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THE DEWAR SERIES
PERSPECTIVES ON PUBLIC MANAGEMENT

Strategic Leadership for Public Service Renewal

CANADIAN CENTRE FOR MANAGEMENT DEVELOPMENT

CENTRE CANADIEN DE GESTION

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A Word from CCMD

The Dewar Series: Perspectives on Public Management was established in 1993 in honour of D. Bevis Dewar, former Deputy Clerk of the Privy Council and former Principal of the Canadian Centre for Management Development. Designed as a continuing series of presentations by distinguished speakers on current public management issues, each session brings together a small group of participants, drawn chiefly from the public service, who are encouraged to share their views on the subject of the guest speaker's presentation. *Strategic Leadership for Public Service Renewal* is the third volume to appear in this series, following on *Values in the Public Service* and *Rethinking Government* which included papers by senior public servants and representatives of the academic community. In this third volume we are pleased to publish six presentations from the 1994-95 *Dewar Series* along with summaries of the syndicate reports and group discussions which followed.

The publication of this volume comes at a time when fiscal restraints and international forces are making it increasingly difficult for governments to provide the services demanded by the public. Deputy ministers and other senior public servants are having to rethink the roles, values and practices of the public service and are being called upon to be more productive, more responsive and accountable to government and citizens, and more imaginative and flexible in developing and implementing policies for change.

This set of papers examines, from many different perspectives, the forces and constraints affecting public managers and the skills and tools they need to bring effective leadership and reform to the public service. The contributions by D.B. Dewar and Michael Keating review the public service renewal efforts in Canada and Australia over the past several years, while Jack Davis provides interesting examples of the way in which the government of Alberta has made use of strategic alliances – public and private sector partnerships – to reduce costs and improve and maintain effectiveness. In her review of the development of Canada's information highway, Jocelyne Côté-O'Hara offers a private sector perspective on partnerships but also stresses the need for a solid national strategy and an appropriate regulatory environment. In another vein, Ian Clark cautions us to beware of the current momentum toward slashing budgets and emphasizes that change should be limited only to the most important measures, and only to those that can be achieved. He also believes that basic policy issues are more important than structural issues, and that the public service management agenda must therefore be tied to a strong policy agenda. Finally, Lorette Goulet reflects on the qualities of leadership: imagination, commitment, judgment, a sense of urgency, an understanding of human nature and an entrepreneurial spirit.

Taken together, the views of this distinguished group of speakers offer many fascinating insights into the problems and challenges of public management in an era of rapid change. CCMD takes much pleasure in publishing this third volume of *Dewar Series* proceedings and warmly invites comments on the many views and issues discussed in the following pages.

Janet R. Smith
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Canadian Centre for Management Development

I. A Realistic Posture for Management in the '90s

Ian D. Clark

My topic today is "Une méthode réaliste pour les années 90." I will begin with the Ian Clarkian approach to realism in government and will then spend the bulk of the presentation talking about the consultations on public service management I was involved in during the summer of 1994. The question I want to pose for the syndicates is what this group of highly motivated assistant deputy ministers and senior public servants would advise the Clerk of the Privy Council, as head of the public service, to keep in mind over the next four or five years as she sets the priorities for public service management.

Realism requires that we set priorities and that in doing so we take into account socio-economic trends, political realities, fiscal realities, the limits of governmental action, and the human and organizational realities.

Several major pieces of work about what is going on in society and in the economy have appeared recently. One is a report on governing in an information society from a group of ADMs and associate deputies, coordinated by Steve Rosell.[1] This is a very high-level analysis of what is happening in society. If you are designing a management posture or a public service management agenda for the next decade, you will have to take into account these general trends – the breakdown of boundaries between industries and between the private and public sectors, the breakdown of the bureaucratic model for large organizations, including government organizations, democratization and fragmentation, the multiplication of voices and sub-national institutions, and so on.

Another study, on governance and competitiveness, was commissioned by the Economic Council from the school of public administration at Queen's University. The final report by Bryne Purchase is available.[2] Another piece is by Michael Trebilcock at the University of Toronto on the prospects for reinventing government. The implication for the public service is that we do not have to begin

1 Rosell, Steven A. 1992. *Governing in an Information Society*. Ottawa: Institute for Research on Public Policy.

2 Purchase, Bryne Brock. 1994. *Searching for Good Governance: Government and Competitiveness Project Final Report*. Kingston, Ontario: Queen's University, School of Policy Studies.

at square one; a lot of high-quality thinking has gone on over the last couple of years.

A second reality is that there are limits to what government can accomplish – jurisdictional limits, limits on the time available to ministers, legislatures and public servants, limits to social cohesion and limits imposed by social values. Finally, there are limits on a government's "political capital" – conserving that capital precludes the possibility of acting on many fronts at the same time and limits the number of problems a government can solve within a four- or five-year period.

The economic and fiscal realities are that we cannot grow our way out of the structural economic problems we have; cyclical trends in the economy will not cure these problems, so we cannot grow out of the structural deficit. Moreover, there simply are not any painless expenditure reductions; every program has its supporters and a public policy rationale, and even administrative savings reduce payments to Canadians, including federal employees.

Choices therefore have to be made about trade-offs between objectives. We cannot simultaneously have wonderful labour relations and high employment security while also renewing the work force – including getting better representation in employment equity terms, controlling salary costs and increasing management flexibility. For experienced public servants there is nothing very new here, but it is worth reminding ourselves that making change is very difficult in government programs, because the clients do not like change and the people delivering programs do not like change.

A related point is that the political case for "equal treatment" in expenditure reductions is almost invariably irresistible. Ministers always begin with the idea that it is lunacy to impose across-the-board reductions, but they almost always end up with across-the-board reductions.

Finally, my observation is that in the last five years, budget cuts have been the strongest force for program and organizational change. Once people realize that reductions will be made, they start coming up with ways to change programs.

Michael Trebilcock's paper on the prospects for reinventing government concludes with ten propositions that coincide exactly with my own perspective:

1. Governance structures are crucial, so discussion about how best to organize ourselves and reinvent government is very important. It is one of the determinants of outcomes in society.

2. Beware of the political momentum toward slashing government expenditures. We should be very careful, he says, about emulating the practices of IBM and GM, which reflect poor management in the past and are not an indication of a good way to manage. Trebilcock points out that we can lose an awful lot of public good if we are not very careful about expenditure reductions.

3. Trebilcock goes on to show how the political constraints on reinventing government are often underestimated, and that is certainly one of my themes as well.

4. He cautions not to substitute regulation for spending; sometimes when we reduce spending we try to achieve the same effect by regulating or over-regulating the economy.

5. Trebilcock knows, as we all know, that government efficiencies are not going to solve the deficit problem. The deficit is currently in the 30 to 40 billion dollar range, and the entire operating budget of the government of Canada is about 20 billion dollars, so we cannot possibly solve the deficit by increasing operating efficiencies.

6. Whenever we redesign government institutions we should keep a strong focus on the individual incentives that this sets up.

7. When things have to be closed down or drastically changed, we have to do what we can to subsidize and ease the transitions; otherwise, the resistance to change will be such that we will not get any change.

8. Trebilcock and I are on the same wavelength on another point: do not wait around for dramatic, revolutionary change – keep on being incremental and experimental and moving toward better efficiencies.

9. He is a little oblique on the ninth point, but I think what he is getting at is that we have to take account of institutional loyalties both within our organizations and among clients. We cannot simply assume that we can cut a whole range of activities without having a marked effect on overall well-being.

10. Trebilcock's final point, and I will be coming back to this, is that even though structural issues are very important, the basic policies underlying them are even more important. In terms of the affordability of our current posture, then, we have to rethink the welfare state, and that is what Mr.

> Axworthy's social policy review is beginning to do. These policy areas are even more important than instrumentalities and techniques.

In terms of realism in public administration, then, what do I conclude about the management agenda of the public service? I have two main conclusions: first, whatever we do on the public service management agenda over the next three or four years, it has to be tied much more closely to the government's policy agenda than it was over the last five years. All of us involved in Public Service 2000 recognize the extent to which the activity was detached from the government agenda of the time; it was something we public servants tried to do knowing that we could not expect the government of the day to invest a lot of its political capital in public sector renewal. Because of the severity of the measures that will be required in the next phase, these will be determined by government decisions. The changes required will be controversial, so there is no point in beginning them if the government is not behind them from the start.

Second, if (and it is an "if," in my view) severe reductions are to be made, if the government decides it wants to go down that path, then departments will need more flexibility in their human resource management regime than they have now. I will return to this point in the next section.

The second part of my presentation examines the consultations on public service management that went on in the summer of '94. I will be talking about the project and its conclusions about the public service management agenda under eight headings.

1. The Project

The purpose of the project was to mobilize a broad group of public servants to generate advice on the public service management agenda for the next four years. The outputs were a 150-slide presentation of the conclusions, a work program for the central agencies for the next four years, and speaking points for possible use by the Clerk.

The process consisted of 11 two-hour sessions involving more than 70 people, mostly ADMs but also deputy ministers and more junior people. The format was a "rolling seminar," with 10 to 15 participants at each session. Each session began with a computer presentation summarizing the conclusions of the previous sessions, followed by a no-holds-barred discussion. This was quite successful as a consultative technique.

The sessions started with an overview of the public service and then went through key issues in departments – service delivery, accountability, people management, and so on. One thing that came up was the need for the government and the public service to get a clear idea of what the policy agenda was, so we had a special session in the sixth week on policy.

2. The Policy Context

One of the interesting conclusions we drew about the policy context was that the traditional distinction between "economic" departments and "social" departments is becoming less useful for a variety of reasons. Most of the effective economic instruments – those related to human capital and incentives to work – are now located in what we thought of formerly as social departments.

Second, we concluded that we should be using the results of the two recent studies on governance – the project on governing in an information society and the governance and competitiveness project.

A third conclusion is that we need even more emphasis on policy than we do on public service management systems. If you look at how the Canadian public service compares with that of other industrialized countries, Canada comes out better on the management side – management systems, morale, compensation levels, and so on – than on the policy side. Our social policies are fairly well refined, but we cannot afford them, so we have a huge problem of rethinking our economic – but mostly our social – policies to bring them into line with what society can afford.

What senior public servants told us in the consultations is that the public service management agenda has to be part of the broader policy agenda. Further, ministerial support is needed for the management agenda and the tough choices it entails.

3. Culture, Decentralization and Accountability

The next group of conclusions relates to centralization and decentralization. Many of the comments related to excessive rules imposed from the centre and the lack of recognition or reinforcement for innovative initiatives in departments, but there was also a minority view that we have already become too decentralized, especially in policy terms, with the result that it is difficult to achieve policy coherence between departments. These public service managers and ADMs would like to have a bit of coherence and direction. This view was epitomized by one participant who said, "The public service adopts management

philosophies a decade late, so we are now in the process of decentralizing everything, which is really an approach better suited to the private sector growth of the 1980s than to the rationalization taking place in the 1990s." So even if we are looking at giving departments more flexibility, we may want to keep that view in mind.

It is nevertheless clear that departments are different from each other, that there has never been much movement between them, and that the challenges facing them are dramatically different – making it hard to imagine a generic policy that would be suitable for most of them, particularly in the human resources area. So another conclusion we drew is that we have to take account of differences in cultures, which vary in all sort of ways between departments, between headquarters and regions, between people in governance functions and service delivery, and between people in policy and people in operations, and between various levels of management and the front line.

The fact remains, however, that middle management is a key to change, whether positive or negative. The need to develop a middle management strategy was recognized in Public Service 2000, but we have not quite got around to it yet in many departments. Most people at our level bought into the notions of Public Service 2000, but middle management – everyone from EX-2 in some departments down to PM-4 – were not sufficiently part of this.

The next conclusion is that we have to provide more clarity on "the deal" for public servants – what the new deal is, what a public service career consists of, the role of the public service in public expectations, and the operational meaning of terms like accountability, renewal and empowerment. Furthermore, this clarification has to be based on the current reality and a realistic view of the future, not on a "new vision" or some dream of how we would like things to be.

Then, we have to increase both flexibility and accountability in the system. The department is the key unit for the management of change, but we also need better accountability mechanisms, especially for the corporate work. We need to find a way of incorporating the contribution of ADMs, deputies and other officials to the corporate work in their evaluations and their career prospects.

To be realistic, there is never going to be a magic solution to the accountability issue in government – it will always be a challenge. Central agencies have a big challenge in improving accountability within the public service without affecting the accountability of ministers and the government. While accountability is a very popular political term these days, the challenge for

the government will be to open up the system without losing the essential elements of ministerial control and ministerial accountability. There are a lot of pressures on the accountability file these days, from general public mistrust of political leaders and public institutions, from the continuing pressure on ministers to micro-manage, from increasing "horizontalization" of issues, from increasing delegation of authority from ministers/departments to third parties. All these pressures and trends complicate public service accountability.

We also concluded that calls for direct accountability of officials will increase, resulting from a growing desire to hold officials up to public scrutiny and blame when things go wrong, to expand access to information, and to distinguish further between the actions of ministers and those of officials. This runs directly counter to principles of representative government and ministerial accountability, but there is not a great deal of recognition or acceptance of these principles, even in some quarters in Parliament.

But parliamentarians will have to be part of the process. Changes in the accountability system have to be related to reform of the expenditure management process and the estimates. The Treasury Board Secretariat is producing a document on this subject that it hopes the Auditor General and the Public Accounts Committee will buy into, so that we can at least begin to clarify some of these issues on paper.

The framework for accountability really depends on how you see the public service. How you understand accountability depends in part on what is managed centrally and what belongs with departments. At present we start from the assumption that the public service is a single organization requiring uniform policies, with some degree of variation as a result of delegations from the Treasury Board and other central agencies under those uniform policies. That is the broad model we use now.

But an alternative model is becoming increasingly compelling, which starts from the proposition that departments are fundamentally different, their lines of business are different, and they therefore require different management regimes. Linkages between functions remain crucial; we all know the importance of breaking down the stovepipes between finance, personnel, materiel management and so on. But the best place to integrate these functions is at the departmental level, rather than at the corporate level. There is still a corporate interest, but one that relates to a much more narrowly defined core. This corporate interest would be reflected by central ministers and central agencies setting the framework, coordinating, refereeing, setting frameworks, promoting

learning, and so on. The implications for public service management are quite different if you start from the traditional model or from this alternative model.

The fact remains, however, that there is no generic "right answer" on decentralization. Some issues should be centralized because you can get better efficiencies, better coordination, better coherence; other things need to be decentralized. Degrees of decentralization will vary, so that the public service will probably end up somewhere between the traditional model and the alternative model. The Treasury Board Secretariat accountability paper will address this and, we hope, will be discussed widely and eventually put into practice.

4. Reengineering and Technology

You are no doubt familiar with gains that are possible through reengineering administration and program delivery, as well as in management and policy, particularly by using information technology to better advantage. "Blueprint"[3] is a great start. This CIO-led framework document for renewal using information technology may be the best in the world today. No other large institution seems to have been able to develop such a comprehensive and coherent direction for information technologies. It is business-driven, not technology-driven, and it emphasizes partnerships, single-window services, and sharing of common services.

One of my *idées fixes* here is that apart from reengineering systems, we as managers in the public service have not yet recognized the use of information management as a strategic tool for renewal, particularly the capacity to network personal computers and use groupware to work as teams across the country. Progress has been good on improving administrative processes through information technology, and it is promising in the area of service delivery.

