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Performance Information and Innovation in the Canadian Government

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Introduction

The presentation made at the conference addressed the issue of linkages between performance information and innovation within the Canadian federal government[1]. This is a three-part paper prepared as background to that presentation.

- Part I provides an overview of three main sources of performance information - results-based systems, program evaluation, and centrally driven review exercises – and reviews the Canadian experience with them.
- Part II identifies and discusses a number of innovation issues that are common to the literature reviewed for this paper.
- Part III examines actual and potential linkages between innovation and performance information. This section suggests that innovation in the Canadian federal government tends to cluster into two groups: smaller initiatives driven by staff or middle management; and much larger projects involving major programs, whole departments or whole-of-government. Readily available data on smaller innovation projects is skimpy but suggests that performance information does not play a major role in stimulating these initiatives. In contrast, two of the examples of large-scale innovation show that performance information plays a critical role at all stages.

The paper concludes by supporting the contention of others writing on this topic: that more research is needed on innovation, particularly on its link to performance information. In that context, other conclusions drawn in this paper are tentative but suggest that the quality of performance information is as important for innovation as it is for performance management. However, innovation is likely to require its own particular performance information that may not be generated on a routine basis for purposes of performance management, particularly in the early stages of innovation. And, while the availability of performance information can be an important success factor in innovation, it does not stand alone. The commonality of a number of other factors identified in the literature surveyed for this paper strongly suggests that equal if not greater priority needs to be given to attenuating factors that inhibit innovation and to nurturing incentives.

[1] As distinct from the Canadian government's role in encouraging and stimulating innovation in external organizations.

Part I – Performance Information

The Evolution of Performance Information

Any well-functioning manager needs to know how they and the organization they lead are performing. In some cases, how well an organizational unit is performing may be self-evident to its manager and staff even in the absence of any formal procedures and systems for measuring performance: do my customers seem content; do I seem to be spending more time dealing with complaints; is my stock turning over faster or slower than usual; what are my staff telling me? Generally speaking, subjective performance assessment of this sort will be of relatively more practical use in smaller organizations and simpler operating environments. But, even in situations where subjective performance assessment predominates, the greater discipline and quantification that more formal processes yield will be useful, particularly if poor performance needs to be analyzed as an input to developing improvement strategies. In any organization with multiple levels of management, you don't have to move far above the first line of management for formal performance information to become a necessity. In addition, any robust accountability system will require the discipline of formally established performance targets and formal procedures by which to measure or evaluate achievement against them.

Performance management will develop within individual organizations according to the needs and priorities of those who lead them as well as those of individual, lower-level managers. With most governments, this relatively *ad hoc* and variable approach to performance management has been overtaken as a result of pressure for greater accountability and transparency. At the whole-of-government level in Canada, implementation of two of the Glassco Commission's recommendations marked one step towards a more systematic approach to performance management (Canada. Royal Commission on Government Organization, 1962). The first of these recommendations was that the government replace 'line item' budgeting with a program-focused approach – Planning, Programming and Budgeting System (PPBS). The second was for greater delegation of authorities from the centre to departments – an approach that came to be characterized as 'let the managers manage'. Various subsequent initiatives attempted to strengthen the links between resource allocation and program performance, including:

- introduction of an Operational Performance Measuring System (OPMS) and promotion of Management by Objectives in 1974 (Canada. Treasury Board, 1974);
- establishment in 1978 of the Office of the Comptroller General whose mandate included strengthening program evaluation (Canada. Treasury Board, 1978); and

- the 1994 Program Review initiative with its twin objectives of ‘getting government right’ and deficit reduction through a process that imposed specific expenditure cuts on almost all departments and agencies.[2]

Throughout this period, there was little effective connection between performance management initiatives at the whole-of-government level and those within departments. In 2000, the Treasury Board publication *Results for Canadians* signalled a renewed attempt to make that link (Canada. Treasury Board, 2000). Of the four specific commitments made in that document, two relate directly to performance information. The commitment to *manage for results* recognized the need “to apply results-based management to all major activities, functions, services and programs” and that “the foundation of results-based management is accurate and timely performance information” (p.11). The commitment to *responsible spending* recognized that rational priority setting and investment decisions need “integrated, cross-departmental information on expenditures and results.” (p. 13).

Although progress in achieving the goals of performance management may seem slow, it is worth noting that the focus of the three current initiatives described in the next section is consistent with the three post-Glassco initiatives identified above as well as with the framework provided by *Results for Canadians*.

Sources of Performance Information

For the purposes of this paper, a performance information source is considered to be an initiative or system specifically designed to generate performance information as a management tool or for accountability purposes or both. The distinction made is with other data and statistics that may be available and that shed light on performance but that are collected or generated for other purposes or from outside the government. Examples include surveys and polls commissioned by the media, and data and statistics created by government organizations for other reporting purposes. The purpose of this distinction is not to discount the value of this latter source of performance information, but to focus on more systematic approaches that should yield greater discipline and consistency in the way the information is generated.

Current sources of systematically generated performance information in the Canadian federal government can be grouped into three broad categories: *results-based systems*; *evaluation*; and *review*. As will be seen from the descriptions of each that follow, these three categories form a hierarchy in terms of the level of performance information detail generated and the organization level within government that is the primary user. Results-based systems generate greater amounts of detailed performance information with management and managers in departments as the primary, but not exclusive users. At the other end of the spectrum, the

[2] Although linking program results and resources was not a mainstream focus of the 1994 Program Review initiative, it provided the basis for renewing that focus. The Treasury Board’s 1995 initiative to require departments to submit annual business plans was one of the first examples. For a discussion of this initiative, see Lindquist (1998)

results of reviews are generally intended to be used by central agencies and central government decision-making processes.

1. Results-Based Systems

1.1. Current Status

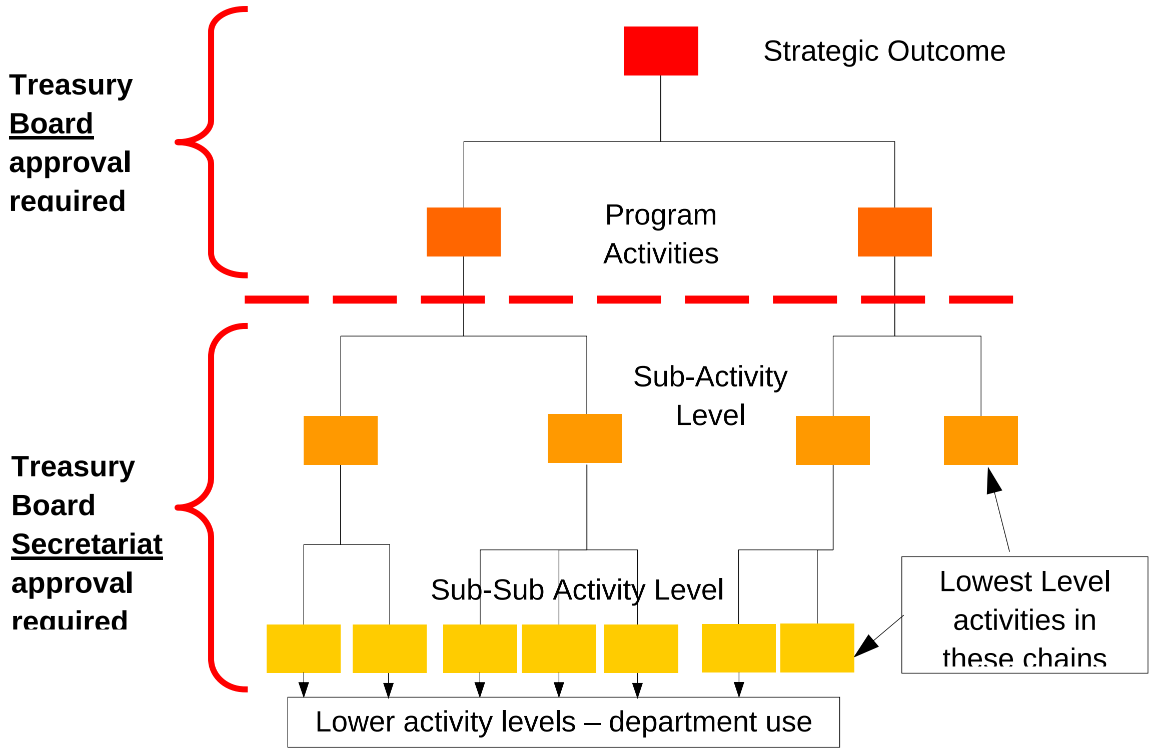
The federal government's current results-based focus is on the Management Resources and Results Structure (MRRS) initiative, which consists of three elements:

