

Management Theory and Cabinet Government

A. W. Johnson

It has lately been observed that the number of civil servants engaged in propagating modern management principles in the public service has been growing at a remarkable rate. They are to be found in increasing numbers in operating departments, in treasury board secretariats, and now in virtually every central agency. Their rate of growth has moved some, indeed, to suggest that their proliferation greatly exceeds their real contribution!

It must be acknowledged, on the other side, that whatever their effectiveness, or however badly they themselves may be organized, there *is* a great deal for these people to do. There *is* the vastness of government to contend with — over 35 per cent of our income in Canada is spent by governments — and there are the bureaucratic rigidities of which so many governments are guilty. On top of this there are certain inherent problems to be overcome in introducing modern management principles into government — not only the obvious obstacles of inertia and inflexibility but also the very great difficulty of integrating the principles of modern management with the principles of cabinet government. It is the purpose of this paper to consider some of these problems.

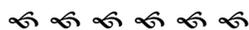
Management principles and the principles of cabinet government

A good deal of nonsense is being talked these days about the easy application in government of what are alleged to be obvious principles of business administration. The best illustration of such oversimplifications, in my opinion, is the oft-repeated exhortation 'let the managers manage.'

It is never quite clear to me just what this *is* supposed to mean. For some it seems to imply the removal of regulations which so often inhibit deputy ministers in their choice of the inputs which in their view will best contribute to the efficient execution of government programs — inputs such as personnel, accommodation, equipment, materials and supplies, services such as travel, telephones, and computers, and the rest. For others this principle of management seems to mean more: not only the removal of regulations concerning inputs but also the introduction as an incentive to good management of the freedom to spend any 'savings' which accrue from new and improved management methods and techniques. In its extreme form the 'let the managers manage' principle *is* interpreted as meaning that the treasury board ought not to get into the allocation of funds between competing projects and programs within departments — that these decisions ought to be left to the minister and deputy minister. After all they were chosen to develop the best programmes to achieve the government's objectives in their field: why should uninstructed judgments be imposed upon them?

The great difficulty with all of this, in its over-simplified form, is that it fails to take account of the principles and the parameters of cabinet government. This is not to say that the excessive pre-occupation of treasury boards with line-item instead of program budgeting, and with the inflexible and bureaucratic regulation of the details of departmental administration, *is* to be defended. But it is to suggest that one cannot sweep away all so-called central agency interference in favour of one single clear and incontestable principle of management. What I am trying to say, in its baldest terms, is that cabinet government calls for certain elements of control, and control calls for central agencies. A depressing thought perhaps, to operating departments, but nonetheless true.

Consider two of the central principles of cabinet government. The first — the responsibility of individual ministers to the House of Commons for their programs and for the implementation of their programs—is consistent with the 'let the managers manage' proposition. But the second — that the cabinet as a collectivity is responsible for all of the actions of individual ministers — is not. In fact, the cabinet is responsible for the policies and the programs of individual departments. The cabinet is responsible for the efficiency with which the programs are being administered, and with the impact of the programs upon the public. The



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cabinet is responsible for the organizational forms which are set in place for implementing programs: the use of departments or crown corporations; the division of work between portfolios and departments; and the decision as to which shall be the appointing authority in the public service. It is the cabinet which is responsible for ensuring that probity and prudence are used in the spending of public funds on administrative inputs — and indeed for defining what *is* meant by probity and prudence. Above all it is the cabinet which is responsible for allocating public funds between the myriad of competing projects and programs.

In the face of this collective responsibility, what happens to the principle of individual ministerial responsibility and to the 'let the managers manage' principle? It would be comforting to dismiss the dilemma by simply saying that it is the cabinet, not the individual minister, which is the manager, or alternatively by declaring that the dilemma would be resolved by the proper delegation of responsibility. But this won't do, I am afraid. The fact is that all ministers are affected politically by all programs. All ministers are affected politically by the effectiveness with which programs are administered. All ministers are affected politically by public judgments as to the probity and the prudence of public expenditures — even to the salaries paid to officials like those reading this paper.

What is required, therefore, if we are to relieve management in the public service of the soul-destroying controls of the past, is not some simple-minded sermon about management, but a very sophisticated analysis, and integration, of the principles of modern management and the principles of cabinet government.

