

PRELIMINARY DRAFT TEXT

**Fresh Thoughts in Fat City:
Innovation in the Federal Public Service**

Keynote Address

by

**Rodney Dobell
President
Institute for Research on Public Policy**

to

**APEX Innovation Symposium
Ottawa**

January 19, 1989

Introduction

We all know that to innovate is great. But we also know that to err is human, and to forgive may be divine--but it is not customary. A tradition of entrepreneurship can only flourish in a culture in which the costs of error are not so great as to demand divine dispensation on a continuing basis.

To investigate the question of entrepreneurship in the public service of Canada, therefore, we must look to the corporate culture of the public service. Indeed, logically we should probably start the analysis even further back, with the culture of Canada itself.

Lots of things have been said about that.

Some of you may recall, for example, the Peter Gsowzki Morningside contest directed toward finding the great Canadian metaphor, analogous to “As British as Big Ben” or “As American as apple pie”. After searching thousands of entries, the answer was found in “As Canadian as possible, under the circumstances...”

And you may be conscious of the fact that Canadians are the only people in the world who routinely say “Thank you” to Automatic Teller Machines and recorded weather messages.

Or you may be familiar with the archaeological argument that circumstantial evidence points to Canada as the site of the original Garden of Eden. The argument is based on the observation that, in a lush green paradise, faced with a choice between a naked woman and a green apple, only a Canadian male is going to opt for the apple.

It’s not clear that any of that suggests fertile ground for a hard driving culture of entrepreneurship and adventure.

So maybe it’s a mistake to start too far back in the argument. Let’s move on. I’d like to talk to you a bit about this newest challenge in public organizations, or public sector management, namely, the promotion of positive change, or fruitful ferment (which is not a recipe for country wine). But I’d like to do so in a way which recognizes some links to one of the oldest debates in public administration.

I’ll begin by talking very briefly about the public servant as entrepreneur -- risk-taker on his or her own account. That entails some talk about decentralization, devolution of authority, delegation of responsibility, empowerment of individuals to exercise their own judgment.

Then I will refer more extensively to the public servant as God -- risk-taker as agent of others who will not know and cannot be consulted. This entails guidance in the exercise of administrative discretion, and the focus of my remarks will be on the possibility of finding some such guidance. (In effect, in these circumstances, the problem is to find indicators pointing to the public interest rather than the public servant’s interest.)

In a sense, I suppose, my message might finally be seen as rather a cautionary tale: in our enthusiasm for finding and promoting the innovative, daring, imaginative, decisive and venturesome public servant as entrepreneur, in the model of the swashbuckling CEO, we should maybe not lose sight of the fact that the responsible public servant is also dealing out risks to life and limb for countless others who don’t even know they are in the game.

The theme of this conference is thus both intriguing and challenging. At first glance, I suppose we would readily agree that the public service at all levels could do with more risk-takers--managers with imagination and confidence and resolve, ready to propose or back new ideas and willing to risk ruin (or at least exposure) by trying them out. I suspect that throughout this meeting, you are directing your attention precisely to the question of how we can encourage those kinds of attitudes and that kind of behaviour, how in our public institutions we can create an environment which is conducive to more nerve and less nerves, how we can facilitate more risk-taking behaviour in our government offices and town halls, in our universities, in our hospitals and health systems.....(?) in our corrections service and parole systems.....(?) in DND and CBI8.....(?). Suddenly the issue doesn’t seem quite as straightforward, perhaps. But, you will say, we are not talking here about taking risks with the public--the government’s job is to protect the public from risk, after all. We are talking about individual risk-taking, and about people who in spite of an uncertain future are nevertheless willing to take tough decisions and bear the

consequences if they turn out badly.

But the problem is that individual risk-taking in the context of the kinds of business which the government is in is likely to have collective consequences.

