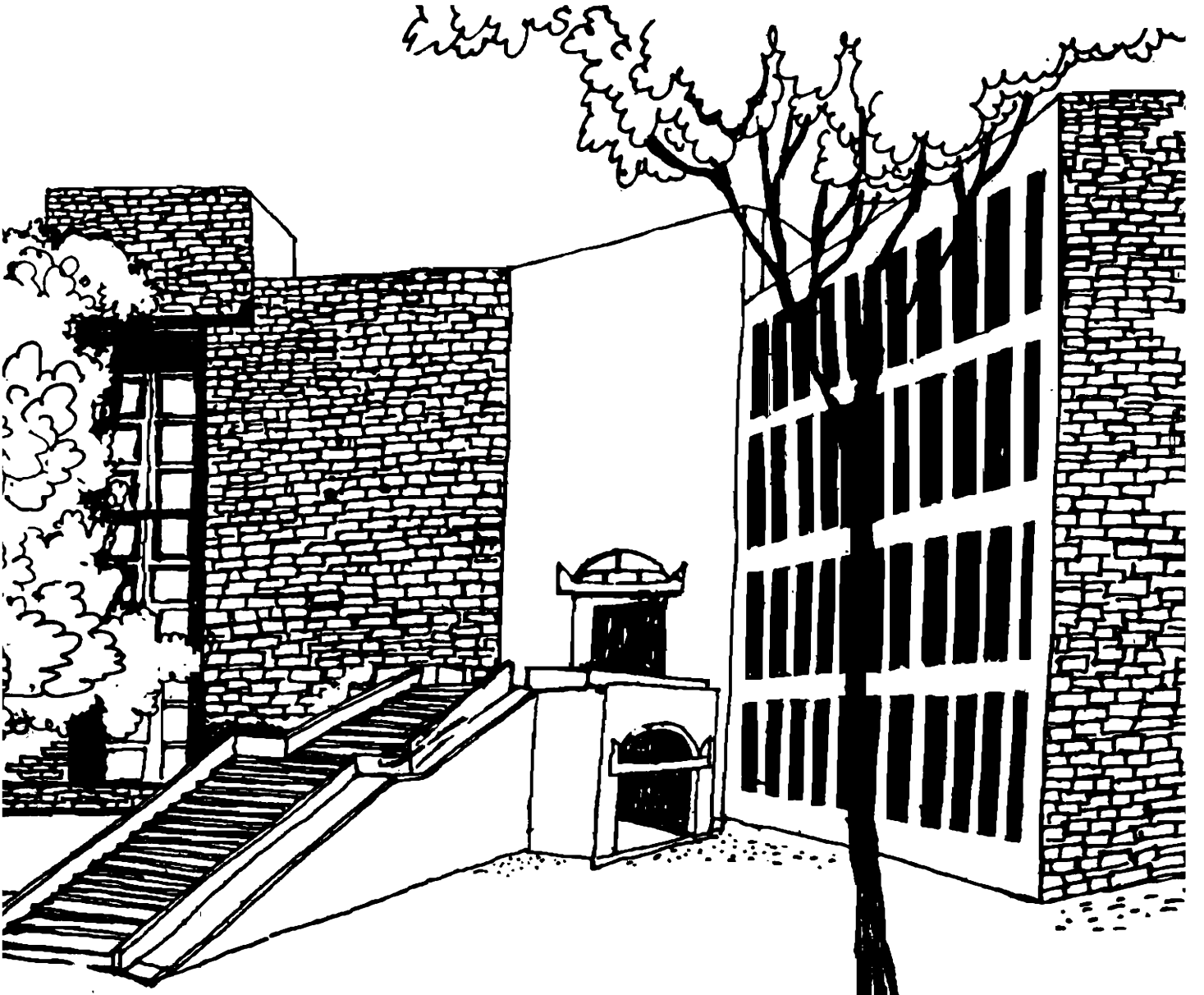




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**REVITALIZING THE STATE:
3. FRAGMENTING THE STATE FOR INNOVATION**

By

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REVITALIZING THE STATE:

3. FRAGMENTING THE STATE FOR INNOVATION

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Abstract

Organizational research indicates that large organizations involved in many different activities can counteract the diseconomies of size and complexity, tendency to bureaucratization, and to increasing resistance to innovation by breaking up into relatively autonomous, self-contained units such as relatively autonomous, self-contained divisions, retaining mainly policy control at the centre and a powerful MIS as a monitoring device. States too can enhance their administrative capacity and innovativeness highly by decentralizing and by fragmenting themselves into relatively autonomous, self-contained units headed by professional managers with clear accountability and clear mandate. Such unbundling must, however, be in the pursuit of an integrating, shared vision of national excellence like social justice, economic growth, and improvement in the quality of life. Several case studies from a number of countries of government departments, agencies, and projects that were decentralized along the foregoing lines under a shared vision of state excellence demonstrate the efficacy of this strategy of fragmenting the state in certain effective ways. Several additional mechanisms can institutionalize the culture of innovation in governmental bodies, such as progressively higher goals, with potential conflict among goals. The operationalization of a strong serving the "customer" commitment, an operationalized commitment to cut costs, to make increasingly technologically sophisticated offerings, to benchmarking, to intrapreneurship, to global scanning for innovations, trends, and opportunities, to periodic diagnosis of the organization's functioning, to participative decision making and brainstorming for novel but workable solutions, to periodic, exonovation, and to a daunting developmental and growth vision are powerful mechanisms to make government bodies highly innovative.

Although there are striking differences between business and government, notably in terms of goals, accountability, size, longevity, public interest, visibility, ownership, monopoly and coercive powers and so forth,¹ they also share some similarities vis-a-vis specific dimensions. For instance, if states have varied goals and activities, so have corporations. Research suggests that businessmen pursue many goals, not just profit maximization, such as corporate growth, market dominance, keeping customers, employees, and other stakeholders happy, and sometimes, making a positive contribution to society². States and corporations both have strategies. Corporations have their competitive, growth, and regeneration strategies. States have their strategies for remaining independent, of increasing their power in a world of strife, of developing their economies, of macroeconomic stabilization, of positive social change (less social injustice), of increasing their administrative capacity. Both use partially similar instrumentalities for achieving their goals and pursuing their strategies, namely organizational structures and information, operations, and management technologies. Corporate research is therefore not entirely irrelevant to the design of the state.