Personal computers have also prompted improvements in individual efficiency and management communication, but they have not yet been used strategically as an instrument of public service management. With all the developments in the past few years, we have got to the point where the benefits in terms of efficient management now outweigh the difficulties of introducing and using information technology.

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[3] Canada. 1994. *Blueprint for Renewing Government Services Using Information Technology*. Ottawa: Treasury Board of Canada, Secretariat.

5. Service Delivery

We came to a number of conclusions about service delivery. First, different departments face different factors that affect how they deliver services, whether it is a changing clientele, changing technology, changes in regulation, or changes in federal-provincial relations. A second conclusion is the need to adjust commitments made to clients about service delivery in light of shrinking resources.

Another conclusion is that we should be looking at service delivery in a more integrated way across departments and programs – the single-window concept, and so on. Another very important point in getting political support for changes in service delivery is the ability to continue to provide a federal presence without necessarily having employees onsite – mostly through new information technology. If you can have clients deal with you over the telephone – but, even better, by means of a video screen – you can still achieve a strong federal presence.

Partnership, with the private sector primarily but also with provincial governments, is another way of the future for service delivery, but it will require new tools to make it work.

On the question of service standards, my view was that they should not precede decisions on the programs themselves, but the government has already committed itself to having service standards in place for all departments by next year. Departments are not resisting this; the line departments, in particular, recognize that standards follow naturally as they move toward a more market-oriented approach – those who pay for services expect them to meet certain standards. Standards can also be set in a process of negotiation with clients.

6. People Management

We heard some interesting comments from ADMs about how employees are reacting to the current situation and how the work-force adjustment policy is working. Employees are nervous, even if there have not been layoffs in their own organizations, and managers are concerned about maintaining the quality of the public service work force if reductions are not linked to job performance and recruitment is constrained. The work-force adjustment policy is placing a lot of constraints on management, and if it is not really improving employees' sense of security, obviously something is wrong.

The management trainees who participated in the consultations had an interesting perspective. They see that in some organizations, the people taking cash-outs are those who are most employable elsewhere, so they see a reduction in the average quality of people in their units. The management trainees are quite insistent about dealing with non-performers. And they feel very strongly that we should not be closing down recruitment in the system.

As one assistant deputy minister of personnel said, these issues and the significant changes potentially in store for the public service involve people, but they are far more than personnel issues. They are fundamental to the body corporate and should be seen as a key part of the governance of the whole institution. All of us managers, whether we are in human resources or not, "should feel ownership for the problem and become part of the solution."

The consultations produced a list – in order of importance – of the people management issues that the Clerk of the Privy Council and the central agencies should be dealing with. The most important issue is to develop a view of how uniform the human resources regime should be and to consider whether other vehicles, such as separate employer status, should be looked at. Second, we have to redefine the public service career – to make it clear to employees what the "new deal" is, both at the level of principle and at the level of specific policies.

Third, we have to look at pensions, because our pension system is designed to retain people, which is not exactly what the public service needs at the moment. We need a more flexible and up-to-date regime to encourage mobility, both in and out. Fourth, the work-force adjustment policy has to be looked at. The current policy has both advocates and critics (usually depending on the degree of downsizing required). Do we need fewer people, or different people doing new things? Work-force adjustment and pensions are among the most problematic of the issues on the agenda.

Fifth, labour relations will be a priority, particularly if there are major changes in the size of the public service or if the government chooses to move toward separate employer status for some organizations. Sixth, many departments need new tools for managing transitions, such as partnerships and devolution. Another priority is tools for renewing the work force, i.e., getting new people in. Employment equity is also a continuing issue. The issue of terms is important, because it is a key element in the flexibility of the work force.

Finally, we need to look at what managers, from ADMs to second-level supervisors, need now, because they are critical transmitters (and blockers) of change. They are key members of the team, so we have to find out their

perspective on change and what they need from us. Assistant deputy ministers are a corporate resource, and we could lose some of our most valuable people if they are not given the opportunities they want. The Public Service Commission and the PCO should provide more individualized treatment for these managers, and we should move immediately to full appointment to level. Then we have to look at the "middle management syndrome," which now often extends up to the EX-3 level.

On the issue of the uniformity of the human resources regime, the proposition – a contentious one – is that it is time to look seriously at moving to separate employer status for the major departments, because the speed with which they are having to adjust to change requires that they have more flexibility to adapt to specific situations. The British are moving to this; each department will be a separate employer and conduct its own labour relations. Australia and New Zealand have been doing it as well. This will, of course, fundamentally alter the labour relations regime, and ministers will be understandably cautious about this move, because the union centrals would resist it strongly.

Finally, whatever the changes, we need additional support for transition and renewal. Changes in the pension scheme, together with the work-force adjustment policy, are the most important elements of this support, but we also need more flexibility in other areas, such as hours of work, inducements to depart (or change status), rules on second jobs, and so on.

One issue that will remain contentious emerges from the conclusions of the governance and competitiveness study I referred to earlier. The basic contention is that the public service in this country is overpaid relative to the rest of the work force. They look at the wage differential between the federal public sector and the private sector in Canada and also between provincial public sectors and the private sector. Part of the differential is explained by differences in the kind of work being done, the kind of people required, the fact that the federal public service is older on average, that it is more educated, that it has more professionals and managers, and that they have more years of service, and so on. But even taking all these factors into account, there is still an unexplained differential of 23 percent. Unionization explains a further 10 percent. I do not necessarily want to defend the analysis, just to note that there will be continued pressure to constrain wages, because this provides analytical support for the gut feel of many Canadians, and certainly the small business community, about the federal public service.

As far as human resources and budgetary decisions are concerned, if there will be significant changes – in program goals, for example – human resources

issues, including higher costs, have to be taken into account from the outset. There is no point in proposing massive budget cuts without taking these costs into account. For all these issues, the speed of implementation is a key question.

7. Policy Capacity

The final part of the public management service agenda is the issue of policy capacity, which we had not intended to deal with, but this is what emerged from the consultations. The ADMs were saying, in policy terms, you cannot assign responsibility for each issue to a single organization – for example, assigning the unity file to PCO. Every department is implicated in issues like unity and growth, and to get a coherent strategy, we need mechanisms to work together on horizontal issues more effectively than we have done in the past.

The important message that emerged is that the more horizontal the issues, the more a strong policy centre is needed. You cannot expect consensus simply to emerge from a large group individual departments. There has to be some capacity to look at national requirements and exert a strong framework from the centre. And the centre is the Privy Council Office.

The elements of good government policy are clear: good analysis, good implementation strategy, good consultation, good political tactics, good communication, effective implementation. On five of these six elements, the public service has an important role and must develop its capacity to play it.

One way of developing this capacity is to give more attention to the policy community. It exists, and we need to take steps to make sure we have a policy capacity in the public service as we have done in the past on the financial and personnel side. Rather than leadership of the policy community itself, it is more important to have strong policy leadership through a strong policy framework. Some attention is already being paid to this, for example, through CCMD's "Rethinking Policy" program.

8. Size and Nature of the Central Agency Agenda

The central agency agenda involves some on-the-one-hand, on-the-other-hand considerations, for example, on the question of how dramatic the agenda for change should be. A smaller and more flexible public service is certainly desirable, but is it feasible? This is where political realism comes in. To achieve that smaller public service, you need reductions in services (even if they are replaced by better services) and accelerated departures, you need changes in the employer/employee regime, and all these are politically difficult. Ministers will

have to be convinced that the benefits of implementing these changes are worth the political costs. Ministers will probably settle this issue sometime in the next six or eight months in the context of program review and the run-up to the budget.

But if ministers choose not to change the work-force adjustment policy and the *Public Service Staff Relations Act*, there are still some reforms that would be useful, but we should be realistic. Let us not try things that are not going to be supported by ministers. Let us recognize that expenditure reductions and technology will continue to drive changes and reform anyway. Let us be realistic and stay focused, limiting change to the most important measures and those that can be achieved.

Many of the people we consulted were quite disappointed with this proposition; it looks very conservative. That is one of the things I would like you to debate in the syndicate groups. My point is that, even if ministers decide not to make these dramatic reforms, there are respectable arguments for moving forward with a limited central agency agenda of management reform. Most departments are progressing and improving. The non-contentious reforms have almost all been implemented, so any further reforms will be contentious. Do you agree that it is therefore respectable to stop at this point of non-contention? In other words, some reforms are needed, but if they are not going to pass Cabinet/Parliament, then it is respectable not to worry about them.

We already have a number of change agents and activities in place, for example, in the informatics area, and we will continue to press for change on these fronts. But I would argue that, relative to most other governments, the federal public service is in good shape, including its morale, and that more emphasis, more time and energy of the senior public service should be devoted to policy now, for the reasons I outlined earlier. If you put all these factors together, I think there is a respectable rationale for not trying to introduce radical reforms.

Let me say a few words to back up my proposition that our management situation is better than it is in most governments. If you look at what other governments are thinking about in terms of reform, we already have operating budgets and opting out of common services. Our merit system actually works compared with that many other governments. We have relatively little micro-management from the centre, particularly in areas other than human resources. The benefits received by public servants are good, and we have stable labour relations. A lot of countries and some provinces do not. We have our act together on technology investment and coordination better than almost any other government. We have the thinking, the mechanisms, and the political support for

alternative delivery options. And we have about the highest degree of interdepartmental collegiality of any I have seen at the deputy level, at the ADM level. When you put all that together, in my view we are in better shape on the management side than most governments.

So you do not have to worry too much about not adopting dramatic management reform, because expenditure reductions and technology will drive it anyway. Expenditure reductions will be significant and continuous, and managers should plan for this. Technology facilitates productivity improvement (and thus helps with restraint), and the public will rightly insist that we use the available tools to increase productivity.

From all these changes and trends is emerging a new paradigm – a new theory on the appropriate posture for central agencies in the 1990s (see, for example, Barzelay and Borins). In the bureaucratic era they focused on control, enforcing responsibilities, following rules and procedures, and operating administrative systems. In the post-bureaucratic age, the emphasis is on winning adherence to norms, building accountability and working relations, identifying problems and improving processes, providing incentives and expanding choices.

The two questions for the syndicates, then, are whether my analysis is too conservative – have recent changes in the socio-political environment been sufficient to alter the "realities" that applied in the past ten years? And what are the three most important ideas you would advise the Clerk of the Privy Council to keep in mind over the next five years?

SYNDICATE REPORTS AND DISCUSSION

While participants agreed generally (the exceptions are discussed below) with the analysis of recent changes in the socio-political environment, many felt the analysis was too conservative in the sense that these changes call for much more profound and far-reaching transformation of the public service than was apparent in the proposals emerging from the consultation process outlined by Mr. Clark ("incrementalism doesn't work...what is needed is major change and a whole new public service culture...the public is ready for major change and eager for public service reform"). Two of the syndicates reported their belief that unless the government of Canada undertakes these changes itself, it will be compelled to do so by pressure from outside the country. Both groups suggested that allowing reform to proceed according to "natural evolution" or the realistic/practical approach proposed by Mr. Clark would mean ultimately that Canada would find itself in the position of being unable to direct or manage change in ways determined within the country ("a realistic and practical approach is by definition conservative, and a conservative approach is not what we need right now").

Syndicates also focused a great deal on perceptions and communication – elements which, they agreed, are extremely difficult to deal with but which can have significant effects on the success of efforts to promote and manage change. Public perceptions, for example – as exemplified by the attitude that the deficit problem could be solved if public servants just stopped wasting money – were seen as being out of step with the magnitude of the change required in the role of government. Changes in the way the government does business will result in significant reductions in the cost of government – and participants supplied numerous examples of how this is being done – but this will not solve the deficit problem.

This points to the need for politicians to come to grips with the more difficult decisions about just what the future role of the federal government will be and to work to improve public understanding of the magnitude, nature and implications of these decisions. Participants felt that efforts to inform the public about what is being done by the public service to get its own house in order would help to build public support for the much more difficult decisions ahead. Indeed, one group thought this process so important and necessary that it should not be left solely to politicians – that it should be depoliticized, that public servants should be speaking directly with clients on a number of fundamental questions concerning service delivery. What kind of authority do we need to do our job? What level of risk is acceptable? What kinds of links should there be with the political level?

Other groups referred to the need for change *within* the public service and change *led* by the public service – change in the public service culture, more visible and consistent leadership on the direction and focus of change, change driven by clearly thought-out and enunciated policies rather than the need for budget cuts, an end to senior officials speaking one set of values and acting out another, the adoption of a culture of continuous improvement rather than slash-and-burn approaches ("that is not a policy – it is a desperation measure"), an end to the attitude that shell games or tinkering at the margins is sufficient to weather the current crisis.

There are undoubtedly still some gains to be had from looking for ways to administer programs and deliver services more efficiently and effectively. Leadership and direction are required for a government-wide approach to this issue, but implementation will vary widely between departments. The full benefits of such approaches as partnerships, commercialization, privatization and contracting out have yet to be realized. More concerted efforts are needed to ensure that if a service is necessary, it is delivered from where it makes most sense – no matter which level of government has jurisdiction for it.

One group disputed the assertion that morale in the public service is good – it may be good in relation to other jurisdictions, they said, but it is not good in relation to how it has been in the past, and that is the point of comparison that really counts. Nor were participants satisfied that the human resource management tools now in place (work-force adjustment policy, pension plan, etc.) are sufficient to the task of managing the current wave of change, let alone the significant changes to come.

Others disagreed with the view that the public needs to be "educated" on the extent of the fiscal problem and the consequences for the role and scope of government, pointing to political support for the actions of provincial premiers in Alberta and New Brunswick.

In terms of messages for the Clerk of the Privy Council, syndicate groups offered a number of views on what the next steps should be. Far more important, now and for the next few years, than attempting to squeeze further efficiencies from the system is the question of *what* programs and services will be delivered at all, to whom and in what quantities. Political decision makers have to make these decisions and develop public support for them, the public service needs a clear mandate and appropriate tools to carry out the decisions, and public servants need to understand the implications of the decisions for their role and what kind of federal public service they are going to be part of in the future.

One important role of the Clerk in this process will be to define clearly for public servants the relationship between the political/policy arm of government, and the role of the public service and how it should go about fulfilling that role (for example, as a service-oriented, not a process-oriented institution).

Participants also emphasized the importance of the Clerk's role in conveying to public servants senior management's respect for their abilities and dignity as individuals. Too often in the recent past the message from the centre has been that public servants have to shape up, that they are not well enough trained, that their skills need updating. New messages, new communications techniques, new means of managing human resources and planning careers are required. The pension system is not flexible enough to promote movement in and out of the service; the staffing system should be based on the notion of assignments or appointments, rather than positions or levels; the basis for recruitment and promotion should not be solely functional skills (finance, human resources management) but also broader skills in directing and managing change, managing teams; a better way of dealing with poor performers is needed, and so on. Different tools and different scope for action will be necessary in different departments, because the opportunities for change vary from one to another.

Finally, participants talked about the importance of the Clerk communicating a vision and values that incorporate many of the points made previously – the direction of change, the role of the public service, respect for the capabilities of the public service – and in ensuring that deputy ministers are taking action consistent with this vision and values; that at the most senior levels of management in the government, the walk matches the talk. At the same time, participants recognized that where massive public sector reform has occurred, it has occurred because of commitment and unity of purpose at the highest political levels and the willingness of the ministry to stay the course, regardless of the political consequences.