> "I. Clearly defined and measurable ***Strategic Outcomes*** that:
>
> (a) reflect the organization's mandate and vision and are linked to the government's priorities and intended results; and
>
> (b) provide the basis for establishing horizontal linkages between departments with similar or natural groupings of strategic outcomes.
>
> II. A ***Program Activity Architecture*** that is articulated at a sufficient level of materiality to reflect how a department allocates and manages the resources under its control to achieve intended results:
>
> III. A description of the current ***governance structure***, which outlines the decision-making mechanisms, responsibilities, and accountabilities of the department."(Canada. Treasury Board, 2005)

The Program Activity Architecture (PAA) lies at the heart of MRRS as it provides the framework within which performance information is structured and generated. It is shown schematically in the Diagram 1.[3]

[3] Use of these two different terms can be confusing as there is little practical distinction between them, as Diagram 1 shows

Diagram 1 – Program Activity Architecture [4]



The concept underpinning the PAA rests on tracing the allocation of resources within a department to individual activities at various levels (and implicitly to the managers responsible for each of these activities). This creates a hierarchy of activities ranging from a program at the top, through a series of lower levels at which resources are sub-allocated. The series of activities that make up any one particular level in that hierarchy are, in resource terms, collectively exhaustive and mutually exclusive. This structure creates units of activity to which information directly related to the allocated resources can be attached. Actual and expected results constitute the principal information attached to each activity, but other data can also be attached. Examples include staffing levels, links to parliamentary expenditure authorities (vote, expenditure classification), and regional breakdowns.

The principal value of the PAA is that it provides a common framework within which all departments can structure and logically link program activities, the resources allocated to each and the results that are expected to be achieved with those resources. Beyond a simple linkage between resources and results for each individual activity, a hierarchy of results linkages is established between each activity level in a department's PAA from the lowest level up to those at the highest level that represent the programs a department is responsible for delivering. Results at lower levels in the PAA tend to be output oriented whereas those at higher levels should be outcome oriented.

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[4] Adapted from (Canada. Treasury Board., 2007a, slide 6)

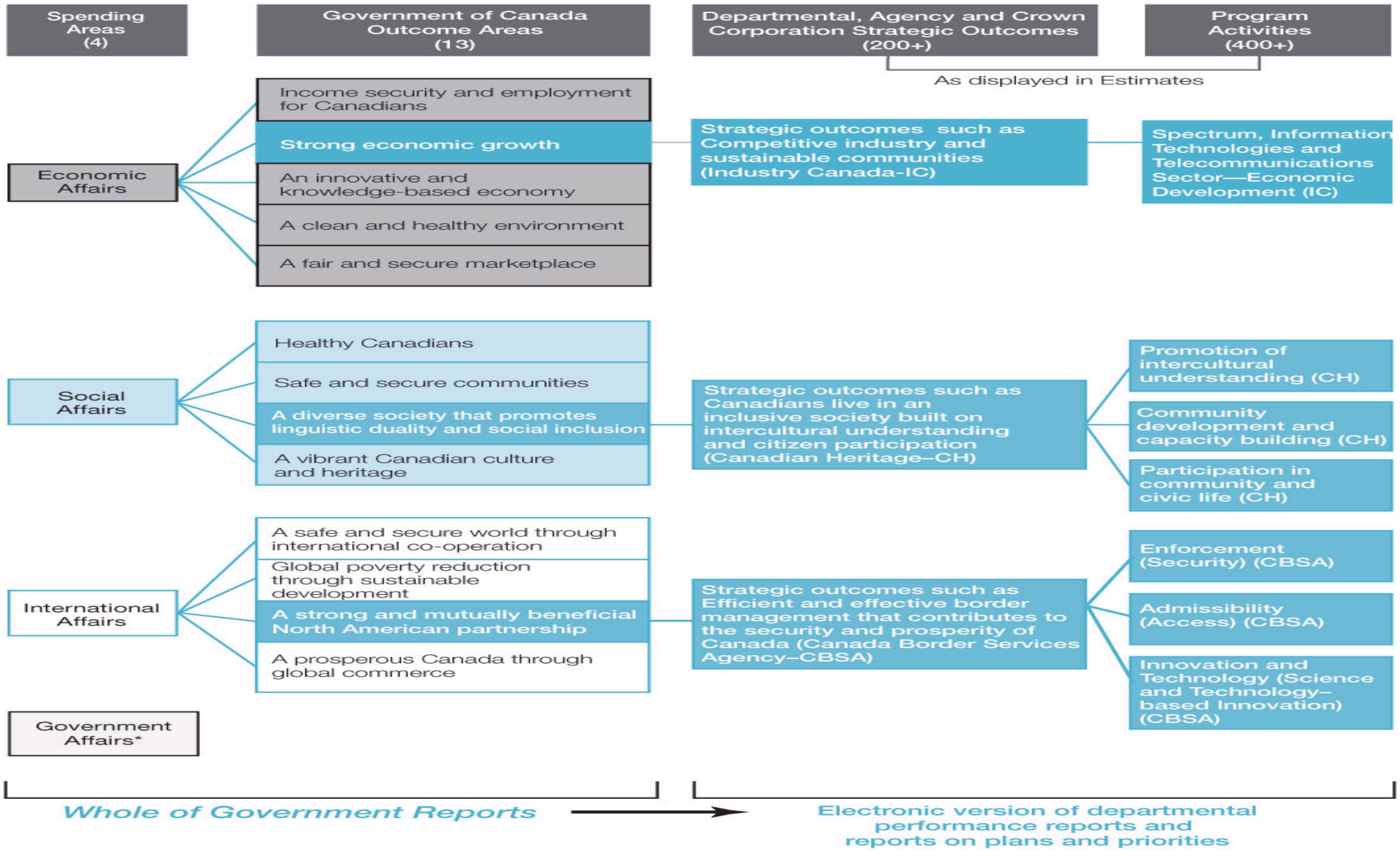
As well as serving as an expenditure management and accountability tool for the Treasury Board Secretariat, the PAA also establishes the structure for reporting and accountability to Parliament through the Estimates. The Estimates are a collection of individual documents that the government provides to support Parliament in its role in approving government spending and holding the government to account for the results produced with the spending authorities granted. In those terms, the principal Estimates documents are the *Reports on Plans and Priorities* and *Departmental Performance Reports* that are prepared individually by each department. The former establishes the basis for accountability by setting out planned expenditures over a three year period together with expected results. Departments then render account against that base in the latter. [5]

This same logical and hierarchical structure extends beyond individual departments to the government as a whole. As part of the PAA, departments are also required to identify strategic outcomes for the department as a whole to which the collection of programs that constitute this highest level of the PAA are then linked. A similar approach to that of individual department PAAs is then taken at the whole-of-government level. Presently all of the departmental strategic outcomes are linked at the whole-of-government level to thirteen outcome areas in four spending areas. This structure is summarised in Diagram 2 and forms the basis for *Canada's Performance*, an additional report provided to Parliament that presently summarises approximately 200 departmental strategic outcomes and 400 program activities across the government.

