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OPTIMIZING GOVERNMENT Modernization in the Public Sector

Toronto Roundtable Summary
June 2014





The Public Policy Forum is an independent, not-for-profit organization dedicated to improving the quality of government in Canada through enhanced dialogue among the public, private and voluntary sectors. The Forum's members, drawn from business, federal, provincial and territorial governments, the voluntary sector and organized labour, share a belief that an efficient and effective public service is important in ensuring Canada's competitiveness abroad and quality of life at home.

Established in 1987, the Forum has earned a reputation as a trusted, nonpartisan facilitator, capable of bringing together a wide range of stakeholders in productive dialogue. Its research program provides a neutral base to inform collective decision making. By promoting information sharing and greater links between governments and other sectors, the Forum helps ensure public policy in our country is dynamic, coordinated and responsive to future challenges and opportunities.

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Introduction

Public sector modernization is an ongoing priority as governments adapt to new expectations. Faced with shifting demographics, disruptive technologies, and budget deficits, public sector leaders must rethink their roles in an increasingly complex, rapidly changing environment.

New challenges also present new opportunities to drive greater efficiency and effectiveness. How are growing demands for innovation, collaboration, and accountability being met? What type of transformation is needed to drive better outcomes for Canadians? Where should governments target their efforts for the greatest impact?

In partnership with Microsoft Canada, the Policy Forum launched *Optimizing Government*, a project exploring challenges and opportunities for public sector modernization. Following multi-sector leadership roundtables, this project will culminate in a white paper that will help inform the development of high-performing public services at all levels of government. Hosted by Gowlings, the first roundtable took place on June 4th, 2014 in Toronto, where a select group of leaders across sectors engaged in a candid discussion about what it means to modernize government, with a particular focus on the Ontario public service. (*Agenda and list of participants are attached.*)

An overarching theme at the Toronto session was the need for the public sector to take responsibility for self-imposed barriers. Despite the tendency to blame political will, much of the organizational inertia within government tends to reside in areas overseen by the public service. Stifled by a deeply engrained bureaucratic culture, the public service may risk becoming irrelevant unless it starts to take a more proactive approach to organizational change.

Structure and culture

Many of the challenges discussed at the roundtable focused on the outdated structures within the public service that perpetuate inefficiency and prevent collaboration. Rather than taking a whole-of-government approach, the public service continues to function in silos, which discourages groups from working together as risks and rewards are not shared across the organization. The hierarchical structure of the public service also creates multiple layers of approval that make decision-making a cumbersome process. More importantly, these internal barriers make it difficult for government to collaborate effectively with external stakeholders and provide the type of seamless service that citizens expect in today's technology-enabled world.

While organizational restructuring has been a common solution, much of the changes have not amounted to results despite the efforts involved. Instead of addressing bureaucratic processes across the public service, attempts at reorganization have been time-consuming and largely unfruitful undertakings focused merely on shifting roles. Some participants questioned the feasibility of enterprise-wide transformation considering that it would require culture change inside government. Others were skeptical about the ability of large organizations to eliminate bureaucracy, suggesting that smaller ministries may be more conducive to innovation.

As emphasized by the Drummond Commission, the culture of risk aversion runs deep in the public service. Accountability pressures have only increased along with media scrutiny, leading to not only an environment of excessive rules and regulations, but also a dependence on quick fixes that contribute to

more complicated, long-term challenges. For instance, program management has become bureaucratized as rules have been added over time without proper evaluation of the overall implications for program delivery. On the policy side, risk aversion has favoured a reactive strategy over a more exploratory approach that drives public sector innovation.

Overcoming organizational inertia is certainly not easy. Large-scale change management requires buy-in across the board and expertise in business transformation. Participants stressed the importance of establishing clear goals and metrics, as well as providing dedicated personnel and resources to move forward with necessary action. Other measures include process mapping to identify redundancies and sharing innovations that are already leading to better results. For example, a number of promising solutions have emerged across jurisdictions, including enterprise-wide integration of lean management to shift the focus from process to outcomes. Given the diversity of strengths and weaknesses across governments, there is an opportunity and an imperative to share what's working and not working in public sector modernization.

Financial management

In a time of austerity, the lack of rigorous cost-benefit analysis in the public service is particularly troubling. Unlike in the private sector, where all spending must be clearly justified, government expenditures often rely on the public interest argument rather than a strong business case that demonstrates value for money.