II. What the Public Service Should Be Doing About Reforming Government

Bevis Dewar

We all recognize that a continuing process of reform of government and of the public service is necessary. I also believe that the primary responsibility for making that happen lies within the public service – if not, it will not happen at all. What I would like to talk about today is why I believe this is so, and what I think should be done. The need for continuing reform is clear for many reasons; I do not propose to argue the case, but I will briefly mention some of the more compelling driving factors.

First, government at all levels now serves a public that is vastly more engaged in public policy matters than it used to be, a public that is more demanding of results and of quality of service than it used to be. This derives in part from higher levels of education – or perhaps the correct term would be higher levels of access to knowledge, mainly through the mass media, about everything that is going on everywhere. As a result, everyone has a view on everything. Unfortunately, not often do two people have the same view. That is the demand side. On the supply side, governments are very seriously hampered in satisfying these demands because of fiscal restraints, because of difficulty in forging consensus, and because of loss of freedom of action owing to international and local forces.

I do not think we fully understand that last point yet. At the local level, people are huddling into their families and homes, saying, "World, leave me alone." But internationally, not only are trade agreements limiting governments' freedom of action but also, and more significantly, immense flows of international money have dwarfed the powers of governments to act independently. I recommend to you an article in the Globe and Mail's *Report on Business* magazine for November 1994 about the international flow of capital and the effect it is having on the ability of governments everywhere to act independently to protect whatever interests their citizens may have defined. The statement is made, among other things, that there is as much money moved around the world through the 24-hour exchanges in one week as is represented in the total output of the U.S. economy each year.

A third driving factor is pervasive uncertainty about the values that should guide public policy decisions – a confusion about values – and rising stridency in

the tone of debate that tends to make governments avoid clear decisions, thus leaving serious problems unresolved.

One of the significant problems the previous government ran into was its inability to solve problems that were festering in the country. The constitutional issue was an example. Everyone said the government got into trouble because it tackled things that should have been left alone. To some extent this may be true, but there is another side to this: government leaders were so bruised by the experience that resulted when they did tackle issues that they got into the business of not tackling issues at all. That comment is being made about the present government as well. There is a dilemma here, and governments feel trapped. But when problems are not dealt with, public dissatisfaction rises, and you start the vicious circle all over again.

Surely just noting these things is sufficient to convince anyone that we do have a substantial crisis of governments. The symptoms appear every day in super-heated debate and in gestures of cynicism and mistrust. In some ways the crisis in government is especially serious for Canada, because this country has a strong tradition of using government to solve problems and to advance common interests. There is not a tradition of avoiding government activity in Canada as there is, for example, in the United States. Therefore, our people expect more of government; there are important and urgent problems that Canadians expect government to deal with. But governments feel they are damned if they do and damned if they don't.

All these conditions were present five years ago when we undertook the process of reform of the public service known as PS 2000. It would be useful to start any examination of where we are and what we should do by assessing the results of PS 2000.

When measured against its own goals, PS 2000 deserves a "B" or at least a "B-" for results achieved. Its greatest success was in firmly planting the idea of cultural and attitudinal change in the minds of public servants – and this was one of its declared purposes. There is no doubt that many public servants were invigorated by the prospect of finding ways of doing things differently and better; this was an important achievement at a time when the service was under severe strain.

This vision permitted a checking of the trend toward loss of morale and cynicism that was starting to threaten the tradition of a loyal and professional service, although it did not totally reverse it. The greatest impact of PS 2000 was on the deputy ministers, senior managers and others who participated in the

various task forces, because that work required them to think very fundamentally about what the roles, values and practices of the public service were and to articulate the vision this led them to. The hard work of going through that process produced not only some sound conclusions and recommendations in the task force reports, but also a much clearer understanding among the leadership of the public service about the deeper meaning of such concepts as service to the public, continuous learning and motivation and empowerment of employees. I saw a real commitment to these ideas develop among many of the participants in PS 2000 and an eagerness to put them into practice. Most deputies set up important initiatives in their own departments as a result.

On the more technical side, PS 2000 did lead to some important and useful changes in human resource management, especially simpler classification and staffing procedures, delayering, and improved training and development strategies. And the Human Resource Development Council was set up to foster and oversee these changes. You are better placed than I am to look back and judge the success of these changes over time, and I hope you will comment on it later.

On the minus side, I regret very much that the sense of commitment and excitement about the possibilities for change did not take root widely and deeply enough throughout the public service. I now think that we underestimated how much time and energy this would take, and we did not have as ambitious and sustained a strategy as we needed to make it happen. The obstacles to success were formidable. The middle management level in many departments was being squeezed severely at that time between budget and personnel cuts on the one side and the need to sustain service on the other, so they were not easy converts to the change philosophy we were promoting. The same could be said of most operating units outside Ottawa, and we also failed to attract much interest in our work outside government.

Real interest and support from the public would have resonated back and reinforced the momentum of the enterprise, but that did not happen. We were in the middle of turbulent years politically and constitutionally, and although ministers were supportive of PS 2000, neither they nor the public generally had much time or attention to give to it. Moreover, journalists and academics who might have been expected to raise the public's interest were by and large sceptical and, when they did comment, they said more about process than substance. I have a particular concern about the role of journalists and academics in our national discussion about issues of this kind. There is a serious problem here, and I do not really know how we can deal with it. We might want to come back to it later.

Although considerable effort was expended by the public service leadership on encouraging and supporting the kinds of changes called for by PS 2000, there was some draining away of energy at the centre after the project was formally completed in December 1990, as other pressing problems intervened and some key players moved on or left the service. CCMD and the Human Resources Development Council remained as important institutions fostering change, and the change units set up in several departments are still operating as far as I know. But the PS 2000 secretariat, which acted as a kind of anchor desk for implementation, was wound up in '93, and, most important, PCO turned over to CCMD the role of leading the effort to change. That tended to narrow the focus to one of management development and training; this is a key ingredient, but it cannot provide either the breadth of vision or the flagship status at the centre of government that promotion of the full PS 2000 vision requires. As a result, I do not think the public service is equipped at the moment with the leadership machinery at the centre or the persistent strategy that is really needed if the permanent revolution that PS 2000 envisioned is to flourish.

Having said that, I do not see this as a reason to give up. These problems can be corrected, and a new development presents an opportunity to renew the effort. That new development is the government initiative to review and redefine the role of government in Canada. This initiative was outlined first by Marcel Massé in a speech called "Getting Government Right" before the election in September 1993 at Longueuil, Quebec, and then again in his capacity as Minister of Intergovernmental Affairs and Public Service Renewal during the budget debate in February 1994.

Mr. Massé took note of the same kinds of imperatives for reform that I referred to earlier, and he concluded that they demand a fundamental examination of the roles of government, including a pragmatic assessment of what could best be done by federal, provincial and local governments and what should be left to the private sector or individual citizens to do themselves. He suggested the exploration of partnerships between government and outside institutions to achieve certain kinds of results most efficiently. He emphasized the importance of deciding first what government should and could afford to do and then of deciding how they should organize their efforts to do it. He insisted on the need to be realistic about fiscal capability, but he made it clear that achieving savings, while essential, was only part of the objective. He was looking for fundamentally improved and focused government as well as affordable government.

That constitutes a whole new reform agenda. It includes, as Mr. Massé said, a renewed effort at public service reform but within a much larger agenda of government reform. Once again, I find it disappointing, if not very surprising,

that the vision he expressed has received so little attention. As a news item it had a pretty short run; the attention of journalists and academics soon turned to other subjects, and even within government and the public service, other worries have pretty well overwhelmed it.

In other words, the same kinds of things that weakened and slowed down PS 2000 have affected this initiative. It is possible that the current program review may advance the case somewhat, and this is a delicate point on which I would like to hear some discussion later, but it seems to me that the program review is dominated by the search for savings, that is, by the question, "What can be cut?" rather than the more normative goal of Massé's vision, where the question is, "What can governments do best, and how, within their fiscal means?" Understanding just exactly what question we are grappling with is vital to getting things straight before proceeding.

If you believe, as I do, that it is important for us to take charge of this agenda and manage our own future rather than having fate manage it for us, then you will agree that we should think hard about how we should go about this. Specifically, what is the role of the public service in this? Reform of government – not reform of the public service but of government as a whole – is an intensely political subject. It is intensely political in a way that public service reform is not, because the interests and concerns of all citizens and institutions are engaged, and the final decisions will be taken at the highest political level and with full public consultation.

But this leaves a huge responsibility on the public service to energize and sustain the process. We all know that the public, generally, is not really tuned in to this subject in a productive way, and we know that the media elites are showing no signs of trying to nudge them into a discussion of this subject. We know too that ministers by themselves, with all the daily burdens they have, cannot carry out this work themselves. If the public service does not take up the slack, no one else is in a position to do so, and the initiative will founder by default. I believe the public service has the knowledge, the capacity and the ethical objective of service to the country that is needed for leadership in this area – and that it fits squarely within the traditional public service role – to pick up the Massé vision, to develop the scenarios and options for realizing it, to present those to ministers and to help ministers organize the information and consultation process to foster public discussion.

But if the public service is going to do this, it will have to start by taking the initiative to propose to the government the organization and plan of work that are needed. The scope and fundamental importance of the work to be done clearly

requires the leadership and the supervision of the Clerk of the Privy Council, and given the other demands on the Clerk's time and energy, she will have to equip herself with senior and able help to do what is needed under her direction. It is not my place to suggest how this should be done, but what is needed is an Associate Clerk of the Privy Council for Reform of Government with a mandate to develop the strategy and the work plan, get the necessary resources and information from departments, and, under the Clerk's direction, advise the Minister of Intergovernmental Affairs on a daily basis. The Associate Clerk would also need a small but very able staff, because our experience with PS 2000 is that a structure such as this at the centre is essential if the enterprise is to have the profile and the staying power needed to see the job through, and if the responsible minister and the Clerk are to get the focused help they need.

I would also assign to the Associate Clerk the related and important responsibility for public service reform, that is, to refocus and re-energize the follow-through to PS 2000 and to ensure that the inevitable adjustments in the role and structure of the public service that reform of government will cause will be planned for.

Some, both inside the public service and outside, will think that these suggestions ask too much of the public service or give it too big a role. I do not see it that way. In practical terms, I don't think the difficult and sustained effort that is needed can be provided by anybody else. And looking at the problem more theoretically, I can see no valid objection to public servants studying and advising on these basic questions about the role of government, so long as the final decisions and the choices among options are made at the political level following a period of public information and discussion. In fact, that is exactly the context in which the public service does and should operate in its policy advisory role. The only difference is that this time the issues are bigger than usual. Moreover, it is the clear duty of the public service of Canada to recognize the challenge contained in the Massé vision of reform and to organize the effort to analyze and give advice on it.

I would argue that public service is an institution with a distinct role in Canadian life, including an obligation of trusteeship for the longer-term interests of society. I believe that the current crisis in government surely represents a danger to our society against which our very best efforts as public servants should be mobilized. The challenge is to recognize the rightness of the role for the public service and the urgency and the importance of the work to be done, and then to provide the leadership to get on with the job.

I wish there were some way of sharing the burden of leadership, but it seems inescapable that it must fall directly on the Clerk of the Privy Council who, as the chief public service advisor to the Prime Minister and as head of the public service, is the only person in a position to make happen what should happen. If the Clerk does seize this opportunity for leadership on the Massé agenda, obviously she deserves the support and the best efforts of the whole public service in seeing the job well done.

I have identified two questions that might help to focus thinking about this. The first question is, "Do you agree that the public service should take the initiative to further the process of reform of government?" The second related question is, "What steps should be taken?" The first question might lead you into some pretty broad discussions about role. I have expressed a particular view about the nature of the public service, and you should debate that – the role not only with respect to ministers and Cabinet, but also with respect to society as a whole.

DISCUSSION PERIOD

Participants asked Mr. Dewar to elaborate on how a public service-led process of advice to ministers and public discussion and consultation on the reform of government could be made to work, given the experience with public consultation on the constitution.

Mr. Dewar urged the public service to analyze that experience and to diagnose what went wrong and why the process turned sour. Unless this work is done, no matter what the issues, either we are going to shrink from necessary public discussion or we are going to run into the wall again when we try to promote it. For example, when people claim they are not being consulted or they do not understand the problem, is that really a code for saying, "I understand the problem alright, but I am not getting what I want"? On the other side of the coin, the political leadership has often given the public an opening to say this by tending to express problems in terms of economic benefit and brokerage – in terms of trade-offs and bargains. In doing this, they set themselves up for being picked off by people who do not want something to happen. Public discussion of a sensible kind has to be about values, principles and objectives.

Mr. Dewar described himself as a great admirer of the ideas on political leadership expressed by Václav Havel, who has written about the idea of a post-modernist political leader who no longer is the commander-in-chief of the society – that is something people are no longer prepared to accept. Nor is the leader simply a broker who tries to bring interests together and reconcile them in some way. Havel describes the post-modern leader as a kind of mirror whose job is to listen and try to understand, out of all the surrounding noise, what it is that the population is trying to say, to synthesize what is being said, and then to articulate it to the people by saying, "I think what we need to do is this." If the leader has got it right, people will begin to see the resonance of their own desires and needs and will offer their support. Mr. Dewar pointed out that this is not an easy thing to do, as Havel found out in his own country. But this does not necessarily invalidate his thesis about what the nature of modern leadership has to be, because people must feel engaged, or they will resist. However, it is not enough simply to ask them what they think we should do; that will not work either. You must be able to articulate back to them an understandable, comprehensible synthesis of what they are trying to say. It is interesting that Havel is a poet, Mr. Dewar noted, because poets are known for putting into succinct words ideas that people did not know they had until they read them.

Mr. Dewar went on to point out that PS 2000, for example, is of no interest to the public unless someone can express what it will do in terms of

creating a better life for everybody. He feels the same way about the attack on the debt and the deficit. It is of no interest to people's souls whether the debt is dealt with – you cannot be enthusiastic about an objective stated in negative terms. It has to be expressed positively – as the achievement of some new vision, not just as avoiding disaster.

Other comments from participants related to whether the role of the public service is to support the political leadership or the public, whether public trust of the public service has been undermined by design or by neglect (and whether it can be re-established by deliberate action in one form or another by the public service), and what the nature of the trusteeship contract between the public and the public service is.

On the first point, Mr. Dewar referred participants to his article "Public Service Values: How to Navigate in Rough Waters,"[4] which discusses the public service as a continuing permanent institution that does not change as governments change and so has an obligation to society as a whole, not just to the current government. The public service has an obligation to look at longer-term consequences – not only what happens in the next four years but what will happen in the longer term and what will happen to all citizens, not just a particular constituency. In return, the population gives to the public service some powers – powers of influence, privilege, advice and so on. This is the implicit contract or trusteeship between the public service and society. Every four years or so, the citizens also elect a government; this expresses their idea of what they want to do in the shorter term. The public service owes loyalty to that elected government – there is no better guide to daily action in the public service than loyalty to the elected government – but in giving advice to that government, the public service also has to think about its trusteeship role and the longer term. In short, there is a relationship between the institution of the public service and the country that is greater and deeper and longer in view than the relationship between the public service and the current government.

