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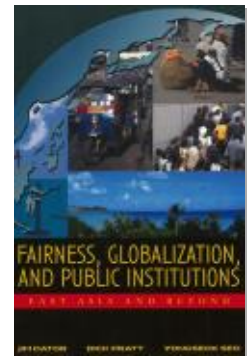
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Public Institutions in an Era of Globalization

The Need to Keep Pace

DOUG ALLEN

Globalization and Public Institutions

Over the last thirty-five years, the forces of globalization have intensified. Information and financial capital move at unprecedented levels and velocity. Trade arrangements now encompass multiple jurisdictions. Corporations and nonprofit societies operate across national boundaries offering products and services to many but are subject to rules, regulations, and business codes that are often less than transparent. People often live, work, and play in more than one jurisdiction. This interconnectedness has enormous implications for everyone, but particularly those individuals working in public institutions.

In this environment a major challenge is the need for each public institution to stay relevant to those it serves while operating globally in an increasingly connected world. This challenge is more complicated than it may first appear.

This chapter outlines the public administration and public-policy journey I have been on since first entering the halls of the Canadian Department of Finance. It is greatly influenced by the forces of globalization. It covers twenty-five years of direct public service, ten at the national level and fifteen at the provincial level. It also covers eight years as a management consultant specializing in the rigors of public-policy formulation and implementation in Canada and abroad, the latter including lengthy assignments in Japan, Malaysia, Hawai'i, Ethiopia, South Africa, and most recently Qatar.

It is my experience over the last three decades that the forces of globalization have complicated public-policy formulation and administration in three ways. Governance, that is, the manner in which a public institution conducts its affairs, is now generally more complex. Seldom is a public institution accountable to only one body. Today, the accountability on important issues is local, provincial, national, and increasingly international. Second, strategic planning for public institutions must be ever concerned with cross-jurisdictional implications and

impacts. There is little point in solving a major public-policy issue in one jurisdiction by simply passing it on to another. Finally, private interests are both powerful and pervasive as well as increasingly difficult to define in relation to the public interest.

A good example to amplify the globalization forces noted above is climate change. Consider the challenge facing the public official in the city of Vancouver who is defining a climate change agenda for the city council to consider. The public official must think internationally but provide a series of actions that warrant local response. Performance targets and measurements cannot be confined to a single jurisdiction; the issue is a global one, and progress must be made and measured accordingly. Moreover, there are many private interests involved. These private issues are quite capable of influencing the public agenda, the challenge being to ensure that such influence is positive and consistent with the public interest. This chapter offers some observations on the ability of public institutions to be both fair and relevant in a world of increasing globalization.

My Experience with Public Institutions

In 1971, I joined the Canadian Department of Finance as an officer in the Capital Markets Division. For a recent MBA graduate with an undergraduate degree in political science, there could be no higher calling. The Department of Finance was at the center of fiscal federalism in Canada,¹ with a broad mandate in taxation policy, economic policy, and capital market development and regulation. Its dominant policy role in the federation was unquestioned. I entered the department with both optimism and determination, confident that a modern and well-run public institution can make a significant difference in the quality of life of the citizens being served.

I planned to stay one year in the Department of Finance; I stayed eight. I found public-policy formulation to be both interesting and important. I also learned some early lessons, as follows:

1. A clear articulation of the policy objective is essential.
2. There is no substitute for good analysis.
3. Policy makers, to be effective, need choices with clear analysis of the strengths and weaknesses of each.

At that time, I began learning how best to formulate real policy choices and to draw upon different perspectives to analyze and identify the real strengths and weaknesses of each. I also began understanding interest groups and their role in public-policy formulation.

I knew little, however, about the role of public consultation and the media and their influence on policy formation and implementation. Moreover, I was not particularly well informed on the direct or indirect impacts of policy on the average citizen. This was a major shortcoming of mine, one that got redressed only when I got more experience in the actual implementation of policy.