In practice, however, the 'logical purity' of the PAA structure can become somewhat diluted at this level because of the difficulty associated with 'force-fitting' a unique link between a program and one of its strategic outcomes. A similar issue arises in the logical linkages reflected in *Canada's Performance* at the whole of government level. Nonetheless, taken together, departmental PAAs and their equivalent at the whole-of-government level provide the potential for a rich source of program information. The next section addresses a number of issues that can affect realization of that potential.

[5] More information on the Estimates can be found at http://www.tbs-sct.gc.ca/est-pre/estime.asp .

Diagram 2 – Framework for Whole of Government Results Reporting (Canada. Treasury Board, 2007b)



*Federal organizations that support all departments and agencies through the provision of government services (e.g. the Treasury Board of Canada Secretariat, the Public Service Commission of Canada, Public Works and Government Services Canada).

1.2. Issues and Observations

Implementation

- ***Expectations* –** Both the simplicity of the PAA concept and its potential can give rise to unrealistic expectations; particularly in terms of what can be delivered before implementation has reached some level of maturity. In addition, different users (departmental officials, departmental ministers, central agencies, Cabinet committees, Parliament) are likely to be looking for significantly different types of performance information which can add to capacity issues during initial implementation. Initial limits on scope are crucial.

- ***Capacity* –** The most significant capacity issue is likely to be the information technology (IT) system on which the PAA resides. It would be virtually impossible to deliver the PAA concept without some form of central IT capacity, even if only to collect and manipulate information resident on individual departmental IT systems. If development of this capacity lags behind the pace of overall implementation then unrealistic expectations that a functioning IT capacity would constrain are unlikely to be curbed and credibility of the overall initiative will suffer when IT constraints become apparent.

- ***Data integrity* –** A number of factors are at play here.

    - One is Canada's *Access to Information* legislation which makes government information publicly accessible unless it meets certain criteria. 'Advice to ministers' would likely be the most pertinent test in the case of information generated within a PAA and it is unlikely that much, if any, of this performance information could be construed to meet that test. Moreover, an explicit objective of the PAA is that it is, in part, to form the basis for results information provided to Parliament. While this factor may not cause PAA data to be in any way compromised, it may have a dampening effect on the stringency of performance targets set and hence the type of information collected and reported.

    - A second is *departmental resistance*. This factor is similar to the one above, but can play out between departments and central agencies. Even if not publicly accessible, departments may be reluctant to disclose stringent performance targets to central agencies over concern for the consequences of failure to achieve them. Here again, this may have a dampening effect on the nature of the performance information attributed to activities in the PAA.

    - A third factor directly related to the one above is the PAA's *relevance to and active use by departmental management and managers*. If departments do not use the PAA as a tool for their own management purposes, then the PAA information they do produce is likely to degenerate into information produced purely for central agency consumption – what departments think central agencies want (or what the subset they want to give them). The result is then likely to be a widening gap with the 'real' performance management information generated and used by departments – a situation akin to keeping 'two sets of books'.

- Fourth, performance information generated for the higher reaches of the PAA is (or should be) oriented more to *outcomes* than outputs. As has been widely recognized by practitioners and academics alike, the more performance is oriented towards the outcome end of the spectrum, the more difficult it is to establish quantifiable targets and performance information that is amenable to weekly, monthly or annual measurement. This is particularly the case for accountability purposes where responsibility for achievement of an outcome cannot be uniquely assigned to a single organization or even to the government (Mayne, 2001). As a result, the PAA must be implemented with sufficient flexibility to recognize the need for longer-than-annual time frames with performance targets that are amenable to 'measurement' through program evaluation techniques.

Different Users

- One of the attractions of the PAA is its potential capacity to generate performance information that, in some cases with further manipulation, can satisfy the diverse needs of a wide range of users – ranging from departmental managers and management, through central agencies to cabinet committees and budget decision-making. The potential issue here is the need to tailor the detailed performance information available from the PAA into a form that is both accessible and readily digestible by users with different perspectives and who often have limited time and highly varying degrees of analytical capacity at their disposal.[6]

Link to Innovation

A primary focus of the Management Resources and Results Structure (MRRS) and the Program Activity Architecture that lies at its core is on program management and accountability within departments and on expenditure and management accountability and decision-making from a whole-of government perspective. Innovation is not an explicit objective. However, to the extent that performance information is a necessary component of innovation, MRRS has the potential to play a critical role. This link will be explored further later this paper.

2. Evaluation

There is no shortage of information dealing with government evaluation in general or in the Canadian federal government in particular[7]. Consequently, this section provides a brief overview of the way in which the evaluation function has developed in the federal government and the focuses on recent developments and related issues.

2.1. Background

Although the practice of evaluation undoubtedly predated the 1962 Royal Commission on Government Organization (more commonly known as the 'Glassco Commission'), establishment of evaluation as

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[6] For an example of how the Treasury Board Secretariat is attempting to do this, see *Tools and Resources for Parliamentarians* available online at http://www.tbs-sct.gc.ca/audience/pp_e.asp .

[7] Links to a significant amount of information on the federal government's evaluation function can be found on the Treasury Board Secretariat website at http://www.tbs-sct.gc.ca/eval/eval_e.asp .

distinct function within the Canadian government and as a 'central' priority can be traced back to that commission's report (Canada. Royal Commission on Government Organization, 1962). The impetus came from Glassco's emphasis on increased delegation to departmental management and for 'central' government to shift its focus from inputs to program outcomes and from the more immediate to the medium- and longer-term (vol. 1, pp. 98 – 100). But it was with the Canadian government's formal adoption of its own form of a Planning, Programming and Budgeting System (PPBS) that a more central focus on evaluation took root (Canada. Treasury Board, 1969). [8] Subsequently, in the early 1970s, the Planning Branch of the Treasury Board Secretariat initiated evaluations of effectiveness and efficiency on a pilot basis and in 1997 the government made deputy ministers responsible for evaluating their programs on a cyclical basis (Canada. Treasury Board, 1997).

While the focus of the Glassco Commission came to be characterized as 'let the managers manage', the 1979 report of the Royal Commission on Financial Management – the 'Lambert Commission' – took on the epithet of 'make the managers manage'. In parallel with the work of Lambert, the government created the Office of the Comptroller General in 1978 with a mandate that included strengthening program evaluation. This new organization proceeded to issue detailed guidance for program evaluation (Canada. Comptroller General, 1981a) and specific policy requirements and principles (Canada. Comptroller General, 1981b). The policy was revised in 1991 to emphasize a more strategic approach to program evaluation with a focus on priority areas where the need for program performance information justified the cost involved.

In 1993 the Auditor General's report included three chapters on evaluation (Canada. Auditor General, 1993). These chapters concluded *inter alia* that the government was faced with difficult and urgent questions about the effectiveness of its programs and expenditures and that "[p]rogram evaluation can provide sound information to help find the answers to these questions, but considerable improvement needs to be made to increase the usefulness of evaluation." (s. 8.115). The same report also concluded that "[t]here is potential in the current approach to evaluation that has not been exploited" (s. 10.86**)**.

As Aucoin notes, the "dominant assumption of the early 1970s was that evidence about the effectiveness of government programs in achieving public policy objectives could and should be given a significant place in decision-making on policy and resource allocation" (Aucoin, 2005). However, a clear thread running through the subsequent development of the program evaluation function was an increasing focus on evaluation for departmental management rather than on central government decision-making. The 1997 policy statement that "program evaluation is an integral part of the managerial responsibilities of the deputy heads of departments and agencies" (Canada. Treasury Board, 1997) was later reinforced by the 1983 'Principles' which noted that evaluation findings can be used by deputy heads to "make more informed decisions on management and resourcing of their programs" (Canada. Treasury Board, 1983).