In looking to the public service to play a leadership role in government reform, in Mr. Dewar's view the public service should be seen as the engine that creates energy in the process. Marcel Massé (or whoever the senior minister is) cannot possibly get the job done in this area without superb support – analysis, options, visualizing solutions and putting them forward. The role is not so much

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4 In *Values in the Public Service*, Explorations No. 1, The Dewar Series – Perspectives on Public Management (Ottawa: Canadian Centre for Management Development, 1994).

one of finding the solutions as it is of energizing and feeding the process, of ensuring that it continues to run.

If public servants are to act on these beliefs about their role, the population will also need to understand that sometimes the public service will take a different view. That is where the academics and journalists come in – it is their job to explore and explain these things, yet they are not doing so. Journalists are too caught up in the short term to take on this responsibility. In some ways, however, there is more cause for concern about the role of academics in faculties of political science, philosophy, economics, and in our public administration and journalism schools. Those who are teaching and conducting research are in positions of responsibility and trust given to them by society: it is their job to relay to the public their views about what is happening to our institutions and our society. They have a responsibility that goes with their authority and power. They should be writing op-ed pieces and commentaries so that people will begin to ask, "Is there something deeper going on here that we ought to be thinking about?" When this happens, then journalists may begin to focus on the issues and public interest will develop further.

Mr. Dewar related these ideas to the institution-building job he sees for the Clerk of the Privy Council with the support of the proposed Associate Clerk. Although some participants expressed concern about additional machinery at the centre of government, Mr. Dewar made it clear that he does not favour a great deal of new machinery but was talking about someone to assist the Clerk in playing the kind of role described by Havel. Without this support, the Clerk and the minister will be too involved in the daily burdens of their jobs to focus on the broader task of institution building.

Ways should also be found to make the Clerk more visible as the leader of the public service, both inside and outside government. This would be a change in role from the old traditional view the Clerk as a public servant and, like all public servants, anonymous and invisible. This has to be modified because of the need for the public service to be seen as playing a trusteeship role, a role that would have to be understood and agreed to between the Clerk and the Prime Minister. But with this agreement, the Clerk ought to be making public statements occasionally about what the public service thinks. The Clerk could also be furthering this concept of the public service through alliances, for example, with academics and journalists. Deputy ministers cannot go out making speeches about how good the public service is, but they can give interviews, they can participate in research – this is all part of institution building.

Participants expressed the hope, but also some scepticism, about whether everything could be worked out neatly – a redefinition (or reinstatement) of the public service trusteeship role and value system (which some participants felt had been deeply damaged by association with the political agenda in the 1980s); Mr. Massé's program review and horizontal policy reviews, which people saw as credible and worthwhile if the original objectives are adhered to; the creative work in departments in proposing radically different ways of doing business; agreements with the provinces on reducing overlap and duplication – or whether efforts would be derailed by the need to meet certain deficit targets come hell or high water.

SYNDICATE REPORTS AND DISCUSSION

The first syndicate group supported the concept of *a* leadership role for the public service in reform of government but not *the* leadership role. The public service can develop options, in order to engage public debate, and use the Havel approach to listen, to synthesize, to reflect back, to listen some more, to test, to see whether in moving to a post-modern society we are getting it right. But the decisions are ultimately political.

Participants agreed on the need for a single and senior minister with responsibility for reform in order to provide high-profile visible support. An Associate Clerk and a visible central group would also be valuable, provided there is a rationalization of existing resources at the centre involved with intergovernmental affairs, program review and so on – leadership and visibility, in other words, but without additional bureaucracy. The process used will also be pivotal in its success; the process must be facilitating and enabling, and there must be deep and broad involvement with front line managers, with senior people, with the private sector, business, academia, the media, and possibly the unions. We also need commitment to reforming the public service as a continuing, organic, evolving long-term process, not a one-time exercise.

Following up on some of these points, the second syndicate group wondered whether PS 2000 had reached out effectively and consulted well, or whether it was fundamentally driven from the centre – with the result that ownership of the principles of PS 2000 is not sufficiently widespread, leading to cynicism about them.

The group also discussed a broad range of other issues, including the following:

- The importance of reasserting the value of the work of public servants. (Often the unions have been successful in explaining this to the public, and perhaps partnerships with them would be mutually beneficial.) Can these kinds of problems be solved with “advertising,” or is the best advertising our actions rather than what we say about what we are doing?

- Whether it would be possible to focus reform (including discussions with the provinces about overlap and duplication) by concentrating on what is best for the client. This might overcome problems associated with possessiveness about programs and turf.

- How to deal with the human element reform of the public service, for example, through concepts like employment security (as opposed to job security). How do you motivate people to offer up their own jobs as part of a process that will inevitably result in job losses? Where are the humane human resources policies that offer genuine alternatives to guaranteed employment?

- The need for departments to take up more of the principles of PS 2000 – sometimes departments do not take advantage of existing flexibility in policies.

- The need to sensitize middle and senior managers better to the big picture in terms of fiscal realities and reform of government as it has been discussed here.

In summing up, Mr. Dewar picked up on a phrase used by one participant, the "virtual organization" – expanding the boundaries of the organization to include journalists, academics, unions. This holistic, Havel-type approach needs trust if it is to work. How do you get that trust? A precondition of moving this way is to articulate a statement or doctrine about the role in society of the public service and at the same time re-articulate the government's intention to proceed with the reform of government as proposed by Marcel Massé. It will not be easy to write or get agreement on these statements, but if this approach is to work, there must be consensus about its meaning and value before there is a willingness to participate in the reform process. This is a big job, and one that would have to be driven by first-rate public servants supporting a minister. With Marcel Massé as minister, we have a unique opportunity. He is uniquely suited to the task because he has lived on both sides of the fence. He is intellectually gifted, and he has the energy and determination to see it through. He also needs immense help to make it happen, but we are not likely to find this combination of qualities again soon.

In terms of getting the public to understand and accept the value of the public service, Mr. Dewar expressed his belief that good service is the best advertising. In direct transactions between the public and public servants, there are often high levels of satisfaction. The public is not nearly as critical of the individuals they deal with as they are of the institution. Perhaps we can build on this by co-operating with the unions, an approach likely to be more acceptable to the public than a union-government stand-off.

In closing, Mr. Dewar said that the uncertainty at the moment is whether the government will decide strategically that it can make use of the public's fairly

strong general concern about the deficit and the debt and more efficient government to support the government in taking some really tough decisions that will create enemies in the provinces or in groups that are affected. This calls for a very strategic political judgment, and we are all now waiting for the shoe to fall.

III. First, You Must Believe!

Lorette Goulet

The title of this Dewar Perspectives Series is impressive: *Developing Strategic Leadership for Public Service Renewal*. It sounds like a great subject for academics or for people who love to juggle with esoteric ideas.

I am not one of them. Strategic leadership is a concept I will not even try to define. I am interested in what works. What matters to me is effective leadership, leadership that produces results.

When I think about leaders, real people come to mind, people who get up in the morning and are not immediately overwhelmed by their grand mission in life. I think of people who start their day without ready-made answers and who focus on what will hit them next, always striving to be one step ahead of the game. This morning I want to talk about people who manage and lead other human beings, about what makes them tick, what makes them effective leaders, and how they deal with change.

Therein lies the challenge: managing change. The very nature of our country is changing, and so is the role of government. Some of these changes need strong political and public service leadership. One could ask the question: is there adequate leadership from deputy ministers in promoting change? I will let others judge how well we are doing.

Within the public service, our culture is changing slowly – too slowly. As I once heard someone say: "We need to do constructive damage to the status quo." We need to do it quickly. The renewal of the public service is not something that we can grasp easily. It is not the logical result of long and exhaustive internal studies. We tried doing it that way – it did not work. It is rather a process forced on us by brutal external forces. The question is not "Does it make sense?" but rather "Where is the leader who will help us through it?"

Clearly it is not an issue only for deputy ministers. The public service is too big for a "top-down" approach. It is too big for a "managed" approach. Renewal is occurring in fits and starts, right across the system, with many small successes and failures. You cannot plan it, you can only write about it after the fact.

Managers at every level must exercise strong leadership in the management of change if they, and their organizations, are to survive. Change is inherently destabilizing, and we must strive to enhance our organizational readiness through a willingness to experiment and to learn as we go. We must nurture and support expressions of leadership; we must give them room to grow and blossom.

Organizational walls are crumbling fast. Leadership is exercised not only among people near you but across institutional boundaries. This calls for leadership without ownership. Having an entrepreneurial spirit and knowing how to build strategic alliances are very much part of the set of skills that successful leaders need.

I have a simple definition of leadership: it is the ability to get people to do things they do not particularly care to do.

The concept of leadership was developed by the military and it applied to battlefield situations. The concept was subsequently adapted to a civilian environment in both the private and the public sector.

“Leadership” was never well defined in the public sector environment. It was always a fuzzy concept, often confused with “motivation.” It was not particularly hard a few years ago to motivate and lead people when budgets were growing, pay raises were given, and the baby boomers had exceptional career prospects. Everyone wanted to follow the leader...and take his place. (There were few women in positions of power then!)

The concept of leadership is not the only one that is not well defined. It is also the case with “accountability,” and defining one’s bottom line has always been difficult in the public sector. You hear a great deal about the lack of clarity on accountability in the public sector. One way that my background in the private sector has helped me immensely is that I never let myself be confused by the lack of clarity in accountability. I refuse to see it as complex in the public service. I have survived because I know what a client is – and this has served me well in the past few years.

It is fine to be a leader, but what should be the object of our leadership?

Leadership as an expression of management will and style has long been a topic of academic scrutiny and debate. Are we born leaders or can leadership be taught? An interesting, abstract question, to which there will never be a definitive

answer, and with little practical impact in the real world of the office where, until now, there have been few life-threatening situations.

I was amazed by the comfort level in the public service until about five years ago. People were genuinely comfortable. Not so today. In this period of public service renewal, the workplace has become rather like a battlefield. Many managers and employees are genuinely insecure and lack motivation. Budgets are being cut, people are being asked to be more productive but they are given significantly fewer resources to do the job, and they do not know whether they are next in line in the growing list of casualties, regardless of rank or organization. Increasingly, we find ourselves in situations where productivity increases are, in part, attainable only through employees who, themselves, have been directly affected by work-force adjustment or who face being "adjusted."

Employees are being asked by some bright-eyed manager, in the name of renewal, to jump head-first into the brave new world of empowerment, privatization, devolution, untold partnerships and networks.

Why should they believe any one of us in this room? Why should they want to go where we want to lead them? Why should they listen to their bosses when what is being proposed seems rather dumb to them? As we say en français, "Ce n'est pas toujours évident!" And yet, it is critical that they do, if the organizations of today are to succeed.

Most employees, and at every level of the organization, resist change. It is basic human nature. They may not like the status quo, but the uncharted territory where we want to take them looks scarier.

So what is it that leaders need today to convince them? What do you need as individual managers to bring about change in your organization? What must you be like to overcome the pervasive, deep-rooted resistance so typical of our organizations?

I could rhyme off a number of buzzwords like vision, interpersonal skills, consultation and the need to set the example. These are all elements of what being a good manager is all about. But they do not add up, by themselves, to what it takes to be an effective leader.

Something else is needed, a source of inner strength and inspiration. Leadership comes from a belief that something must be done, that major obstacles can be overcome, and from the will to succeed. Leadership also comes from a sense of urgency and a feeling that something dramatic needs to happen. One

expression that sends my blood pressure soaring is “We agree, Lorette, mais en temps et lieu.” If we as managers and leaders do not have that sense of urgency, I do not know what we are doing here.

In the context of public service renewal, successful leaders are managers who have the ability to force their organization to find, and adopt quickly, innovative ways of serving clients and delivering programs in a context of ever-diminishing resources.

Survival is no longer a question of the fittest – it is one of innovation and speed. Leaders are often people with strong feelings who have learned to trust their instincts. For them change is not only desirable – it is a must. I *like* change – and I no longer try to hide that.

Many managers are disconnected from this reality and hence are not effective leaders. Because they are part of the management cadre, they go through the motions: they repeat the new religion, attend seminars and read up on the subject but, deep down, they are just as scared of change as their employees, and they resist it. This is much too costly for this company of ours.

Employees are no fools. They know when their managers are pretending – they see right through them. Their manager is out there in front, way in front, hoping that the troops are close behind. But the employees have stayed behind, well behind, and are very unimpressed.

This view of leadership is obviously overly simplistic. But it is a useful backdrop for understanding the key points I want to make this morning.

If you want others to take risks and rise to the challenge with you, you had better be convinced yourself that there is something worth fighting for. You must have a very good sense of what needs to be done, and you must be committed to it. If you want to be an effective leader in this era of public service renewal, you had better be convinced that change is possible, even though obstacles may at first appear insurmountable, and you had better have the strength and determination to make things happen.

None of us is a superman or superwoman. When facing great challenges, we all go through periods of doubt about our motivation and our ability to succeed. But if you cannot overcome these doubts quickly and if they linger on, move on to something else. If not, our employees will not believe our rhetoric and will become all the more cynical. You will not be rendering a service to anyone, least of all to yourself.

So, then, the first key element of effective leadership is believing strongly in what you are trying to achieve. Only then can you convince others to follow you down untrodden paths.

The second element is imagination.

To be an effective leader, you need to come up with new solutions and ideas of your own. You need the capacity to read the context better and the creative capacity to reframe issues. You need to be alert, always on the lookout for interesting leads that may give birth to innovative solutions. You need a knack for plucking essential bits of information from among the millions that run through your brain every day, and for weaving them into tomorrow's answers.

You do not need to be visionary and have the whole world figured out before you act. In the brave new world of managing change, speed is of the essence. The effective leader is much like a street fighter, and victory often comes in brilliant flashes or very strong punches. You need to be awake and opportunistic.

This is not to say that organizations do not need a clear vision and a good understanding of their mission. But too often senior managers spend an inordinate amount of time on this issue. When, after several months, there is consensus at the top, senior managers often make the mistake of believing they can impart this new vision rapidly to employees.

Senior managers may think they have a clear vision, but often they suffer from myopia. They fail to see that employees have not taken part in the protracted debates about the meaning of this or that word, or the particular place of a comma.

For most employees, mission statements are irrelevant. Senior managers, like elite marathon runners, have taken off at full speed. Employees are well behind, in a big pack, running on their everyday treadmill, impervious to the animated frenzy that occupies senior management. This is not what effective leadership is all about. I have learned the hard way.

I made the point that having a vision is fine but that, more important, leaders need imagination. It must come with a capacity to market dreams and infuse others with passion, and it must come with the ability to transform dreams into operational realities. Unfortunately we still have too many policy people who cannot do this.

The third key element of effective leadership is understanding people and group dynamics, and knowing where to apply pressure to make things happen.

As a leader you have to identify quickly those under you who can themselves become leaders in the process of change, and to place them in positions of command. You have to push others aside, even though it may cost you dearly in terms of time and energy. If you do not invest the time and energy and have the guts to make the hard decisions, they will fight you and wear you down in their own polite but insidious ways, and they may win – a price you and the organization cannot afford to pay. To be an effective leader you have to have survival instincts, in more ways than one.