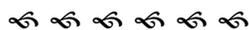
It is not my purpose to offer such an analysis here: that in fact is what all of us in treasury boards are working at now. But it is possible, I think, to advance certain generalizations. This I shall try to do under three heads: the development of policies and programs; the administration or execution of programs; and the exercise of probity and prudence in the choice and purchase of the inputs which are required to administer programs.

The development and choice of programs

On the first of these questions, who is it that develops and decides upon government programs — the individual ministry or the cabinet as a whole? To most of us the answer will be self-evident: it is the individual minister and his officials who develop program alternatives, but it is the cabinet as a whole which chooses the programs. It may even be that the political process — the party in the course of planning election platforms — will develop specific program proposals, leaving to departments only the elaboration of those programs.

If this is so self-evident, what *is* the problem? The problem arises in the assignment of priorities to the several projects and programs within departments, and in the evaluation of their effectiveness. Each year the government must decide how it will allocate any available incremental funds between competing projects and programs — both new programs and improvements in the quality of existing ones. And central agencies — notably treasury departments or treasury board secretariats — will assist ministers in making these choices. But it may come to pass that ministers acting for the collectivity will make a choice between competing programs *within* a given department different from that which the department itself would have made, given the government's over-all views as opposed to the ministry's views. When this does happen — and it happens often enough — 'the managers have not been allowed to manage.'

Is this inappropriate? It has been suggested to me by at least a few very knowledgeable people in government that it is inappropriate: that if governments are going to spend more on a given function or objective of government the departments concerned should be allowed to



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decide how to allocate the funds between alternative projects and programs. I am afraid that I disagree: in my view the collectivity is nearly always going to make these decisions — except of course in respect of relatively minor activities within departments. This is not to say that a ministry will not *advise* the government on how the additional funds should be spent, or that their advice will not be taken in a great majority of cases: it will. But it is the collectivity of ministers which will decide, given the nature of the political process and the nature of cabinet government.

There are several reasons for saying this. The first is obvious: if the cabinet is going to take the responsibility for decisions, it is the cabinet which will make them. Secondly, the cabinet has a different perspective of programs than do individual ministries, in terms both of policy and politics, and this over-all view will nearly always prevail. Thirdly, since nearly every program has more than one objective, with other ministries having a primary concern with the secondary or subordinate objectives, the cabinet must bring to bear an overview on all programs. And finally, the choice between alternative projects and programs must be made inter-departmentally: in the budget for new projects or program improvements, for example, the sixth priority in one department may come ahead of the fourth priority of another, and the third priority in the first department may even come next. It is not enough, in other words, simply to assign in some theoretical way lump sums to broad functions or objectives of government, with the departments doing the real job of allocating funds between competing projects and programs. Expenditure budgeting requires the evaluation of individual projects and programs government-wide. And this is what gives birth to treasury boards and treasury board secretariats.

The same proposition applies in respect of the evaluation of old or existing programs. Unless government budgets are to increase *ad infinitum*, with old programs being preserved and new ones simply piled on top of them, someone in government must continuously evaluate the effectiveness of old programs. Hopefully, of course, this will be the operating departments. But again the cabinet as a whole must have a budget agency which participates in this process. It must do this both to ensure that the evaluation does indeed take place, and to ensure that the lowest priorities in the *government's* scheme of things — not just the departments' — are chosen for elimination or modification. Moreover, the annual budgetary process itself calls for the participation of treasury boards in this program evaluation: if fiscal restraints, when they are called for, are to be applied intelligently, this can only come about if the treasury boards have participated in the evaluation of the effectiveness of the government's programs, and therefore know where best to apply the constraints.

May I note, parenthetically, that it is the treasury board and the cabinet who will decide, too, upon the disposition of the economies which are effected by way of the elimination of obsolete programs or, for that matter, by way of the introduction of administrative improvements. I have sometimes heard it argued by the 'let the managers manage' proponents that such savings ought to be available to the departments which effect the economies; that the treasury board and the cabinet ought not to be involved in the reallocation of such funds. Now it is true that the capacity of a ministry to achieve effectiveness in its programs and efficiency in its administration ought to be taken into account by government when funds are allocated among competing priorities. In my experience it is. But where significant sums of money are involved it surely is the collectivity of ministers which will decide upon their reallocation, just as it is the collectivity which will decide upon the disposition of increased revenues.

