

Changing the Machinery of Government

Notes for an Address
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I will begin by thanking Tony for having invited me to speak today.

My talk today builds on a series of speeches I have been giving over the past several years, many of which explore the implications of a single thesis – that *the real challenge facing Canadians over the next several decades is that of preserving a distinctive social and cultural space in the northern half of the continent, in the face of inevitable economic integration with the United States.*

The issues at stake in this rather large proposition are prominent on the public agenda in Canada today. Issues like softwood lumber; the political consequences of economic integration; the challenge of competition; the need to attract and retain skilled people; and the importance of investing in education and the knowledge economy.

Today, I want to talk about something quite different; something more internal to government but not entirely so; and something much less openly discussed than the issues I have just listed, if indeed it is discussed at all.

Today, I want to talk about the question of *how to organize governments in a way that enables both Ministers and public servants to address the new issues facing our country, in the new environment in which we are all working today.*

Now, it's not as if no one has been thinking about these things. As some of you may know, the doctrine known as "New Public Management" has been all about new ways of organizing for the future, because it is really a grand thesis about the nature of government and the relationship between the bureaucracy and the political executive.

Well, the shine has come off the New Public Management, in part because it misunderstood political accountability and the relationship between Ministers and officials. There is no serious person today who thinks that organizing the government is simply a matter of turning government programs and services over to the private sector, or over to private sector ways of running things.

You in B.C., of course, have just come through a major reorganization of your government following the arrival of the Campbell administration. In 1993, just before the arrival of the Chrétien government, there was a major reorganization of the federal government in which I played a prominent part. We thought then that we were "organizing for the future", and in some important ways we were. In another sense, however, I'm not so sure. I want to talk more about that experience in a few minutes.

But whether one thinks of organizational theory or organizational practice, it is fair to say that there has been remarkably little attention paid in Canada, or anywhere else, to the issue of government organization *per se*.

This is surprising, because government organization matters, and arguably it matters more today than at any time in history.

The New Environment

Let's think for a minute about the key features of the new environment in which governments, including both your government in B.C. our federal government, are operating today. Those factors, and I would assume all of them are well known to an audience such as this, include:

- The emergence of a global, knowledge economy dominated both economically and culturally by the United States.
- Urbanization, and its impact on governance, the economy and our sense of national community.
- The transformation of Canada into a truly multicultural nation.
- The emergence of an information culture, both in Canada and around the world, that has dramatically changed public expectations of government.
- Internationally, the triumph of democracy and the emergence of a broad political consensus (the so-called "Washington consensus") around fiscal probity and a diminishing role for governments in the economy and the society.
- The international security agenda that emerged in the aftermath of September 11.

These are among the most significant facts and forces in our society today. They are affecting the lives of Canadians in a multitude of ways; and they are changing our culture, our economy and our institutions.

But not all our institutions. What is striking about this list is how little an impact these forces and factors have had on the institutions of government, and specifically on how the bureaucracy is organized in support of the Government of Canada.

As I mentioned, the last major change in government organization at the federal level was in 1993. There were specific objectives underlying every one of those changes.

- We wanted to create a modern industry department that was attuned to the information revolution and the knowledge economy.
- We wanted to equip the federal government to address the major issues facing Canada in the areas of health and health care.
- We wanted to more closely link federal transfers to individuals with employment and employability.
- We wanted to bring together, under the leadership of a single Minister, federal programs related to Canadian culture and identity.

With these objectives in mind, what then did we do? We did, in essence, what central agency officials in support of successive Prime Ministers and Premiers had always done. Out of the old universe of departments and agencies, the one that had grown up

under Prime Ministers Trudeau and Mulroney, we created a new set of departments to pursue this clear set of national objectives.

Each of those new departments was headed by a Minister with a clear and substantial mandate; each had a staff of permanent public servants; each had program instruments and money to do their job, as they and the Prime Minister saw fit. And with only very modest exceptions, each set out to do its business in the same way as its predecessor departments had done.

