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**A Proposed Strategy for Ensuring the
Public Service of Canada has the Executive Cadre it
Needs to Meet its Strategic Objectives**

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Striving for Excellence in Government

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Public Policy Forum
130 Albert Street, Suite 1405
Ottawa, ON K1P 5G4
(613) 238-7160
Facsimile (613) 238-7990

www.ppforum.ca

About the Authors

Dr. Peter Larson is Executive Vice President of the Public Policy Forum.

Dr. David Zussman is President of the Public Policy Forum and former Dean of the Faculty of Administration at the University of Ottawa.

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Introduction

The Public Policy Forum was asked by the Treasury Board Secretariat to diagnose the current issues and challenges facing executive development in the public service, and to propose a conceptual model for building overall executive talent capacity.

Methodology

In carrying out its mandate, the PPF:

- Conducted an initial meeting with key officials from the PCO and TBS¹, to discuss the roles of various players, overall needs and the system challenges;
- Interviewed key deputy ministers (including some members of COSO), as well as a range of appropriate officials from various agencies including the Public Service Commission;
- Reviewed literature on current practice in large organizations outside the Public Service of Canada, including the private sector; and
- Reviewed the current framework for leadership development, including the AEXDP program, the PQP program, the CAP program and the MTP, including an analysis of studies and reports currently underway by the TBS.

Ultimately, the strategy adopted by the federal government for its own senior executives will be an important guide for development activities for all its employees, consistent with the values of the organization. For reasons of simplicity, and because the need is acute at the senior levels, it was felt important to restrict the current study to addressing the most pressing development needs of the top cadre of public service executives.

1) The Clerk and Associate Clerk of the Privy Council, the Secretary and Associate Secretary (HRMO) to the Treasury Board, and the ADM leading the Leadership Network, the Deputy Secretary to Cabinet Senior Personnel and the Director General Senior Personnel and the President of the Canadian Centre for Management Development.

Brief Description of the Current Situation

The public service of Canada is the largest employer of any kind in Canada. It has about 200,000 employees² located in every province and territory of the country. Its operations range from the highly service oriented to highly policy oriented.

At the top of the public service are approximately 4,200 senior executives distributed as follows:

| | | |
|------------------------------|----------|-------------------|
| Deputy Minister (and Assoc.) | (DM) | 65 (approx.) |
| Assistant Deputy Minister | (EX-4-5) | 253 |
| Other senior executives | (EX 1-3) | 3858 ³ |

Broadly speaking, there are two separate systems for the management of public service senior executives.

For the DM category (GIC appointments), responsibility for the appointment, evaluation, training, development and reassignment resides with the **Privy Council Office**. GIC appointments are made by the Prime Minister on the advice of the Clerk in his role as Head of the Public Service. The Clerk uses information gathered from the Associate Clerk, COSO, the Assistant Cabinet Secretary for Senior Personnel and other sources. However, the PM can also take advice from other quarters and authority is final.

The EX category differs from the DM category in a number of significant ways. It is of course, a much larger group of people. In addition, EX appointments are not made by the Prime Minister but by the PSC acting in its role as Parliament's agent to ensure a merit-based public service. EX category employees are employees of Treasury Board.

Responsibility for the management of the EX category is shared by a number of departments and agencies across the Federal system.

The Clerk of the Privy Council (& Head of the Public Service). The Clerk is the recognized leader for the whole of the public service. He or she sets the tone for ethics and behaviour. His/her leadership role is exercised through such responsibilities as recommending the appointments of Deputies, evaluating their performance and compensation, managing the relationship between the public service and the political level, and championing Public Service Values. His office also acts as the personnel unit for the DM community. While the Clerk has no statutory powers in the area of human resource management, and does not play a role in the appointment of the EX category, he/she does have a broad interest in the quality of the whole EX category, particularly in the ADM group.

² According to Treasury Board there are more than 167,000 employees in the core Public Service. However, including employees of separate agencies under TBS would bring the count to over 220,000 employees.