In 1981 I moved from the national government in Canada to the British Columbia provincial government in Canada. I spent the next fifteen years in various public administration positions, learning considerably more about the role of public consultation and the media and how best to assess policy implications for citizens. My initial grounding was in the Ministry of Finance, spending much of my time on the provincial budgeting process.² I also led the provincial debt-management program for two years. In 1986 I took a special assignment with the Canadian Imperial Bank of Commerce in Tokyo, Japan, working in the Japanese financial market.³

On return to British Columbia in 1987, I worked in economic development positions for the provincial government and then for the next six years led five different provincial ministries as diverse as economic development and health.⁴ During that period I also took a one-year educational leave at the University of Hawai'i to obtain a graduate certificate in public administration, an endeavor that included a five-week practicum working out of the office of the deputy prime minister of Malaysia.⁵ In 1996 I left public service to establish a management consulting business, specializing in the energy industry, public-policy issues in British Columbia, and the Canadian international agenda in Africa, notably Ethiopia and South Africa.⁶ I am still a management consultant today.⁷ It is this background and experience that informs my observations and comments on public institutions and the challenges they are facing at a time of rapid globalization.

Governance: Who Is in Charge?

A clear distinction between policy and operational accountability is central to the workings of a parliamentary democracy. The elected body must be accountable for policy while the related public institutions support the work that goes on to choose the appropriate policy and then implement it. If the elected body is not accountable for policy, who is? More important, how are the policy makers held accountable other than through the electoral process? At the same time, the elected body must be supported by professional public administrators, with expertise and experience in the policy area from both formation and implementation perspectives.

In virtually all of my work experiences, this governance⁸ structure has been

an issue. It is this lack of clarity on governance that causes considerable strain within public institutions, while at the same time frustrating the policy makers in the Cabinet. Once the governance issue is properly understood, the ability of public institutions to perform is greatly enhanced. I spent much of my public-service career working with politicians, staff members of the organization, and stakeholders explaining the separation of responsibility between the elected body and public institutions that support it. In addition, I found the general public to be somewhat confused on the basic governance framework for public institutions.

This confusion on governance can best be explained through two examples. In 1999 and again in 2000 I went to Eastern Cape Province in South Africa to help the Ministry of Finance and Provincial Expenditure with its strategic plan. I went as a management consultant, spending seven weeks there during the first trip and three during the latter trip. South Africa has embarked on a large program of governmental renewal across the country, and Eastern Cape, being one of the poorer provinces in South Africa, has some significant challenges in this regard. I worked on several organizational issues in the Department of Finance and Provincial Expenditure, one of them being the internal-to-government approval process for the implementation of budgetary expenditures that had been formally appropriated by the legislature.

One of the first issues I faced was that pertaining to the role of the Member of the Executive Council (MEC)⁹ and the Permanent Secretary,¹⁰ or head of the department. Once expenditures had been approved by the legislature, who had responsibility for implementing the decisions? My position was clear: it is an organizational responsibility and as such falls to the Permanent Secretary to establish principles and criteria for assessment and then ensure that assessment is carried out appropriately, subject of course to any conditions that the legislature may have imposed in the first place. The then current practice in Eastern Cape seemed less than clear. Both the MEC and the Permanent Secretary seemed to be giving final instructions. There were principles and criteria in play, but they were not readily understood. Not surprisingly, the approval process had become chaotic.

Once principles for budgetary approval were clearly established and documented, the process improved.¹¹ It improved further when key participants were brought in to refine the process. The overall process took a major step forward when the MEC and the Permanent Secretary understood their roles better. Had these improvements not taken place, the decision-making process of the department would have remained chaotic. More important, the ability of the department to act fairly would have remained in question.

Planning Strategically for the Future

Public institutions have the same need to plan strategically for the future as do private corporations. Their ability to do so, however, is constrained by two critical factors.

The elected body or Cabinet, in the case of parliamentary democracies, seldom looks beyond a four- or five-year horizon, the maximum time to the next election. Near the end of a political mandate, the time frame becomes even shorter. This factor alone makes it extremely difficult for the public institution to carry out long-term planning effectively, supported by a clear vision of where it is going and a highly developed strategic plan to get there. As a result, the public institution is often operating in a short-term context that may well be out of step with longer-term influences and trends that are directly related to the public institution's mandate. This potential discontinuity puts the public institution at risk, most particularly in the institution's ability to stay relevant to the needs of the people being served.

The second constraint pertains to resources. Contrary to conventional wisdom, many public institutions are very poorly resourced. They often have too few of the right people to deliver on the mandate. Further, it is extremely difficult to attract high-quality, long-term thinkers to an institution that is preoccupied with today and often does not compete well with the private sector in providing financial compensation. Moreover, the forces of globalization simply make it more difficult to compete in attracting and retaining talent.

In 1994 I had the opportunity to review the strategic plans of many of the public institutions in Malaysia.¹² This was at a time when Malaysia was making good progress, both economically and culturally. In virtually all cases, Malaysian public institutions were doing long-term strategic planning. In many ways, the focus on strategic planning appeared a good deal more advanced than I had witnessed in other jurisdictions.