In the years since 1993, the basic structure of the federal government has remained – perhaps remarkably – intact. The only important change is that new kinds of organizations have been added to the public sector universe:

- New special-purpose government organizations such as Investment Partnerships Canada and Technology Partnerships Canada aimed at strengthening our international competitiveness;
- New organizations created by government for a public purpose, but clearly located outside it, such as the Canada Foundation for Innovation and Genome Canada;
- New agencies that are departments in all but name – CCRA, CFIA and Parks Canada.

But the basic organization of government itself – the way in which the resources of the federal Public Service are aligned and equipped to support Ministers – has not changed in any fundamental way.

If you were to do another reorganization at the federal level today, you might have a somewhat different set of policy objectives. For example, you might want to:

- place a institutional special focus on innovation, or on skills and learning;
- equip the government to work more closely with provincial partners in areas ranging from health to criminal justice to the environment;
- organize internally to support a more integrated approach to service delivery, including the delivery of electronic services;
- facilitate horizontal policy work within the federal government on cross-cutting issues.

As I recall, none of these concerns were top of mind in 1993.

So the question is, if you were really thinking ahead, would you organize as we did, to meet the challenges and objectives of today? Would you simply change mandates and come up with a slightly different set of departments and agencies? I don't think so.

Government Organization

What are we talking about when we speak of government organization, whether at the federal level or the provincial one? Not just the boxes on a large organization chart. Not just a collection of statutes.

What we are really talking about is:

- The mandates given to Ministers and to organizations in government
- The purposes for which they are given those mandates
- The powers through which Ministers and officials pursue those mandates

And when we ask how government should be organized, what we are really asking is:

- Which issues, policies and programs should be managed together?
- In which areas of the economy and society does the government need to inject itself?
- At what level of government do we want to force internal tradeoffs and where do we want to foster more open debate and tension?
- In which areas of our national (or provincial) life is there a particular need for political focus and leadership?

Bear in mind that the organization of any government – federal or provincial – must meet two fundamental tests of adequacy:

- It must enable the political executive (the PM and Cabinet) to carry out its program and to meet the challenges facing the country (or the province). We might call this the “practical” test.
- It must allow for political control and democratic accountability. This we can call the test of legitimacy.

As you may know, government organization is one of the prerogatives of the First Minister. It is a power that is exercised by him alone (that is to say, it is not a matter for Cabinet), and it constitutes a key instrument of his authority and his leadership.

Ministers know this. The Prime Minister (or the Premier) defines their jobs and gives them the tools with which to do them.

I see two problems in the theory and practice of government organization today – the first is, how we do machinery; and the second is, what we come up with at the end of the process, -- i.e., how the government is actually organized

My thesis today is that both need significant change.

What are the Problems?

Our traditional approach to government organization has created a number of problems that are becoming more apparent, and more serious, all the time.

The first problem is that the (relatively) solitary exercise of prerogative authority in matters of government organization has meant that Prime Ministers (again, or Premiers) do not have access to all the information and ideas they need to make optimal decisions.

Compare government organization with, say, Budget-making. The former process – that is, organizing the government – is done by the Prime Minister on the basis of advice from a relatively small group of officials in the Cabinet office, plus the views of (again) a relatively small number of political advisors.

By contrast, the formerly secretive process of Budget-making has been radically modernized in recent years, to the point that there is rarely anything in a Budget speech that has not been tested with outside advisors, floated in the financial press and explored in a Parliamentary committee. The result? Invariably, a budget that meets both public expectations and public needs.

Second, decisions on government organization are rarely if ever informed by public input or even public debate (again, compare Budget-making). This means that it is becoming harder to gain public acceptance of the way things are organized. Again, this is unlike virtually every other area of public activity, where consultation – meaningful consultation – with the interested public is now *de rigueur*.

Third, once made, changes in government organization usually must be confirmed in statute – a process that itself can take two years or more. Two years is an awfully long time in the information age. And once set in legislation, a mandate or structure is hard to change.