³ Figures from document presented to COSO, March 18, 2003

The Committee of Senior Officials (COSO) is an informal advisory body to the Clerk. Its membership is comprised of a number of deputies from central agencies and line departments. It is one of the longest standing institutional bodies in the public service and has been used by successive clerks to seek advice on whatever topic the Clerk deems appropriate. In recent years, Clerks have tended to use COSO primarily for advice on the management of the DM community. As an advisory body, COSO has no mandate (other than what the Clerk assigns) and no operational authority.

The Advisory Committee on Senior Level Retention and Compensation is an external advisory committee whose role is provide independent advice and recommendations to the President of the Treasury Board on:

- Developing a long-term strategy for the senior levels of the Public Service that will support the human resource management needs of the next decade, compensation strategies and principles, and
- Overall management matters comprising among other things human resource policies and programs, terms and conditions of employment, classification and compensation issues including rates of pay, rewards and recognition.⁴

The Treasury Board of Canada is the general manager and employer of the Public Service. As general manager, its responsibilities affect initiatives, issues and activities that cut across 22 operating departments and some 100 other organizational entities. Its main areas of activity cover expenditure management, financial and information management and personnel management.

Treasury Board responsibilities for personnel management, including the management of the executive cadre, are carried out under its Human Resource Management Office (HRMO), headed by an Associate Secretary of Treasury Board. As general manager, the Treasury Board has also defined a management accountability framework which gives guidance to deputy heads and all public service managers reflecting the different elements of their management responsibilities.

The Leadership Network – itself under the aegis of HRMO – has a specific role in executive development. Its mandate is to promote, develop and support networks of leaders throughout the Public Service of Canada and assist them in the continuing challenge of public service renewal and modernization. It pays special attention to the development and assignment of ADMs in the EX 4 and 5 categories. TLN has both a service role (e.g. counseling ADMs in their career planning) as well as a policy role (influencing TBS policies toward the EX group including pay and classification).

The Public Service Commission is an independent agency responsible to Parliament under the Public Service Employment Act (PSEA) for safeguarding the values of competence, non-partisanship and representativeness through the appointment of qualified persons to and within the Public Service. It provides recourse and review in

⁴ Arguably, the most important role of the committee has been to make recommendations on compensation.

matters under the PSEA and audits the human resource practices of government departments and agencies.

As an extension of its mission to ensure a merit based public service, the PSC also engages in a number of common service activities, including assessment, counseling and administering a number of executive development programs including the MTP, the CAP, and the AEXDP.

The Canadian Centre for Management Development has been the federal government's principal vehicle for training and development of all levels of management in the public service, including the EX cadre. It offers a wide range of optional programs for managers. Up until 1997, managers entering specific levels in the public service were obliged to attend CCMD orientation courses. These introductory courses are no longer obligatory for new managers⁵.

Two other foci of responsibility also need to be noted.

Deputy Heads exercise general management rights within their own organization – subject to legislation as well as guidelines and policies laid down by central agencies. For example, appointments remain the prerogative of the PSC (although this is “delegated” to Deputy Heads subject to PSC approval). In addition, many other issues including organization structure, executive complement and pay levels are determined by TBS. At the present time, there is a wide variation in how management responsibilities are exercised by different Deputy Heads. For example, some departments have very extensive programs for identifying and developing their whole cadre of departmental executives, right down to first level supervisors, while others are much more “laissez faire”.

Individual public service executives, in the final analysis, retain responsibility for the management of their own careers. While those in the ADM category (EX 4 & 5) can count on corporate support through the Leadership Network, no comparable service exists for managers in the EX 1 – 3 categories, who often express the need for such support. This is felt particularly acutely by those EX 1 – 3s who are in departments where there is little human resource planning (often, but not always the smaller departments).

Despite the evident dispersal of authorities previously listed, however, it should be noted that substantial efforts are invested in ensuring regular communication takes place amongst PSC, TBS, TLN, CCMD and PCO (SP) on issues related to the management of the executive cadre.