Probably there are some decisions that are internal, procedural, organizational, where the risks are essentially personal. They may be personal both in representing a risky step for the individual taking the decision, and in the fact that their burdens or costs are narrowly focused on a few public servants, not on the “public” more generally. Examples like dismissals, downsizing, or decentralization spring to mind. It’s clear that in some of these, one would like to encourage decisive, innovative, venturesome individual decisions. One would like people willing to exercise their own judgment, act on their own initiative without having to gather round them all the committees and consultations and protocols which have the effect of “selling insurance” by diffusing responsibility. And yet, clear as all that is, it’s also clear that we have to keep our enthusiasm a little leashed. The spectre of the apparatus of the state in the hands of people serving the higher calling of their own convictions without restraints, without protocols, without accountability, is also obviously a little chilling. Moreover, in areas of public policy as diverse as public health, waste management, product safety, transportation of goods, criminal justice, fire protection, the location of chemical plants, defence and foreign policy, most of us would want to be assured that decision taking in conditions of uncertainty by our proxies in public agencies is based on the best procedures available for decision making in conditions of uncertainty. I intended to look briefly at both of these aspects of risk-taking by public managers. I also intend to consider both the question why perhaps public servants won’t take risks, and why perhaps they shouldn’t take risks.

Incentive systems and accountability structures

Let me start by exploring the question of why risk-taking behaviour of the “sticking your neck out” kind is apparently in short supply in the public service--why people apparently won’t take risks when they should.

Sticking your neck out reminds me of the cautionary tale about the bureaucrat who died and presented himself at the pearly gates.

St. Peter took one look at the furled umbrella, bowler hat and pinstripe suit (this must be the British part of our traditions of government) and directed him to a corridor on his left. He is proceeding at appropriately measured pace along this corridor when a trapdoor suddenly opens beneath his feet and he takes a long drop down to some rank and fetid swamp in one of the lower circles of hell. After plunging momentarily beneath the surface, he finds that his specific gravity is such that he can just float, or more accurately he can just barely keep his chin above liquid. As he peers through the darkness he catches sight of a couple of office colleagues who, barely moving their lips, are whispering “Don’t make waves, don’t make waves”. He also notes, on the other hand, that for the first time in their lives they are sticking their necks out quite a long way.

Seriously though, we have to recognize that individual attitudes and behaviour are conditioned by and reflect the decision culture of the organization. Not only does the decision

culture vary from institution to institution, but even within organizations it is not static. I don't need to tell you that in Canada over the last two decades there has been a significant turnaround in the prevailing mood within government as to the appropriate role it should take in the economy. There has been almost a full swing of the pendulum from the optimism of the 1960s regarding the positive expectations from state intervention to the pessimism of the 1980s regarding the pernicious consequences of misguided government efforts to offset market imperfections. The 1960s were a period of economic buoyancy – the time when almost all the major national entitlement programs were introduced or significantly expanded; the time when bold new program initiatives could be proposed; the time of Planning, Program, Budgeting, when comprehensive rational planning and ex ante evaluation and analysis were widely accepted as powerful tools for decision support.

By the mid-70s, of course, inflation and the associated deficits had taken the bloom off that particular rose. In Canada the mid-70s became the era of the Auditor General, when attention and analysis shifted to audit and ex post evaluation, to a new kind of comprehensive or value for money auditing which went beyond issues of probity and prudence to report-it is claimed-on economy, efficiency and effectiveness. With analysis pressed into service for the processes of internal and external evaluation, the public servant's decisions were increasingly subject to a regime in which even small failures were held up to public criticism and where there was no corresponding reward for success. The consequence is that the public servant's environment is highly intolerant of error and conducive to the extreme avoidance of risk. The process of scapegoating, which seems to have become a feature of accident enquiries, investigations and auditors' reports, has pushed too far in the direction of repressing both innovation and a responsible acceptance of risk.

Of course it is not just the process of retrospective audit or ex post accountability that is at issue here. Public sector management takes place in a highly negative adversarial system. The Parliamentary system with its partisan apparatus and media attention focused on Question Period is structured toward finding scapegoats. Competition is for positions, not for superior products. The discipline arising in the private sector from the threat of "takeovers" by artists operating in the so-called "markets for management" are as nothing compared to the penalties always posed by an electoral opposition waiting to pounce on any mistake that can be tied to an incumbent government.

One could go on at length about the instability and risk aversion likely to accompany any large organization with a Board of 295 and an Executive Committee of 40 acting on behalf of shareholders spanning all regions and all interest groups and vulnerable to a proxy battle or takeover bid at any time. But you know all that better than I anyway.