Corporations have their bureaucracies, as states have theirs. Corporations experience contrary pressures, just as states do: of centralization versus decentralization, standardization for efficiency versus flexibility for effective adaptation, control for staff compliance versus autonomy for staff motivation, uniformity for accountability versus creativity and deviance for innovation, as so forth. The solutions that have evolved in corporate management for these dilemmas are therefore worth considering—not mechanically applying—in creating an effectively managed state.

The way a corporation copes with diversity of activities is relevant to states. The large diversified corporation operating in many diverse markets has found it expedient to break itself up into relatively self-contained divisions, strategic business units, profit centres, and so forth³. In this fashion it has been able to counteract the diseconomies of size and the difficulty of coordinating diverse functions and operations. Similarly, operating decentralization with central policy control, a strong management information and control system, and some central services like overall strategy formulation and

policy making, and corporate planning and capital budgeting, may also extend dramatically the economies of size.

The link between organizational size and corporate innovativeness also is relevant to the design of the state. Large organizations, specially large bureaucracies, notoriously resist innovations⁴, while small organizations, teams, or "skunkworks" tend to be better at breakthrough invention⁵. However, the larger organizations, less nimble but packing more professional management power, may be better at exploiting others' inventions commercially. These propositions suggest a significant insight into organizational design: for innovations, manage the large organization as if it consists of smaller organizations⁶. This way the strength of the small organization—fresh thinking, flexibility, teamwork—is yoked to the strength of the large organization—large resources, risk bearing ability, management systems, market clout. This sort of management of the large organization, as if it is a federation of smaller organizations, implies many things: the break up of a big organization into relatively autonomous smaller bits, tolerance for a diversity of management styles and work cultures, and the integration of the bits into a cohesive larger entity through a shared commitment to some core values and vision of excellence, supplemented by other well-known integrators like MIS, coordinating committees, participative decision making, central policy making units in such areas as personnel and financial management, long range planning, a cadre of managers for service throughout the organization, various incentives to weld individuals and groups to corporate goals, etc.

States, too can enhance their administrative capacity and their innovativeness hugely by decentralizing and fragmenting themselves in certain ways⁷. The state devolving some of its powers to provincial and local authorities is one way. After 1978, China progressively transferred authority over investment and resource allocation decisions from the central government to provincial governments, enterprises, banks, and households⁸. This sort of decentralization apparently led to an upsurge of investment and economic growth through local enterprises in the rural areas, which powered China's remarkable growth during the two decades after 1978. Another potentially effective way of fragmenting the state is to delegate some of the activities and functions of the state to semi-autonomous entities like executive agencies or state-

owned enterprises, or even to privately owned organizations. New Zealand's improved economic performance in the nineties has been attributed to the state converting some of its ministries and departments into state enterprises and specialized government agencies run on commercial principles⁹, and Britain's improved performance in the eighties and nineties has been attributed to its creation of executive agencies and its extensive privatization¹⁰.

However, merely unbundling the state may not necessarily lead to greater effectiveness or innovativeness. In Brazil, substantial authority and resources were transferred in the 1980s from the central government to local governments, but the latter had not been readied to assume new tasks. They were not mandated with specific functions, nor prohibited from performing functions performed by higher levels of government. Reportedly, local governments used up much of the additional resources in increasing their staff and launching questionable projects¹¹.

Without a shared commitment to a vision of national excellence like social justice or economic growth or improvement in the quality of life, unbundling the state may well lead to wastage and a spoils system. In the previous chapter a variety of successful visionary attempts at unbundling the state were sketched: Britain's pursuit of greater value for the taxpayer's money through the financial management initiative that put a lot more autonomy as well as accountability into the lap of administrators (decentralization with performance accountability), and its creation of executive agencies that moved two-thirds of civil servants from monolithic government departments and services into semi-autonomous executive agencies headed mostly by contractee executives; a similar decentralization and corporatization of government departments in Canada; Singapore's pursuit of excellence in public services through 60-odd statutory boards, each with the authority, subject to a broad mandate, to hire, promote and fire, and meet its expenses as it deemed fit; New Zealand's vision of an efficient state through the creation of crown entities mandated to operate on commercial principles. How did these strategies work in practice? Several examples are described of effectiveness and innovativeness that was triggered in particular organizations as a consequence of a strategy of unbundling the state.

The first case study is that of the Canadian Post Office, which as a government department was an inefficient and loss making entity. It was converted into an autonomous corporation, and this change apparently contributed significantly to its turnaround.

Turnaround of a Public Bureaucracy: The Case of The Canada Post Corporation¹²

The Canadian Post Office in the nineties was a huge operation handling 40 million pieces of mail a day for delivery to 12 million household and business addresses through a retail network of 19000 points of sale. It employed over 50000 employees. Its annual revenues were almost C4 billion dollars.

Until the eighties, Canada's Post Office was a government department notorious for its unreliability. There were frequent strikes and these deprived citizens of postal services sometimes upto six weeks. It was also a loss making department and by 1981-82 had accumulated a deficit of C \$ 600 millions. There was growing competition from fax, courier companies, telecom, and so forth. It was turned into a crown corporation in October 1981 and renamed Canada Post Corporation. The Corporation turned profitable in 1987, and was profitable in three out of four years to 1992. In 1987 Canada Post hired auditors to measure its delivery of performance against published standards. The Corporation was found consistently to attain close to 100% of standards. Canada Post handled 57% more mail in 1987 than in 1981, with 17% fewer employees. The cost of mailing an ordinary letter was the second lowest in the Western world, and the Corporation funded its investments without budgetary support by the government.

A number of actions contributed to the turnaround:

1. The organization was turned into a corporation, with the clear message that it was to be business-like in its operations.

2. The Corporation opened its first postal franchise in 1987. As of the early nineties there were nearly 2500 urban and rural privately managed retail outlets. These significantly cut down distribution costs.
3. The Corporation became a leader in postal technology. Its National Control Centre installed electronic systems that provided 24-hour, real time information on various facets of mail operations such as surface and air shipments, machine down-times, and weather conditions. This centre also had satellite links with major trucking firms.
4. The Corporation began marketing its know-how and technology internationally through a subsidiary. The Corporation was a partner with several other nations to provide its customers with an efficient international courier service to some 200 countries. It also signed an agreement to use electronic data interchange internationally.
5. Canada Post offered several electronic mail products.