A leader is not always out in front, leading others. In fact, in terms of bringing about fundamental change in an organization, effective leaders may spend just as much, if not more time *behind* their staff, literally pushing the stragglers along, and identifying and overcoming pockets of resistance to ensure they do not slow down or stop the process of change through sabotage or sheer inertia. They may not be aware that they are resisting change. Effective leaders need to entice people to participate and to become, themselves, agents of change.

And most of all, a leader needs judgment. Some victories are more costly than certain setbacks.

And as the group sets off down a new path, you have to challenge them further with yet newer ideas, pushing back the boundaries of their comfortable and cosy world. Expect resistance. Some will think you are crazy, but in the end, you will give them what they need most to survive: effective leadership.

In summary, then, I would like to suggest that there are three key elements in effective leadership:

- believing strongly in the objective you are trying to achieve and that it needs to be achieved;
- imagination; and
- understanding human nature and group dynamics, and knowing where to apply pressure to make things happen.

There are probably other, just as important, characteristics. In your group discussions I would like you to debate the merits of the elements I have identified and come up with elements of your own. I look forward to our follow-up discussion when you come back.

DISCUSSION PERIOD

Before Ms. Goulet began her presentation, participants introduced themselves and compared their experiences as managers at headquarters and in the regions. These were among their observations:

- There is still a we/they attitude between headquarters and the regions – it should not be that way, but it is, although decentralization and downsizing are helping to improve this.

- We need balance, we need more active exchanges between headquarters and the regions. Senior managers need both experiences to do their jobs better, to assure the overall quality of the public service for the longer term and a public service that is more reflective of the country as a whole.

- People formulating policy should not be doing so without front-line operational experience. Consultation is everything. Regions and districts have to participate in developing policies that are going to affect them if we are ever to get away from the we/they problem.

- Leadership can make a difference in whether the regional/headquarters split is a positive or a negative for the organization.

Following the presentation, syndicate groups added other dimensions to the list of leadership qualities enumerated by Ms. Goulet – strong beliefs, imagination, understanding of human nature and group dynamics. Among the qualities they mentioned were these:

- supporting, reinforcing and rewarding innovation, risk taking and other behaviour that is appropriate to the new environment in which the public service is operating;

- maintaining focus and continuity while exhibiting the speed and alertness needed to survive in the new environment;

- forging and nurturing partnerships and alliances;

- embracing imagination and creativity even if you yourself do not have these qualities.

Participants also discussed at some length the difficulties of diffusing and instilling throughout their organizations the culture, attitudes and behaviours

necessary to survive in the new environment. Among the obstacles to this change identified by participants were these:

- accountability and rewards systems that do not encourage or recognize speed, alertness, risk taking, client-responsiveness and other behaviours appropriate for the new environment, or that separate accountability for design of a program from accountability for its effectiveness in serving clients;

- lack of appropriate leaders and management tools to manage the most significant change ever in the public service;

- scepticism and cynicism arising from previous "reform" exercises that had little lasting impact, resulting in lip-service to change, efforts to rewrap programs in new guises;

- lack of recognition that this time things really are different, that the approach to reforming government and the public service really is new, that the fiscal realities really are creating a different situation than has ever existed before;

- culture differences between different parts of organizations, for example, regional employees focused on managing for results or service to the customer and headquarters personnel focused on serving "the system."

In summing up, Ms. Goulet responded to some of the points raised by participants. The issue of focus and consistency of direction in upper management is difficult, she agreed, although she sees some hope that the direction has been set for at least the next two years and that this has been done – through the horizontal program review – in such a way that personnel changes at senior levels will not derail the initiative. Anyone coming into a large department will have to live with decisions and choices that have already been made. Continuity (in the sense of corporate memory) may be more difficult at the regional level, particularly with mergers of departments and the loss of senior managers.

The one remaining issue for government and the public service that has not been dealt with by the current reform initiative is legislative simplification and regulatory reform. This is an issue for all governments, not just the federal government. To succeed, this will need strong leadership and commitment at the most senior levels.

IV. Restructuring Through Strategic Alliances

Jack Davis

People used to say that having a government job was the next best thing to being wealthy. At one time that might have been true – we had stability in government, many of us expected we would never work for anyone else, and there were regular opportunities for upward mobility. Now we know that government will be much smaller in the future. We have been facing incremental restructuring and downsizing over the last six or seven years, which involves looking at how to trim budgets and still keep programs and services operating.

The next stage will be different. The type of individual who has traditionally worked in the public service will change, just as the nature of public service work will change. There will not be as many career public servants as there used to be. Many more people will be moving in and out of government and government will contract much more for services – and not just in the areas I will talk about today in terms of restructuring for strategic alliances. Government will be contracting for much more of its policy work, auditing and other functions – all in an effort to improve efficiency and reduce cost. Existing levels of government services will be maintained – if they are maintained at all – only through fee-for-service or cost-recovery arrangements. Competition for general tax revenues will become fierce in government.

Restructuring – this term is overused these days, often as a euphemism for downsizing – can take many forms, including reducing layers of management, eliminating programs and services, privatization and outsourcing, among others. The Alberta Department of Municipal Affairs has been involved in a major restructuring process over the last couple of years, as have most government departments in Alberta, and we have used a number of methods to restructure – to become smaller, to be less expensive and, we hope, to remain effective. But the focus of the discussion today is on restructuring through the use of strategic alliances.

Strategic Alliances

"Strategic alliances" is a way of describing the use of public sector/private sector partnerships to reduce cost and improve or maintain effectiveness. The strategic alliance concept got rolling in the private sector, where the key issue for companies was to develop an ability to respond quickly to the rapid

internationalization of business. Large organizations were looking for innovative ways to capitalize major projects and to improve returns on equity, and they recognized that they could not be specialists in all areas of their business. It made sense to hook up with companies and organizations with a high level of specialization and expertise in particular areas.

The public sector has looked at strategic alliances only recently. We have always contracted out, but establishing strategic alliances involves a fundamental shift – moving beyond the contracting-out relationship to one that is much more like a partnership. In the past, the public sector has been very focused on command and control and hierarchical structure, so we were reluctant even to explore these concepts, let alone engage in them. It is only recently that we are beginning to see the real advantages of full strategic alliances, partly because demands for change are so fundamental now that we have to look at radically new concepts. When you are restructuring incrementally, as we have been doing for the past ten years, you are not often pushed to look at radical new ways of doing business – you look for creative ways of trimming around the edges. We have become extremely proficient at this over the past six or seven years. But small cuts – one or two or three percent reductions – do not force you to look at fundamental change in the way you conduct your business.

In Alberta, the election of Premier Klein forced us to think radically differently about how we do business. The overall cut required to balance the provincial budget is 20 percent in government spending; that is $3 billion out of a budget of approximately $13 billion. That cut has not been distributed evenly across departments, although all departments have taken significant cuts, ranging from about 10 or 11 percent in education to more than 50 percent in the Department of Municipal Affairs.

Reductions of this type force you to look at radically different ways of doing business; it is surprising how you can find ways of making those kinds of reductions and still get on with your business, sometimes even more effectively than before. I call it the smaller/less expensive/better mentality.

The Department of Municipal Affairs is often referred to as the "Department of Miscellaneous Affairs," because we have inherited programs that do not necessarily fit nicely together. But there are some commonalities. Before restructuring, we were responsible for relations with Alberta's 300 or more municipalities and for the *Municipal Act*. We were also responsible for social housing programs and the Alberta Mortgage and Housing Corporation (recently renamed the Alberta Social Housing Corporation), which functions as part of the department. Now, in addition, we have responsibility for most of the functions of

the former consumer and corporate affairs department and for Alberta Registries. We also inherited responsibility for Alberta lotteries. (Overall, the number of government departments was reduced from 26 to 17.)

Alberta Registries integrates all the various registry functions of the provincial government – vital statistics, motor vehicle registration services, drivers' licences, land titles, and the corporate registry. The idea behind integrating these functions was to develop a one-window approach to delivering those services to Albertans. We now have a network of "private agents" who provide that one-window service through a number of locations in the province. A member of the public can register a vehicle, buy a driver's licence, search a land title, or get a birth or marriage certificate at any of those locations.

As you can see, this is a very broad scope for a department. Before restructuring, we were very much a traditional government department in the sense that we had a lot of policy work going on, we administered legislation, and we delivered services in areas such as consumer protection programs and social housing. The question was, how would we respond to the radical restructuring initiatives that were required to meet the very aggressive budget targets set after Premier Klein's election.

We did not spend a lot of time and effort trying to convince government that the targets were unfair or unreasonable. They were a newly elected government with a fresh mandate; they told us early on that they were committed to fundamental change, not incremental change, and that they believed government could become much less expensive and at the same time more effective. The challenge to the public service was how this was to be done.

One of the things the government decreed was that each department would have a three-year business plan containing its mission, mandate, goals, key programs and priority areas, and an analysis of how it would assign resources to those programs and priorities. The business plan would go through a government and public process and would subsequently be published. It is updated each year, so it is a rolling three-year plan that gives a three-year window into the future of each government department.

At first everyone thought this was nothing new – we had been planning for years – but part way through the process, it began to be clear that this was something different: this is a plan that puts everything on the table, and it is one that we are committed to. This was a fundamental change in the way we do business.

To develop our business plan we identified our key activities – our core businesses, as they say in the management texts – in light of a clear direction from the government that we were to move out of service delivery wherever possible and to concentrate on a newly defined role for government: focusing on governance, rules, standards, funding, and generally ensuring that services are delivered but not necessarily delivering them ourselves. So we began the process of identifying core businesses, moving out of service delivery where we could, and delegating – some municipalities would accuse us of downloading – responsibilities.

We then looked at what type of structure was needed to support our mandate in the core businesses. We restructured considerably as a result, reducing layers of management and the number of executive managers, streamlining, and so on. At that point, however, we began to wonder what else we could do, because we were still a certain distance away from our target. That is when we started to think about strategic alliances as a way both to improve the quality of services and to reduce the cost significantly.

I will look at four types of strategic alliances: outsourcing information technology (IT) and functional outsourcing; community-based service delivery through not-for-profit groups; privatization or private sector delivery; and delegation of regulatory authority to non-government groups.

Information Technology Outsourcing

Fundamental to radical restructuring in government is the ability to take advantage of technology. But you may be trapped by a contradiction: you need significant investment in technology in order to be able to restructure, downsize and refocus your organization, but you can't go to Treasury Board for the several million dollars needed to improve your position with respect to technology. Again, this led us to look at things in a new way, which brings me to the first type of strategic alliance I want to talk about – information technology outsourcing.

Information technology outsourcing has received a lot of government and private sector attention, so you may be familiar with the concept. Traditionally, our department had contracted out many IT functions on a project-by-project basis. But in moving to a strategic alliance with an outsourcing partner, the idea was to contract out the entire IT area and to allow our supplier to become a key element in our strategic planning around the use of information technology. The approach has a number of elements. We have contracts with two private sector partners (one for the traditional municipal affairs functions and one for the Alberta Registries). To fund our requirement for major IT development, we are

looking at new ways for our partners to recover development costs, such as adding user fees (for Alberta Registries) and commercialization arrangements (our suppliers can sell some of the software and products they develop on our behalf).

This is a new way of funding IT development that also puts us in the position of working with a world-class, worldwide IT company that can tap into all kinds of expertise and experience around the world. We benefit from that, and our partner becomes a critical part of our planning process. Now we are looking at where the organization can go in the future with IT; there are phenomenal opportunities to make efficiency and productivity gains. A lot of government functions have to do with moving information around, analyzing it, storing it, and so on, and this business is being revolutionized by information technology. To be on the leading edge of our business, therefore, we need to work with world-class IT organizations that can help us take advantage of those opportunities, and we need the flexibility to pay for these systems in a different way than we have in the past.

There is always a concern that you are turning over your future and some critical elements of your business to a nasty entrepreneur who is going to pick your pocket and leave you high and dry. But we have fixed-price contracts with both our partners – a five-year agreement in one case, with an option to renew for a further five years, and a seven-year agreement in the other, with a three-year renewal option. Both contracts will result in savings of more than a third of our current IT cost by the end of the contract, and we are anticipating even bigger gains as we improve our technology and introduce new ways to finance those improvements through cost recovery and commercialization agreements. We have a sole-sourcing arrangement with both partners on new systems development projects, but we are not bound to that arrangement. If we do not like their price, we can tender on the open market, so we have a good deal of flexibility.

We have also contracted out for the monitoring and coordination function. A private consulting group with expertise in IT monitors and coordinates the results and activities of the outside suppliers. I have become a fan of IT outsourcing. It is not without its controversial elements and concerns, but it offers very significant opportunities if we understand what our organizations are about and where we are going, and if we can position the IT outsourcing arrangement to complement that.

The contracts with the outsourcers include annual operating agreements specifying key performance objectives that we want to accomplish over the next twelve-month cycle. They cover development projects as well as day-to-day

activities and also include penalties for the suppliers if they do not meet those objectives.

There was a lot of apprehension over these agreements initially. We went through a very detailed request-for-proposals process, analyzed the responses, shortlisted some companies, and then went through an interview process after that. All that served as background for the contract.

We are now moving to the risk/shared reward phase of these agreements – creating opportunities for the outsourcer to help us become more efficient and then having them share in some of the savings if they come up with ideas and technology that help us achieve some of our business plan targets.

We are also looking at the next phase – full function outsourcing in some areas of Alberta Registries, that is, determining whether some of the administrative areas within Registries should be outsourced. Part of the goal is improving the quality of the services, and part is reducing the cost. Again, I think there are some significant opportunities there.

Finally, one of the real pluses of outsourcing is that it is basically good for staff. The IT outsourcer, even with functional outsourcing, tends to take on the staff – they become private sector employees. After the initial shock and separation anxiety are over, people settle into the private sector group and find themselves re-energized and refocused. Their scope of opportunity – promotions, new assignments – expands with the private company. It is easier to pay people, reward them and give them incentives in the private sector. In government we have done an absolutely miserable job of this in the last ten years, and I do not see much hope of governments building proper incentives to encourage people to perform, to drive down costs, and to reward people.

Community-Based Networks

The second form of strategic alliances involves tapping into not-for-profit community-based networks. This is our approach in the social housing area. In Alberta we have well over 40,000 social housing units in one form or another. Traditionally there has been a history of community-based administration of social housing in Alberta, as in most provinces, with housing authorities and various not-for-profit groups managing projects. About eighteen months ago we decided to rewrite our housing act to give these local agencies much more autonomy. At one time they were essentially just extensions of the department; by rewriting the housing act we have created them as separate business entities. We have reduced the number of agencies from about 440 to fewer than 200 to give

them sufficient critical mass, in terms of the number of projects and units they are managing, to allow them to get on with things. They now have much more flexibility than before to manage a variety of social housing projects, to raise money, to retain surpluses, and to build projects on their own.

The province told local agencies there were no additional funds to put into the construction of new housing units, and that they would have to figure out how to do that locally, how to raise funding, how to raise capital; they were also told that they would have the flexibility to do what is needed. We are deregulating rents where we can, we have given them flexibility to make those decisions, we are really letting them operate like businesses. Again, it is a strategic alliance approach, because we are moving away from the contracting-out model, where the money came with all kinds of strings attached; we have given them a lot of scope to operate and we are treating them very much like partners. Our role has changed from regulating them to finding ways of assisting them and facilitating their job. This is a different mindset for government, one that requires different skills and attitudes on the part of our staff.