In the mid 1990s, Program Review and related changes to expenditure decision-making machinery and processes introduced in the early years of the Chrétien government had the effect of increasing the

[8] See also (Doern, 1971)

existing Westminster tendency centralization of decision-making. That, in turn reinforced the already diminishing 'central' focus on evaluation by reducing demand for evaluation results as an input into those processes (Aucoin, 2005). That continuing shift in evaluation's focus away from central decision-making towards departmental management is reflected in a number of statements in the Treasury Board's current policy on evaluation (Canada. Treasury Board, 2001). For example the opening statement notes:

> "This policy supports … evidenced-based information to help managers make sound, more effective decisions on their policies, programs and initiatives and through this provide results for Canadians" (p. 1).

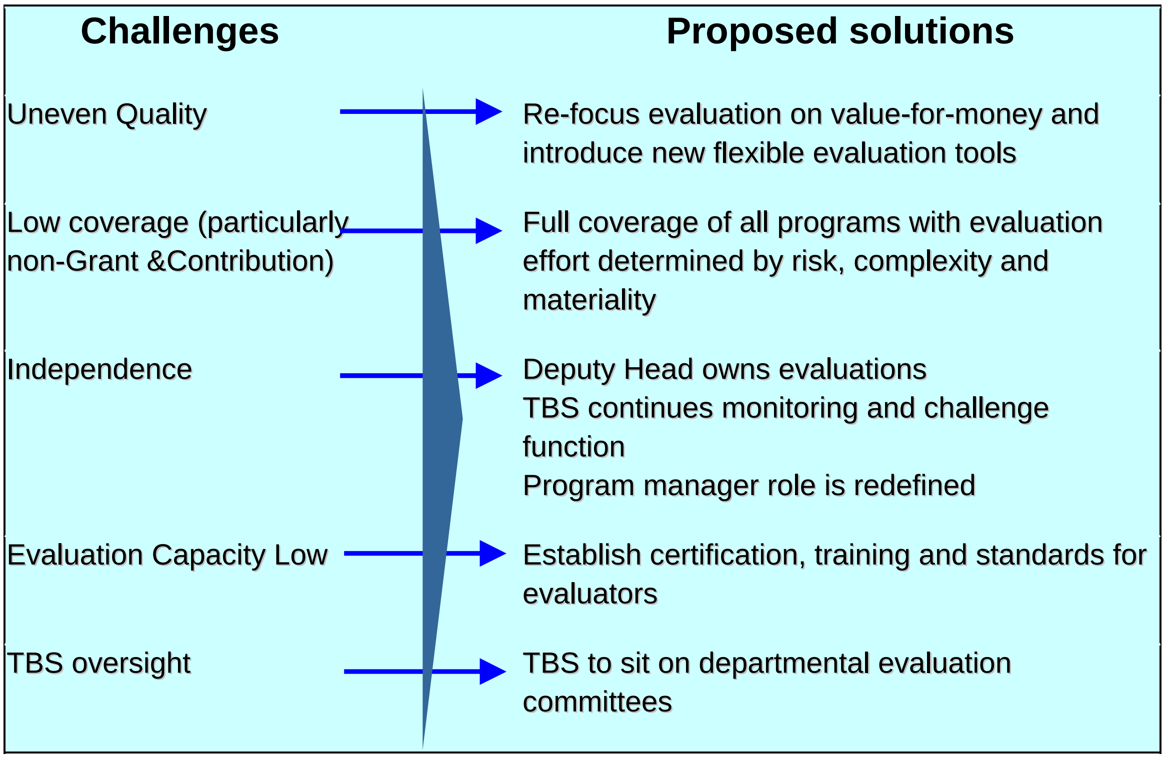
Although this shift in focus would not by itself necessarily have a negative impact on capacity of the evaluation function, the Treasury Board Secretariat has raised this as a concern and has identified a number of related issues (Canada. Treasury Board, 2006):

- A tendency for evaluations to be overly focused on grants and contributions and small programs rather than those with a more strategic focus – "convincing evaluations of a program's value are rare".
- Evaluations that can take too long to complete and that can produce results that are difficult to understand.
- The potential for bias when evaluations are funded by managers of the programs being evaluated (as many are).
- A focus on program improvement rather than on cost-effectiveness with a resultant focus that is too narrow to properly support government-wide decision-making.
- A lack of properly trained evaluators.
- Doubts on the reliability and neutrality of evaluation given significant use of consultants in the absence of in-house capacity.

A development that has had a further negative impact on evaluation capacity has been the increasing priority given to internal audit, relative to evaluation. Up until recently, the two functions were treated more-or-less equally. In March 2004, for example, the government's plan to strengthen public sector management gave equal emphasis to the need to strengthen capacity in both internal audit and evaluation (Canada. Treasury Board, 2004a, p. 13 & 15). Later that year, the government appointed a separate Comptroller General whose mandate encompassed internal audit. Shortly after that appointment, the President of the Treasury Board announced a "multi-year initiative to strengthen the internal audit function across the federal government" with no equivalent announcement for the evaluation function (Canada. Treasury Board, 2004b). At the same time, expenditure reductions being made within the Treasury Board Secretariat resulted in allocations for the evaluation policy centre being cut in half at the same time as resources for the Comptrollership function, and so internal audit, were being increased. Not only did that adversely impact evaluation capacity, but it also reduced morale in the community and did nothing to aid retention and renewal.

On a more optimistic note, the Treasury Board Secretariat is actively engaged in renewing its evaluation policy and addressing these issues and its present strategy is summarised in Diagram 3 (Canada. Treasury Board, 2006).

Diagram 3 – Evaluation Policy Renewal



In addition, signals emerging from work in progress to deliver on the government's commitment to renew the Expenditure Management System indicate that the evaluation function may be receiving greater priority. This will be particularly important given the role that evaluation should play in achieving the government's commitment to "ongoing reviews of *all* departmental spending on a four-year cycle" (Canada. Department of Finance, 2005).

2.2. Issues

Evaluation's focus – departments or central government?

There appears to have been a gravitational force at play within the Canadian federal government that has pulled the focus and use of evaluation away from central government decision-making towards departmental management and managers. Factors behind that force include: departmental 'ownership' of both evaluation resources and evaluation planning; successive Treasury Board evaluation policies that have either reflected or reinforced a departmental focus; and, weak demand for any systematic use of evaluation in central expenditure management decision-making.

The issue is not binary – evaluation does not have to be *either* for central government *or* for departments. Clearly, a high quality evaluation focused on the needs of departmental management can be useful to central government and *vice versa*. But the reality is likely to be that the most effective use of evaluations will be made by those who have specifically commissioned them. In many respects, central government's use of 'reviews' (that are explained in the next section) rather than evaluation can be seen as a reflection of (or reaction to) this reality. Central government has, in effect, accepted the inevitability that the focus of evaluation will be primarily as a tool for departmental management and so turns to 'reviews' as its equivalent tool. The findings of departmentally focused evaluations will, of course, be incorporated into these 'reviews' to the extent that they are useful and the centre may commission its own evaluations as part of the review process.

Accepting these tendencies does not mean that central government has no role to play in the evaluation function. Evaluation policy needs to be set centrally, even if the evaluations that result are managerially focused. In addition there is scope for a central evaluation policy unit to perform a wide range of functions that departments and the evaluation community would find useful. Potential functions would include: standard setting; quality control; fostering and sustaining the evaluation community (through professional development, seminars, conferences, and 'good practice' exchanges); and, recruitment and training of evaluation professionals. The scope could even extend to developing the equivalent of a self regulating body for the 'evaluation profession' within the public service.