Autonomy, a clear mandate to operate commercially, and a supportive political and bureaucratic super-system enabled Canada Post to unleash its innovative potential.

The second case study is that of a wooden bureaucracy that was converted into an executive agency under Britain's Next Steps Initiative of the eighties.

Bureaucratic Transformation: The Case of the UK Passport Office¹³

A transformation was engineered in the British civil service during the eighties and the nineties via scrutiny exercises, financial management initiative, formation of executive agencies, and the proclamation of citizens' charters. An interesting example of this transformation was the British passport service.

Before 1991 the passport services were provided by the Passport Office, known for "its slow and uncommunicative service and a somewhat remote and austere image"¹⁴. It

processed over 3.5 million passports a year and handled thousands of enquiries. In 1988 the passport service was computerized and in 1991 the Passport Office was turned into an executive agency called The Passport Agency.

The Passport Agency had two main targets, namely improved customer service and improved financial performance. For instance, the 1993-94 target was to process applications in 20 working days or less during the peak demand period, and 10 working days or less during the rest of the year. In 1993-94 the agency targetted 3% reduction in overall cash operating unit cost. There were other concrete targets relating to time to respond to letters and waiting time for customers in passport offices in Britain. The agency mostly was able to meet its targets.

During the nineties a number of steps were taken to improve the functioning of this service agency:

1. It identified several key areas for improvement, such as service to customers by post, over the phone, during personal visits; customer satisfaction; detection of passport fraud; wastage; efficiency as measured by passports per staff member; and financial performance. Concrete targets in each of these areas were specified in the agency's annual corporate plan sent up by the agency to the relevant government minister for approval.
2. Performance against targets was monitored through reports generated by the agency's management information system. The reports were reviewed by the head of operations with the heads of individual passport offices. Regular monthly meetings were held of the head of operations and regional managers, and an operations manager was appointed in each office to ensure that the office met its targets and standards.
3. Regular customer opinion surveys were conducted. For instance, since 1991 over 50000 customer survey questionnaires were issued. The return indicated a very high level of satisfaction. Such surveys were also made by regional passport offices.

4. Many actions were taken to improve customer service. These included name badges for front-line staff, standard clothing for counter staff, much better reception and other services, special facilities for people with disabilities, improvement in telephone enquiry service, and comprehensive customer-care training for front-line staff. In the mid-nineties an effective complaints redressal procedure was being developed, and a panel of passport users was being set up to advise the agency on service related issues.
5. The agency invested considerably in effective human resource management. Personnel management responsibilities were devolved to regional offices, and training in the offices was spurred by the appointment of training officers. Managers in each office were familiarized with production management techniques through training courses. A house journal was started to improve communications.

It is remarkable what a flurry of changes and innovations could be introduced and institutionalized in the Passport Office in just 3 or 4 years after it underwent a status change from a department of the government to an executive agency with two clear mandates: improve financial performance, and serve the citizen-customer better.

The third case is that of changes in the Canadian equivalent of an executive agency that occurred after this organization became a special operating agency.

The Canada Communications Group: A Special Operating Agency¹⁶

Following Britain's lead in the eighties in establishing semi-autonomous executive agencies with a professional head on contractual employment, Canada, too, set up numerous "special operating agencies." These were service units within departments and had greater direct responsibility and greater flexibility for results than before. They were expected to provide more cost-effective customer service. Agencies were established with the approval of Canada's Treasury Board. Before an agency was established, its business plan, mission, operating relationships, etc. were scrutinized

and its formation was contingent on the recommendation of the relevant minister. Agencies were expected to set demanding goals and adapt the best management practices available in the public and private sectors to their circumstances. The agency performance was monitored by the relevant senior level civil servant (deputy minister) and political head (minister).

The Canada Communication Group (CCG) was an interesting example of one such agency. It was one among several agencies within the department of Public Works and Government Services Canada. CCG became an agency in 1990 and was a good example of how bureaucratic administration could be transformed into customer-oriented, efficient management. Since its formation, notable changes occurred in CCG's operating environment, staff mindset, and organizational autonomy. In part these changes took place because, after 1992, most of CCG's services ceased to be mandatory. In other words, CCG's customers - federal departments and agencies - were no longer obliged to obtain CCG's printing and other communications related services. They had the choice to go elsewhere if they found CCG's services unsatisfactory or excessively priced. But CCG management also played a notable role in CCG's transformation:

1. CCG management stressed openness with employees, keeping them informed of developments, and sought their participation in decision making. Early on the CEO gave presentations and held coffee sessions with employees to explain the agency concept; an employee newsletter was started, and intermittently information bulletins were issued.
2. The message of customer service and entrepreneurial thinking was continually stressed, and employees were encouraged to take responsible and calculated risks. They were encouraged to share ideas for improving services. An Employee Advisory Board and a Customer Service Council, both having the participation of the CEO, were set up to eliminate communications barriers between the top management and the staff.

3. Rewards were established for exceptional customer service, productivity improvements, performance beyond the call of duty, and cost-effectiveness efforts.
4. CCG conducted employee satisfaction surveys to monitor morale and employee perceptions of the agency, its management and its responsiveness to staff concerns, etc.
5. In 1993 the employees ceased to be employees of the Treasury Board and became employees of the CCG. This implied that CCG was now responsible for personnel management relating to staffing, collective bargaining, service classification, etc. For instance, in 1993, CCG instituted its own service classification, and instead of the earlier 22 occupation groups (e.g., clerks, printers, purchasing agents, etc.) it set up just one service classification with 17 levels.
6. To become more competitive, CCG stressed product/service quality at competitive prices. CCG initiated a Service Quality Management training programme for all staff.
7. CCG carried out customer satisfaction studies, with focus on CCG's business, competitiveness, product/service growth potential, etc. In a 1993 survey 90% expressed satisfaction with CCG's services.
8. Partly on the basis of staff feedback, CCG restructured itself in 1993 from numerous product based divisions (which often competed with one another and caused confusion to CCG's customers) to larger divisions consisting of similar products/services. A Business Development Division was created to coordinate marketing. A new sales structure was later under consideration involving the appointment of account executives for key clients and divisional sales representatives. These moves were calculated to make CCG much more responsive to its customers.

