or hard to obtain. The whole purpose of systems and structures is to help normal people who behave in normal ways complete routine jobs successfully, day after day.

Completing routine jobs successfully – delivering social security payments on time; implementing computer systems for E-government, filling potholes; keeping nuclear power plants safe -- is a worthy task. Excellent management is the exercise of control. The focus is to strengthen or correct what already exists in the organization. Excellent managers look for exceptions and fix them. Building social capital, or raising people to higher ethical standards of behavior, plays no role in excellent management. Managing budgets means “controlling public monies to prevent financial waste.” Managing information technology means “controlling what kinds of information computers release.” Managing nuclear power plants means “controlling accidents.” People, however, cannot be managed. They can only be led.

12.0. A Cure for Occupational Psychosis

While we still appreciate Weber’s genius as the premier sociologist of his generation, his model of “man as a machine” has had unintentionally perverse effects on modern, post-industrial public administration and in navigating the permanent white water of change. “Man as machine” continues to serve as a major barrier to building trust in 21st century government. The fall of communism, if nothing else, demonstrates that rigid, inhumane Kafkaesque bureaucracy is not superior to other forms of organization. Moreover, it is not even true that “impersonality” is the best guide to rational decision-making. Charles Darwin showed as early as the 19th century that emotions were adaptive in the evolution of human beings, but there is no evidence in Weber’s writings that he understood the implications of Darwin’s revolution in biological science (Weber 1978). “Many emotions are products of evolutionary wisdom, which probably has more intelligence than all human minds together,” according to Joseph Ledoux (1996, p. 36), professor of science in the Center for Neural Science at New York University. Neuroscientific discoveries in the last decade show that rationality and emotions are not separate compartments in the brain. Rather they are inextricably woven into all cognition.

Recent work in psychology by scholars such as Martin Seligman, Richard Lazarus, Anthony Ortony, and Keith Oatley, and research in neuroscience by Joseph Ledoux and Anthony Damasio show conclusively that emotions are a form of intelligent awareness. Emotions are intelligent. Emotions are what make us human. Emotions tell us what is valuable and important to us and to others. They signal the meaning of events. Emotions are just as “cognitive” as other perceptions. They serve as essential guides for humans to make rational choices. Emotions are a form of thinking as well as a form of feeling. All thinking is infused with the intelligence of emotions. Without the guidance of emotions, one becomes irrational, detached from reality. Is not this detachment from reality the very definition of “occupational psychosis” (John Dewey), “professional deformation”(Thorstein Veblen), “trained incapacity” (Philip Selznick), and “bureaupathology” (Robert Merton)?

We now have conclusive biological evidence that *decision-making is neurologically impossible without being informed by emotions*. Contrary to the classical model, decision-making is arbitrary when it is *not* infused with the intelligence of emotions. Empirical research by organizational scholars on three continents shows that “emotional intelligence” is the very marker that distinguishes routine management from outstanding leadership and the marker that distinguishes dead organizations from living organizations (Ashkanasy, Hartel, Zerbe, 2000).

Neuroscientific research shows some stunning differences between the classical bureaucratic assessment of emotions and current scientific understanding (Cooper and Sawaf, 1997, pp. xxxii-xxxiii):

Bureaucracy on emotions

Make us inefficient
Sign of weakness
Interfere with good judgement
Distract us
Obstruct, or slow down, reasoning

Modern neuroscience on emotions

Make us effective
Sign of strength
Essential to good judgement
Motivate us
Enhance, or speed up, reasoning

Arbitrary and tyrannical
 Weaken neutrality
 Inhibit the flow of objective data
 Complicate planning
 Undermine management

Build trust and connection
 Activate ethical values
 Provide vital information and feedback
 Spark creativity and innovation
 Enhance leadership

For public administrators, management and leadership skills are not mutually exclusive (Kovriga, 1998). We should not make the mistake of stigmatizing management and glorifying leadership. They are complementary. Managers lead and leaders manage; however, the two functions reflect different -- at times overlapping -- sets of skills. *Both are essential*. Public administrators need to expand their repertoire of skills to include both functions, without minimizing one at the expense of the other. "What is needed are both managers and leaders (ideally, both in the same body)," according to a recent panel of the U.S. National Academy of Public Administration (1997) "with the need for leaders growing immensely as predictability and order give way to change and ambiguity"(p. 5). A genuinely democratic and ethical civil society in CEE and NIS states demands the development of a cadre of public administrators skilled in leadership not just administration and management. *Civil servants at times administer laws, at times manage budgets, and at other times lead people and change*. Civil servants are not just administrators and they are not just managers. They are also leaders who have a responsibility to share democratic values, represent a broad range of social groups, and view themselves as accountable to much broader constituencies than before.