With the move to restraint or cutback management in the late 70s and early 80s the swing I started describing earlier was almost complete. Admittedly, contraction and retrenchment don't exclude imaginative initiatives and bold new measures. Risks can be taken in the course of downsizing and privatization, no doubt, even though by progressively fewer people. But I think most of us would concede that the current round is hardly one that encourages individual risk-taking, and it would be naive to expect any significant change in the personal risk-taking behaviour of public managers without some corresponding prior change in the decision culture

within public institutions, and particularly without some change which will bring the rewards and penalties attached to such behaviour more into line with practice in the private sector, where it is said, one may expect that decisions will be taken 9 times out of 10, but does not expect that they will be right more than 5 out of 10. In addressing that problem in your discussions you have been presented with a tough challenge.

One aspect of this challenge may be simply a communications problem. As you well know, recent work initiated in part as an IRPP project by Professor David Zussman of the University of Ottawa suggests that the most dramatic difference between the attitudes of managers in the public and private sectors is the confidence with which middle and lower level managers express a grasp of the organization's goals and objectives. In the private sector the goals expressed by the leadership are clearly felt by all management. In the public sector, top management expresses confidence that they know the organization's purposes and objectives, but the level of this confidence falls uniformly and dramatically as one moves down the organization hierarchy. Evidently if you feel confident about objectives-and about being judged on attainment of objectives-you are likely to feel prepared to exercise more discretion about how you get there. If all you know are the rules, not where they are pointing, then you play by the rules, not by exercising imagination.

Zussman's work also suggests that, in the Canadian context at least, the traditional public service emphasis on probity and the more recent press for "value for money" have had an impact. In the private sector, top management and lower level management alike respond by listing the "importance of human resources" and "excellence-competence" as values encouraged among managers, while in the public sector, management lists "efficiency-effectiveness" and "value for money" as the top-ranking priorities. In the private sector, more than 50% of managers described their organization as oriented towards innovation and creative management; in the public sector, only about 25% characterized their departments in that way. Interestingly, in neither sector was there a strong perception that risk taking was rewarded. Fewer than 20% in the private sector felt that to a great or very great extent risk-taking was rewarded in their organizations; in the public sector this number falls below 5%. In both sectors, these numbers fall off with the number of levels from the DM/CEO position.

All this of course is generalization built on a single large 1986 sample, but it is suggestive, it seems to me. The public sector sampling was repeated this summer, as you know, so further results should be available soon. My impression is that the kinds of conclusions just mentioned are generally reinforced, not contradicted, by the new data.

More generally, another Institute author, Tim Plumptre, has been exploring in his recent Institute book Beyond the Bottom Line: Management in Government, a number of reasons why the organizational culture in government does--and may inevitably--differ from that in the private sector. Let me simply commend that publication to you, in case he hasn't done so strenuously enough yet.

Introducing comparisons with the private sector can be rather trite. As Wallace Sayre pointed out, the public and private sectors are alike in all unimportant respects. In fact, of course, the private sector is no more homogeneous than the public sector and the organizations that

inhabit it do not uniformly exhibit the characteristics of entrepreneurship, efficiency and flexibility which are supposed to be the requisites for survival. Management in the public sector, certainly at its senior levels, is different from, and no doubt often harder than, management of the private organization. The senior official is faced with the task of satisfying many more constituencies than the typical CEO and with trying to manage organizations whose objectives are poorly defined and whose authority structure is cluttered and convoluted. Taking decisions, particularly decisions involving risk, within a context which imposes extensive requirements for consultation and which provides less privacy, less control over resources, less flexibility to motivate and reward, clearly represents more than simply a difference of degree.

The fundamental point is, however, that the impediments which constrain risk-taking by the public manager are there in no small measure precisely because of the business governments are in. Individual risk-taking in economic ventures on the part of the CEO can have negative consequences for the risk taker in the event of failure, and serious consequences of a financial nature for shareholders, employees and clients. (It can of course also offer rewards which are both personal and very substantial.) But when a city official decides whether to install new street lighting, when a highways official chooses on which of several possible improvement projects to spend a limited budget, when a parole officer decides on the status of a released prisoner, when an environmental official chooses how forcefully to act against a factory violating emissions standards, or when a state or local official considers whether to permit herbicide spraying, all are making decisions with direct consequences for public risk, risks to individuals who have never had an opportunity to consent in a voluntary and informed way even to the extent that a shareholder might be thought to have done – and who probably have no chance to reap any benefits in any direct way. (We might have quite an extensive discussion here of the problems posed by the attempt to serve the diffuse preferences of a broad political constituency rather than the more cohesive preferences of a shareholder group, but time probably does not permit.)