A weak service orientation is a major and frequent bane of most government organizations, particularly monopoly organizations. The Citizens' Charter movement in Britain sought to attack this disability frontally. Two cases follow, firstly, that of the UK's Inland Revenues, and the way this organization made itself more "customer"-friendly, and next, of steps taken by a Canadian professional bureaucracy, namely, Government Telecommunications Agency, to become more customer-oriented.

Servicing the Customer UK's Inland Revenues Way¹⁶

In the nineties, UK's Inland Revenues department was responsible for the efficient administration of duties and direct taxes. It also provided policy advice to the relevant ministers, and provided valuation and other services. It was a big organization with over 60000 employees, 40 million tax paying "customers," and 800 locations; it dealt with 150 million pieces of correspondence and 30 million calls annually, collected around \$ 160 billion in revenues, and had a \$ 30 billion annual budget. It was profoundly transformed by the UK's Financial Management Initiative, Next Steps, Citizen's Charter, and Competing for Quality programmes for transforming government and government services. It responded to these by replacing over 100 government grades by five broad bands and new job titles tailor-made to the department, by providing humane severance terms for surplus staff, by stepping up staff training and development, by enhancing IT use and simultaneously transferring the staff, buildings, and equipment related to IT support to another agency, and by empowering lower level staff with greater responsibility and accountability. Above all, it tried to become more "customer" oriented, and changed from a culture of command, control, and investigation to one of service, support, and audit.

It developed and publicized the taxpayer's charter. It reads as follows:

"The Taxpayer's Charter"

You are entitled to expect the Inland Revenue

TO BE FAIR

By settling your tax affairs impartially
 By expecting you to pay only what is due under the law
 By treating everyone with equal fairness

TO HELP YOU

To get your tax affairs right
 To understand your rights and obligations
 By providing clear leaflets and forms
 By giving you information and assistance at our enquiry offices
 By being courteous at all times

TO PROVIDE AN EFFICIENT SERVICE

By settling your tax affairs promptly and accurately
 By keeping your private affairs strictly confidential
 By using the information you give us only as allowed by the law
 By keeping to a minimum your costs of complying with the law
 By keeping our costs down

TO BE ACCOUNTABLE FOR WHAT WE DO

By setting standards for ourselves and publishing how well we live up to them

IF YOU ARE NOT SATISFIED

We will tell you exactly how to complain
 You can ask for your tax affairs to be looked at again
 You can appeal to an independent tribunal
 Your MP can refer your complaint to the Ombudsman

IN RETURN, WE NEED YOU

To be honest
 To give us accurate information
 To pay your tax on time"

Besides making public promises, it took several concrete steps:

1. It merged tax assessment and collection in one location which earlier was confusing to taxpayers because it was carried out in different locations.

2. It set up over 200 Taxpayer Enquiry Centres to help taxpayers with information and advice.
3. It increased use of more Mobile Enquiry Centres to reach remote communities and disabled persons.
4. It designed a national telephone support service that enabled taxpayers to get access to the advice of experts who had computer access to the tax payers' tax records.
5. It re-designed forms and information brochures to make them more helpful to customers.
6. It trained over 40000 staff members for providing better customer service.
7. It restructured the local office network to cut costs and improve service to taxpayers.

Government Telecommunications Agency (GTA), Canada¹⁷

GTA's customers were other Canadian government departments and agencies needing high-quality telecom products and services. But GTA had to compete for providing its outputs to these departments and agencies. However it succeeded in getting the lion's share of its particular market by being customer-oriented. A number of actions in the eighties and nineties contributed to its effectiveness:

1. Two senior-level inter-departmental committees were formed to provide a direct relationship between GTA management and its customers in governmental departments.

2. A Government Telecommunications Council, representing the largest users of telecom services in the Canadian government, provided overall guidance to GTA and approved its priorities and long-term plans.
3. The Telecommunications Advisory Panel, consisting of the representatives of client departments, focused on the operational and technical aspects of government telecommunications. This panel also provided feedback to the Council as to GTA's performance vis-a-vis its goals.
4. Product focus groups, chaired by customers, were formed to concentrate attention on particular services provided by GTA. In one such group over 50 opportunities were identified for sharing satellite services.
5. GTA worked closely with each major customer in implementing its national account plan.
6. GTA emphasized total quality management to increase customer satisfaction vis-a-vis quality. Its TQM launch was preceded by a candid customer survey of assessment of GTA's service quality. GTA's employees were also interviewed for designing TQM. TQM's launch was followed up with a survey of some 500 customers in 1993.
7. Eight cross functional business improvement teams were formed to review and suggest improvements in the way new offerings were to be made, and in internal and external communications, billing processes, etc.
8. A customer assistance centre was set up, which handled some 1300 calls from customers monthly.
9. To maximize its technical expertise and ability to offer new products and services, GTA entered into a number of strategic alliances with bodies both inside and outside the government. These involved such initiatives as RADIANT for facilitating training, meeting, and conferencing through telecommunications, and the

Government Video-conferencing Service in which GTA formed alliances with every major Canadian video-conferencing vendor.

- 10. Twice a year GTA organized executive forums with each of its largest national suppliers in the private sector.**
- 11. GTA sent its customers a newsletter and its annual report, and actively sponsored and participated in Canadian telecom exhibitions, including the Architect Programme Forum in which foreign speakers were also invited.**
- 12. GTA's pricing was market-driven.**
- 13. GTA had an active programme of employee exchanges with public and private sector organizations, especially with customer and supplier organizations.**

Through all these initiatives, GTA was not only able to hold a major share of its market but could develop innovative telecom solutions for electronic communications via voice, data, and image within and between governments that were speedy, user friendly, eliminated much paper and were cost effective.

Government bureaucracies often alienate their employees through excessive standardization, specialization, regulation, centralization, and so forth. An alienated staff is hardly conducive to sustained high levels of performance of the organization. Motivating the staff is therefore an extremely important management function in bureaucracies. Innovative means that go beyond pay, job security, and conventional perks are needed to lift the staff of a bureaucracy from a depressive pit they often find themselves in. Innovations in the people management area that become feasible in a suitable overall administrative climate are highlighted through a case study of Statistics Canada.