⁵ Bill C-25 will merge Training and Development Canada and the Canadian Centre for Management Development into the Canadian School for Public Management. This will bring corporate training programs under one roof.

Changes under C-25

Bill C-25, which received Royal Assent on November 7, 2003, will make some significant changes to the rules under which executives are appointed and developed.⁶ The bill will clarify and realign the roles and responsibilities amongst the Deputy Heads, the Treasury Board and the Public Service Commission.

A major objective of the bill is to assign Deputy Heads expanded management authority and accountability for determining their organization's operational requirements and establishing the management regimes required for success.

It will refocus the mandate of the PSC on its core responsibility of making appointments based on merit, and ensuring compliance through conducting related investigations and audits. On the other hand, the PSC will give up its responsibilities in training and development, including the AEXDP, CAP, MTP and other programs. It is also expected that the PSC will delegate to Deputy Heads much greater authority in respect to appointments.

Treasury Board will retain its authority to establish qualifications for developmental programs and set regulations regarding deployments.

Finally, the bill will consolidate all training and development, including executive development, under the roof of a new School of Public Management.

Current Challenges

Because responsibility for the management of the executive cadre is shared by a number of departments and agencies across the federal system, accountabilities are difficult to describe, complex to manage and almost impossible to enforce.

An example of the potential for confusion is the co-existence of a "management accountability framework" developed by Treasury Board in its role as general manager, and a list of "14 leadership competencies" generated by the Public Service Commission in its role as the authority for appointments to executive (and other) positions.⁷ It is not clear how the two relate to each other.

The current system of informal collaboration across the different agencies with different pieces of the executive development puzzle has not appeared to be sufficient to ensure that the public service has the executive capability it needs to carry out its strategic tasks.

⁶ Bill C-25 "The Public Service Modernization Act" is the first major legislative change to the PS management regime in 30 years. It follows on the recommendations of a number of reports going all the way back to Glassco, Lambert and D'Avignon. While the scope of C-25 is quite wide, we refer here only to those changes which impact on the management of the executive cadre.

⁷ The 14 Leadership competencies are available at http://leadership.gc.ca/static/adm/download/leadership_competencies_e.pdf.

Problems are accumulating at the senior levels of the public service which need urgent attention to ensure that the public service has now and will have in the future the talent it will need to carry out to face the policy and service challenges of the future.

Some of these critical challenges include:

- Difficulty in finding enough high quality executives for the top-level positions. Already a serious problem, is likely to become more acute with the impending retirement of many baby boomers;
- Insufficient attention to the “corporate” executive talent pool (i.e. across the federal public service);
- Lack of systematic attention to recruitment of outsiders – particularly from the private sector and from various regions of the country;
- Inconsistency across the system in the management of “departmental executive resources”, recognizing that while external recruitment is important, the Public Service can be expected to remain largely a “grow from within organization”;
- A feeling that current executive development programs have not identified the right people or equipped them with the right skills;
- Inadequate attention to dealing with underperformance at senior levels. There is a widespread feeling that the Public Service needs to deal more firmly (but fairly) with those in senior levels who, for whatever reason, cannot perform at the level required;
- Concerns that the public service “lacks depth” in some key functional areas;
- The need to bring coherence to the management of the “corporate executive community” (i.e. across the Government of Canada) while at the same time encourage Deputy Heads to assume responsibility and be accountable for the management of the executives in their organizations;
- Concerns that compensation levels for specific skill areas are insufficient to compete with the private sector; and
- Overcoming a sense of “abandonment” among those Executives (particularly in the EX 1 – 3) categories in smaller departments or in departments where little support is provided to the EX group.

Review of Best Practices

Several reviews of best practices in public and private organizations have shown that the challenges facing the public service of Canada are not unique.