"We need a government," writes Peter Drucker, the father of modern management, "which knows how to govern and does so. Not a government which 'administers,' but a government which truly governs" (cited in Potucek, 1999, p. 28). All governance is people governance. All public service is people service. It's all people.

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**LEADERSHIP DEVELOPMENT IN A POST-COMMUNIST COUNTRY
- THE HUNGARIAN CASE -**

by MARIA BORDAS JD, PhD¹

Introduction

In this paper, the presenter shares her research on leadership development in Hungary. This research was sponsored by a grant from NASPAA and NISPAcee. The paper deals with the modernization issues of the Hungarian government-system with emphasis on public leadership.

Today leadership is no longer seen as a single person who occupies a position at the top of a hierarchy and issues commands. Leadership is a relationship of mutual trust that develops over time only by repeated experiences of deep listening to constituents and honest exchanges of communication.²

Senior civil servants in Hungary must be transformed into leaders who share democratic values, represent a broad range of social groups, and view themselves as accountable to much broader constituencies than before. They must learn participation in policymaking, which needs to be expanded to include the widest possible spectrum of citizens, business firms, professional associations, NGOs and interest groups.

The anticipated benefits of leadership development include:

- Enhanced ability for senior public servants to lead change, lead people, build coalitions, communicate more effectively, employ business acumen and get results.
- Enhanced personal integrity and ethics for senior civil servants
- Improved accountability, transparency and professionalism for senior civil servants
- Increased involvement in public policy processes and results by NGOs, firms, interest groups and professional associations
- Increased acceptance and understanding of a “balanced scorecard” approach that builds a deeper sense of trust in government.

Initially, the paper discusses the recent problems of leadership skills necessary to serve in senior civil service positions. A key premise is that communist bureaucratic attitudes in public management/leadership still prevail, because there are no readily available alternatives. Under communism, civil servants were accountable to the communist party but not to the broader population they were supposed to serve.

Unethical behavior is endemic: bribery and corruption are widespread. As a result, since the transition, citizens have become increasingly disillusioned with the rhetoric of “democracy” and “free market”. Many have lost faith in politicians and civil servants since both appear disconnected from the everyday concerns of ordinary citizens. This is not healthy for democracy.

In the second segment, the paper will explore steps towards building a genuinely democratic and ethical civil society which demands the training of public administrators in leadership. It is also important to identify how civil servants may be transformed into leaders who share democratic values,

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² R. Kramer: “Leading by Listening” Unpublished PhD Dissertation, School of Business and Public Management, George Washington University, 1997.

represent a broad range of social groups, and view themselves as accountable to broader constituencies.

2. Methodology of the Research

Questions of leadership development in Hungary will be examined on two levels. First, we introduce the relevant legal regulations. Second, we try to shed light on the practical reality. Legal regulations and practical reality are often different in this region, due to the lack of the principle of the “rule of law”.

The leadership skills of senior civil servants have been strongly influenced by the governmental methods and attitudes of the so called “political elite”. However, senior civil servants are treated in this paper as career, but not political appointed, the leadership style of high-level politicians of public administration will be discussed, as well.

The author conducted interviews with key Hungarian stakeholders, such as members of Parliament, ministers, senior executives, civic groups, etc. on what they see as the most important challenges of public leadership development issues in Hungary.³ Media and scientific political analysis also served as a basis for the research.⁴ The author used her personal experiences in the legislation, as well.⁵

3. Traditions of Public Administration

Similarly to other continental European countries, a centralized and law-governed public administration has developed in Hungary, but as a result of the communist legacy it still contains unhealthy bureaucratic features, as well. Management and leadership traditions are lacking.

Laws are expected to regulate the scope and task of public authority in every detail, in the framework of the Constitution. Public authorities can act only if they are legally entitled to do so. In other words, these kinds of regulations serve to protect the freedom of citizens from state-intervention.

The actions of public authorities are classified as jurisdiction (the application of administrative legal rules), the passing of decrees (based on superior acts), and service (when organizing certain public services) Besides, ministries have special scopes, too: to prepare proposals for the acts and elaborate sectoral politics (public policy)

Civil servants are normally required to implement the tasks of the public authority where they serve and carry out the orders of their superiors in a hierarchy, rather than to lead or manage public matters. Legal regulations determine in detail their tasks, career, accountability, etc., as well.

The promotion of management and leadership skills of senior civil servants seems to be problematic in this system.

Legal regulations may specify leadership skills for senior civil servants as an important requirement for their selection, evaluation, career and salary. Laws may oblige central public authorities to provide training for senior civil servants in order to develop their leadership skills.

³ They asked their names to be treated confidential.