Excellent Human Resource Management in Government: Case of Statistics Canada¹⁸

In the nineties, Statistics Canada, a department of the federal government, collected, analyzed, and published Canada's statistics. It was led by 20 senior most managers, and assisted by 350 middle level managers and 5000 other employees. It consisted of several specialized units. Motivation and teamwork were critically important for this technocratic agency. Several guiding principles were evolved for this purpose: consultation between interdependent units to best service clients; use of incentives that integrated the initiatives of the whole organization with the work of its parts; congruence of stated values and actual practices; delegation of authority; participative decision making; team spirit based on job security, training opportunities, and transparency in personnel practices. Some of the actions and mechanisms that created a climate of "pulling together" were:

1. Central services, such as computing or publication service, used to be "free goods" for Statistics Canada units. No more. The budgets for such services were distributed to each manager, and the manager was given the autonomy to purchase these services internally or outside the department or even to use the funds for other purposes. This put pressure on the central services to re-engineer their processes to cut costs, and provided their managers the freedom to respond innovatively to this pressure.
2. A series of management committees were set up to cover areas like professional recruitment, career development and training, redeployment, employment equity, acquisitions and contracts, publications, marketing, information, etc. Each committee consisted of around ten senior line managers. All senior managers were involved in one committee or another on a rotation basis. Specialists were also represented on relevant committees. These committees tapped expertise widely, developed a sense of ownership for committee decisions, broadened perspectives, and facilitated innovations.
3. Planning in Statistics Canada was top down, bottom up, and top down again. Every year, in early fall broad targets were communicated to all managers. Then

about a dozen managerial teams met to identify new proposals, opportunities for efficiency gains, and priority programmes. At least 1% efficiency gain was mandated as also the identification of the lowest 5% priority programmes. These proposals were reviewed by four teams of senior managers. A 3-day plenary conference was organized in early January to discuss the plans at which previously approved major targets were also reviewed. The Senior Executive Committee took the final decisions in February on the basis of the conference's conclusions, and these were communicated to all the managers. Proposals that paid for themselves over three years were preferred.

4. Planned training was aimed at improving staff productivity, staff adaptation to changes in priorities and technologies, increased versatility of staff, networking, and improved career opportunities. Statistics Canada increased its training budget from 1% of total budget in 1986-87 to 3% in 1993-94 (about C \$ 10 m.). A committee of senior managers oversaw training and the strategic plan for training. Also, some of the best persons in Statistics Canada were reassigned to teach high quality courses. Some new training initiatives were:
 - a. A four week in - class skills development programme for conducting surveys followed by two weeks on location to design and implement an actual survey.
 - b. A 3 - week training programme for clerical and operational staff to support survey work.
 - c. A 3 - week data analysis and presentation course.
 - d. Under agreements with some Canadian universities Statistics Canada personnel could take courses at these universities on relevant topics in the social sciences. Completion of courses earned a certificate and degree credits.
5. For better career development, several programmes were developed. The one for entry-level professionals included four six-month assignments in various parts of

Statistics Canada. There was a competitive process for selecting section chiefs, for which all section chief vacancies were pooled. There was a similar process for assistant directors, with planned job rotation. Both assistant directors and directors were considered organization - wide resources and they were given various career - broadening assignments. With the help of the Corporate Assignments Division some 200 assignments were organized in other divisions for employees interested in diversifying their careers. Besides, informal assignments within the parent division, work on committee and task forces, and sabbatical of a year to pursue one's research area of choice were available.

6. For greater managerial accountability, once every 3 or 4 years, each director - level manager was invited to provide a 2 - hour presentation to a special meeting with the top 20 executives of Statistics Canada. Also, every June, every director was required to submit to the Chief Statistician a comprehensive written report on his/her programme, and to highlight specific achievements of the prior year, priorities, measures of client satisfaction, productivity measures and initiatives for productivity improvement, significant areas of human resource management (training, career development, communications, equity, etc.), significant threats, opportunities, challenges etc. of his/her section or division. The Chief Statistician provided personal, detailed feedback on every report.
7. There were several significant mechanisms to improve internal communications. One was the weekly meeting of the senior executive committee, whose members in turn conducted similar meetings with their staff two levels down. The second was the lunches of the Chief Statistician with each senior manager two levels down twice a year. The third was the task given to teams of new employees to identify key questions to put to the Chief Statistician in the orientation programme. Noon hour lectures (brown bag lunches) were organized on a variety of topics. There was facility for any employee to contact on a confidential basis the head of the human resources.
8. At a time of severe budgetary constraints, Statistics Canada gave a blanket guarantee that no well - performing permanent employee would be laid - off.

9. Measures were taken to ensure fairness in selection. Every manager was requested to conduct a one-to-one personal counselling session with each subordinate and discuss career development and training opportunities at least once every 2 years. As an outcome there was to be a mutually agreed schedule for training and rotation of assignments. Division directors had annually to report the career development plans agreed to in their division. All employees could participate in the programme for seconding persons to new areas for periods that could range from a few months to a few years. Some 10% of the workforce availed of this facility. The Senior Executive Committee conducted quarterly reviews of all contentious job classification and selection processes.

10. A culture of participative redesign of work was institutionalized in Statistics Canada. Typically, a division identified an area of improvement and a plenary meeting of the entire staff was held to explain the purpose. Several sub-tasks were identified and each was assigned to a sub-committee. Generally volunteers were made members of the sub-committees, and a sub-committee could include persons from outside the work unit. Each sub-committee could elect its own chairperson, who was not required to be a senior person. Periodically each sub-committee reported progress to senior management and at the end of a period, the progress of the sub-committees was reported to a plenary meeting of all staff, and thereafter decisions were taken.

The human resource management practices at Statistics Canada were a far cry from the stereotype of wooden, impersonal, authoritarian bureaucracies painted in much of the literature on bureaucracies¹⁹. Was Statistics Canada just an aberration? Probably not, because several of the other case studies from Britain and Canada presented earlier in this chapter also suggest that participative, caring, and yet results oriented professional management could be institutionalized in the bureaucracies of both countries in the wake of the wind of change of the eighties in the functioning of the government. At the least Statistics Canada demonstrates the feasibility of institutionalizing excellent people management practices in the public sector.