In my home province of British Columbia, a whole new tradition of “sympathetic administration” has recently hit the newspapers. This new brand of administrative justice, or new emphasis in the exercise of administrative discretion, involved ignoring regulations and laws on waste in forest management (because times were tough for forest companies), violations of emission standards and pollution controls by pulp mills and other forest products operations (because, though extensive, they were “minor”), and issue of mining exploration licenses in old and new provincial and national parks (because it would be too expensive to buy out the mineral rights and they won’t find anything anyway). The risks to future generations in all those entrepreneurial liberties taken with respect to existing rules and regulations are not discussed or taken into account in any way, so far as one can tell.

You as public managers routinely take decisions in all these areas, both as advisers to elected officials and as administrators of programs and policies. Individual administrative discretion is exercised to achieve goals reflecting the collective preferences revealed through the machinery of democracy. The public manager is called upon to take risks as a proxy or agent for the public interest. Lots of them you may not easily be able to refer to your Minister. For decision taking of this kind what options are there for responsible decision-making? Presumably it must be more than the machinery of Bayesian decision analysis developed to enable individuals to bring their own personal preferences and attitudes toward risk to bear on choices

under certainty on their own account.

Let me pause here to take stock of the argument thus far.

1. I've agreed with all your discussion today that entrepreneurship, innovation, daring, willingness to assume risks are obviously wonderful characteristics, and we should have more of this sort of dynamic conduct, and administrative structures in the public service should therefore be designed to promote it.

2. But to do so involves unprecedented and substantial delegations of authority to individuals to exercise their own judgment. Are there areas where this kind of authority to indulge in this daring behaviour is maybe not such a good thing? For individuals acting on their own account, the question can presumably be left up to them. And there exists an extensive body of decision analysis to support the individual assuming risks through decisions in the face of uncertainty.

3. For individuals acting not on their own account, however, but rather taking decisions on behalf of others, or with risky consequences for others, the situation is not so clear. For small, closely held organizations, where objectives may be clear and clearly understood, a regime of accountability which focuses on objectives, and encourages innovation in the procedures or means by which objectives are achieved again may be feasible and appropriate.

4. But for larger organizations, where management interest might prevail over shareholder interests, or the public servant's interest might prevail over the public interest (or the party's interest might prevail over all?), and it might therefore not be clear whose objectives are being served, then one has to ask more direct questions about the consequences of entrepreneurial behaviour and the rights of agents to exercise their own judgment in imaginative and novel ways.

5. It is clear that second-guessing in the manner of ex post value for money audit has counterproductive and negative consequences for innovation and risk taking behaviour.

6. So where might one look for guidance before the fact in decisions involving redistribution of risks and costs amongst many individuals who can't participate in the decision to be taken by people ostensibly acting on their behalf?

7. More particularly, where might one find necessary guidance to enable responsibilities to be delegated in a fashion that permits innovative behaviour, in a system in which

- a) objectives are not clear enough to substitute for rules
- b) the coercive power of the state will replace voluntary exchange?

If we eliminate the requirements for review, consultation, conformity with rules, precedent, and standard operating procedures, and force the decisions more onto individuals using their own judgment in exercising administrative discretion in cases that are inherently risky (because that's the nature of government business), on what can those judgments be based? If the

public servant playing God is not to be bound by rules and regulations, on what basis is she to make her decisions? Let me turn to a quick survey of some possible answer to that question.

The Public Servant as God

Is there, then, some structure or system in which public decisions trading off risks to life, health or happiness for some against economic benefits for others can responsibly be made by innovative individuals acting on their own initiative?

I suggest an answer to that question in three layers. First, the decision ought to be a principled decision, reflecting recognition of basic rights, in a so-called deontological perspective. But this only takes you so far.

Second, the decision ought to be a calculated one, based on a utilitarian ethic, which is to say, some kind of serious risk-benefit analysis.