² Technically it would be impossible to refer to the more hundred articles we used for this paper. For this reason, we identify the most important journalists, political scientists and newspapers, journals. These are as follows:

daily newspapers: Nepszava, Nepszabadsag

weekly newspapers: 168 ora, Heti Vilaggazdasag

journals: Mozgo Vilag

journalists: Tamas Meszaros, Endre Aczel, Gyorgy Bolgar, Laszlo Juszt, Peter Kende, etc.

political scientists: Laszlo Keri, Attila Agh, Peter Popper, Gyorgy Kollath, Istvan Szikinger

⁵ The author served for 3 years as a legal advisor at the Ministry of Health.

Public policy issues are regulated by acts as important principles that laws should follow in detailed regulations. In the absence of such legal regulations there is little chance to establish leadership development in this system. The tradition of regulating important issues by laws can not be changed. Public policy other than those regulated by laws will not be followed by senior civil servants.

It is asked, however, whether the political elite can benefit from the leadership skills of senior civil servants. If so, the Parliament will undertake leadership development and passes act to regulate it as a requirement for senior civil servants. Leadership development cannot serve well in a dictatorial state. The political elite will be interested in leadership development in proportion to their wish that political decisions and law-making processes be subject to openness and democracy.

4. Senior Civil Servants in the Legal Regulations

4.1. Definition of Senior Civil Servants

According to the Constitution the members of the Government are the prime minister and the ministers.

Act XXIII of 1992 on Civil Servants regulates civil servants of central public authorities and local governments. The Act on Civil Servants does not define senior civil servants. It is declared, however, that the Act does not apply to the prime minister, the ministers and the political state secretaries of the ministries. The Act partly applies to the administrative state secretaries and the under-state secretaries of ministries.

Act LXXIX of 1997 on Members of Government and State Secretaries regulates the prime minister, ministers, state secretaries and under-state secretaries. The Act classifies the aforementioned positions as political (prime minister, ministers and political state secretaries) and professional (administrative state secretaries and under-state secretaries)

On the basis of the aforementioned legal regulations, it is not clear which positions can be considered political/career appointed, or senior civil servants. *For this reason, this paper makes classifications as follows:*

Political appointed senior civil servants:

- prime minister
- ministers
- political state secretaries of ministries and the Chancellery

Career appointed senior civil servants:

- administrative state secretaries at ministries and the Chancellery
- under state secretaries at ministries and the Chancellery
- head of departments at ministries
- senior counsels at Chancellery
- senior executives (fotisztviselo)

4.2. Tasks of Senior Civil Servants

- *Prime minister* is appointed by the Parliament based on the winning political party's preference. His/her tasks are to lead meetings of the Government and implement governmental decrees and resolutions
- The *ministers* are appointed by the president of the republic, based on the prime minister's nomination. He/she is accountable to the prime minister for all the actions of the ministry. His/her tasks

are to develop public policies based on the governmental program, prepare proposals for the acts and pass decrees in the framework of acts.

- The *minister of the Chancellery* performs strategic control of governmental activities, monitoring whether or not governmental programs are implemented at the ministries. He/she evaluates the work of ministers, can initiate actions of ministers in accordance with governmental programs, negotiates with the ministers on the performance of government policies and makes complex evaluations about the proposals of ministries and submits it to the prime minister.
- The *political state secretary of ministry* is appointed by the prime minister and his/her tasks are to maintain relationships with factions of political parties in the Parliament and the coordination of cooperation with interest groups, NGOs, professional associations, and other civil organizations.
- *Administrative state secretary of ministry* is appointed by the prime minister, and works under the direct control of the minister. He/she is obliged to meet legal and professional requirements when performing tasks.
- *Under-state secretary of ministry* is appointed by the prime minister, supervises a unit of the ministry and is obligated to meet legal and professional requirements when performing tasks.
- *Head of department at ministry* is appointed by the minister, is responsible for the preparation of decisions, obligated to work in accordance with the legal rules, tasks identified in his/her appointment and the instructions of his/her supervisor.
- *Senior counsels at the Chancellery* are appointed by the prime minister or the minister of the Chancellery, serve at special departments of the Chancellery, help the work of the minister of the Chancellery or directly advise the prime minister.
- *Senior executive* (fotisztviselo) is a newly established position enacted by the amendment of Act XXIII of 1992 on Civil Servants a year ago. Positions of senior executives are announced, but they are appointed by the prime minister for an indefinite time. Senior executives perform occasional tasks determined by the minister of the Chancellery. They can be appointed to work in any field of public administration, regardless of their professional skills. However, they should be in a dual positions: they are regular civil servants at the same time, not just senior executives. The salary of senior executives is extremely high compared to a regular civil servant.