Government agencies have varying proportions of servicing and developmental functions. The preceding case studies, from the UK and Canada, were by and large of agencies that met existing needs efficiently without much of a developmental thrust. In developing countries the problem is not just one of providing high quality services efficiently in a manner responsive to customers' needs, but developing critically important domains for socio-economic transformation like infrastructure for industrialization, education, health services, agricultural development, etc. with large externalities or multiplier effects. The government service organization has to take on a socially strategic developmental role²⁰. The difference is between running a system of polytechnics effectively and creating a system of polytechnics. Managing development effectively is a huge task because it involves mobilization of often inert or hostile masses for change; trying out unfamiliar technologies in varying social and physical terrains; fighting vested interests; orchestrating a wide variety of inputs and competencies for breakthroughs; coordinating the efforts of many organizations for mission success; an unusual degree of leadership and staff commitment, often without significant financial incentives, and so forth. Two cases studied by Samuel Paul follow, of the way two huge campaigns in two developing countries were successfully managed by government agencies²¹. The first is that of the successful management of the campaign in Philippines for rice self-sufficiency in the seventies, and the second is of the campaign in India to increase milk production and distribution, also in the seventies. If the case studies from the UK and Canada represent successful implementation of the reinventing the state strategy in wealthy countries, these two cases of mission management represent successful applications of national developmental strategies. There is much to learn from both, sets of cases, because wealthy nations also take up missions (e.g. rebuilding the city ghettos, pollution control, preservation of biodiversity, nuclear non-proliferation, crime and violence reduction, increasing job and educational opportunities for the disadvantaged, and so forth), and developing countries that have gone statist, need to improve in a hurry their myriad regulatory and service departments and agencies floundering in bureau-pathologies.

NFAC's Management of Philippines Masagana 99 Programme²²

Following disastrous floods and other calamities in the early seventies that led to a rice shortage of some 700000 tons or 25% of production, the Philippines government launched in 1973 the Masagana-99 (M-99) programme aiming at rapid increase in rice output. Earlier studies had shown that Filipino farmers were acquainted with high yield varieties of rice, but productivity was a fraction of the potential for a variety of reasons, such as inadequate credit and extension systems. The then president Marcos, who had declared martial law and assumed wide powers, gave M-99 top priority. The programme was entrusted to the National Food and Agricultural Council (NFAC) for implementation. NFAC was headed by the Secretary for Agriculture, a member of the Marcos cabinet. Earlier, Marcos had distributed land to tenants, so that the cultivator now had every incentive to raise output from his land. M-99 was also preceded by a pilot project called Bulacan to evolve and test effective ways of planting and harvesting high yield varieties of rice involving timing of planting, transplanting, inputs of water, pesticides, fertilizers, etc. A 16-step package of technology was prepared, extension workers were trained by the staff of the Bureau of Agriculture Extension to supervise its administration and provide technical inputs to farmers, and rural banks had been involved for providing credit to the farmers in the pilot project area. The pilot project succeeded in demonstrating that farmers' income could be raised from about \$ 13 per hectare to about \$ 155 per hectare through an orchestrated effort of planting high yielding variety rice, growing rice in a scientific way, providing farmers credit, and so forth.

M-99 was a national scale up of the Bulacan pilot project with appropriate modifications. For quick results, however, it was confined to irrigated areas. The NFAC orchestrated the coordination of a number of government agencies like the National Irrigation Administration, the National Grains Authority, and the Department of Agriculture and Natural Resources; technical institutions like the Philippines College of Agriculture, the Bureaus of Agricultural Extension, the International Rice Research Institute, and the Bureau of Plan Industry; and credit sources like the 25 branches of the Agricultural Credit Administration, some 420 rural banks, over 100 branches of the Philippines National Bank, and so forth.

NFAC took a number of steps to implement M-99:

1. It expanded its membership from 23 to 31 agencies, including all the major government departments.
2. A National Management Committee (NMC) was set up for rice. It consisted of senior technical officials of the government agencies represented in NFAC, and it was headed by an executive director.
3. An MIS unit was created in NFAC to monitor the progress of M-99.
4. A committee of technical experts advised NMC on technological aspects of M-99.
5. A regional, provincial, municipal, and village level organization was created. The regional coordinator coordinated the work in the provinces. The Provincial Action Committee, headed by the governor of the province, coordinated the work in each province. The Municipal Action Teams and Village Action Teams, headed by the mayor or other local head, as the case may be, were set up at town and village levels. In each case a technical understudy was provided to the political head. This way the politicians also got a say in this high profile programme, although the real work was done by the technical personnel.
6. The production technicians who provided extension services to the farmers were not only given training, but also some special powers. They could recommend farmers for loans to the bank, prescribe inputs the farmer could obtain on a chit, recommend farmers for training, etc.
7. NFAC was able to coordinate the work of so many agencies partly because it had the support of, and access to, the country's dictator, but partly also because the planning exercise for each season was done participatively.

8. NFAC had the flexibility to have high level personnel on contract terms which could be better than in the government system. NFAC could also give the production technicians some incentives such as being upgraded as technologists with higher pay and status, vehicle loans, etc. They were also motivated by the opportunity to work with mayors and governors.
9. NFAC got credit and research cooperation because its head, the Secretary of Agriculture, was vice-chairman of the Presidential Committee on Agricultural Credit chaired by the Central Bank governor, and Vice-Chairman also of the Philippine Council for Agricultural Research.
10. NFAC developed an effective management information system. The production technicians prepared their monthly field reports that were delivered personally to the Provincial Program Officer for rice and then sent up to the MIS unit in NFAC headquarters. The National Management Committee for M-99 got the national analysis from the MIS unit and copies were also provided to the governors and the Provincial Action Committees for feedback. The MIS data pertained to quantitative indicators like loans, and areas planted and harvested, as well as problems being faced in the field. The reports were brief and simple.
11. A large number of production technicians were trained at quality technical institutions. Mostly they were young, enthusiastic, and wanted to help with the mission of M-99.

As a result of these orchestrated steps, Philippines achieved self-sufficiency in rice by 1976, 3 years after M-99 was launched. In 1979 280000 tons of rice could be exported. The farmer's net income doubled from \$ 190 before M-99 was launched to \$ 380 in 1976. The average yield per hectare increased by 50% between 1973 and 1979.

NDDB's Management of Operation Flood²³

Following declining per capita consumption of milk in India, and impressed with the success of Amul, a milk gathering and processing cooperative in the Kaira district of the state of Gujarat, the Government of India set up the National Dairy Development Board in 1970 to develop the dairying industry in India on the Amul pattern. NDDB's goals were to enhance rural milk production and create 18 selected rural milksheds through farmers' cooperatives to market milk in towns and cities through state-owned dairies, especially in the four large cities of Bombay (now Mumbai), Delhi, Calcutta, and Madras (now Chennai).