But third, in the end, the decision has to be your decision. In the end it can only be a personal judgment, reflecting a strong set of personal values in the context-one must hope-of a stable organizational culture.

Let me take each of these in turn briefly.

According to what I understand of the Dworkinian, or rights-based school, the individual is paramount and the over-riding value of human life which is at the core of all our social institutions means that all proxy decision-making by public servants should be based on what they term a deontological ethic, rather than a utilitarian ethic. All decisions involving risk must be made by balancing the rights of individuals, with rights to life and safety taking precedence over pragmatic considerations such as economic benefits, no matter how widely distributed. By this reasoning, the public servant should never be permitted to take decisions which will subject some or all members of the public to involuntary risk--unless it can be shown to be done with the informed consent of those affected.

The basic principle here is that people are individuals with inherent rights, and not things to be calculated with. Eike Kluge, a philosopher who has written extensively in medical ethics, suggested to a group of public servants in Victoria a few years ago that we can make collective decisions without making calculations by recognizing the autonomy of individuals, with the public servant acting simply as a proxy decision maker administering, in effect, their rights.

The key then is to recognize that people are often prepared to trade rights or take risks in exchange for economic benefit, and they are obviously free to do so, on their own behalf. Thus the principle of informed consent becomes central, as a fundamental principle of due process or natural justice.

We have hinted earlier that the public service in many ways must serve the procedural needs of natural justice rather than more substantive objectives simply because objectives often can't be clearly enough specified, and because the coercive power of the state interpreted through the exercise of administrative discretion must be bridled in some fashion.

But the requirements of natural justice may be understood instrumentally, as stipulating procedures justified because they lead to better substantive consequences, or intrinsically, as something to which people are entitled when the apparatus of the state singles them out. There is a wonderful line spelling out the requirements that people be dealt with as individuals. Laurence Tribe suggests (1978, pp. 503/4).

“The right to be heard from, and the right to be told why, are analytically distinct from the right to secure a different outcome; these rights to interchange express the elementary idea that to be a person rather than a thing is at least to be consulted with what is done with one...”

It is possible to go further on questions of procedure. Dworkin suggests (1981, p. 85) two principles of fair play in government. “First, any political decision must treat all citizens as equals, that is, as equally entitled to concern and respect... Second, if a political decision is taken and announced that respects equality as demanded by the first principle, then a later enforcement of that decision is not a fresh political decision that must also be equal in its impact in that way. The second principle appeals to the fairness of abiding by open commitments fair when adopted...”

It suggests the necessity, in other words, of decisions based on open, announced processes fixed in advance, which embody an equal concern for the moral harm imposed on any individual, and do not offer greater access to, or greater emphasis on the consent of, those in favour for any reason, whether as a result of contributing to campaigns or participating in fund raising dinners or electing the right brand of MP, or what not.

Still this does not take us far enough, in my view. As Kluge recognizes, the public servant will usually not be in a position to achieve the informed consent of all concerned. It will be necessary to go beyond the framework of rights to the calculation of values in order to infer how people would choose to exercise their rights.

Taking for granted, then, the framework of rights, procedures and natural justice in a Parliamentary setting, the business of inferring values and balancing them for purposes of collective decision is the business of cost-benefit analysis, or, in this case where we are recognizing the risk bearing elements as paramount, risk-benefit analysis.

(You hardly expected a former Deputy Secretary, Planning Branch to let you get away with a digest of rights and principles, and no analysis, did you?)

The standard technique advocated for public policy decisions involving risk is variously known as Risk/Benefit Analysis--RBA--or Quantitative Risk Assessment. In the prevailing mood of skepticism towards the usefulness of ex ante evaluation, RBA has come in for its share of criticism and disdain. As its name suggests, RBA is derived from Cost/Benefit Analysis but takes it a step further in introducing probabilistic estimates of the risks of consequences occurring in order to arrive at some expected net present value for a decision. Both the probabilities and the consequences in an RBA must normally be estimated and the precision of these estimates will vary widely from problem to problem. Thus in areas such as highway safety, it is often possible