We are also working diligently with Canada Mortgage and Housing Corporation to reduce the amount of regulation that goes along with these units and projects. We would like to get to the point where we simply provide a block-funded amount of money to the agencies and let them get on with things. This really requires a major leap of faith for both the federal government and the provincial government. Traditionally we have seen our role as monitoring every nickel and dime provided to communities to make sure they spend it exactly the way they should. Those days are fading fast. We will be placing a lot more faith in existing community-based networks. We will give them flexibility and we will be moving away from the cookie cutter approach – things may be a little different in Calgary than they are in Edmonton or Grande Prairie.

Private Sector Service Delivery

Private sector service delivery is the third approach we have used – the one we have introduced for Alberta Registries. (I do not call it privatization, because private sector delivery of government functions always requires some degree of regulation, so there is never full "privatization." The only true privatization initiative we have had in Alberta is the liquor stores.) The trick is to minimize regulation and letting market forces interact as much as possible.

The five registries that make up Alberta Registries were formerly spread over four departments. The biggest volume was handled by the motor vehicles registry, where we had problems with staffing for peaks and valleys in the

demand for services. We had already introduced a system whereby insurance agents and small businesses issued drivers' licences in rural Alberta, and our minister had the bright idea of expanding the system to cities, giving people a choice of where to go to renew their licences. When we discovered that there was not enough volume in the motor vehicle area to support these offices, we asked what else they could do. And so the concept of one-stop shopping – a single-window approach to government registry and information functions – was born. At present we have about 20 registry agents in both Edmonton and Calgary and more than 200 in the province altogether. We have not received one call complaining about waits or problems with the registry agents in the last year.

We have deregulated the fees in most areas. We still regulate fees for motor vehicle registration and drivers' licences, but land title registration and search fees and vital statistics fees have been fully deregulated. Competition among the agents is holding prices down in most cases; in some cases prices have gone up, but services are up as well. The market really does dictate both the level of service and the price.

This initiative has been very successful, but the key now is to move to the next level, redeveloping our technology and allowing the agents to deliver much more in the way of government information and services. To do this, we will have to work with an outside supplier, because the investment in technology will be too great for government to make on its own.

Delegation of Regulatory Authority

The issue of delegation of regulatory authority – our fourth type of strategic alliance – has been somewhat contentious in the last few months. The government withdrew a bill it had introduced that would have allowed quite drastic changes in the way we delegate responsibility for government regulation; it may be reintroduced, but in any event we are still moving forward in this area. I will give two brief examples.

The first, the Funeral Services Regulatory Board, is now in place. The department used to have a group of people who went around making certain that funeral homes and cemeteries were operating properly. Now we have set up a delegated regulatory organization, the Funeral Services Regulatory Board, which is composed of members of the industry and members of the public served by the industry. They have a wide range of authority to set fees, to determine training standards, to investigate and to discipline. It is working quite well.

The second example, one now being developed has a much broader focus – a real estate council where the real estate practitioners would be determining fees, training standards, standards of practice, and so on (as in the case of the previous example). We will not fund it; it will be funded exclusively by fees paid by real estate practitioners. We are setting up the legislative framework to make these bodies accountable to the public and to put the necessary protections in place to ensure that there is cash on hand in the event of fraud. We do not see it as a justifiable charge on the general tax base to subsidize activities aimed at ensuring that an industry is operating fairly and reasonably. That is the industry's responsibility, and the responsibility of consumers buying goods or services from that industry. Again, it is a different way of thinking for government.

There will be members of the public on the council, and the council will have authority to discipline, to investigate, and so on. The council will be under the general supervision of government, but we have no reason to believe that it will not work as well or better than it did when we were regulating the industry directly. We are also encouraging industry – and I believe they accept this approach – to look at mediation and arbitration as ways of sorting out a number of these issues.

One reason for this approach is that we believe that industry will put the required resources into these regulatory activities. One of the effects of incremental downsizing in government over the last number of years is that we have chipped away at the resources we need to regulate, investigate and pursue some of these matters properly when they go off track. We have every indication that when an industry is given this responsibility, it takes its responsibility very seriously and tends to increase fees charged to practitioners or industry members; this provides the necessary resources to administer the regulatory process properly. It also allows us, in government, to focus our investigative resources on large-volume, high-impact frauds – to target the larger, more serious issues, while the industry gets on with regulating day-to-day matters.

Conclusion

To conclude, the strategic alliances concept has been very beneficial to the Department of Municipal Affairs. We are well on our way to exceeding our business plan targets. We had more than 2,000 staff in the department when we started this process, and we are currently at about 900; at the end of the day, we could have anywhere between 800 and about 650 positions. When we started, our manpower, supply and services budget was in the vicinity of $70 million; it will be about $35-36 million by the time we finish the process.

GROUP DISCUSSION

Participants raised numerous questions about how the Alberta government went about implementing change, what factors or conditions have to be in place to make it work, and whether such an approach would be applicable to other levels of government.

Mr. Davis responded that in terms of how to assure quality control of functions and services, responsibility for setting standards to ensure that information is properly registered in government registries remains a government responsibility, and Alberta Registries is using technology in a variety of ways. Much of the potential for human error can be eliminated by designing software systems in such a way that registering or entering information incorrectly is difficult. In the land titles area, there is an insurance fund in case errors occur, financed through a surcharge on every registration. The system will be audited regularly, including automated audits to analyze the activities of specific agents.

Another quality control measure consists in improving the training of agents. This will be a major focus for Alberta Registries in the next few years, including the development of an on-line training system. As governments change the nature of their work and as they enter into partnerships, government staff and the partners need to know exactly what their new roles are and must be adequately trained for them.

Another crucial consideration is that of removing politics from the process, Mr. Davis said. Radical restructuring, fundamental changes in way the government does business, and strategic alliances work only if you take politics out of the process. There has to be a commitment from the political leadership to stay away from the selection process for agents. Agencies and outsourcing contracts simply cannot be – nor can they be seen to be – awarded on a political basis.

Are strategic alliances – whether outsourcing or private sector delivery – applicable to all areas of government responsibility? In Mr. Davis's view there are advantages to outsourcing even in areas that have been viewed traditionally as the sole purview of governments, including the corrections system. As Gaebler points out, it has been only relatively recently that government has taken over the delivery of services formerly provided by churches, community organizations, families and other non-government groups. Half of all the policing activity in the United States is now done through the private sector – from guarding private property to protecting companies from copyright infringement and industrial espionage.

One of the main advantages of outsourcing is that it requires a government to define very clearly what its job really is. Many of us in government would have difficulty saying what the core businesses of our departments are, but you cannot enter into an outsourcing contract without telling the supplier exactly what you want done for the money. This forces you to rethink your whole operation and focus very directly on the job at hand.

Mr. Davis also pointed out that to win public acceptance for these approaches and make them work, it is not enough simply to cut back on the dollars or services you hand out: you also have to be very tough on the public service and on internal operations. In Alberta they were tough even at the government level. The politicians eliminated their pension plan, they cut their own salaries by five percent, they cut public service salaries. By starting there, they could occupy the moral high ground in dealing with municipalities, health care and the other areas that receive transfers. The focus for government now is on policy, funding, standards and measuring performance.

Once governments focus only on their core businesses and operate them very well, it will start to be obvious to everyone that they are getting value for their tax dollars. It may then be possible to introduce such things as productivity incentives for the remaining employees. But governments have a major credibility problem in trying to implement this type of incentive right now.

The goal of outsourcing is not just to save money, but to make the system work better. Governments these days have to focus on key services, essential services – infrastructure, health, education, social services. Canada will have to do much as Alberta has done. The federal government has tried to be all things to all people – it is too big, too complex. It has to get back to its core businesses and do a really good job with them, rather than trying to take on any more impossible missions. Social housing is a good example. You can never build enough social housing; no matter how much has been built, there will always be a demand. So what does a government do? Do you keep building just to try to meet that increase demand, or do you say, we are out of the building business, but we will try to create an environment that encourages building at the local level – providing access to funds at reasonable rates, deregulating rents, letting local groups get on with their business in a way that works for their community.

This is what all of us want – public servants and politicians alike want to do their job better, and that is what the public wants too. Public expectations are for better services in the areas where government should concentrate – a better health care system, a better education system. This does not mean, however, that you have to spend more money. We have to change our ideas about how we

assess the quality of our services. In the past, governments have focused exclusively on measuring inputs. How much money do we spend? What is our cost per student? For a time in Alberta we rated ourselves according to how much we were spending per unit of service – if we were spending the most of any provincial government, we thought we were doing a great job: "If we are spending more per capita on health care than anyone else in Canada, we must have the best health care system."

Now we are starting to focus instead on outcomes. Are Albertans generally healthier or sicker than Canadians in the rest of the country? What is the achievement level of our children in school, especially in the key areas of maths, science, English? In other words, is the system actually working? In the past governments have had tremendous growth, large numbers of jobs created, tremendous increases in incomes for people working in the public sector. But we haven't looked at the outcomes from those heavy investments. What did we get for our money?

On the subject of restructuring, participants were concerned that this be handled humanely for both the employees who would be let go and those who would remain. In Mr. Davis's view, several factors work together to make humane restructuring possible: involving as many layers of the organization as possible as early in the process as possible; working honestly and openly with employees to achieve a restructuring plan that makes sense to them; treating employees fairly, with reasonable notice (one to two years if possible) and severance provisions; providing opportunities for re-employment and retraining. When restructuring is done in this way, employees understand that the objective is to cut costs, improve services, and target resources in certain areas. However, if you are just cutting 20 percent across the board because 20 percent is the number of the day, you will have all kinds of problems.

For those who remain, Mr. Davis sees the need to devote more resources to training and development, an area where government has done a poor job of giving people the skills they need to get on with the new kind of work of government. Alberta's massive restructuring was done without training anyone in change management. Governments need to invest more in the training and development side. More flexibility in how people do their jobs will also be needed – more time at home, less time at the office, and other approaches made possible by technology. Instead of counting who is in the office at 8 a.m. or who is staying until 6, we need to measure what people are doing and what value they are bringing to the job. If their work is not adding value, then it should not be done any longer. We need to make jobs simpler and more straightforward.

He also pointed out that restructuring takes time if it is to be done right, because there is a natural rhythm to the various processes. One advantage of the three-year business plan target is that you can make dramatic reductions in expenditures and improvements in services within this time frame. What does not work is getting the budget figure in February and being expected to implement it in April. This does not work, has never worked, and will never work.

Alberta also has the advantage of a lot less central agency control than there is in the federal government and in some other provinces. Departments have to follow some common policies in terms of severance pay, humane treatment of employees, and that type of thing, but otherwise they have tremendous flexibility in how they go about restructuring. Central agencies are very much focused on the bottom line – are you meeting your target? They call it a commitment to action, not to process. Process is the departments' business as long as they do not cause major problems for the centre.

Participants also raised questions about the role of the legislature in control of and accountability for public funds under outsourcing and private sector delivery arrangements. Mr. Davis pointed out that departments' business plans go through the government's standing policy committee and are debated in the legislature as part of the estimates process. Some of the business plans are issued with the budget documentation, and this year for the first time the government will be issuing a comprehensive set of performance measures and indicators for all government departments. This is an area requiring further work to improve the indicators, but even so, Albertans are being told that government wants to be measured in terms of whether it is effective. It will also publish semi-annual or quarterly reports on how well it is doing. In the health system, for example, it is looking at indicators like low birth-weight babies, and in the education system it is grade level achievements in key areas like maths and science and literacy levels. In social housing, it is asking whether social housing is being targeted to those in greatest need.

In the case of private sector delivery, the private agent is accountable through our contractual arrangements. In the housing example, the housing management authority files a business plan with us, and we approve the plan. They have to use our subsidies for the purposes intended, but after that, how they meet the social housing needs in their communities is up to them. We are also trying to build systems where groups are accountable to their constituents and to their communities.

Mr. Davis left participants with these challenges: Within your own departments, what are the opportunities for strategic alliances? How can you

ensure that those opportunities in fact meet your goals of less cost and better service? How will you manage your relationship with your partners to ensure that you do not end up paying more and getting less?

V. The Australian Experience in Public Sector Renewal and Strategic Leadership

Michael Keating

I am here to give you an Australian perspective on developing strategic leadership for public service renewal. Let me start with a few words about leadership, particularly in a changing public sector environment. In my view, leadership is about vision, goal setting and persuasion, and it is about change. This is how Trevor Boucher, an outstanding Australian public servant, put it:

> Leadership is a willingness to get out in front – to get your people moving in the same direction – not because they have to, but because they want to. It is not only about predicting change, it is about creating and implementing change. The best way to predict the future is to invent it, not simply to sit back and let it wash over you.

These are the sorts of things we have been trying to emphasize in reform. The world cannot stand still. Change is going to stay the order of the day, and it is a question of whether you manage change or let change manage you.

In that sense there is a distinction between leadership and management. Managers do things right; leaders do the right thing. Management is about coping with complexity; leadership is about coping with change. In the public sector context, leadership means defining what is required and setting the direction; a very important part of reform is to create an environment where managers who can provide leadership identify what is wanted – or what ought to be wanted – and how to get there. In a fundamental sense, in the public sector we are trying to identify what society and the government need and want from us.

By and large, there is not a great deal of pressure for the responsibilities of governments to change in a broad sense. Most people still see the government as having some responsibility to ensure that we have an educated society, a healthy society, a basic level of welfare and so on. How the government fulfils that responsibility is a different issue. As Osborne has noted, the problem is not necessarily the cost of government – people want a lower crime rate, a cleaner environment and a stronger economy. The problem really is scepticism about whether the approach governments have adopted to fulfilling those fundamental responsibilities is really working. I suspect that is what underlies this scepticism

and taxpayer resistance is that people feel too often they are being asked to pay additional amounts for less service – that they are being "sold a pup." Indeed, if anything, there is pressure for higher-quality, more varied and complex services. Increasingly, people are asking for services to be tailored to their individual needs rather than being tied to the services that are available. We are therefore under enormous pressure to produce value for money, and that is probably the single biggest single factor motivating reform in Australia. Certainly we were very conscious of it when we embarked on reform in early 1980s – or by the mid-1980s anyway.

A second factor that is increasingly important is globalization. We are living in a competitive world, and the public sector is seen as part of a country's competitive advantage or disadvantage. In Australia's case, for example, our coal miners are highly productive, but they are concerned about losing their competitive advantage because of a poorly regulated transportation system.

Australia experienced a current account crisis in the mid-1980s. The treasurer of the day warned that Australia was on the way to becoming a banana republic, and that was a catalyst for very dramatic changes in programs and budgets.

The final point I want to mention as background to the Australian reforms is the public perception in the early 1980s that the public service was not responsive to government and indeed had become a law unto itself. There was a widespread perception that the bureaucracy was unresponsive not only to government but also to clients, that it was rule-bound, unthinking and uncaring. That raises an interesting question about the extent of public servants' responsibility to protect the public interest – there is a fine balance indeed between responsiveness to the government of the day and protecting the public interest. Since then we have shifted somewhat toward recognition that in many circumstances the view of an elected minister in interpreting the public interest is better than the view of the unelected official. The minister's interpretation is legitimized by the fact that the minister has been elected, but there is also a need to recognize the supremacy of the law, and there may also be issues of probity that are not black-and-white legal questions. Certainly officials have the right and the duty to give ministers the benefit of their advice regarding the public interest while recognizing that the decision rests with the minister.