The evaluation cycle – who decides and on what basis?

While it is possible to have an evaluation function in which individual evaluations are initiated on an ad hoc or reactive basis, most organizations will develop evaluation plans within some set time-frame or cycle.

In terms of centrally directed evaluations, the federal government has in some areas favoured an approach in which all activities within a defined range are evaluated within a fixed time period. That approach would, however, be inconsistent with the current evaluation policy that requires "strategically focussed evaluation plans – founded on assessments of risk, departmental priorities, and priorities of the government – appropriately cover the organisation's policies, programs and initiatives" (Canada. Treasury Board, 2001, p. 4). The federal government's grants and contributions policy provides an example of this, where the requirement set was for all such 'programs' to be evaluated within a five year period. One problem with that approach proved to be the lack of resources and capacity to meet what was an unrealistic deadline. Another was the reduced incentive to target evaluation resources where they might be most useful. As noted above, one of the objectives of the recently announced renewal of the expenditure management system is to review all departmental spending on a four year cycle (Canada. Department of Finance., 2007, p. 152). There is at least the potential for similar problems to arise in meeting that objective.

Audit and Evaluation

Conceptually, audit and evaluation are distinct and separate functions. Audit is focused on assessing compliance with rules and standards whereas evaluation is focused on questions of program effectiveness and efficiency. The distinction is more than just technical. Positive audit results are unlikely to cause any change in managerial behaviour and are more likely to reinforce the *status quo*. Negative audit results carry with them the implication of managerial error and are thus likely to result in a relatively prompt managerial corrective 'reaction', but within the existing program delivery framework.

However, the results of program evaluation tend to be less binary. While a program evaluation might clearly demonstrate the potential for increased efficiency or effectiveness, the pressure to make changes may be less acute than that from a negative audit. Furthermore, the process of developing and implementing the necessary changes to achieve the potential for improvement revealed by an evaluation is likely to be more complex than that from an audit.

In that context, performance information that results from audit is less likely to provide a stimulus for innovation than that from evaluation. The 'cultural' difference between audit and evaluation activities is also important. Successful conclusion of an audit is oriented more towards correcting the behaviour or processes that are causes of compliance 'errors'. The assumption tends to be that 'wrong-doing' has been identified and needs to be corrected by bringing managerial behaviour back to where it should be within a *status quo* operational framework. By contrast, successful implementation of the result of an evaluation is more likely to require breaking outside the *status quo* program delivery framework. In that sense, evaluation is more likely to be aligned with innovation than audit.

From an innovation perspective, the argument being made here is to maintain more than just a conceptual difference between the two functions. Although there is some overlap, the basic skills required of an auditor are different than those of an evaluator. And, beyond that difference in audit and evaluation professionals, there is a similar need for organizational separation – both within departments as well as within the parts of central government that provide policy and operational oversight for evaluation and audit.

In the federal government, there are a number of examples of actual or potential pressures on that separation which, in the main, have been resisted:

- Budget cuts to the Treasury Board's evaluation policy centre, part of the Expenditure Management Sector, resulted in consideration being given to the function being transferred to and amalgamated with audit policy within the Comptroller General Branch.

- Resource pressures within medium and small departments and agencies have created pressure for dissolving barriers between evaluation and audit that permeate below a senior manager that might appropriately head both functions when the amount of resources allocated to both are relatively small.

- The significant expansion of the work of the Auditor General into so-called value-for-money audits that are, in effect, evaluations by another name contains at least the potential for a spill-over effect on the government's internal audit function as well as bringing to the results of these 'audits' the relatively more 'negative' connotation that attaches to compliance audits.[9]

3. Review

The term review is far less precise than evaluation and can be attached to a wide range of investigative activities within government. For the purpose of this paper, reviews are considered to be characterized by the following attributes:

- ***Initiation*** – by central agencies or resulting from a cabinet or cabinet committee decision.
- ***Objective*** – to inform a particular government-wide or central government decision-making process.
- ***Focus*** – at a high level within government: whole departments; large, high-level programs within departments; or, large-scale projects that engage more than one department in partnership.
- ***Methodology*** – use of a range of techniques and approaches that can and often will include evaluation and that will also draw on performance information available from results-based systems.

Reviews can be 'one-off' exercises or they can be developed into an ongoing cycle.[10] Countries that have integrated reviews into their budgetary cycle include New Zealand (New Zealand. Treasury, 2006) and the United Kingdom (United Kingdom. H. M, 2007). In both of these countries, the review processes are driven by central budget agencies as part of the budget development process. As a consequence, fiscal restraint tends to become the predominant if not exclusive focus. In her examination of how countries build institutions for effective expenditure review, Joanne Kelly notes that these reviews contribute to "all three budgetary objectives: aggregate discipline, allocative efficiency and operational efficiency" (forthcoming, p. 2) and goes on to note that the while expenditure reviews can and are used for performance management, "the most obvious cases of success are provided where expenditure review exercises play a role in fiscal restraint" (p.5).

3.1. Canadian Experience with Review

The federal government has used a number of different approaches to review in recent years. All of these have essentially been 'one-off' initiatives despite the intent of some that they would lead to the ongoing incorporation of review into the budget cycle. Some examples follow.

[9] For an excellent discussion of this shift in the Auditor General's mandate, see Sutherland (1986)

[10] For on overall examination of international experience with expenditure review see Kelly (forthcoming)

Program Review (1994)

Program Review was initiated in 1994 as a 'one-time' exercise by the then newly elected Chrétien government.[11] Primarily driven by concern over successive and increasing annual deficits, the exercise had the twin objectives of reducing expenditures to achieve specific deficit reduction targets and "getting government right" by rationalizing existing programs. Implementation was coordinated from the Privy Council Office with the Department of Finance and Treasury Board Secretariat each playing roles. Expenditure reduction targets established by Finance constituted a key driver of the exercise with departments required to conduct their own reviews, based on the six program review tests.[12] A coordinating committee of Ministers, a 'shadow' committee of deputy ministers and the three central agencies all played a challenge role. Fiscal discipline was maintained by strong support from the Prime Minister and a clear message that any reduction to a target that had been established for one department or agency would require concomitant increases to the cut targets that had been set for others. A key factor in Program Review's success was strong political will to achieve the deficit and debt reduction targets that were set. That political will was buttressed by widespread public awareness of a need to eliminate persistent annual deficits that had reached a point of criticality and so a lack of any strong adverse reaction to the specific program cuts that were needed. Any potential for that resolve to soften was removed when, on the heels of the Mexican peso crisis, Moody's threatened to downgrade Canada's credit rating in the early days of program review's implementation.

Probably the most significant restructuring that came out of Program Review was a significant rationalization of the Department of Transport that included privatization of the air traffic control function and of a number of major airports. Neither privatization nor the other significant restructuring of the way this department delivered its programs by themselves would be considered innovative. But the overall process by which these measures were brought to a decision and implemented could well be considered as an innovation.

Expenditure and Management Reviews (2003)

Expenditure and Management Reviews were implemented in 2003 as a "broad review of expenditures and management in all departments and agencies over a five-year cycle" with two explicit objectives:

> "to make reallocation from lower to higher priorities an integral part of the way [the government] manages" (Canada. Department of Finance, 2003, p. 176); and

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[11] For a more extensive description, see Kroeger (1998). See also the Treasury Board Secretariat's report on Program Review (Canada. Treasury Board., 1996).