Letting the manager manage, in this area of government, therefore, means letting them devise and advise, but leaving to the collectivity of ministers the final decision.



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The implementation of programs

For the great majority of ministers and civil servants these propositions will seem unexceptionable. Their argument, however, will be this: while it is self-evident that in the field of policy and program determination the cabinet as a whole ought to make the decisions, when it comes to implementing the programs let the managers manage.'

This proposition is equally unexceptionable. Departmental managers ought indeed to be afforded the optimum freedom in choosing the form of organization they will employ and the combinations of inputs they will use for implementing the programs the government has decided upon. Why then have the treasury boards and central agency controls?

The answer is not all that difficult to find, and indeed is not hostile to the 'let the managers manage' proposition — unless, of course, one takes an overly simplistic view of that proposition. First, even if departments are afforded the greatest possible freedom in making the administrative decisions we are speaking of, it remains for the government to evaluate their performance — to determine whether in fact they have achieved optimum efficiency through the organization forms and input combinations they have settled upon. When I say efficiency, by the way, I am speaking not only of administrative efficiency, but also of efficiency in the service rendered to the public. Hopefully, again, the departments themselves will continuously evaluate the efficiency with which they are administering programs. But it remains for treasury boards to ensure that this is indeed the case, and it remains for them to apply their conclusions as to whether optimum efficiency has been achieved when funds are being allocated at budget time. Lest this seem unduly callous, let me remind you that treasury boards must and do inevitably apply *some* view as to the relative efficiency of departments when they are allocating funds at budget time: the question is only whether they do so arbitrarily on the basis of hunch and prejudice, or whether they do so on the basis of hard information which they have obtained through participating in the evaluation of the efficiency of the several departments.

But there is a further reason for having some central agency concerned — in one way or another — with departmental administration. It must never be forgotten that departments of government are in a monopoly position. They have no competitors, except perhaps for the internal jurisdictional competition which unhappily is to be found in most governments. Moreover they have a single source of income — public revenues (known variously as the Consolidated Revenue Fund or the public trough). If they — the departments — have been or are competent advocates before the treasury board, therefore, or if there has been a history of little or no evaluation of administrative efficiency in government, it *is* entirely possible for departments to be soft and inefficient in their administration.

There is, in short, no market mechanism which imposes pressures on departments to be efficient. That is what treasury boards are for — and without being guilty of special pleading, may I say God help the taxpayer, in some situations at least, if they did not exist. It *is* not that I am cynical about the zeal or the competence of civil servants: some of my best friends are civil servants. But I have learned to my sorrow that there are people in the world — even civil servants — who are not as tough-minded, not as rigorous, not as insistent on optimum achievement as they might be. Not, at least, when there exist no external pressures to this end.

The great danger in all of this, it must be added, is that the treasury board, or the treasury board secretariat, will themselves become soft — that they will apply uniform constraints or across-the-board expenditure reductions as a substitute for the selective budget cuts which would be possible if there existed information as to the relative effectiveness of this program or that. This indeed is how treasury boards have earned such a bad reputation: they have been as



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soft – as guilty of taking the easy way out – as have the departments they are criticizing.

There is, in short, no option: 'let the managers manage,' by all means, but let some central agency of government evaluate the effectiveness with which departments are managing – in terms of the organization and methods they have chosen, and in terms of the results they are achieving. Only in this way will the principle of collective cabinet responsibility be respected.

Probity and prudence in the choice and purchase of administrative inputs

I come now to the third area of central agency intervention into departmental affairs – the area which in my view lies at the root of the exhortation 'let the managers manage.' This is the regulation by treasury boards of the quality and quantity of inputs which departments may buy to execute their programs, and regulations as to how they shall buy them.