The Amul pattern that NDDB was set up to replicate consisted of organizing a large number of village level milk gathering cooperatives to supply milk to a district level, apex cooperative for processing, the milk cooperatives being members of the apex cooperative. For this purpose the milk cooperative was provided with fat testing equipment. The district cooperative collected the milk from the villages through its vans, paid the milk suppliers within 24 hours, and also provided them veterinary services and scientifically researched feed concentrates. The mother dairy operated a modern plant to process the milk for wide distribution. The village level societies as well as the district dairy were democratically managed, and the district cooperative hired professional managers to run the dairy. The district dairy also provided training to farmers, extension workers and officials of village cooperatives. It also effectively supervised member cooperatives through an MIS and field visits. Amul was a role model because it succeeded in increasing the income of small farmers and landless labourers by 50% to 100%.

A close coordination was achieved between Amul and the fledgling NDDB by Amul's chief executive, Mr. V. Kurien, also becoming the chairman of NDDB, and by locating NDDB in the town of Anand which was also the headquarters of Amul. NDDB was a coordinating technical agency whose main mission was the spread of cooperative dairies all over India. For importing equipment and supplies, exports, financing and making investments for dairy development, a notionally separate body called the Indian Dairy Corporation (IDC) was created. It, too, was headed by Mr. Kurien. The NDDB-

IDC system was able to achieve financial autonomy by selling in India a large quantity of milk powder and milk products donated to India by the UN's World Food Program. NDDB obtained the approval of the Government of India for charging fees for its technical services to state governments, cooperatives and other agencies that were its clientele.

The NDDB-IDC resources, including a capital contribution by the Government of India, were used to launch Operation Flood to create a "flood" of milk in India. The target was to help set up milk cooperatives in 10000 villages (over ten times those serviced by Amul) to generate 2.75 million litres of milk a day by 1976, over three times Amul's output. To accomplish this heroic task, the world's largest dairy development programme, NDDB developed a complex structure and an effective penetration strategy.

Early on, NDDB set up the engineering and manpower development divisions to provide technical services and train personnel. A division of planning was added later to undertake feasibility studies and formulate project proposals for clients, mainly for state governments. These proposals considered market demand, milk procurement potential and strategy, technical inputs to increase milk productivity, and techno-economic viability. The clients in turn used the project proposal to secure financial assistance from the IDC.

To guide milk producers for setting up cooperatives in approved districts, a new division was created for farmer organizations and animal husbandry. This division sent small "spearhead teams" to the district, consisting of professionals, including vets, dairy technologists and extension workers. The state deputed a "shadow team" to work with the spearhead team, and later on become a spearhead team itself to set up dairies on the Amul pattern in other districts. The two teams collaborated to organize village cooperatives, technical input services, the training of cooperative staff and setting up the milk procurement system. The spearhead team and its leader had considerable operating autonomy to respond effectively to local peculiarities, including the power to hire and fire and some flexibility in operating the budget. The performance of the team was monitored through regular reports to NDDB headquarters and frequent visits to site

of NDDB officials. The members of the shadow teams as well as groups of farmers were brought to NDDB headquarters for orientation and training.

With the expansion of NDDB's activities came two more divisions, namely, a purchase division especially to procure materials relating to engineering design, plant erection, and dairy equipment. An Information Services and Systems Applications Division was added. These divisions were supported by the administrative, accounts, audit, monitoring, management and economics units. In all NDDB employed over a thousand in 1979. NDDB also set up regional offices in five large cities.

Not only were NDDB and IDC integrated by a common chairman, the NDDB-IDC system forged links with states by coopting representatives of state governments on their boards.

NDDB staff demonstrated high commitment and morale, despite the absence of financial incentives for individuals. The sheer challenge of a significant nation building mission, participative decision making, operating autonomy, the fight against vested interests supposedly out to wreck NDDB, NDDB's charismatic leadership in the person of the much acclaimed and honored Mr. Kurien, NDDB's success and prestige, etc. seemed to be the chief motivators.

Although NDDB was a government body, its relentless campaign to have operating autonomy paid off. First it achieved financial autonomy through the IDC device and the permission it secured from the government to charge fees. Then it won some autonomy in operating practices, and in personnel matters, especially evaluation and promotion. It argued with the government that the latter's role was to allocate funds to NDDB and monitor its performance, not interfere in day-to-day functioning, and it won its case. A steering committee was set up by the government for monitoring the performance of NDDB. NDDB avoided recruiting personnel from the government on deputation. Instead it recruited enthusiastic youngsters that it moulded with careful orientation and training. NDDB also had an effective performance monitoring system, partly on the Amul pattern, and partly by locating a monitoring unit in the chairman's office.

Operation Flood had some teething troubles and there was a 3 or 4 years delay in reaching its targets. But by 1980, when Operation Flood's first phase got over, milk output had reached nearly 3 million litres per day, 12000 villages and 1.3 million rural milk producing families had benefitted from Operation Flood, 4 regional milk grids linking the four metropolitan cities with 18 rural milksheds were operational, and a UN mission hailed Operation Flood as a massive achievement.

Concluding comments

This paper has attempted to show the potential for greater efficiency, productivity, service quality, commitment to serving the citizen-customer, and innovativeness when units of the government are given greater autonomy, clearer mandates, clearer accountability, encouragement to initiate changes and innovations, and more dynamic and professional managers as heads. These nice consequences become feasible on a large scale when the state is fragmented (not disintegrated) in certain ways. The argument here is not that the state's functions be reduced. The argument simply is that whatever a society agrees are the functions of the state, dramatic improvements in operations can be brought about with a few reasonably implementable steps.

Government organizations, even when they have a good measure of autonomy, tend towards ossification, on account of the relative absence of competition, or absence of concrete performance measures, or being part of a huge bureaucratic system, or because of the standardisation of operations. But there are many ways of preventing ossification, and of institutionalizing in them a culture of continuing technological and managerial innovation²⁴.