A recent study of best practices in the public services of four English speaking countries by the U.S. General Accounting Office concluded that “leading organizations engage in broad, integrated succession planning and management efforts that focus on strengthening both current and future organizational capacity. These organizations

identify, develop and select their human capital to ensure that the successors are the right people, with the right skills at the right time for leadership.”⁸

The GAO study focused on the attention given to executive capability by senior levels of the public service. “In the Ontario Public Service, the government’s top civil servant and the heads of every ministry meet for an annual 2-day retreat to discuss anticipated leadership needs across the government as well as the high-potential executives who may be able to meet those needs over the next year or two.”⁹

The GAO study conclusions mirrored those arising from a joint CCMD-Conference Board study of a decade earlier which revealed that many large private sector organizations were using executive development as a vehicle for developing the “skills, capacities, and abilities that the CEO felt the organization would need in the next 10 years”.¹⁰

In the private sector, as early as the late ‘80’s, many CEOs (like those of General Electric and Xerox) began to see executive development – which had hitherto been seen as a kind of specialized human resources activity – as a strategic lever for changing the character and the focus of the organization.¹¹

In this view, succession planning and the management of the senior cadre are key elements of business planning. In the words of an Alcan planning document, for example, “*our People Strategy is in direct response and a complement to Alcan’s global objectives.*”¹² Its CEO annually visits operating units around the world reviewing the business plans with unit presidents. This conversation includes a detailed discussion of whether the unit has the key executives, in place or under development, to meet business targets.

The link between business strategy and executive development is also a conclusion of a very recent benchmarking survey of executive development practices at 13 major organizations carried out by the Leadership Network of Treasury Board Secretariat in the fall of 2002.¹³

⁸ *Insights for U.S. Agencies from Other Countries’ Succession Planning and Management Initiatives*, United States General Accounting Office, (GAO-03-914), September 2003. The study looked at practices in 5 countries including Australia, New Zealand, Canada and the UK.

⁹ GAO study, p. 4

¹⁰ Peter Larson and Robert Mingie, *Leadership for a Changing World*, Conference Board of Canada, 1992

¹¹ The case of Xerox was a classic example about which several books were written. The Xerox program, was seen by its CEO as a key tool aimed at helping his top executives, long accustomed to Xerox’ domination of the US market, to face the coming wave of global competition, particularly from Japan.” See, for example, *Executive Development: A strategy for corporate competitiveness*, by James Bolt.

¹² Maximising Value Through People, Alcan’s Talent Management System

¹³ *How Organizations Build Leadership Capability: Results of a Benchmarking Study*, The Leadership Network, December 2002.

Among the key findings of that survey were:

1. Leadership capability is seen as a key to organizational performance and is a top corporate priority.
2. Business strategy and succession management are linked and aligned.
3. Spotting and developing talent is corporately managed.
4. CEOs and executive committees develop the leadership competency profile (required) for their business strategy.
5. Entire executive committees are involved in regular reviews of performance and succession of the top executive complement.

In short, many companies now see executive development and succession planning as a key element of, and a support for, their business strategy.

Moving Forward...Basic Principles

Based on the review of internal comments and external best practices, the following principles suggest themselves as a basis for moving forward.

- 1) Identifying, developing and retaining executive talent is crucial for the Government of Canada to carry out its political, social and economic objectives.
- 2) Management authority and responsibility for the development of the executive cadre must be seen as a crucial responsibility of Deputy Heads.
- 3) This authority and responsibility must be exercised within a broad leadership framework which has two key components:
 - The Prime Minister acting on the advice of the Clerk of the Privy Council (as Head of Public Service), who exercises a leadership role, particularly with respect to the nomination, reassignment and evaluation of deputy ministers, and
 - The President of Treasury Board, acting with the authority of Treasury Board as general manager and employer of the public service as a whole.
- 4) This requires a corporate view (i.e. across the public service of Canada) of recruitment, succession planning, executive education, compensation and executive performance at the senior levels.
- 5) Effective management of the executive group requires an organizational structure to operationalise this shared responsibility, while respecting and underlining the key role of Deputy Heads individually and operating as a collective.
- 6) The structure must have simultaneous “tight-loose properties”. “Tight” because there has to be overall coherence across the public service, and “loose” because responsibility for the management of the executive cadre must lie and be seen to lie primarily with Deputy Heads.