On the basis of the relevant legal regulations, the conclusion can be reached that the main task of the *political appointed senior civil servant* is to assure that *political decisions made by the government are implemented* at the ministries and other public authorities, *accepted by the political parties of the Parliament and the civil sector*.

Career appointed senior civil servants are expected to *implement their supervisor's political instructions* while meeting legal and professional requirements. Career appointed senior civil servants do not seem to have the right to make their own decisions.

Senior civil servants of the Chancellery have *special scope* to control, direct, monitor and evaluate if government policies are implemented by the central public authorities. *Senior executives* (fotisztviselo) also serve *strengthening the central government*: to assure that governmental decisions are in fact performed at all levels of public administration.

4.3. Public Leadership Issues in the Legal Regulations

The next question is if legal regulations deal with leadership issues of senior civil servants. *Legal regulations typically deal with the conditions of appointment*: termination, incompatibility, salary, work-hours, holidays, etc. in every detail, but less with leadership issues.

The Act on Civil Servants

- Declares in its preamble that civil servants' work should be *politically neutral*, conform to the *rule of law*, be carried out *professionally* and in an *unbiased* manner.
- Requires employers to examine candidates of civil servants in *exceptional cases*, (e.g. when they will be leaders) to determine if they are capable of meeting the requirements.
- Obligates supervisors to *evaluate civil servants* every year, to see if they meet the professional requirements, skills, abilities, personality issues, and developmental goals set up by the supervisor in advance. Evaluation should be based on facts and give reasons. The civil servant may sue the supervisor if the evaluation is not based on fact.
- The civil servant is *accountable* if he/she violates his/her obligations regulated by laws, ethic codes and appointment made by his/her the employer.
- Obligates central governmental authorities to organize *training* for civil servants. Civil servants are required to pass basic and special administrative exams. Curricula of this training focus primarily on *administrative skills*.

Other laws than the Act on Civil Servants do not mention anything about leadership issues of senior civil servants. On the basis of the aforementioned legal regulations, the *conclusion can be made that professional, rather than leadership skills are required by law*.

5. Recent Tendencies of Leadership Style of High-Level Politicians

5.1. Anti-Democratic Tendencies

Political scientists agree that an *unhealthy centralization tendency* has developed during the governance of the current government, hindering the development of the new democracy. This tendency has not in most cases changed legal regulations, but occurred in an *informal way*, however, *violates some of the constitutional regulations which guarantee democratic principles and rule of law*.

- The political power of the central government has become prevalent. Other branches of power, such as Parliament, the judiciary, ombudsman, media, local governments, which could serve as "checks and balances", have been suppressed by the political elite in power.⁶ The radical reduction of parliamentary meetings, the appointment of political supporters to the leading positions of the police, the prosecution, the judiciary, ombudsman, advisory board of media, etc. may be mentioned as examples of centralization. This kind of leadership style violates the constitutional principle of the *"division of the branches of power"*.
- The suppression of any critic against the leadership style of the strongest party in power in daily political life is typical: the hindrance of speeches in parliament, influencing the media to let political party propaganda take place and to fire those journalists who criticize it.⁷ This lack of tolerance violates the constitutional right of *"freedom of speech"*.
- Pressuring policemen, prosecutors and judges to make political decisions in legal cases initiated by the strongest party against its political enemies is a widespread means of monopolizing political

⁶ The prime minister stated that the government could well function without opposition, I as well.

⁷ It often happens, too, that someone (outside of the civil service system, too) is fired shortly after giving his opinion to the public, or participating in opposition political activities. In his parliamentary speech, the prime minister listed and named those scientists and foreign journalists who criticized the current Hungarian government and declared them enemies of Hungary. Members of the strongest political party identified the opposition parties as traitors of the country when they criticized government policy.

power. Other opposition is investigated by the Tax Office, or fired, so that they are silenced.⁸ The constitutional right of “*equality before the law*” is also violated by this political practice.

- The state budget is more and more withdrawn by the central government both from parliamentary and public control. Citizens are unsure how public money, i.e. their taxes, will be used by the central governments.

Theoretically, it is the right of the Parliament to make decisions on the annual state budget and enact it, as well. The practical reality shows, too, that this constitutional regulation can be avoided when public money is used for supporting the strongest political party in power and its “clientele”.⁹

Certain public money is used to strengthen the political power of the strongest party, too, when the government generates political party-propaganda and supports political followers from the state budget. The building of the “image of the country” is declared, when a huge amount of public money is used for this aim, but in fact party-propaganda is forced onto the public. The most important aim of the party-propaganda is to demonstrate that the central government can solve certain social problems.¹⁰

Using public money for party, but not public, aims serves the campaign for their re-election. However, this kind of politics violates constitutional regulations, such as the business principle of “*equal opportunities for the stakeholders in the economy*,” and the “*equal sacrifice theory of taxation*,” etc.