[12] Six test questions were applied to each program area or activity subject to the review. 1. Does it continue to serve a public interest? Is that role one that is legitimate and necessary for government? 2. Is the current role of the federal government appropriate, or is it a candidate for realignment with the provinces? 3. Should or could it be transferred in whole or in part to the private/voluntary sector? 4. If the program or activity continues, how could its efficiency be improved? 5. Is the resultant package of programs and activities affordable within the fiscal constraint? 6. If not, what programs or activities would be abandoned?

> “more efficient, effective and sustainable programs, increased satisfaction with levels of service, easier access to government services and reallocation from lower to higher priorities” (Canada. Treasury Board, 2003)

The process for this review was quite different from Program Review in a number of respects. Although initially driven and announced by the Department of Finance as part of the budget development process, implementation of the review was the sole responsibility of the Treasury Board and its Secretariat. No fiscal targets were set and the reviews took place in an environment of successive ‘surprise surpluses’. The reviews were conducted by Treasury Board Secretariat internal review teams, in consultation with departments. These reviews made little significant progress towards the objectives that had been set and were essentially abandoned after the first cycle.

Expenditure Reviews (2004)

This review exercise was initiated in 2004 through the establishment of an ad hoc Expenditure Review Committee of Cabinet with a mandate:

> “to ensure that government spending remains under control, is accountable, is closely aligned with the priorities of Canadians, and that every tax dollar is invested with care to achieve results for Canadians”

and with objectives to:

- “ensure value for money for taxpayer investments;
- identify opportunities to reallocate federal spending from lower to higher priority programs; and
- recommend ways to strengthen management, oversight and effective delivery of programs and services” (Canada. Treasury Board, 2004a)

In comparative terms, these reviews bore more similarity to the 1994 Program Review initiative than they did to the 2003 Expenditure and Management Reviews. An explicit overall expenditure reduction target was set with “the goal of generating savings every year, building over time to at least $3 billion annually within four years” (Canada. Department of Finance., 2004, p. 46). A set of tests essentially similar to those used in Program Review were employed to which were added six implementation tests related to achievability, future costs, capacity, human resource management, program integrity and horizontal implications (Canada. Treasury Board, 2004a). Non-binding targets were given to departments and agencies and departmental ministers were invited to propose how they might be able to achieve them. Secretariat services for the committee were provided by the Privy Council Office.

However, this review process departed from the 1994 Program Review in a number of significant respects. The fiscal environment remained one of ‘surprise surpluses’. The Expenditure Review Committee was established as a sub-committee of the Treasury Board, initially with the President of the Treasury Board as chair. At an early stage in the process, however, another minister was designated as chair and, although the committee remained technically a sub-committee of the Treasury Board, it functioned in all practical matters as a Cabinet committee in its own right.

Three of the major cost-saving initiatives that resulted from this review exercises could be considered as innovations even though the level of savings achieved fell short of targets. One was the creation of Service Canada, a machinery change intended to provide a "one-stop-shop' for government services to the public. The second was a procurement initiative to consolidate purchasing in order to leverage the government's buying power and get the best possible prices. A third was a combination of property management actions that included inventory management to make more strategic use of lower-cost accommodation outside municipal cores and outsourcing (Canada. Department of Finance, 2005).

Strategic Reviews (2007)

Although still 'a work in progress' the government's most recent review initiative emerged from the present government's commitment to renew the expenditure management system. That commitment included a focus on results that was communicated as:

> "Decision-making for Results – better information to make the right spending decisions on government programs;
>
> Managing for Results – putting the onus on departments to clearly define the outcomes of all of their programs, new and existing, to justify funding requests for those programs and to be able to measure the results they are achieving;
>
> Reporting for Results – by improving the quality of the information reported to Parliament." (Canada. Treasury Board, 2007c).

Strategic reviews have emerged as a major component of expenditure management system renewal and the Treasury Board Secretariat's lead role in implementing a review of each department's spending was announced in the 2007 Budget:

> "The first reviews will start this spring and the results will be reported in the 2008 budget. The Government's objective is to conduct these reviews on a four-year cycle…… "[t]he results of the reviews will be integrated into budget planning" (Canada. Department of Finance., 2007, pp. 158-159).

3.2. Observations

Of the three review processes summarised above that have been completed, two produced outcomes that can be considered as innovative – the 1994 Program Review and the 2004 Expenditure Reviews. The specific 'innovative' actions taken – privatization and a radical restructuring of the way in which some programs were delivered – were not by themselves innovations. But, the ways in which the proposals that led to them were brought to a point of decision can be considered innovations of a sort. In each case work to develop the concepts into a specific proposal had, to varying degrees of completion, preceded the review processes that brought them to life. While innovation was not an explicit objective of either of these two review processes, it provided the stimulus for finalizing specific proposals and a receptive process in which these proposals could be considered and a decision on whether to implement them made.

Both these review processes were fiscally driven (i.e. expenditure reduction was a primary, if not predominant objective). This raises the question of whether the presence of that driver is a significant factor in review-stimulated innovation. The fact that the 2003 Expenditure and Management Reviews failed to produce any material decisions precludes any observations on the extent to which they might or might not have stimulated innovation. It is possible to hypothesize that a fiscal driver is a primary success factor for a review exercise. If that hypothesis were to be true, then the question of whether a fiscal driver was a significant factor in review-stimulated innovation would be irrelevant. However, significantly more research is required to answer both of these questions.

Part II - Innovation

What constitutes innovation?

While innovation may not be difficult to define in specific circumstances or from individual perspectives, it is evident from current literature that it is susceptible to a wide range of definitions.

Jean Hartley (2005), for example, writes that two definitions – 'novelty in action' and 'new ideas that work' – differentiate innovation from invention by emphasizing that innovation is not just a new idea but a new practice. She also notes that the spectrum of definitions from changes that are large scale and dramatic to those that are small scale and incremental raises "a need to distinguish between innovation and continuous improvement" – a question that her citation of Moore et al at least provides some criteria for answering: "[t]hose changes worth recognizing as innovation should be…new to the organization, be large enough, general enough and durable enough to appreciably affect the operations or character of the organization" (p. 27).

Burt Perrin (2002) defines innovation as "novel ways of doing things better or differently, often by quantum leaps versus incremental gains", and he notes that definition to be consistent with the European Commission's *Green Paper on Innovation* (p. 13), He goes on to characterizes innovation by its very nature as

> "risky; unpredictable in terms of:
>
> - which particular activity or intervention will work or prove useful;
> - who will benefit;
> - when benefits, if any, will occur;
> - under which particular set of circumstances an innovative approach would be applicable;
> - whether the discovery and application will be as intended or of quite a different nature" (p. 14).

In a discussion paper on innovation, Canada's Public Policy Forum (1998b) defined innovation simply as "[t]he introduction of something new", noting that it "may take the form, among others, of an idea, activity, initiative, structure, program or policy" (p.2). In a similarly simple but positive vein, David Albury (2005) defines successful innovation as "the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in outcomes, efficiency, effectiveness or quality" (p. 51). A similar incorporation of successful links to service delivery can be seen from the Canadian federal government's nomination criteria for the innovation category of its annual Award of Excellence which requires that:

> "The successful candidate(s) must meet at least one of the following criteria:
>
> - Developed trend-setting initiatives that improved efficiency in operations or services and/or resulted in savings/benefits (internal or external), in areas such as science,

technology, health, the environment, resources management, finances, learning, and policy.

- Created an original idea or uniquely adapted an existing program, process, or concept, which resulted in a long-term benefit to the public service.
- Developed and implemented an innovative idea that resulted in a measurable increase in efficiency and productivity." (Canada. Public Service Agency., 2007)

Another commentator paraphrased Justice Stewart (United States of America. Supreme Court, 1964) in suggesting that, rather than defining innovation, anyone interested in it would know it when they saw it. Facetious as this last commentator may have been, the wide range of definitions that exist does suggest rather strongly that, while this is not a case of 'defining the undefinable', what constitutes innovation in government is more a matter of judgment than definition. The criteria against which that judgment must be made will change according to the context within which innovation is being considered. However, one common criterion running throughout the literature on innovation is that it involves a significant degree of risk.