Contract mismanagement also undermines the ability of the public service to deliver on promises, especially when there are limited penalties for budget overruns and unmet expectations. Issuing smaller contracts and monitoring track records can help avoid the financial risks associated with large procurement projects. Considering that ineffective programs are often allowed to continue with band-aid measures, third parties must be held accountable for results to ensure a clear return on public investment.

Further complicating financial management is the ongoing tension between political expediency and evidence-based policy making. Elected officials tend to prioritize big ideas without investing the time required to conduct a careful cost-benefit analysis. In fact, political leaders often prefer external advice to the comparatively slow process of gathering evidence inside government. Reliance on short-term analysis and funding models can be problematic, especially in the area of social services, where results take time. The public sector needs to rethink its relationship with service delivery organizations to drive sustainable outcomes. Moreover, governments can leverage existing resources by collaborating with service providers and the research community to gather evidence for better public policy.

Talent management

Although the level of talent and the desire to make an impact are evident in the public service, many were concerned that the bureaucratic atmosphere inside government may have implications for youth recruitment and retention. To address the issues around hierarchy and redundancy, the public service may have to consider downsizing and moving toward a flatter structure, especially given the layers within government, the number of managers without direct reports, and the practice of adding instead of reallocating capacity for new projects.

Redefining competencies and dealing with underperformance will be crucial to change management as organizational culture is inextricably tied to leadership. To improve performance management, exploring a unit-based model tied to group productivity and innovation may lead to cost savings; however, the public service will need to introduce a new approach to budgeting that incentivizes efficiencies rather than penalizing them. With growing competition for top talent, increasing senior level compensation to private sector ranges can be another way to attract the best to the public service.

Some participants questioned the quick use of consultants as a potential barrier to developing and maximizing talent in the public service. Without weighing the costs and benefits of outsourcing, government can inadvertently decrease internal opportunities for innovation and underutilize in-house talent. Striving toward more effective deployment across the public service may help improve government efficiency, responsiveness, and innovation capacity.

Maintaining a high-performing public service will also require ongoing investment in professional development as it takes competent leadership across all levels to help navigate through constant change. To enhance enterprise-wide communication and collaboration, putting leaders through similar training programs may help create greater consistency regardless of their portfolio. On the other hand, expanding public service recruitment beyond the traditional areas of public policy and administration to include business can contribute to greater entrepreneurial drive in government.

Leading fundamental change

While priorities at the political level can have an impact on modernization efforts, most participants seemed to agree that the primary impediments to change have more to do with the bureaucratic culture inside government. The public service, especially senior management, has to take responsibility for the dysfunctions that it has perpetuated. Public sector leaders also need courage to challenge false assumptions about the level of risk aversion, which can often become an excuse for not taking more initiative to improve results.

Joining the digital age and learning how to leverage new tools and platforms will also help government support operational excellence in a time of fiscal constraint. Risk aversion has certainly hindered the integration of new technology across the public service. However, participants noted some examples of where it has enabled citizen centred service delivery, including Service Ontario. Open government is another initiative that holds great promise for advancing a more transparent and collaborative form of governance. To ensure the effective use of technology, the public sector needs to clearly define objectives to help identify the right tools and determine the resources required.

Fiscal pressures call for a fundamental transformation in public sector management, rather than incremental changes. Limited public awareness of the degree of mismanagement and inefficiency in government, as well as the potential implications for long-term prosperity, has served to perpetuate a culture of complacency and entitlement inside and outside government. To create a greater sense of urgency around public sector modernization, collective effort is needed to educate the general public about the role of the public service in supporting a high-performing government.

Optimizing Government

Roundtable on Public Sector Modernization

June 4th, 2014
7:30 – 10:00AM
First Canadian Place
100 King Street West, Suite 1600
Boardroom Montreal/Ottawa
Toronto

AGENDA

7:30 – 8:00am	Arrival and Breakfast
8:00 – 8:25am	Introduction <ul style="list-style-type: none">• Welcome by Paul Ledwell, Executive Vice President, Public Policy Forum and Michael Hilliard, Senior Corporate Counsel, Microsoft Canada• Opening remarks by Shelly Jamieson, Chief Executive Officer, Canadian Partnership Against Cancer
8:25 – 9:55 am	Roundtable Discussion <ul style="list-style-type: none">• What are the key barriers to improving public sector performance?• How can government modernize its structures and processes to meet changing needs?• Where should government target its efforts and investments?
9:55 – 10:00am	Closing Remarks <ul style="list-style-type: none">• Wrap-up by Microsoft Canada and the Public Policy Forum

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Optimizing Government

Roundtable on Public Sector Modernization

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