to state with high confidence that a particular improvement will result in the saving of particular numbers of lives per year on average. Much less precise estimates of probabilities are available in the consideration of new technologies, such as the siting of nuclear power plants or liquid natural gas reservoirs, which may present very small probabilities of catastrophic losses. The same kinds of difficulties occur with respect to estimating the possibly distant consequences of rare events. For common events such as automobile accidents or fires, for instance, historical data can be used to estimate loss of life, injury and property damage. But the long term consequences of exposure to toxic or carcinogenic substances are much more difficult to anticipate since the information available from epidemiological studies or animal bioassay studies is often flawed in vital respects. (When it comes to issues like acid rain, the ozone layer, greenhouse gases, or global climate change and risks to national security--the subject of an international conference in Toronto last summer--the prospects for good estimates of probabilities are obviously not good. But even here the issue has to be faced systematically.) Nevertheless, when the estimates have been chosen, an RBA proceeds to add up all of the risks so derived and combine them with the known costs and benefits of the decision to measure some overall net social benefit. As is the case in a Cost-Benefit Analysis, this full treatment requires that all costs, risks, and benefits be expressed in terms of a common measure, usually Net Present Value in dollars.

RBA as a decision-making technique has been criticized on a number of grounds. I have mentioned the view that it is in fact simply morally unacceptable--that it represents an infringement on rights which are basic to a culture. But one must also look to more analytic difficulties. First, as my brief sketch suggests, extreme scientific uncertainty prevails on many of the most important questions related to current public debates on risk. There is a danger that numbers will have the effect of exaggerating the clarity or certainty of the scientific facts relevant to a decision, and this effect can be manipulated to point overwhelmingly in the direction of only one possible decision. This is the "numbers made me do it" escape clause. Then the requirement that quantities be expressed in monetary values has led critics to charge that the estimates of these quantities can only be based on subjective values and that any resultant calculation of total risk will turn out to be completely arbitrary.

A different kind of criticism is that this type of analysis neglects distributive issues. Risk controversies typically pit one social group against another--the most common direction of conflict is between commercial interests wishing to engage in risky activities for profit, and consumer, labour or community groups opposing the activity because they are the ones who will have to bear the risk. The ethical basis of RBA is utilitarian and any mechanical application of the techniques will not take account of the fact that a particular distribution of risks, costs and benefits might be morally or politically unacceptable.

A third objection is that RBA requires that cost, risks and benefits be expressed on a common scale so that quantities which are incommensurable can somehow be compared. This involves putting prices on the priceless--one's home, friends, family, the beauty of an unspoiled environment, and human life itself. This argument suggests that though many collective decisions, such as highway improvements or the provision of rescue facilities, can retrospectively be determined to imply a particular value of human life, collective discretion based on the conscious awareness of this valuation must not be exercised in advance of a

decision. In other words, it seems that decisions which may result in injury or death can be tolerated socially as long as the consequences are not explicitly considered in making the decision.

Some, but not all, of these criticisms have real validity. What are the alternatives for decision-making in the area of risk?

One approach is to abandon analysis altogether and have recourse instead to polls or to referenda. This option--“the people made me do it”--seems to lean towards direct democracy and consequently has great populist charm. It also has major weaknesses. For one it wastes the advantages of representative democracy. Representatives are selected or appointed to devote more time and thought to public policy issues than the average citizen can generally afford to do. The representative who refers every significant decision back to the constituents is hardly fulfilling his or her responsibility. Furthermore, the resulting decisions are likely to be simply inferior, morally, technologically, or economically. A majority of the populace, under duress, or under the influence of some charismatic individual, might momentarily endorse a decision that is clearly unacceptable to the basic values of the country, for example one that violates the rights of a minority group. Polls are so volatile and so subject to influence by advertising, the media, and conspicuous but anomalous events, that a policy based on them would be liable to undergo major changes from week to week. And particularly on matters of risk, there exists abundant experimental evidence that people’s uninformed choices are subject to major biases and inconsistencies and that when confronted with the inconsistencies in their naive choices, people tend to change their views to correspond more closely with those of a rational Bayesian decision-maker.

A second approach, to refer decisions involving risk to the consensual, intuitive judgment of a community of experts who will blend technical expertise, business acumen, and common sense, has much to commend it (“the experts made me do it”). It is a particularly popular approach when the decision to be made resembles those made within a traditional professional practice such as engineering or medicine. When an established body of professional knowledge exists, expert judgment can yield practical, successful decisions even on matters where scientific certainty is not strictly available. This is usually accomplished through robust rules of thumb that reflect abundant operating experience and include hefty margins of safety, as for example in the design of physical structures such as bridges.