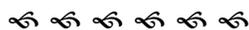
As a deputy minister I can think of nothing more frustrating than to be told by some central agency bureaucrat that while I am free to decide upon the combination of inputs which are to be employed in the execution of my responsibilities, he will tell me what the quantity and quality of these inputs shall be. He will tell me what grades of personnel I may use; he will tell me what kind of accommodation they will be put in; he will tell me how and at what standard they may travel; he will tell me whether they may entertain others in due course of their work, and so on and on. And as if that weren't enough he will also tell me that some of these inputs must be bought through a central agency which I cannot control, or through some method which he has imposed upon me. 'Let the managers manage,' indeed!

Having thus given vent to my spleen as a so-called manager, let me quickly acknowledge as a student of government that some sort of guidelines, or standards, or norms, *are* required as a guide to departments in choosing the quantity and quality of inputs they buy. Let me tell you why.

The first and foremost reason is that certain of the inputs which are bought serve not only as instruments of program implementation, but also may serve as indirect benefits or rewards to civil servants. The obvious case is the pay of civil servants itself: classification and pay systems are established to ensure that civil servants are fairly paid but not exorbitantly paid. (Some would say that these systems have succeeded beyond the wildest dreams of their authors!) But there are other inputs too which may provide benefits to public servants: the rugs and the furnishings of their offices; the standard at which they travel in the course of their work; the payment of the expenses they incur in the course of their employment, such, for example, as entertainment expenses; and the provision of employee benefits such as parking privileges, and the rest.

It is because of this potential 'double benefit' of these inputs – to the program and potentially to the employee – that questions arise as to their quality and quantity. The manager may argue that a certain standard of travel, or entertainment, or office accommodation is required to achieve his program objectives, but the public or the politician may argue that that standard exceeds the levels acceptable to the community. And so it is that regulations in respect of the quantity and quality of inputs are born.

There are other reasons, too, for such regulations though they are less compelling to the public than the first. Often, for example, it is considered desirable, for reasons of morale, to attempt to achieve reasonably even treatment of employees across the public service. This is true of pay, of parking privileges, of travel allowances, even of accommodation standards. So regulations tend to be promulgated, centrally, as to what may be spent on these inputs. Or, the government may decide that particular attributes ought to apply to certain supplies used in the public service,



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a national or provincial symbol on government stationery, for example, or, to go from the sublime to the ridiculous, slogans on government pencils reading 'misuse is abuse.'

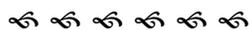
Clearly it is not good enough for the 'let the managers manage' proponents to argue that governments ought simply to refrain from imposing on departments any standards in respect of the quantity and quality of the inputs they buy: there is an underlying rationale for doing so. Rather the question is how these standards ought to be applied, and how widely.

The same is true of the regulations governments – that is to say, treasury boards – impose on the methods by which certain inputs are bought. Governments have always prescribed how departments should acquire goods and services: in ages past – one may hope the use of the past tense is generally applicable – for reasons of patronage; today for reasons of honesty and economy. Departments are required now, for example, to buy by public tender, sometimes even to have their larger contracts approved by the treasury board. Or they may be required to buy through a central purchasing department, on the assumption, again, that greater economy, or honesty, will result.

Similarly departments are regulated as to how they shall record and account for revenues and expenditures, and assets and liabilities. The reason, again: to ensure honesty and probity in the handling of public property.

What is the conclusion of this analysis? Not, I hope, that public servants ought to resign themselves to the bureaucracy of the past. No: my conclusion is rather that there is no simple solution to the problem of bureaucracy; that you cannot dissolve it by pontificating 'let the managers manage.' What we must do is find a more sophisticated, a less bureaucratic way of setting standards or norms by which departments are to be guided, if guided they must be. Surely, for example, it ought to be possible to promulgate such norms, and to audit departmental performance, rather than always to impose a rigid regime of regulations, requiring treasury board approval every time a departure from the regime seems called for.

But it is not my goal, in this paper, to prescribe: only to diagnose. And in any event the purpose of my generalizations will already have become clear: to suggest that the reconciliation of the principles of modern management and the principles of cabinet government is not an easy task. That ought not to come as any surprise: it always is difficult to reconcile principles and objectives. This, in fact, is what government is all about: it is a process of reconciling, of harmonizing, of choosing between conflicting social values and goals and objectives. This, perhaps, is its ineluctable attraction, both to politicians and to public servants!



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