These strategic plans, however, were relatively short term in nature and focused mainly on inputs, as opposed to outputs and, especially, outcomes. Accountabilities were also somewhat unclear. The reasons were quite simple, as follows:

1. There were few rewards for focusing on the longer term, as the current political mandate of the government was the main determinant of activity within public institutions.
2. Accountability often runs counter to human nature; being held accountable carries potential risks and, in the public sector, few rewards.
3. Developing clear objectives in the form of outcomes is no easy task, particularly when it comes to social policy. Moreover, few of the senior mem-

bers of the Malaysian bureaucracy were well trained in strategic planning, particularly with the difficult aspects of how best to measure outcomes and in so doing hold the appropriate officials accountable.¹³

Dealing with Private Interests

One of the most significant challenges facing public institutions at a time of increasing globalization is the growing strength and complexity of private interests as well as the very nature and accountability of the private entities involved.

In the 1970s, at least in my job with the Canadian federal Department of Finance, private interests were readily understandable in most instances.¹⁴ These interests were often expressed by Canadian financial institutions subject to Canadian law. When these private interests differed from the broader public interest, it was often clear why and therefore relatively easy for policy makers to assess if meeting the private interest put forward was also consistent with meeting the broader public interest. Moreover, there was the opportunity to discuss the private interest in the context of the broader public interest in Canada, since private institutions often had a reasonable grasp of the public interest involved.

Thirty years later, private interests and how they relate to the public interest are far more difficult to assess. Private interests are now put forward by highly sophisticated advocates. These private interests are often expressed as public interests, and in many cases the public interest being served transcends more than one national border.

The advocates of private interests often take the form of multinational enterprises with limited affiliation to Canada. At the same time, these advocates often have substantial resources to communicate their private interests in the broader public arena and in the process work hard to convince the public that private and public interests, if not the same, are certainly compatible.

In many jurisdictions, private interests now play a more active role in actual policy formulation. For example, it is not uncommon for a business association to work closely with a public institution on how best to develop a certain policy regulation. The challenge for the public institution, and the elected body ultimately accountable, is to ensure that the new regulation meets the public interest.

The growing complexity of private interests was made evident to me in 1996 when I was asked, along with another Canadian consultant, to build a Financial Administration Act for the national government in Ethiopia.¹⁵ It was not until we were well in to the assignment in Addis Ababa that I realized the extent of the challenge. Not only were the International Monetary Fund and the World Bank insisting that Ethiopia impose greater financial rigor within the federal admin-

istration, but it was also becoming imperative within the country that cash and in-kind contributions be readily identified and employed for public purposes in a fair and transparent manner. The new financial legislation facilitated this by defining public money quite broadly and then establishing a number of responsibilities and accountabilities for managing it. Without such rigor, it was increasingly clear to me that such resources could easily be used for private purposes that were quite inconsistent with those of the public.

Improving the Performance of Public Institutions

The three public institution issues of governance, strategic planning, and private interests are interrelated. They are also central to public institution success and if managed properly can contribute significantly to better organizational outcomes that are both relevant to public needs and fair. Paradoxically, increased globalization has made the tasks at hand exceedingly more complex to deal with while, at the same time, providing new tools and approaches and access to better talent to do so.

Governance principles

Based on my experience within ministries or departments of government and within separate agencies of government, for that matter, governance in an era of globalization can be greatly enhanced with a number of specific actions taken by public institutions.¹⁶

1. Develop a forum and process to debate and agree on the basic principles of governance (ensure the key representative of the elected body to whom the public institution reports is directly involved) and use third parties to foster debate and thinking on what constitutes good governance.
2. Focus on the distinction between policy and operations.
3. Develop a team to define and manage governance; in the case of an agency of government, ensure that the board of directors has an ongoing committee specifically charged with such responsibility.
4. Use global best practices; good material on governance is available from many sources around the world.
5. Utilize global resources; good information and experts on governance are readily available.
6. Engage the staff, including front-line workers, in determining what governance issues are causing problems and how they might get resolved.
7. Document the governance philosophy and principles in play and make them widely known.

8. Use third-party assessment that is independent of the public institution itself; many universities have experienced faculty and researchers who can play a direct role in this regard.