Many believe that the main principle of “*the Hungarian Republic is a democratic legal state*,” in the Constitution has been in danger.

5.2. Lack of Political Pluralism

- Ideology of political parties in power exclude other than their own political interest groups from the society. Liberal and left wing political ideas are declared by them as retrograde and against the nation’s interest, while the extreme right wings are supported. The ideology of “*Christian Hungarians*” considers religious and ethnic minorities, such as Jews and gypsies, as enemies of society.
- At the beginning of the 1990’s an autonomous local government system was established in Hungary. Local governments were entitled to make certain decisions based on local specialties. The right of local governments to make their own decisions in local matters is protected by the Constitution, too.¹¹

This right of local governments is violated when they are financed on the basis of their political loyalty from the state budget.¹²

When receiving insufficient funding from the state budget, local governments are not capable of providing good quality local public services and will face the dissatisfaction of citizens.¹³

⁸ However, people close to the strongest political party are in most cases acquitted by the courts no matter how serious the crime or corruption they committed may have been.

⁹ The government established a semi-state bank (MFB), then transfer some of the funds of the state budget into it and uses for its political goals. Public procurement is in most cases missed when public tenders are invited by the central government and important state contracts are awarded. The current state budget, however, is enacted for 2 years, not 1, so that Parliamentary control can be eliminated.

¹⁰ It is, however, not true in most cases, but takes advantage of the situation that people are not experts on professional issues, such as health care and agriculture, or most of them do not think over party-propaganda deeply, but just judge it on the surface. Opposition parties regularly publish professional analyses, but these have less influence than the aggressive party-propaganda.

¹¹ In other words, acts passed by the Parliament cannot violate this constitutional regulation, i.e. cannot withdraw the right to decision-making of local governments. Many acts have been attacked before the Constitutional Court, supposing they violate the autonomy of local governments.

¹² Local governments represented by opposition political parties are “punished” by the central government by withdrawing funds from them. It aims to have citizens living in the area of local governments of opposition parties be disillusioned and encourage them to support the strongest political party in power.

These facts show the phenomena of *forcing central governmental decisions and suppressing local interest*.

- Communism created a total state-controlled society during the last 50 years. For this reason, the promotion of the civil sector is a most important issue in strengthening democracy. Public policy to encourage participation of civil associations in the decision-making process has been expressed in the legal regulations, as well. As a result of this public policy, several civic associations have been established since the 1990s in Hungary.

The Act on Legislation Process obligates the ministries to withdraw relevant civil associations in preparing proposals for the acts. However, forms of their participation, such as giving opinion, asking approval, the right to veto, has not been identified by the act. Ministries *do not respect* the legal requirement of giving the opportunity for *civil associations to lobby for their interest groups* through participating in the legislation process.¹⁴

6. Impact of Leadership Style of High-Level politicians on the Civil Servant System.

6.1. Role of the Chancellery

Act XI of 1997 on Legislation Process regulates the procedure of legislation. According to the act:

- The *government meeting* (members of the government, i.e. the ministers, which body exercises the right of the central government) should prepare a *governmental program* for the legislation. (This program is normally based on the preferences of the political parties in power.) The government meeting has to ask the *opinion* of the Superior Court, Chief Prosecutor, local governments and representative organizations of interest groups about the legislation program. It should be submitted to the Parliament for approval, too.
- It is the task of the *minister*, subject to the theme of the legal rule, to make the *proposal for the act* with the cooperation of the minister of justice. If the legal rule has special relevance, e.g. important reforms, a *codification committee* should be established, whose members are the representatives of scientists and the interest groups of the field to be regulated.
- President of the Superior Court, the Chief of the Prosecution, ministers, and local governments should give their *opinions* about the proposal.
- The proposal should be approved by the government meeting and submitted to the Parliament for discussion.
- The Parliament passes the acts. The governmental decrees are passed by the government meeting.

The current government centralized its power to the Chancellery by the amendment of the 137/1998. (VIII. 18.) government decree. The decree determines the scope of the Chancellery to coordinate between the ministries and the Chancellery, but in practical reality its activity goes far beyond.

The prime minister keeps the right to make all the decisions instead of government meetings, *the ministries and other central public authorities. When doing so, he avoids the aforementioned procedure for legislation in the following way:*

¹³ This kind of attitude on the part of the central government was especially tangible when important investments made by a local government of Budapest represented by a liberal mayor and socialist-liberal representative body were eliminated and its funds taken away. The local government of Budapest sued the central government, but the courts' legal explanations were fairly contradictory.