Fourth, and perhaps most important, it is becoming increasingly apparent that our current structures are no longer adequate to do the job required:

- They are not ‘nimble’ enough to respond to the needs of politicians or of clients and stakeholders.
- They are inefficient at the borders – that is, on the horizontal issues that are increasingly the main agenda of government. Yet this is precisely where we need them to be effective.
- They presuppose a kind of natural taxonomy of issues in the world that simply is not out there to be mirrored in government. They encourage internal silos rather than horizontality, and thereby they encourage all the worst sins of bureaucracy – turf-protection, a focus on process rather than substance, and the pursuit of narrow agendas rather than the objectives of the government .

What has happened to government organization on a large scale is similar to what has happened to our systems and processes for military procurement. We have become hopelessly out of step with a world that is evolving faster than our capacity to respond to it.

What is required of government organization in the 21st century?

Let's first talk about what we want the organization of the government to be able to do, and then we can think about how we need to organize to do this.

- *Whether we are talking federally or provincially, we want an organization capable of addressing a wide range of issues that cut across the boundaries of whatever organizations we are working in. Issues such as:*
 - ◇ criminal justice
 - ◇ environment
 - ◇ health
 - ◇ early childhood development
 - ◇ literacy
 - ◇ management of the Canada-U.S. relationship
- *We want an organization capable of adapting to new challenges and new priorities, such as:*
 - ◇ innovation
 - ◇ skills and learning in the knowledge economy;
 - ◇ the emergence of an urban aboriginal population that does not enjoy equal access to learning, jobs and services;
 - ◇ the emergence of our cities as the economic engines of the country.
- *We want an organization that is both effective and cost-effective. This means one that can:*
 - ◇ deploy and re-deploy human resources much more quickly than under our present systems and structures
 - ◇ make, and implement, decisions much more quickly than in the past (e.g., procurement of large weapons systems).

- *We want an organization over which Ministers have control and for which Ministers are seen to be responsible.*
 - This is absolutely essential. It is both a sine qua non for meaningful change, and also for obtaining political support for change.
 - The worst thing one could do in re-thinking government organization would be to create a system that empowered officials rather than Ministers. What we want is more, and more effective, political control of what is done in and by government, together with transparent accountability for what is done.
- *Another way to put this is, we want a structure of government that is politically acceptable. That is, one that allows Ministers to spend, take decisions, and get credit for what is being done by the government.*
- *Finally, we want a Westminster organization – that is, an organization that supports collective decision-making and collective responsibility, and that is not focused on exclusively on the Prime Minister/Premier.*
 - Recall the recent headline after the B.C. election: “Premier announces tax cut”. What happened to the Minister of Finance?
 - Both at the federal level and provincially, there has been a concentration of power around the First Minister, a concentration of power (and visibility) that is encouraged by the media and the public. We need to restore some Westminster balance to our Westminster system.

To stretch a metaphor, what we have in government today are organizations – departments, mostly but also a growing number of agencies – that together resemble a collection of stand-alone computers, each one designed and equipped to do a particular job, but each obviously struggling to do the job intended.

To continue the metaphor, in recent years we have become aware of the need to link up all these “PCs”, to enable them to talk better with one another, and occasionally to work together on a problem.

But we are still far from doing ‘networked computing’ – of being able to work together across government, drawing on information and assistance from other parts of the network to address a complex problem in which several organizations have an interest and none has the solution.

And we are very far from what is known as ‘distributed processing’ – the term used when an entire network of computers is used to do a single complex task that otherwise would exceed the capacity of a single computer.

Looking Elsewhere

The problems we face in government today are not unlike the problem faced by other large organizations that face similar challenges of relevance, flexibility, adaptability, focus and communication.

So we should try to learn from what is being done elsewhere, without forgetting that what works for a multinational corporation is not always right for a multi-faceted government.

And whatever our unhappiness with current structures, we must not forget that organizations are necessary!