Proposed Adjustments

The evidence indicates that in order to meet its mid and long term objectives, the public service must pay closer attention to its complement of senior personnel. This will require a change in “managerial mindset” and a few structural changes to operationalise the change.

However, the changes which we propose do not require any changes in legislation, and are consistent with the traditional division of responsibilities for executive management, and with the main thrust of Bill C-25, namely that:

- The Clerk of the Privy Council (as Head of the Public Service) continue to provide overall management of the DM category, and continue to be seen as responsible for giving general leadership to the whole of the public service, and in particular the executive category;
- Responsibility for the management framework of the executive cadre (EX 1 – 5) continues to lie with the Treasury Board; and
- Deputy Heads must take responsibility (and be held accountable) for developing executive capability within their department.

Therefore, we recommend the following structural changes:

- (a) That the Committee of Senior Officials (COSO) be the structural bridging mechanism between the PCO, TBS and the deputy community on the issue of executive capability and the principal vehicle through which senior officials develop an overall view on the quality of the executive cadre of the public service of Canada.
- (b) That in addition to providing advice to the Clerk with respect to the management of the DM community, COSO also be charged with:
 - Providing advice to the Clerk in all matters concerning the executive cadre of the public service;
 - Providing guidance to the Associate Secretary, TBS, Human Resource Management, in respect to the management of the executive cadre;
 - Providing guidance to the new Canada School of Public Management with respect to identified needs for executive training and development;
 - Reviewing (and critiquing) executive development plans of deputy heads in support of their business objectives as approved by Treasury Board; and
 - Ensuring coherence and consistency in values and approach to executive development across the federal public service and within departments.

- (c) In order to operationalise these responsibilities, the Associate Secretary TBS for Human Resource Management should become an “ex officio” member of COSO.¹⁴
- (d) That in addition to the current responsibilities, the Associate Secretary, HRM be assigned responsibility for:
- Bringing to COSO a broad analysis of both the needs and the gaps in executive capacity at the corporate level (across the public service of Canada) including:
 - Identifying areas in which there are special problems of “functional depth”.
 - Identifying areas where external recruitment would be warranted/helpful, and ensuring that this happens
 - Making recommendation on the content and usefulness of existing programs aimed at supporting and developing executive capacity (AEXDP, ADM programs, CAP, MTP, and any other programs aimed at the effective management of the executive cadre
 - Identifying possible need for obligatory corporate wide training at the executive level (such as the now defunct middle manager and EX orientation programs)
 - Assisting COSO in reviewing the executive development plans of selected departments and agencies
 - Assisting deputy heads to put in place appropriate systems for the management of executive cadre including EX 1 – 3.
 - advising the Clerk where remedial action needs to be taken
 - Providing direction to the Leadership Network
- (e) Reporting to the Associate Secretary, HRM, The Leadership Network should become the main corporate vehicle for providing support and development for the EX 3 category, in recognition of this group as the feeder-group for the ADM category (EX 4/5).
- (f) That the Head of the Public Service Commission, in the exercise of its parliamentary authority to ensure the merit system, should meet quarterly with COSO to review the completion of their respective mandates.

¹⁴ Other officials from central agencies might well be recruited to COSO. However, in order to underline the “collective” responsibility for developing executive capacity of the Public Service, line deputies should compose a majority of the membership of COSO.

Conclusion

Structural change is not the solution to the challenges outlined earlier. No structural changes can guarantee a successful outcome. The proposed changes must be supported by a broad recognition of the importance of the executive cadre to the continued success of the public service of Canada. However, it is our view that the proposed changes in structure will allow the public service to address key issues that have been for too long left unattended, or imperfectly attended.