A management that sets for itself progressively higher goals creates an internal pressure for innovation, since the unit's limited resources need to be utilized in innovative ways to meet ambitious targets. This internal pressure is heightened with actual or potential conflict between ambitious goals, such as reducing the per unit cost of a service and serving the unit's clients more effectively. The innovative pressure is further strengthened when the unit seeks to become uniquely distinctive in its area or

sector of operations. There are many district collectorates in India, but it was the Ahmednagar collectorate under a new collector, Anil Lakina, that sought to provide access to documents to its citizen-clients in, say, 10 minutes (instead of days or weeks, accompanied by speed money). This commitment prompted many innovations in storing records, in getting access to them, and in servicing those that came to the collectorate for information or documents²⁵.

A strong commitment to serve the customer not only tends to improve quality, but also stimulates the conception and offering of innovative new products and services that meet more effectively the variegated needs of customers. Thus, market surveys, customer panels, service testing before launch, customer charter, and so forth can lead to many new offerings, as in the Canadian Government Telecommunications Agency and Britain's Inland Revenues Department. A commitment to cut costs can be productive in innovations. In the US, McNamara mandated the use of value engineering in 1964 as part of the cost reduction programme of the Department of Defence, and in 1973 Governor Jimmy Carter instituted zero-based budgeting in 1973 in the state government for the same purpose²⁶. Both these tools facilitated new ways to cut costs and improve quality.

Another management commitment, to pioneer technologically sophisticated products or services, is also a spur to innovation. The Canadian Post Office aimed to become a world leader in postal technology, and this resulted in such innovations as electronic systems that provided 24-hour real time information on various aspects of mail operations and satellite links with major trucking firms. Every engagement with a technologically sophisticated product or service or technology yields a mass of expertise and information to the unit. These can be combined in many different ways to develop new products or services beyond the original intent.

Benchmarking with the globally best similar governmental units can be a major source of managerial and technical innovations²⁷. A government currency printing press may busily plod on at its currency printing job. However, if it benchmarks with the world's leading government currency printing presses, it may discover how much more it can get out of its equipment and facilities—it can market the printing of travellers cheques,

bonds and stock certificates, other legal documents, and indeed, print currency notes for smaller or poorer countries that cannot afford expensive, high quality, high speed printing presses. Such benchmarking can also lead to tie-ups for technology transfers or joint ventures, as in the case of Canada Post Office participating in a joint venture with other national post offices to market an international courier service. It can also lead to the unit being able to adapt foreign innovations for local use, as in the case of Canada's Government Telecommunications Agency entering into strategic alliances with foreign and domestic bodies to develop innovative teleconferencing services for Canadian customers.

Some intrapreneurship can also help²⁸. The idea is for an organization, such as a sizeable government agency or department, to invest modestly in each of several far out products or technologies. The development of each such product or process is delegated to a "skunkwork" headed by a "champion" who is passionately committed to this development, with access to a member of the top management for support in moments of crisis. After appropriate development, the product or process is market tested for viability. If a number of intrapreneurial projects are on, at least a few could be scaled up to be stars in the future, and these could recoup much more than the total investment in intrapreneurship.

Global scanning for innovations, trends, and opportunities in the unit's mandated area can be institutionalized by setting up a cell to do just that. This cell can periodically feed the management of the unit with new ideas and opportunities.

Certain kinds of periodic studies can create opportunities and pressures for innovation. Image surveys-how a unit's clients perceive it-can lead to many innovative ideas to improve the image. In Italtel, the government-owned Italian telecom corporation, such an exercise threw up many creative ideas which played a notable role in Italtel's turnaround²⁹. Internal diagnostic surveys of the staff for assessing morale, job satisfaction, work environment, etc. can also throw up a number of opportunities for innovation, as in the case of the Canada Communications Group, where such surveys led to restructuring of divisions, the creation of the Business Development Division, etc. Periodic studies by outside consultants of the organization's structure and

functioning can also uncover many weaknesses, and also opportunities for innovation and change. In Malaysia, for example, outside consultants were hired to institutionalize organization development, leadership training and other progressive management practices in government units³⁰.

Certain ways of making decisions can make the unit more innovative. Forums for participative decision making, such as regular meetings of managers, numerous management committees for involving managers in cross functional decision making, participative, bottom up planning, participative re-design of work with the help of task forces, and so forth, as employed at Statistics Canada, can generate not only staff commitment but also numerous ideas for change and innovation. The technique of frequent group brainstorming for tackling problems, involving separation of the phases of ideation and evaluation, and valuing of far out ideas even when they seem impractical, can facilitate rapid and copious generation of creative ideas. For instance, in a group brainstorming session of some US government officials on what federal government employees can do to give visitors to Washington a truer and better impression of the government, some 120 ideas were generated in 30 minutes; and a group of US Treasury personnel produced over 100 ideas in 40 minutes on how to get federal employees to sell more US savings bonds. The same group threw up nearly 90 ideas in half-an-hour of brainstorming on how to provide time to employees to sell these bonds³¹.

Another source of innovation that may be particularly productive in governmental organizations is what John Kimberley has called "exnovation".³² In contrast to innovation, exnovation involves the exit of practices that no longer are suitable. Bureaucracies keep on adding rules, procedures, controls, levels, roles, and departments that may have made sense once. But times and circumstances change, and what may have been useful once may, in the new circumstances, become an albatross round the organization's neck. It helps, once in a while, to review all these procedures, rules, structures, etc., and ask the question: Were the organization to start anew, would it adopt them?³³ Such a provocative question can result in a large list of what can be safely junked without jeopardizing the mandate and accountability of the government unit, and innovative suggestions for replacing some of what is junked.

Canada Communications Group, for example, dumped its earlier 22 service classifications in favour of a single service classification with 17 levels, and reduced the number of product divisions to realize synergies between related products. In U.K.'s Inland Revenues Department, over 100 grades were inherited from its departmental past as part of the British government administration. These were replaced by its own designed five broad brands and new job titles when it became an executive agency.

Finally, seeking and adopting a daunting developmental mission that goes well beyond merely providing services to the citizens on an ongoing basis, can be a major source of innovations. Such a mission, as in the case of NDDB (Operation Flood) and NFAC (Masagana-99) has an emotional charge to galvanize large human resources under an empowering, participative leadership, and can stimulate the organization and its stakeholders to nearly superhuman efforts, often without significant financial incentives. Developing a mission statement participatively, of what kind of contribution the government unit can make to the larger society, what difference it can make to the quality of life, and then brainstorming to find ways of pursuing it energetically, can unleash a tide of innovation.

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