Strategic planning

Strategic planning is an ongoing pursuit of modern corporations. The same should be true for public institutions. The main problem is the near-term mandate of the elected body to whom public institutions report. Not much can or should be done about the mandate. Nonetheless, much can be done to improve the strategic planning capability and related outcomes of public institutions.

1. Give a formal written obligation to develop and update the strategic plan on an ongoing basis; providing for this commitment in legislation is a good approach.
2. Impose a sunset clause¹⁷ of no more than ten years on the life of agencies; this alone will force a debate on the relevance of the public institution and will facilitate change in the mandate when required.
3. Get the vision right even if it takes longer than expected.
4. Use best practices; good examples are available from many parts of the world.
5. Engage front-line workers in the strategic planning process; they are closest to those being served and therefore have special insight into how to deliver outcomes better.
6. Spend considerable time on how best to define outcomes, being very creative in defining how best to measure outcomes.
7. Link individual performance to outcomes, using as many incentives as possible.
8. Engage extraordinary thinkers, futurists, and visionaries.

Public versus private interests

One of the main challenges in the public sector is utilizing the private sector while ensuring that the public interest, not private, takes precedence. This is much harder to do today than it was thirty years ago. Private interests abound and are often multinational in nature. Moreover, the public being served does not always distinguish clearly between public and private interests. Suggestions for dealing more effectively with private interests include the following.

1. Define and document the public interest when undertaking public policy formulation; this definition will be highly instructive for policy makers and implementers alike.

2. Consider the forces of globalization to better understand the manifestation of the private interests involved.
3. Ensure that the policy objective and the public interest being served are widely understood, both inside and outside the public institution involved.
4. Bring private entities into policy formulation but demand that they define their interests clearly and in relationship to the public interest in question.¹⁸
5. Test policy outcomes against public interests. This is difficult and seldom done, but it will assist in the development of better public policy.

Conclusion

In a world of rapid change, coupled with unparalleled connections and information, public institutions almost everywhere are under stress, striving daily to remain relevant and fair. Better management of governance, strategic planning, and private interests, if done wisely and consistently using some of the benefits of increasing globalization, can make a significant difference in the public interest being met and the welfare of those individuals being served.

Notes

1. Canada is a federation and a parliamentary democracy with both the national and provincial governments having significant constitutional authority.

2. Strong financial management is essential to good government. That is why the public finance organization (often called the Department or Ministry of Finance) plays such a key role in the workings of parliamentary democracies.

3. Public institutions in Japan play important roles. Again, the importance of (and tremendous respect given to) the Ministry of Finance in Japan was evident to most who worked in the Japanese financial system when I was there seventeen years ago. Given seventeen years of very modest real growth in Japan since 1987, however, it would be instructive to assess the current stature of the Ministry of Finance and the transformation, if any, that it has undergone during this period.

4. In Canada, the head of the ministry or department is called the deputy minister, and the incumbent is a professional public servant who is not elected.

5. The Hawai'i program was at the School of Public Administration at the University of Hawai'i. The practicum took place in Kuala Lumpur and included reviews of the strategic planning capability of the key institutions and organizations in the Malaysian government.

6. Both African assignments were funded by the Canadian International Development Agency.

7. I am a partner in Sage Group Management Consultants in Victoria, British Columbia.

8. "Governance is the process by which stakeholders articulate their interests, their

input is absorbed, decisions are taken and decision-makers are held accountable” (taken from the Canadian Institute on Governance).

9. In South Africa, a minister in the provincial Cabinet is called a Member of the Executive Council (MEC).

10. The Permanent Secretary is the head of the department and is called the deputy minister in Canada.

11. Better process is only part of the solution. A good part of the credit in this instance goes to Andilla Magalela, the officer in charge of the approval function. Good people with the right motivation are essential to the success of all institutions, be they public or private.

12. This assignment was part of my graduate program at the School of Public Administration at the University of Hawai‘i.

13. The word “accountable” means “required or expected to justify actions or decisions.”

14. Much of my work in the Department of Finance pertained to changes to the federal Bank Act. In the latter part of the decade, most of that work dealt with the development of policy options for allowing foreign banks to do business in Canada.

15. The assignment ultimately resulted in the passage of a federal financial law in the national Parliament.

16. In British Columbia, some of the Crown agencies have been quite adept at getting governance right.

17. Sunset clauses are seldom employed but send a powerful message to all parties involved. This is the most important item to act on and applies to the institution itself, not just the strategic plan.

18. Private entities are not always comfortable defining the public interest. When forced to do so, however, their ability to contribute to good outcomes for the public generally goes up, not down.