There are two major disadvantages to this process. First, most current contentious risk issues involve new technologies, new chemicals, or new environmental impacts, so there is not enough operating experience available for reliable informal professional standards to have developed, consequently, when the experts exercise their judgment they are probably making guesstimates almost as arbitrary as those of anyone else. Second, the process of expert judgment is stubbornly non-transparent. In arriving at an estimate of total risk or a recommended decision, the expert must make a number of assumptions, and if professional knowledge does not grant a special authority to the expert’s assumptions, then the political decision makers will want to know what the assumptions are, and what their impact on the total estimated risk might be. But if the assumptions are made implicitly and rolled together in the expert’s head, then they are not available for scrutiny or for testing of effect.

Thus “the experts have spoken” is likely to prove to be a cop-out that will not fly (to mix the metaphor rather badly). There seem to me to be substantial arguments, however, in favour of the so-called “science court” or “fact forum” approach advocated for dealing with some particular issues of conflict in interpretation of scientific evidence. (See, for example, the description in Eric Drexler’s book, Engines of Creation, of the experience of Dr. Arthur Kentrowitz with this idea in experiments at Berkeley and Dartmouth.)

A third common approach is to stick with precedent and the way things have always been done (“past practice made me do it”). Any observer of organizational decision-making, private or public, will see that in the absence of compelling pressures to the contrary, decisions are made on the basis of precedent, habit, and standard operating procedures. In the realm of public decisions on risk, this approach can be seen in announcements that justify the imposition of a given risk by comparing it to other risks that are currently imposed and consequently presumed to be acceptable. You might, for example, hear that the risk from a certain source of radiation will be less than that which you face every day from your luminous watch dial. Such comparisons, even if true, may be misleading; does anyone really know the consequences of exposure to luminous watch dials? While any canny administrator knows that major new approaches to policy are most difficult to push through the organization, ease of implementation is surely the only defense that one could muster for this approach. Such an approach probably won’t upset anyone-until something goes wrong. But the application of traditional standards, practices, and techniques to new decision problems is bound to lead to something going wrong sometime, simply because the environment has changed. This approach has neither rationality, consistency, equity, nor scrutability to commend it.

Finally, as Nagel (1978) notes neither “the Minister made me do it”, nor “the need for economic growth or demands of national security or requirements of the job made me do it” provides justification (even though Nagel argues what seems to be a slightly different case that in public decisions the ends may justify some greater latitude with respect to means elected to achieve these ends--some relaxation of constraints on action).

Conclusion

Where does all this leave us, then, with respect to the issue of risk-taking by the public manager? Let me retrace briefly the logic of what I have been arguing, and conclude with some observations which might serve as a starting point for some of your discussions.

Risk taking of the kind which we all agree we need more of--the imaginative and creative behaviour which is the essence of innovation--will only occur in an environment where individual administrative discretion is not too rigidly constrained and in a decision culture which is tolerant of some negative outcomes in the cause of making progress overall. The problem is that risk-taking decisions by the public servants will inevitably lead, in many instances, to taking risks with the public. What guidelines are there in these situations to point us in the direction of responsible risk taking?

I have mentioned one prominent school of thought which argues that decision making of

making of the rational analytic kind just outlined is based on a false ethic--namely that there exists some social or public welfare which can be quantified and which takes precedence over the welfare of individual members of the collectivity. These critics maintain that the individual is paramount and that the over-riding value of the human life which is at the core of all our social institutions means that all proxy decision-making by public servants must be based on recognition of pre-existing rights, not on some utilitarian calculus.

On the other hand, you are nevertheless condemned to act, and neither the obligations of public service, the impersonality of the transaction, nor the potential beneficial consequences of action can relieve you of the ultimate personal moral responsibility for the action taken. Neither corporate culture nor accountability structure can divorce you from the personal consequences of administrative judgments and the exercise of administrative discretion (cf Nagel).

This, I suppose, is the ultimate constraint on innovation in the public service, where the power of the state is being exercised in ways that lay risks on those who cannot know and will not be asked.