The challenge for the public sector, then, is not so much what it is responsible for, but the way it meets these responsibilities. Although the responses have varied, for the most part the OECD countries are emphasizing the

separation of service providers from policy makers, greater devolution to the private sector, streamlining, and management for results.

This has been the case in Australia as well. The reforms begun in 1983 were designed to respond to this changed environment while ensuring that a responsive public service did not become politicized. We wanted to get away from inputs and process, shifting the focus to outcomes and better value for money, improved responsiveness to clients and better accountability for results. There were several major elements of the Australian reform framework (see below), and I will spend a few minutes on each.

The Australian Reform Framework

Consistent with objectives of the reforms, a framework for public service reform was developed so that better results could be achieved through

- ministers more effectively directing and controlling their departments
- officials responding more positively to governments and ministers
- providing officials with greater flexibility and authority to manage resources
- a greater focus on outcomes and accountability for results
- taking a more strategic view of the development, management and co-ordination of policies and programs
- a closer focus on meeting client needs within guidelines established for each program by the Government
- maintaining high standards of probity and integrity
- providing staff with more satisfying and rewarding careers in a personnel management system based rigorously on merit

Building a Better Public Service

One element is regrouping activities into fewer larger portfolios, sometimes described as mega-departments. We did this in 1987, and there is no doubt that it caused a large amount of disruption, particularly where two or more previously warring tribes were put together. That has now sorted itself out, and we are seeing real gains in terms of the quality of policy advice. Combining foreign affairs and trade, for example, has been an outstanding success and has given us a much better focus in our foreign policy.

The second major focus was budgetary reform, which was probably the leading element in reform. It was implemented incrementally but with a consistent philosophy in mind. We introduced a system of forward estimates for the budget year and the three following years; where previously departments bid each year for dollars to finance the cost of servicing existing policy, now they have a baseline that is very firm. It is updated each year according to factors like changes in policy or basic economic indicators; this is done according to rules established by the Department of Finance that everybody understands. Variations from the baseline – up or down – could come about by Finance proposing policies to make savings, or spending ministers proposing to spend additional amounts – or, more likely these days, proposing policy changes that pay for themselves by reordering their priorities. The one flaw in the system is the tendency for departments to believe they own their program estimates, and this can result in some unwillingness to contribute savings to the common pool – simply put, there is a lack of recognition that government priorities can shift between guns and butter. On the whole, however, the notion of firm baselines and financing new activities by reordering priorities within portfolios is working.

This system of program management and budgeting also puts a lot of emphasis on performance information, because accountability for results is tied to the objectives agreed to for each program, and the performance indicators are consistent with that.

We have consolidated administrative overhead into a single vote that we call the agency running cost. This one-line appropriation for basic administrative costs gives managers flexibility to shift personnel between one program and another or to shift funds between, say, telephones and postage. We also get an efficiency dividend – it has been running at one percent – to protect us from arbitrary cuts, and we have had no arbitrary cuts. From time to time the possibility has been raised, but it has always been resisted by central agencies.

Any new policy proposal must include its running cost implications, so if government adopts a new policy, it knows just what the running cost (or savings) will be. A new Expenditure Review Committee of Cabinet looks only at new policy, and nothing can come to Cabinet unless the budget figuring is agreed on beforehand.

New policy proposals coming to Cabinet have to be accompanied by an evaluation plan. Departments are also required to provide an evaluation plan each year – actually a rolling plan running over several years. When the Expenditure Review Committee reviews the current year's budget, it identifies a number of

evaluations of programs that it wants before it reviews the budget the following year, even down to specifying the terms of reference.

With these changes over a period of five or six years, public service productivity, in terms of savings to the budget, increased by about two percent a year – rather greater than the national average. We achieved this by paying for all investments from savings in running costs. With computerization, for example, the cost had to be covered by staff reductions. Changes in the structure of government also contributed efficiencies, and there were several other efficiencies that produced savings. We also allow departments to carry over budget debits and credits. This is now at 10 percent in the running cost area, but it cannot work unless you have that very firm baseline.

In summary, then, we introduced a two-pronged approach – an aggregate control framework that keeps very firm control over the bottom line, along with greater devolution to and accountability of managers for managing within that framework. The result is a much better match between authority and responsibility. It is absolutely clear that managers have the flexibility, the authority and the responsibility to manage.

Commercial reform was the third major element of our reforms. We consolidated the internal common services of the government like printing, property and so on. They are all operating now on a commercial basis with user pay – the appropriation goes to the consuming departments. Now we are broadening this to areas like solicitors' services, where we are no longer forced to buy from the government provider. In some areas you still have to use the attorney general – for this as for other common services, there are standards setting out the types of services you do not have to buy from the government provider. User pay and revenue retention are used quite widely. All appropriations are net appropriations, so departments are encouraged to pursue revenue, and they keep whatever they raise.

There has been corporatization and/or privatization of major activities that sell to the public. Corporatization means that an activity is provided by a government agency – but with far more devolution, and with the minister at arm's length. The minister is treated as the shareholder, there is a private sector board of management, and agreement is reached with the shareholder on a rate of return target and an overall corporate strategy. This is all set out in a corporate plan, and then management is basically free to go to it. There is still some cross-subsidization within some of these corporations, but the general principle is that there should not be.

For the government business enterprises sector as a whole, labour productivity improved on average by 15 percent a year in the last five years. There have been very substantial falls in employment, lower prices, and much higher profits.

There have also been significant changes in the personnel management area. We have revised our senior management arrangements. The secretaries' role – secretaries being the equivalent of deputy ministers – has been specified in legislation. Ministerial advisors are now clearly identified as separate, so there is a gap between the apolitical public service and ministers' private offices. Public servants can become ministerial advisors, but in that case they go on leave from the public service for the period. There have also been personnel management reforms, including equal employment opportunity and industrial democracy. We have simplified the classification system – perhaps overly so. The only control on staff numbers now is financial – there is no establishment control. We have introduced performance appraisal and pay. Each agency now bargains directly with unions; they do this within a common framework, but it does allow for differences in pay rates between agencies for what has traditionally been seen as the same job.

What have been the main outcomes for Australia? First, accountability has been strengthened. There is better co-ordination of policy advice, and the public service is more responsive to government. There is much clearer understanding of objectives, better resource allocation, and a focus on results. The use of evaluation has increased enormously; in the last budget, 77 percent of the new policy proposals were influenced by evaluation findings, and 65 percent of the savings proposals were supported by evaluation findings. The number of evaluations with significant policy and/or budget implications listed in the portfolio evaluation plans increased from 55 in 1989 to 240 in 1994. That gives you some idea of the extent to which evaluation is built into the policy-making process.

Reform has enhanced the professionalism of the public service (including its political impartiality); there is a much clearer distinction now between professional advice and political advice. The working environment is very much enhanced – people may complain, but no one wants to turn the clock back. The devolution of authority has meant better job design and much greater staff participation and fairness – people feel more in control of their own destiny, even in the context of enormous change. My sense is that there has been much more change in Australia than in Canada, but people still feel more in control of their own destinies, partly because of devolution and partly because of the quality of

leadership. Nobody in Australia expects that there will be no more change, but they have a sense of where it is going.

In short we have made significant progress in developing a management culture in the Australian public service that was previously absent.

I do not want to sound complacent because that would be quite the wrong message. There will be more change, and we are emphasizing continuous improvement. We have also been subject to some criticism from outside the public service for "managerialism" – that in implementing reform we have lost sight of some broader view of the "public interest." For example, there is the view that statistics are a public good and that charging for the government's statistical publications (or for entrance to museums) is somehow contrary to the public interest. I am not terribly sympathetic to this view.

We need to keep asking ourselves whether we can do what we are doing a better way, and whether it is the right thing to be doing. In looking at the future agenda for the public service, we are emphasizing enhanced use of the new financial and budgeting arrangements (There has been tremendous devolution from central agencies to line agencies, but we still have some concerns about how much devolution there has been *within* line agencies.) There is a continuing effort to improve performance information, which is not easy, and to improve the use of evaluation, which is easy to slide back on unless you keep making the effort. We also have a lot of work to do in changing the culture. Our management framework is pretty good now – it may be amended or tinkered with, but it is about right. But changing the culture is much more difficult than changing the rule book. We have made quite a bit of progress, but we still have work to do.

In this very devolved public service, there are quite powerful centrifugal forces. How much do people feel that they are part of public service, as distinct from part of department A or department B? People – particularly senior management – are going to want to be part of that corporate whole only if they see value in it, and those of us who want to keep some sort of corporate whole need to work on how we add value. We think the best way to do that is to emphasize the common values and ethics of the public service (see box).

These are what, in an important sense, bind us together; they describe what defines a public servant.

Key Public Service Values

Responsiveness to governments:
- serving loyally and impartially ministers and the government; and
- providing frank, honest and comprehensive advice.

A close focus on results:
- pursuing efficiency and effectiveness at all levels; and
- delivering services to clients conscientiously and courteously.

Merit as the basis for staffing:
- ensuring equality of opportunity; and
- providing fair and reasonable rewards as an incentive to high performance.

The highest standards of probity, integrity and conduct:
- acting in accordance with the letter and spirit of the law;
- dealing equitably, honestly and responsively with the public; and
- avoiding real or apparent conflicts of interest.

A strong commitment to accountability:
- contributing fully to the accountability of the agency to the government, of the government to Parliament, and of Parliament to the people;
- fully supporting the administrative and legal measures established to enhance accountability; and
- recognizing that those delegating responsibility for performance do not lose responsibility and may be called to account.

Continuous improvement through teams and individuals:
- striving for creativity and innovation; and
- making individual and team performance count.

Building a Better Public Service

The pursuit of results and outcomes does not mean that the old values of probity, integrity, impartiality and fairness have disappeared, but it was necessary to reinforce them. Focusing on what purpose you are trying to serve does in fact reinforce the old values. In the past, too often the rules intended to protect probity in fact did not because they made you lose sight of the purpose you were trying to serve. In one place, for example, we found 13 people were involved in verifying and checking an account. If 13 people are responsible, no one is responsible – each thinks the other has done it. So you can match or integrate the old values and the new emphasis on responsiveness to clients and focus on results.

Perhaps the most challenging reforms we are looking at now is in program management. A great deal of public service reform does not actually improve programs; it provides the facility to improve them, but the risk of lapsing into navel gazing or treating the public service as a national treasure is always present. The public service is there to achieve a purpose – to deliver services that meet clients' needs efficiently and fairly; if it does not do this, we might as well wind it up. In program management reform, we are focusing on identifying our clients and satisfying them. Identifying clients is not as straightforward as it might seem. Who are the clients in education? The kids? The parents? Employers? Who is the client for drug enforcement? In the past we have focused too much on suppliers, which was a result of the focus on inputs in the budgeting process. Too often what was good for suppliers was taken as being good for clients.

Programs are now targeted better and focused more clearly on their objectives, and we are also working on making them more sensitive to individual needs – the programs have to fit the clients rather than the clients fitting the programs. This has led us to the case management concept. Case managers are given an overall budget and wide discretion to work with the client in assessing individual needs and determining how to meet them. In other words, we have split the functions of service purchaser (the case manager) and service provider. Case managers are the fund holders and have contracts to deliver certain results, but they have a lot of discretion about how much they spend on an individual client and how they spend it.

We are introducing competition among case managers in areas like employment services and labour market programs, although this is sometimes a question of building the capacity for competition where it does not exist now. Case managers can come from within the public sector – the employment service or local governments – or from outside agencies. As a result, decisions are being made now by case managers that traditionally were made only by accountable public officials. In these circumstances, contract writing skills and information systems for performance monitoring become increasingly important.

This holistic focus on clients in the case management approach also tests the extent of interagency co-operation and the comprehensiveness of the information available to clients about the range and scope of services. This has led to the development of first-stop or one-stop shops for services, but it again raises questions about how to preserve responsibility and accountability when more than one agency is involved.

It also leads you into deeper questions about the core role of the public service. In some cases, service delivery involves decisions that require a high degree of discretion or public trust, for example, where individuals' rights or entitlements are affected. In these cases, accountability considerations are central, and it may prove very difficult to write contracts that provide sufficient transparency and clarity for independent decision making. The example of privatizing tax collection comes to mind. These areas we will probably have to keep in the public sector. The need for accountability, appeals mechanisms and so on would probably make them unattractive to the private sector anyway.

In program reform, we will continue to focus on clients, on expanding the purchaser/provider split concept with competition among them, and on building the internal market mechanisms to make this work. This has some implications for federations. In Australia we see it as strengthening the role of the central government as a policy planner. We will not necessarily be using the states as providers in the future. We have already stopped funding the states and instead are purchasing services from them, but we might also purchase from a state's competitor. That changes the nature of the federation. If you just give money to the states and put a whole lot of conditions on it, they regard it as extremely bad. But if you write a contract for services, with even more conditions, no one seems to object. Ultimately we will move to a voucher approach for many of these services – the ultimate devolution will be to the client through income assistance, which is a federal responsibility in Australia.

In summary, the responsibilities of governments are unlikely to change but the role of the public sector in meeting these responsibilities will continue to evolve. There will be much less emphasis on the public sector fulfilling government responsibilities directly and more emphasis on being a catalyst, on strategic direction rather than provision, on being goal-driven rather than rule-driven, on steering rather than rowing, to quote Osborne and Gaebler. Information systems and staff skills in supervising and accountability issues could be limiting factors, but on the whole, these developments provide the basis for a more interesting, professional and worthwhile public service. It is a very exciting time to be involved.

SYNDICATE GROUP REPORTS AND DISCUSSION

Syndicate groups were asked to reflect on how the experience of Australia is relevant to Canada.

The first group discussed the issue of government as an element in national competitiveness, noting that the public does not differentiate clearly between services they get from one order of government and services they get from another – in fact they may not care which government provides the service. If the public sector is to add to the country's competitive capacity, this will certainly require public services to rationalize and decide which order of government is going to provide which services. The group also referred to the importance of keeping both service to the public and serving the public interest in mind in reform. In removing obstacles to serving the public effectively, for example, the senior management of the public service also has to develop and maintain a broad understanding of the public interest, so as to avoid unintended consequences of reform in the longer term.

Dr. Keating noted that the issue of which level of government should be responsible for services is a significant issue in Australia, though one that may be very difficult to resolve if it can be resolved at all. One problem is that in many areas – for example, education, training and employment – it is difficult to assign clear responsibility, and therefore to exact clear accountability, to one level of government or another because of the interrelationships between issues and functions. In Dr. Keating's view it may be possible, however, to clarify this to some extent by splitting the functions of purchaser and provider, as the Australian public service is doing with the case manager approach. Another problem is that the states in Australia generally own the large Crown corporations producing electricity, gas and water and running railways and ports. There is significant scope for reform there, and some of the states are pursuing it quite vigorously, but others are more circumspect. They are reluctant to introduce competition in some of these areas, for example, because they are unwilling to give up the monopoly rents involved.