¹⁴ As a result, some of the acts were attacked before the Constitutional Court. The Constitutional Court made a precedent when it declared in a decision that if an establishment of a civil association has been ordered by laws, (e.g. medical association, bars) its opinion should be taken into account when proposals for the acts are made. Civil associations, other than those established by legal order, can protest only in a political way, if they are neglected in the legislation process.

- Important political decisions are made at an *informal meeting* of the six members of the strongest political party: the prime minister, the president and vice president of the party, the minister of the Chancellery, the president of the Parliament and the leader of the parliamentary faction.¹⁵ These decisions are in fact implemented by the public administration.
- The governmental meeting has only a *formal role* in making decisions. Ministers are strongly recommended to accept the decisions of the aforementioned informal meetings. Ministers appointed by the other 2 political parties in power do not have a real political influence on the government meeting, due to the autocratic political power of the strongest party.¹⁶
- The minister of the Chancellery's task is to *assure* that all political decisions made by the prime minister are implemented by the public administration.
- Counsellors to the prime minister are responsible for every field of public administration, such as informatics, cultural issues, economic policy, foreign policy, media, communication, etc. They were selected on the basis of *absolute and proved loyalty* to him. Counsellors to the prime minister have *unlimited right* to initiate legal regulations, determine its contents and command ministers to prepare proposals for the legal norm. Their most important task is to implement the prime minister's wishes.
- The task of the political and administrative state secretaries, under-state secretaries and senior advisors at special departments (*referatura-s*) of the Chancellery is to *evaluate* the work of ministries from a professional point of view, but have neither the scope to initiate nor make decisions.
- Senior executives (*fotisztviselo*) were selected on the basis of *political loyalty*. All of them belong to the strongest party in power. The prime minister keeps the right to directly command and set up tasks for them. As the position of senior executives (*fotisztviselo*) is newly-established, no conclusion about their operation can be made. It seems to be evident that their function is to *strengthen the autocratic power of the prime minister*.

On the basis of the aforementioned explanation about legal regulations and the practical reality of the legislation process, the conclusion can be made that there is a *strong distrust* by the prime minister if ministers and other central public authorities will not be loyal politically, so close control over their activities was established by *using the Chancellery*.

Not accidentally, most central public authorities, such as the Central Bank, State Treasury, State Privatization and Property Managing Share Company, State Development Bank, and the National Insurance Fund were put under the close control of the Chancellery.

The Chancellery often withdraws scopes and decides in those cases, when ministries, or even more, no one public authority would be competent to decide. For example, the Chancellery directly finances football, just because it is the prime minister's favorite sport. Or, the Chancellery finances making movies which are expected to serve the party-propaganda of the strongest party in power. These matters should be subject to the business or the civil sector.

Political and career appointed senior executives do not have the real scope to make decisions in this system. They are expected to implement the political decisions of the prime minister, the minister of the Chancellery and the counsellors to the prime minister. They are closely controlled by the special departments (*referatura-s*) if these decisions are in fact implemented by them both politically and professionally.

6.2. Spoil System in the Civil Service

¹⁵ They are the oldest founders of the strongest political party in power and the closest and most faithful friends of the prime minister.

¹⁶Not accidentally, the prime minister prohibits the drawing up of the minutes of governmental meetings and governmental meetings do not last long.

The Hungarian civil service system is *not based on a "spoil system"*. Legal regulations declare that there are only three positions of public administration: the prime minister, minister and the political state secretaries are political appointed. This means that it is the right of the political parties in power to nominate them. Other senior civil servants should be politically neutral, i.e. career appointed.

When the current government was created, most of the senior civil servants (with 3 exceptions) were *fired*. Even many heads of departments at ministries were removed. New senior civil servants were appointed on the basis of *political loyalty*. Most of them had *neither professional skills nor experience* in public administration.

Fear is widespread among the senior civil servants. These positions were changed not only shortly after the current government came to power, but in recent times as well. They are often unsure of why they have been removed: if they are distrusted by the political leaders, or if someone would like their positions.¹⁷

This is absolutely against the Hungarian practice and violates the Act on Civil Servants, too. The act strictly regulates conditions when civil servants can be removed or fired. It always should be based on a violation of written rules, such as provisions of the act, the appointment and the ethical code. In the practice, civil servants are fired only when they are professionally insufficient or behave unethically.