Innovation in Government

Although there is a shortage of fundamental research into innovation in government (Hartley, 2005, p. 32; Mulgan & Albury, 2003, p. 6) a number of writers from both the academic and practitioner communities have written about the topic. Issues identified in that literature have much in common, even if further research is needed on many of them. The following is a brief summary of six key issues that are commonly identified.

1. Focus on service improvement

That governments and writings by their representatives (Albury, 2005; Canada. Public Service Agency., 2007) should focus on service improvement as the focus of innovation is not surprising. A recent KPMG study based on a survey of executives in five major Western governments suggests that "the majority place quality of services ahead of all other factors" (KPMG International, 2007, p. 8). Other writers, however, point out both the potential and the need for innovation in government to have a broader focus. Jean Hartley, for example, notes that:

> "In the private sector, successful innovation is often seen to be a virtue in itself, as a means to ensure competitiveness in new markets or to revive flagging markets. In public services, however, innovation is justifiable only where it increases public value in the quality, efficiency or fitness for purpose of governance or services. Moreover, in the public sector at least, innovation and improvement need to be seen as conceptually distinct and not blurred into one policy phrase." (Hartley, 2005, p.30)

The same author also observes that "[w]hat little research there has been on innovation in the public sector has tended to focus on service delivery. There is relatively little about innovations in governance."

2. Risk of Failure

Arguably, risk is, or should be, innovation's most significant characteristic and is analogous to venture capital operations in the private sector. This analogy, however, underscores a significant cultural difference between the two sectors. Venture capital shareholders accept the inevitability that a relatively high proportion of the operations in which they invest will fail – an acceptable cost for reaping the relatively higher returns of those that succeed. The degree of risk tolerance in the public sector is significantly less.

In identifying findings from private sector research that are relevant to the public sector Albury (2005) notes that the "first innovator is not necessarily the most successful innovator" and the first version "is rarely the form in which it finally 'stabilizes', and applications of innovations are not always those expected" (p. 52). He continues with the observation that "the scrutiny of 'failed innovations is an exercise in apportioning blame rather than furthering knowledge and learning" (p. 55). In a similar vein, Borins notes that "media and opposition parties are always eager to expose public sector failures and pillory public servants involved, with potentially disastrous effects on their careers" (2006, p. 7).

These and similar factors that result in significantly lower risk tolerance in the public sector are inherent to most government and public sector structures. They can be moderated but it is unrealistic to expect risk tolerance for public sector innovation to be brought into line with that in the private sector. While a public sector award for 'honourable failure' might be as supportive of innovation as those that exist for success, it is difficult to imagine such failures being publicly celebrated.

3. Rewards and Incentives, Resistance and Disincentives

It is perhaps ironic, given that two major award programs provide the source of data for one of the few comprehensive studies of public sector innovation, that Borins' study focuses more on the barriers to innovation than the existence of incentives (2006). Although Albury suggests that the few rewards or incentives to innovate or adopt innovations are a barrier (2005, p. 55), it is unclear to what extent, if at all, that awards programs by themselves constitute any significant incentive to innovate. In fact Borins devotes a whole chapter to obstacles and tactics used to overcome them. He found that the largest number of obstacles arose within the public sector "reflecting the tendency of these innovations to change standard operating procedures, occupational patterns, and power structures" (p. 16).

In Canada, opinions expressed by Deputy Ministers "that the reports of the [Office of the Auditor General] had an inhibiting influence on innovation and risk-taking among public servants" prompted the Auditor General and the Public Policy Forum to collaborate in a round table discussion to inquire more generally into constraints on innovation (Public Policy Forum, 1998a, p.1).   The useful discussion paper prepared for that discussion identifies six areas of constraint (Public Policy Forum, 1998b):

- ***Accountability – or blame?*** In which the paper notes that, in spite of the still-existing traditional Westminster doctrine, "the reality is that over the last decade or more, politicians have demanded more and more that public servants be held accountable for departmental actions" and that "there is a perception that public servants who make mistakes, even if under the orders of their superiors, will pay a heavy price" (pp. 5-6).

- ***Empowerment and changing infrastructure*** – in which it is suggested that the lack of success of the government's 'PS 2000' initiative in reducing barriers to empowerment "would seem to indicate that the current environment in the public service is not conducive to creating the dynamic, fluid context needed to foster innovation and risk-taking among managers and staff in government" (p. 6).

- ***Empowerment and breaking the rules*** – where the paper observes "on the other side of the coin, unfortunately, when the concept of empowerment was first introduced into government culture, it was sometimes perceived as conferring the right to break the rules" (p. 6).

- ***Capacity – more rather than less*** – noting that "managers are still being asked to 'do new with less' without being given the required support" (p. 7).

- ***Values and Ethics – it takes time*** – where the paper rather depressingly concluded "[i]t may be that in the current government culture, heroic efforts will be required to counteract the effects of the disbelief system on the attitudes of executives and staff towards risk-taking" (p. 8).

- ***Innovation: a leadership skill*** – noted to be one not required of most public servants "until a few years ago" (p.8).

Of concern almost a decade later is that a number of these factors remain prevalent today. In the wake of the 'sponsorship scandal', accountability and blame remains an issue for public servants as does the risk, real or apparent, in accepting empowerment.[13] Both the Prime Minister and the President of the Treasury Board have identified the need to rebalance the current 'web of rules' (Canada. Treasury Board, 2007c). In the wake of a number of expenditure reduction exercises over the last five years, capacity remains a concern in some areas. More fundamentally, the concern over the effect on innovation of negative Auditor General reports that stimulated the roundtable initiative taken by the Denis Desautel, the Auditor General at the time, still exists.

4. Learning

In suggesting that "public sector innovation needs to be linked to considerations of improvement , but should not be shackled to it" Hartley notes that innovation can still be worth pursuing even when it results in no improvement or even in decreased performance (2005):

> "This feature, well recognized in the operations management literature, reflects innovation as a journey which is not linear and rational but which leads to dead-ends, mistakes, adaptions and obstacles to be overcome. Innovation without improvement may also occur where organizational learning takes place which

[13] For discussions of the impact of the impact of the Commission of Inquiry into the Sponsorship Program and Advertising Activities (the 'Gomery' Commission) see, for example, Aucoin (2006), Savoie (2006) and Sutherland (2007)

> does not benefit the immediate innovation but contributes to the innovative capacity of the organization, aiding later attempts to innovate. (pp.31-32)

5. Leadership

David Albury (2005) notes that a “senior-level champion for each innovation is vital, especially for support and determination through the hard times which nearly all innovations encounter during their development” (p. 51). He goes on to note that the culture of creativity and diversity that is necessary to generate innovation needs “leadership which provides clear direction and goals but without detailed control.” (p. 53)

6. Funding

Although small-scale innovation may be able to proceed without funding, or by squeezing necessary funds out of an individual manager’s budget, any significant innovation project will need adequate funding if it is to succeed. This factor is particularly important given that innovation projects have an inherently high risk of failure.

Although inadequate resources was not the most frequently reported obstacle cited in Borins’ study, it was the one that innovators overcame the least frequently (2006, p. 30). Albury similarly note short-term budgets and planning horizons” as a barrier to innovation (2005, p.55).

Part III – Innovation and Performance information

Actual and Potential Linkages

Performance information is not given much prominence as a factor in innovation in the literature surveyed for this paper. Although Borins (2006) does include a small section on 'Experimentation and Evaluation' that focuses on learning, performance information does not figure among the five major characteristics of successful innovation that he identifies.