This dilemma has echoes of a lively debate which goes back more than fifty years and which is associated particularly with the writings of two academicians, Carl Friedrich and Herman Finer. Friedrich argued that control over administrative discretion could only ever be partial and incomplete, and that the best approach was to work towards an improved sense of subjective responsibility to internalized ideals and standards. Accountability, in his view, could never be imposed, only elicited. Finer, on the other side, insisted that society could not rely on the self-directing capacities of the public service and that technical knowledge and creative ideas should be held in check by formal institutional devices. Each side can point to excesses which arise from the other's recommendation.

When all is said and done it still remains that in small decisions as in large the public manager will ultimately be faced with the existential fact of being condemned to choose. In that choice one has conscience, certainly, and one also has the responsibility to seek informed consent by laying out the consequences of each decision. Risk analysis is vulnerable to profound uncertainty, but so is every other approach. It requires the pricing of the priceless and placing monetary values on human life, but every other approach does so implicitly. Analysis can be hijacked to serve the interests of power constituencies, but so can expert judgment, staying with precedent, and even the polls, through ingenious timing or cunning manipulation of the media. Risk-benefit analysis does not initially address the distribution of risks, but it can be made to elucidate them, and through techniques of contingent evaluation it can incorporate procedures for ex ante compensation or liability insurance. Even in a world of profound uncertainty and missing data, I would argue that explicit and formal analysis still seems to offer the most useful decision tool for informing and guiding the public manager in the often agonizingly difficult decisions that must be taken on matters of public risk. Analysis does help.

But in the end, as I've said, it rests with you. What positive messages emerge from all this to help in encouraging innovation?

- 1) trust the client and the process of decentralization (and not only to markets but also to

- regional offices and local communities);
- 2) communicate purpose, objectives, and intent, not just rules--and trust the workers;
 - 3) insist on openness and informed consent as fundamental underlying principles (even when this may seem inefficient according to the myopic market tests of short term relevance);
 - 4) (Tribe) ensure that decision processes treat individuals (including employees!) as people, not things.

Thus, in sum, principles and rights can take us some way, and calculation (analysis) some way further within that. But in the end it comes down to personal discretion, and for this, in the public service, we need a shared sense of values.

How is this to be achieved? Leadership must be exercised by senior management. There must be dedication of time--lots of time--by senior management. A new balance and a new set of incentives emphasizing the arts of conciliation, mediation, and participation as management attributes must be recognized.

This argument still seems to lay the emphasis on a fair procedure rather than on a desirable outcome, and thus would seem to head in the direction of emphasis on accountability rather than discretion. Innovation means acting without precedent, departing from standard operating procedures, and entrepreneurship entails getting on with it without waiting to line up all the bureaucratic allies. But this is risky, and when things go wrong, it is accountability for the procedures, not the aptness of the decision at the time it was taken, that will attract attention. It is your job, I argue, to shift that balance a bit. And that, I suppose, is what this meeting is about.

Paul Tellier told you last night that you must take the initiative in innovation. I am suggesting to you tonight that you must also take the responsibility. Decisions to innovate may be creative. They must be principled; they ought to be calculated. But in any case they (and their consequences) are yours, to wear and live with. That means a very hard look at these consequences. Innovation at whose expense? whose cost? whose risk? Those are the questions you've really got to answer.

References

- Dworkin, Ronald. "Principle, Policy, and Procedure", in Crime, Proof, and Punishment, Essays in Memory of Sir Rupert Cross, London and Boston: Butterworths, 1981.
- Kluge, Eike-Henner W. "What is a human life worth?", in Fear and Ferment: Public Sector Management Today (John W. Langford, Ed.), Halifax: IRPP, 1987.
- Nagel, Thomas. "Ruthlessness in Public Life", in Public and Private Morality (Stuart Hampshire, Ed.), Cambridge U.P., 1978.
- Plumtre, Timothy W. Beyond the Bottom Line, Halifax: IRPP, 1988.
- Tribe, Laurance. American Constitutional Law, Mineola, N.Y.: The Foundation Press, 1978, pp.503-4 (cited in Dworkin).
- Zussman, David and Jabes, Jak. Survey of Managerial Attitudes: Preliminary Findings, IRPP Working Paper, 1988.