

CONTRACTING OUT COMPLICATES GOVERNMENT MANAGEMENT



DAVID ZUSSMAN

The last week has been a tumultuous one for political watchers in Ottawa as Paul Martin approaches his 500th day as prime minister. The Gomery inquiry, the public accounts committee, wrangling in the House of Commons and the prime minister's unprecedented television appearance have provided electrifying drama about government wrongdoing and malfeasance.

Amid the whirl of sponsorship scandals and election fever, several fundamental issues are certain to have a significant impact on the ability of the federal public service to manage, regardless of who wins the next federal election. At its core, the Gomery inquiry is attempting to understand how two important management issues were so badly handled. The first concerns the behaviour of third-party contractors (in this case advertising and communications companies) in

their dealings with the federal government's sponsorship program. The second issue concerns the responsibility and accountability of senior executives when it was reported to them that there were significant problems with the sponsorship program.

In due course, the courts will deal with the first of these concerns by considering the validity of the criminal charges that have been leveled at some of the contractors. It is the second set of issues regarding the behaviour of senior management that deserves the most careful consideration, since the prescriptions will have a long-term impact on future management within the federal government.

The challenge for Justice John Gomery will be finding a practical set of recommendations that will effectively regulate the way executives act when auditors, evaluators, and managers report wrongdoings and errors within their organization. He should also be cognizant that private-sector executives will be as interested in his report as those in the public sector, given the relevance of accountability across both sectors.

It has now been more than 10 years since John Tait led a taskforce that produced an influential report, "A Strong Foundation: Public Sector Values and

Ethics." In that report, Tait argues that a modern public service is best guided by its values and not by prescriptive rules.

Placed in the context of a post-Gomery world, the principles outlined in the Tait report will need updating, since it will likely be characterized by more emphasis on oversight than values. It is not that the ethical boundaries of government need to be redrawn. Rather, Judge Gomery and his advisers will have to recognize that the current management environment is very different than the one they are scrutinizing in such minute detail.

A recent publication, "Governing by Network: the New Shape of the Public Sector," published by the Brookings Institution and co-authored by a Deloitte management consultant and a former mayor of Indianapolis, underscores the growing importance of outsourcing government services to the private and not-for-profit sectors. Just as Judge Gomery is discovering how difficult it was to manage government contractors in the late 1990s, especially those subjected to minimum supervision, the report argues that governments of the future will be working in an environment of greater decentralization and disaggregated networks. These developments will place more pressure on

administrators to manage contracts from an ever-increasing distance.

The authors provide many current examples of this trend from a wide number of jurisdictions around the world. One British example suggests that more than 40 per cent of social services are provided by private or not-for-profit firms, up from 14 per cent less than 20 years ago. "The distinctions between public and private are eroding rapidly. As these boundaries crumble ... collaborative joint-venture partnerships, where partners focus on outcomes, success, and solutions, are inevitably the future."

While the networked government model offers the potential for significant cost savings and higher levels of service to clients (taxpayers), the authors recognize there will be significant risks associated with this new approach. As we have already learned from the Gomery inquiry hearings, there is always the possibility of failed oversight, goal incongruence, communications problems and fragmented co-ordination.

The recent announcement in the federal budget creating Service Canada underscores the enormous impact that technology — particularly the Internet — is playing in redefining the relationship between governments

and citizens, as well as third-party service providers. Serious thought must be given to finding effective ways to manage contracts with outside suppliers who are likely to have an increasing role in service provision. Moreover, with a decentralized public service that is more dependent on technology as a management tool, it will be especially crucial to reinforce, not dilute, the accountability regime that links audit and evaluation to the attention of senior management and political masters.

As the cost of the Gomery inquiry inches towards the \$100-million mark, it is important that all the players who are responsible for public-sector management in the federal government recognize the opportunities and challenges that confront them. We have had plenty of warning that things can go wrong if we are not vigilant. In the networked governance world, it is even more important that we get it right.

DAVID ZUSSMAN is chief operating officer at EKOS Research Associates, a professor of management at the University of Ottawa and a (part-time) commissioner on the Public Service Commission of Canada. In 1994, he was appointed assistant secretary to the cabinet for program review and machinery of government. E-mail: dzussman@ekos.com