- They are the visible expression of a mandate, a purpose and a capacity.
- They give people a home – a place to work and belong.
- They allow for the accumulation and transmission of knowledge.
- They allow people to learn collectively, and to benefit from their experience.
- They embody a culture and a set of values – these are not necessarily bad things.

So what are the desired characteristics of government organization in the future, and how do we get there?

Organizing for the Future

So what are the characteristics of the government organization of the future?

First, it has to be adaptable. This means:

- it must be possible to realign functions and people quickly to support new initiatives and new priorities

One way to do this is by trying wherever possible, when reorganizing, to avoid dislocation at the unit level, to take maximum advantage of the solidarity, security and sense of purpose employees feel in relation to their immediate work unit. In other words, if you're going to make big changes, shuffle units not people.

Second, it must be able to deal effectively with “horizontal” issues both within and between departments. This means:

- making it as easy as possible to create and re-create issue teams, task forces and other temporary mechanisms aimed at current, high-priority issues;
- taking care of the people who serve horizontally as well as those who serve “vertically”;
- recognizing that horizontality is a fact of life and avoiding wherever possible the creation of issue-specific committees at the Deputy Minister level.

Remember also that horizontality is a relative concept. A horizontal issue is simply one doesn't fit into the particular taxonomy we have chosen for our government or its component departments. Organize differently and a different set of issues will turn out to be "horizontal".

Third, it must provide for clear lines of authority and accountability, both at the bureaucratic and ministerial levels. This means:

- a larger role for central agencies in assigning and enforcing responsibility for leadership and management of issues;
- a more "hands-off" attitude by the office of the Premier or PM, and by the Cabinet Office, on issues that can just as well be visibly managed by line Ministers and their departments;
- greater investment in communications capacity in departments (so as to better situate Ministers in the public mind).

Fourth, a new approach to government organization must be more conducive to linkages with players outside government:

- outside stakeholders
- think tanks
- universities and other research centres

The federal Public Service has made a good start on this with its Policy Research Initiative, but there is much, much more to be done to make this way of thinking and working a normal part of policy work in government.

Fifth, it must do a much better of enabling senior decision-makers to draw upon information and analysis both from the department and from outside.

Sixth, it must provide enough institutional stability that:

- employees can feel a sense of belonging and valorization;
- employees can be developed, both in their interests and in the interests of the organization; and
- the interested public can learn how to deal effectively with the organizations and Ministers that affect them.

Seventh, the Public Service as a whole needs to be a "whole system" within which individuals can pursue careers (i.e. not just a collection of separate departments).

Eighth, and finally, we need to organize central agencies to deal with more with issues, and less with institutions. This is the biggest complaint I hear about central agencies – that they are not equipping themselves internally to deal with cross-cutting issues.

What to Do

1. Start by getting the legal tools necessary to change the organization of government more quickly.
2. At a minimum, make departmental statutes much less complex and detailed. Rather than custom-tailoring a set of tools for every department, use the departmental act to make clear what the Minister is responsible for, and then use a statute of general application to define what Ministers and officials can do in pursuit of ministerial mandates.
3. More boldly, consider some other device for defining and publishing mandates. After all, once a departmental statute is passed, few people outside government ever refer to it. Consider, for example, defining portfolios and mandates by Order in Council, on the recommendation of the Prime Minister or Premier. If necessary, provide for a defined period of legislative debate over the Order.
4. In the area of human resources management, maximize organizational flexibility for management within a regime that respects the rights and interests of employees, especially with respect to security of employment and pay (as opposed to tenure in a particular job or classification).
5. Expand departmental establishments to make more room for executives who can be deployed as task team leaders and issue managers (as opposed to program managers). And pay adequate attention to these people in terms of promotion and pay.
6. Encourage greater collaboration among the central agencies on matters related to the organization of government. Here at least there should be no surprises.
7. And generally make every possible effort to de-mystify the business of government organization. It's not witchcraft; it's not even rocket science. Decisions on government organization need to be informed by the kinds of ongoing consultation, input from interested stakeholders and external experience that now characterize the Budget process and virtually every other area of government activity.

Thank you.