*This practice does not serve the development of leadership skills, either, but encourages senior civil servants to implement political decisions, no matter how incorrect they are professionally, and to obey higher political commands without any criticism, to prefer political loyalty and neglect professional and public administration skills. Political pressure and fear of being fired do not favor leaders' initiatives, either.*¹⁸

6.3. Ethics and Public Values in the Civil Servant System

Unethical behavior by senior civil servants is endemic. This phenomena is due to the impact of the aforementioned practice of the higher political leaders who monopolize political power and do not share important positions and public money other than with their clientele.¹⁹

Senior civil servants *did not learn that they should serve public values.* They typically follow their personal interests by taking advantage of their positions, such as acquiring financial benefits from public money, and giving well-paid positions to their friends and relations.²⁰

¹⁷ In extreme cases, senior civil servants were arrested and sent to prison, so that the other political parties in power could be politically liquidated. Other senior civil servants were fired, because they became the candidate of an opposite party. (The ethic code of civil servants does not prohibit them being a candidate of a political party, shortly before the elections, but requires them to resign when becoming a member of Parliament.)

¹⁸ The over-importance of politics in the civil servant system reminds many of the practice of the communist state during the 1950s. As a result, acts passed by the Parliament during the last 4 years are insufficient, both from the point of view of legal and professional requirements.

¹⁹ Many examples of this practice can be mentioned. Important state contracts, such as the state-owned steel industry, highway building, etc. were given to the prime minister's business associations without public procurements. The former president of the Tax Office is the leader of state-owned banks and gives financial support to the firms of the members of the strongest party in power. The former president of the Tax Office is one of the prime minister's old friends, who is considered by the media as a criminal. The task of the former president of the Tax Office was to make the evidence about economic crimes by members of the strongest party disappear. The prime minister appointed the minister of the interior, who is well-known in the media for his relationship with the mafia.

²⁰ The former minister of health care, for example, appointed his nephew to the position of under-state secretary at the Ministry of Health, who pursued business-like activities with his own business association by using funds of the Ministry of Health. The same happened at the Ministry of Agriculture by the political state secretary. The former minister of health, with his friends as founders, established a business association, too, and took the real estate of the ministries valued in the billions of forints as a contribution of cash to their company. The prime minister approved this business.

The aforementioned matters were published by the media, opposition members of Parliament questioned the prime minister, but without any consequences. This unethical behavior by the members of the parties in power serves as an example to the senior civil servants of public administration. Similarly to the political elite, corruption and abuse of public property by the senior civil servants is not punished by the courts, no matter how they are revealed by the media.

Senior civil servants at the ministries do not care about public goals, such as reforms. Health care and agriculture are the fields where reforms should be performed very urgently. Both are in fact “bankrupt,” and criticized by international organizations, such as the World Bank, the European Union, OECD, etc.

During the last 4 years, no reforms have been implemented in these fields. More political scandals took place, initiated by the stakeholders in health care and agriculture. Despite the strikes and protest demonstrations which frightened the central government, reforms were not promised. Instead, empty promises were stated by the ministers, e.g. an increase of the salaries of doctors and nurses, or financially support farmers, which later did not seem to be true.

On the basis of the aforementioned examples, a conclusion can be made that the *ethics of the senior civil servants is very low*. They regard it as absolutely natural that their positions should serve their personal benefit. Public values to be followed by senior civil servants are just cynically smiled at by them.²¹ The public does not have sufficient control over senior civil servants to force them to meet requirements of public values.

6.4. Transparency

The Act on Personal Data and Transparency of Public Data, obligates public authorities to open data of their activities to the public. If they do not do so, any citizen may open a legal procedure before ordinary court against the public authority to ask the court to order the publication of data.²² The ombudsman of data protection declared more times that these data are considered as public and the Chancellery and ministries should open them to the public, but they *refused to do so*.

Other information about legislation and reforms are not shared with the public, either. Business associations financed by the Chancellery deal with communication and marketing of the central government. Information given by these business associations are not true, but represent party-propaganda to demonstrate that “every social problem has been solved, poverty has been defeated, economic growth is extremely high, the country has been prosperous.”²³

The current minister of health awarded his brother and let him buy shares in the state owned share company. The minister invited a tender for medical treatments and the business association owned by him was awarded it. When journalists asked him about this, he defended his actions as being completely natural, without any feeling of shame.

Senior civil servants at the Ministry of Agriculture spent public money for their luxury private parties, for example. The minister and the political state secretary spent many millions on unnecessary, but luxurious, trips. The minister wanted to appoint his daughter-in-law and her mother (who did not have any professional background for it) as members of the supervisory board of the state-owned Hungarian Airlines Company.

²¹ The former president of the Tax Office made the statement that they do have the right to steal public money, because the communists did the same, too.

²² In one case public data of the Ministry of Interior was asked for by a politician of an opposition party. The court ordered the Ministry of Interior to give the public data to the politician, but the Ministry of Interior refused.