The second group examined the relevance of the case manager concept to Canada. They concluded that case managers could be part of a spectrum or continuum of approaches and would be worthwhile trying in certain situations. A business case would have to be established to demonstrate the savings in each situation, because in some areas the case manager approach would undoubtedly be more labour-intensive than the current approach. The environment for discretion and decision making by case managers also needs to be tempered by risk management; if a decision is reversible, or if it affects just one person at a

time, a case management approach is workable. But if the decision is likely to affect a whole industry, the approach may not work. Case managers also need a support system which includes an electronic or management information system (one that is client-based rather than one that force-fits clients into it) and perhaps expert support as well. Case managers need strategic direction rather than detailed control. They also need training in ethics.

The flip side of the case manager is the client, and clients also need some guidance to understand their rights and obligations in the system – these should be made explicit to them. Finally, a case management approach would need to be introduced through pilot projects that are well documented and that have built-in evaluation criteria. The group saw some financial constraints on introducing the approach, but perhaps the more important constraints would be political – with discretion in decision making, mistakes will be made, and our system is not very well equipped to deal with mistakes.

Dr. Keating agreed that these were legitimate concerns. What do you do if the case manager's money runs out? What do you do if you want to fire a case manager? How will case managers handle policy changes from government – given that the approach is being tried in social services and similar areas that are notorious for frequent policy changes.

Group three discussed the tension between public service reform and fiscal objectives, concluding that in principle there should not be tension, but in practice there is. The tension can perhaps be resolved by establishing realistic expectations about just what fiscal objectives can reasonably be achieved through public service reform.

The fourth group looked at whether administrative law and/or external accountability affect public service reform, concluding that they do, but that they are not key factors in major reforms. Some in the group felt that the amount of energy that has been expended on public service reform in Canada is out of proportion to the amount of real change achieved. They also felt that public service reform should generally follow public policy reform, not lead it.

Dr. Keating concluded the session by noting two situations where they had underestimated the likely effects of external accountability on public service reform in Australia. In reforming government business enterprises (Crown corporations), the public service took the view that these companies could be at arm's length and that ministers would simply be shareholders. In a recent case, however, the airport corporation has opened a new runway at Sydney Airport, prompting many complaints about noise. There is no way the minister can avoid

getting involved in this, particularly since the government was already under tremendous pressure to make a capital injection to finance a new airport to replace the existing one, while the new runway was intended to postpone the need for a new airport.

The second issue is performance information; the public service has produced a lot of information intended to allow Parliament to consider the cost-effectiveness of programs. Unfortunately, Parliament has not made as much use of this information as would be desirable. Considerable effort has been devoted to developing this performance information, but as the principal clients are not interested in it, it becomes difficult to motivate the public servants to prepare it.

VI. Role and Challenges of the Federal Government in the Development of Canada's Information Highway

Jocelyne Côté-O'Hara

The information highway – it is an interactive network of networks that is open, interconnected and accessible to all. It is owned and operated by service providers who compete to supply a variety of information services and applications. The federal government's challenge is twofold: creating a policy and regulatory environment in which the economic potential of the information highway and of the industries associated with it can be realized; and adapting its own approach to doing business to the realities of the information age.

Creating the Environment

Stentor's goal was to develop a vision and a framework to steer development of the information highway in a certain direction – the "Canadian way." This required consulting both the private and the public sector, as users of and investors in information infrastructure, and sorting out their respective roles and responsibilities: Who will use the system? Who will pay for it? How can duplication of effort be avoided? – and so on. The process produced the following list of roles and responsibilities for the private sector:

- investing in the information highway
- creating networks, services and applications
- building partnerships and alliances
- protecting the privacy of customers
- supporting Canadian interests, including cultural interests
- accelerating research and development

The benefits of this type of private sector activity to the economy at large should be emphasized: companies in this industry are among the highest spenders on research and development, they generate highly skilled and well paid jobs, and investment in information technology is the most productive form of national infrastructure investment. In addition, the sector is generating spinoffs such as an interface industry – information and systems brokers or agents who, as the interface between applications producers and users, understand the applications and how they can work, assess customers' needs, and put them in touch with what

is available in the new multimedia marketplace. [Participants agreed that the latter service is particularly important – to date, a great deal of public attention has been focused on the technological aspects of the highway, with much less attention to the content of information and the ease with which users can gain access to it and make use of it.]

The roles and responsibilities of the public sector were identified as the following:

- creating a favourable policy, regulatory and institutional environment for the growth and development of the network of networks
- promoting competition and customer choice by permitting entry into all markets
- ensuring fair and open access to all networks
- implementing a national strategy for a Canadian information highway

Once these factors are in place, the debates of the next few years will focus on issues such as privacy, access to and sharing of information, copyright protection and other intellectual property matters, and government's role in resolving them. [One participant commented that issues such as privacy and information sharing are much more important and contentious than the issues surrounding the 'infrastructure' aspects of the information highway – and could constitute a significant barrier to an effective working relationship between government and the private sector.] Security and privacy are among the most important issues. The security issues may be resolved in part through technical means, but on the privacy side, an informed public is probably the best safeguard. A significant challenge is finding ways to inform people about the implications of providing information about themselves and/or using services that generate information about them.

The next steps will involve government and industry working together to implement their shared vision and commitment, offer new choices and voices to Canadians, and build the mutual trust that will be essential to the success of the strategy.

This rational approach to information infrastructure development, with a common national strategy and clear roles and responsibilities for industry and government, will produce benefits that extend well beyond the information technology sector. Investment in the information highway will produce job

growth and wealth creation not only in the sector but also in the economy generally, through GDP growth, increased exports, enhanced productivity performance, and improved educational efficiency and effectiveness.

The job creation potential of investing in information infrastructure generates its own set of public policy issues. Job growth will come in the computers/telecommunications sector itself (building components and networks), in the business sector (banking, insurance, data transmission services, etc.), and outside the telecommunications sector (computer graphics, intellectual property, etc.). But the jobs will be highly skilled and knowledge-intensive, requiring a shift in focus in the education system and a public policy balance between easing the transition for today's displaced workers and investing in the training and development of the work force of the future.

New Ways of Doing Business

Like all large organizations, the federal public service is facing the challenges of the information age while also responding to the need to do business differently in an era of financial restraint and changing public expectations about what government is, what it should do, and how it should do it. Part of the challenge is to develop a strategy for responding to these changes – for mastering information technologies and using them to improve services, reduce costs and rebuild public trust in the capacity of government to deliver public services effectively and affordably.

A key question is therefore the extent to which information technologies can help to meet key government goals such as cutting red tape, regulating smarter, creating positive employment changes, producing better, more affordable services, expanding trade, and developing effective infrastructure. And where does the information highway fit into all of this?

For the public sector, the benefits of information technology use should include better and more available government services at lower cost; evidence of this is already being seen in one-stop and kiosk-type government services outlets, information systems to match jobs and job seekers, and so on. Government now has the opportunity to push these benefits further, for example, using technology to build teams and enable them to function effectively, to empower employees to take the initiative and function creatively to meet the public's service needs, and to create organizations that function in a constant learning mode, with continuous training and renewal of the work force.

Government can be a model user of the information highway, exploiting it to provide more cost-effective and efficient service delivery, to deliver services closer to the people being served, to make more information about government programs and services available to more Canadians, and to stimulate greater public participation in government.

SYNDICATE REPORTS AND DISCUSSION

Ms. Côté-O'Hara left participants with two questions for discussion in the syndicate groups:

- How could information technology improve your ability to be a public servant in the year 2000?

- What would you be prepared to do to make this new working environment a reality?

Participants recognized a broad realm of opportunities for the public service to benefit from the use of information technology, including

- improved responsiveness to clients,

- enhanced interaction with other public servants and with clients,

- greater accessibility of government services and information,

- reduced geographical distances and elimination of headquarters/regions boundaries,

- achievement of delivery efficiencies through smart technology use,

- improved ability to handle and use information for program planning and other purposes.

At the same time, they were concerned about the organization of information on the highway, about the need to enhance the value of raw information, and about the capacity to get at the same information repeatedly in a consistent way. Members of the group were also concerned about focusing on the use of information technology to the exclusion of other approaches. Information technology clearly needs to be part of the solution, but it is not the whole solution, nor should it be considered separate from the whole solution. Much as the telephone has become a business tool, information technology should be considered a utility, not a device that becomes a barrier to doing business.

Participants also talked at length about the human factor – attitudes toward technology use, aptitudes and abilities to absorb the nature and implications of changing technology and adapt quickly to a new environment, and how to build in the human factor when interacting so extensively through

technological means. Greater use of information technology has staggering human resources implications, which must be an integral part of any plan to extend information technology use. The need for balance between short-term losses and the potential for long-term gains must be acknowledged. Managers also need to be aware of the various and subtle ways that people are included in or left out of the information revolution – the use of specialized or esoteric language to talk about how technology is going to be used or where an organization is headed.

Members of the group thought that the public service had a responsibility to assure ease of access to any material on the information highway for which the public service is responsible. In addition, public servants must ensure that whenever technology is used, it actually adds value to the service or program in question and/or replaces something that was done more expensively in the past (if indeed it still needs to be done at all). Participants also emphasized the importance of assessing investments in technology in terms of the mission of the organization, who will benefit from technology use, who makes the investment, and who ensures that investors get a return from their technology investments. Such considerations also influence the types of partnerships the public sector will be willing to undertake.

There was some mention of more technical issues – how to pick the technology 'winners', the problems of interface between different hardware systems, their components and other telecommunications and office equipment, and between various software systems and networks – but these were considered secondary to the human aspects and how easy people actually find it to use technology to do their jobs.

As far as the application of information technologies to specific departments was concerned, one syndicate group listed numerous opportunities for departments to make extensive use of information technology:

- Human Resources Development was seen as becoming a manager of networks and of a network of networks with the potential to link all citizens, employers, institutions and providers of services in the human resources development field – for job matching, training, career counselling and many other functions now carried out by the department.

- Government Services could use information technology to inform all potential suppliers of government goods and services about opportunities.

- Statistics Canada could consider collecting real-time data.

- There are health promotion opportunities through information highway advertising and follow-up in homes and schools.

Just as important, however, the availability of new information technology tools is raising more fundamental questions about programs and services. To apply an information technology effectively to a program, for example, managers have to be clear about why the program exists, what the government is trying to achieve with it, who the potential partners in the enterprise are, and how users will have to be informed about what the program has to offer and how to gain access to it. This can lead to fundamental reassessments of what business the government is in.

There was also discussion of the role of other partners – the provinces and the universities. Participants were concerned that Canada has not yet been successful in using federal/provincial/private sector/university partnerships to spur development in high technology. Ms. Côté-O'Hara agreed that a neutral institution may be necessary to act as a catalyst for this kind of effort, because governments do not enjoy enough confidence from the other partners to do it themselves.

Ms. Côté-O'Hara summed up participants' comments and concerns with the following observations:

- Attention has to be given to both the personal changes (attitudes, aptitudes, training) and the institutional changes (partnerships, human resources management strategies, work force renewal) that are needed to give information technology a wider role in the public sector.

- Service to the public is the area where the greatest change is going to be apparent. People will be able to react more quickly to whether the service being provided is good, and the public service will be able to assess more quickly whether its services are relevant and are reaching their intended clientele.

- Technology is not always seen as an enhancer – of information, work environments, or of ways of doing business.

- The pace of change is rapid, but change will still proceed step by step, which means that managers should still be able to cope by dealing with change in manageable bits.

In closing Ms. Côté-O'Hara observed that several factors give Canada an advantage in developing its information technology and telecommunications industries. Canada already has the world's best telecommunications infrastructure (built entirely by the private sector, except in Saskatchewan and Manitoba). We have a single regulator for all broadcasting and telecommunications and recently updated broadcasting and telecommunications laws. Canada's telecommunications system is more digitalized than that of the United States, a greater percentage of Canadian than U.S. households have cable, 40 per cent of Canadian households have personal computers, and so on. Even so, policy makers and regulators must recognize that these advantages are fragile and could be shortlived in the absence of a solid national strategy, partnerships that encompass governments, the private sector and academe, and an appropriate policy and regulatory environment.

Biographical Notes

Ian D. Clark

Ian Clark joined the KPMG Centre for Government as a Partner in November 1996 following a two-year appointment as Executive Director of the International Monetary Fund. Prior to his IMF appointment, Dr. Clark served in many senior capacities in the Public Service of Canada, most recently as Secretary to the Treasury Board and Comptroller General of Canada. Dr. Clark holds a D.Phil. in Physical Chemistry from Oxford University and a Master of Public Policy from Harvard University. He is the author of numerous articles on public administration.

Jocelyne Côté-O'Hara

Jocelyne Côté-O'Hara served from 1992 to 1996 as President and CEO of Stentor Telecom Policy Inc. Prior to joining Stentor, Ms. Côté-O'Hara was Vice-President, Government Relations, BC TEL and served in a number of senior positions in the federal and provincial governments. She has also served on several boards, including the International Development Research Centre and the Communications Research Centre. Ms. Côté-O'Hara is a graduate of the Advanced Managment Program of the Harvard Business School and is co-author of *Beneath the Veneer*, the report of the Task Force on Barriers to Women in the Public Service.

Jack Davis

Jack Davis is currently the Deputy Minister of Health, Province of Alberta, and was formerly Alberta's Deputy Minister of Municipal Affairs. Mr. Davis previously served as Alberta's Deputy Solicitor General following a number of senior appointments in the Office of the Solicitor General. In his early career, Mr. Davis was a psychologist and social services worker in Saskatchewan until his move in 1976 to the Correctional Service of Canada where he became Assistant Warden, Edmonton Institution and then District Director, Northern Alberta/NWT. Mr. Davis holds a Master's degree in Psychology from the University of Regina.

D. Bevis Dewar

D. Bevis Dewar's career in the Public Service of Canada began in 1954 in the Privy Council Office and was followed by positions in the Treasury Board Secretariat, Health and Welfare Canada and Science and Technology Canada. In 1979 Mr. Dewar was appointed Deputy Secretary to the Cabinet (Operations) in the Privy Council Office and from 1982 to 1989 he served as Deputy Minister of National Defence and subsequently as Associate Secretary to the Cabinet and Deputy Clerk of the Privy Council. In 1990 Mr. Dewar was named Principal of the Canadian Centre for Management Development. On his retirement in 1993, *The Dewar Series: Perspectives on Public Management* was established in recognition of his many significant contributions to CCMD and to the Public Service of Canada.

Lorette Goulet

A senior executive with some twenty years' experience in both government and industry, Lorette Goulet has a diversified background in policy development, operational planning, financial administration and intergovernmental affairs. Mrs. Goulet was Associate Deputy Minister of Environment Canada for a number of years until her appointment as Deputy Minister, Federal Office for Regional Development (Quebec) in 1992. Before assuming her current position as Special Advisor to the Deputy Minister for Youth, Human Resources Development Canada, Mrs. Goulet was a Visiting Fellow of the Canadian Centre for Management and Special Advisor to the Principal.

Michael Keating

Michael Keating began his career in the Public Service of Australia more than thirty years ago. Following his early years with the Bureau of Census and Statistics and with the Organization for Economic Cooperation and Development (OECD), he held progressively senior public service positions leading eventually to his appointment as Secretary to the Department of Employment and Industrial Relations in 1983, Secretary to the Department of Finance in 1986, and then, in 1991, as Secretary to the Department of the Prime Minister and Cabinet. Dr. Keating holds a Ph.D. from the Australian National University and is the author of a number of publications on economic issues and public sector management reform.

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