Members of opposition parties in Parliament demanded many times that the Chancellery should publish the names of those business associations that received funds from the public money by the Chancellery for the aim of party-propaganda, and other state-orders, etc. when public procurement was avoided. The media revealed that these state orders were in most cases given to the firms of the members of the strongest political party in power.

²³ The people responsible for communication in the Chancellery are often called by the media “parrot commandos”

The reality can be known only from the journals of the opposition parties, the speeches of members of Parliament, the street demonstrations of the liberal party, analyses of political scientists, etc.

6.5 Coalition Building with the Civil Sector

As mentioned earlier, agriculture and health care are the fields where reforms would have been the most important to be achieved. Basic reforms cannot be elaborated and performed without the participation of the interest groups. The Ministry of Agriculture did not make any proposal for an act which could serve as a basis for the reform.

The Ministry of Health Care made two proposals for an act on privatizing health care, which were passed by the Parliament, too.

One of the acts was on privatizing primary health care. As mentioned, ministries are obligated by the Act on Legislation Procedure to withdraw representative organizations of the interest groups to making proposal for the act. The minister entitled the ministerial commissioner to negotiate with the representative organizations. They submitted a common proposal to the minister. However, the minister submitted a totally contrary proposal to the governmental meeting, which was approved by the government.²⁴

When the Ministry of Health elaborated proposal for the act on privatizing secondary health care, representative organizations of interest groups were not asked to give their opinion. They were informed only by the media that the proposal for the act was approved by the governmental meeting. The strongest organization of doctors, the Hungarian Medical Association, protested because the act basically hurt the interests of doctors and health institutions. Furthermore, the act was an “empty act” in terms of not containing any reform.²⁵

The minister of health decided to make health care more efficient. To achieve this goal, he radically reduced the income of chemists. (Professionally, it was an inadequate step toward efficiency.) When the Chemists Association protested, the minister of health behaved unethically.²⁶

In another case, when the pharmaceutical and medical equipment industry complained to the ministry of health that hospitals could not pay them, because they are in bankruptcy due to the insufficient funding they receive from the national health insurance, the minister gave them an uncivilized answer.²⁷

On the basis of the aforementioned examples, the conclusion can be made that *senior civil servants do not communicate with the civil sector in a sufficient way. They do not consider representatives of*

²⁴ When the leaders of the representative organizations protested, the prime minister held a hearing with them where he silenced them. According to the info of the press this act was written by the wife of the minister. This act has been attacked before the Constitutional Court, because it has sufficient constitutional problems, too.

²⁵ The HMA frightened the Government with strikes of doctors and street demonstrations. As a reaction, the minister of health asked the HMA to submit his proposal for the act. The HMA did so. The minister of health reported to the media that he accepted most of the proposals of the HMA, but it was not true. When the HMA protested again, the administrative state secretary of the Ministry of Health stated in the newspapers that “It is not the right of the fire-orchestra either, to establish rules of their operation.” (This was cynical remark about the absolute competence of the ministry to decide and regulate matters of citizens.)

A discussion on the act on privatizing secondary health care was organized by the TV with the participation of the minister of health and the president of the HMA. The president explained that he did not see any steps towards reform in the act. The minister of health said that if the president did not see it, it means he did not read it. When the journalist who lead the discussion said that he had read it, but did not see any sign of reform, either, the minister said it was because the journalist had never learned to read.

²⁶ He stated he would fire the president of the Chemists Association. Then the minister was told he did not have the right to do so, because the president of the Chemists Association is elected by the members. Shortly afterwards the minister of health began to negotiate with the president of the Chemists Association. They made an oral agreement, but the minister of health published it with totally contrary contents. When the president asked the minister about this, the minister said the president told a lie.

²⁷ He said he would not shed any crocodile tears for the industries, as it was well-known how wealthy they are.

interest groups as an equal party, but patronize and handle them arrogantly, furthermore scaring them. They cooperate with the civil sector only when a serious political demonstration has to be prevented, but in these cases the cooperation is only seeming, and in fact the civil sector is never taken seriously by them.

6.6. Training of Civil Servants

It is the task of the Chancellery to organize the training of civil servants. Training focuses on teaching administrative skills to the civil servants. There have not been any special training courses for senior civil servants until this time. The Chancellery has made a proposal for training executive civil servants (fotisztviselo) This proposal lacks significant content, and shows that the Chancellery does not take the training of senior executives (fotisztviselo) seriously.

Training senior civil servants would be very important so that public leadership development should be achieved. It is the firm belief of the author, however, that any training of senior civil servants will be efficient only if changes in the current political environment occur. At present, it permits no benefits from teaching the best practices of public leadership to senior civil servants, as the requirements of the political elite pressure them to the act in a contradictory manner.