However, intuition and my own experience suggest both that significant potential exists for performance information to be a material factor in innovation and that research would show it to be a reality throughout the innovation cycle in many cases.

It is always possible that an innovative idea may come 'out of the blue', but in many cases it will be recognition that performance could be improved that provides the stimulus. In some cases, the need for improvement may be self-evident to staff and management alike. However, the greater precision of performance information to substantiate what may seem self-evident can only help focus on the need to innovate and provide the acceptance and support that is necessary to move from recognition to action. Benchmarking would be a particularly useful type of performance information at this stage. Similarly useful would be assessment of practices in other jurisdictions that appear to be generating the better performance and that can be considered for adaptation.

Launching any significant innovation initiative will require additional resources to increase the chances of success and performance information will be one source of the data needed to make the case for funds to be allocated. Although it did not explicitly address innovation projects, one finding of KPMG's survey-based study on performance in government is likely to be relevant (KPMG International, 2007):

> "the main difficulty in financing and funding projects is the inability to determine the true costs of individual projects and programs. That beats even the challenge of raising funds in the first place. Many feel they cannot communicate the true benefits of the program, and costs of individual projects often remain obscure. The best way to overcome these problems, according to respondents, is to integrate financial and performance information." (p. 23)

Many innovation projects will take time to mature and demonstrating progress will be a significant factor in sustaining momentum. As noted earlier, learning is a critical part of the innovation process whether individual projects fail or succeed. In that context, performance information is equally if not more important for innovation than it is for existing program activities. Albury's (2005) related observation is salutary:

> "It is, thankfully, rare now that innovation takes place without evaluation. However, too frequently evaluations are limited to assessments of whether the innovation has been successful, that is whether it achieved its stated objectives and where it has not been successful what the reasons were for this. Few evaluations attempt to understand what works in what circumstances and why.

> And there has been almost no analysis of the relative costbenefits of different innovations or interventions in the same area of public service. Thus the knowledge base, as well as the research base, for public sector innovation needs strengthening. (pp. 54-55)

In a similar vein, Mulgan and Albury (2003) make the case for pilots and that part of the innovation implementation process is the need, not just to gather performance data from such pilots, but for strong evaluation. They argue that this is probably a more acute concern in the public sector because of the broader impact that failure can have (p. 17).

Innovation and Performance Information in the Canadian Federal Government

Broadly speaking, innovation in the federal government clusters into two groups at opposite ends of a 'size' spectrum. At the larger end are innovative projects or initiatives that affect the government as a whole, departments as a whole, or large programs within departments. At the other end are relatively small projects within programs that are either initiated by workers and middle managers or developed by them at the instigation of senior management. Interestingly, one of Borins' findings from both U.S. and Commonwealth data is that "frontline staff and middle managers are the most frequent initiators of public management innovation" (2006, p. 5).

In the absence of any research or other data, the only readily available source of information on innovation in the 'smaller' category is the federal government's Public Sector Award of Excellence program which provides a list of finalists in each category for the last two years (Public Service Agency, 2007b). In 2005 there were 14 finalists in the innovation category and in 2006 there were 17. Taken together, eight out of the 31 finalists were individuals and the remainder special teams or existing work units. Of those finalists, 17 involved the innovative use or adaptation of existing information technology systems, 11 involved changes to processes or procedures, two were for innovative use of spreadsheets (both by individuals) and one was for an innovative design of an outdoor cigarette lighter suitable for use in a prison.

The short descriptions provided for each finalist do not give any explicit indication of the extent to which performance information played a role in the innovations that were recognized. However, I would speculate from these descriptions that most were stimulated by a need or opportunity for improvement that was obvious to the individuals and management involved although in some cases corroborating performance information would have been available.

In the case of larger innovations, I have selected three examples each of which are described below.

1. Service Canada

The decision to implement the Service Canada concept - a "one-stop" point for Canadians to receive all their government services – was a decision of the Expenditure Review Committee that was announced in Budget 2005 (Canada. Department of Finance, 2005, p. 13). The concept is being implemented by a new department – Service Canada – created from the appropriate parts of the Department of Human Resources and Social Development.[14] Service Canada's mandate is to:

> "work with federal departments, other levels of government, and community-based partners to transform government service delivery for Canadians across all service delivery channels - telephone, Internet, and in-person."
>
> and its current objectives include:
>
> - Deliver seamless, citizen-centred service by providing integrated, one-stop service based on citizen needs;
> - Work as a collaborative, networked government by building whole-of-government approaches to service that enable information sharing, integrated service delivery and strategic investment for the benefit of Canadians".

While progress has been made, implementation of the concept remains a work in progress and Service Canada's Report on Plans and Priorities sets out clearly a number of transformative priorities for the next three years. (Canada. Department of Human Resources Development, 2007, p. 76)

A number of characteristics of this innovation are of interest:

- The concept was not conceived by the Expenditure Review Committee but had been in gestation for over a decade. It was seized on by that committee as "an idea whose time has come" and that fit perfectly with its mandate of "finding ways to improve the delivery of federal programs and also lowering costs" (Canada. Department of Finance, 2005, p. 13).

- It is ironic that such a clearly innovative concept found implementation through an exercise focused on cutting spending, particularly given that a general risk for innovation is insufficient implementation funding. As implementation of Service Canada has been characterized as extraordinarily ambitious and posing significant challenges, this aspect may be of concern.

- The general concept of centralizing service delivery is not unique to Canada and the research that underpinned development of the particular model being implemented included examination of similar concepts being developed or implemented in other jurisdictions. Australia's Centrelink is a prime example.[15] The innovative aspects of Service Canada lie in the way in which the concept has been adapted and developed to fit both the Canadian context in general and the particular environment in which it is being implemented. International recognition of the innovative nature of this project is

[14] The legislation to create Service Canada as a separate department has yet to be introduced. In the interim, although the organization technically and legally remains a part of the Human Resources and Social Development department, it is effectively functioning as a separate department in its own right.

[15] For a view of Centrelink from its President at the time, see Sue Vardon's Feb 2000 address to Australia's National Press Club (Vardon, 2000).

evidenced by the number of delegations that have visited Service Canada – over twenty to-date.

- Performance information has played a critical role in all stages of development of the Service Canada concept and continues to play a critical role in the current implementation strategy. International benchmarking and research as well as survey data played a particular role in the earlier stages and continues to do so. Results-based performance information has become more prominent as the concept is being implemented. This type of information has been recognized by Service Canada as particularly important for building the business case, overcoming actual and potential resistance of departmental partners and developing broader credibility for the initiative. In addition to its two standard annual Estimates documents provided to Parliament (the Report on Plans and Priorities and the Departmental Performance Report), Service Canada prepares an Annual Report and updates the score card it has developed on a quarterly basis.

2. Government On-Line

Canada's Government On-Line initiative shares a common early root with Service Canada in an organizational unit within the Treasury Board Secretariat. In addition to developing the original basis for Service Canada, the Service and Innovation Sector[16] was also responsible for laying the foundation for Government on Line, which shares many characteristics with Service Canada. Two primary factors distinguish Government on Line from Service Canada: its focus is on a tool for service delivery rather than an organizational form; and, it was implemented by a central agency (Treasury Board Secretariat) rather than an operational service delivery department[17]. In addition, implementation of Government On-Line is now considered complete.

Government On-Line's objectives were (Canada. Government on Line, 2006):

- "providing clients with a more accessible government, where information and services are organized according to clients' needs, and are available 24/7 around the world, in English or French;
- delivering better and more responsive services by implementing more efficient and timely electronic services;
- building trust and confidence in on-line service delivery by ensuring that electronic transactions are protected and secure, and that personal information is safeguarded."

and was guided by two basic principles intended to focus use of the Internet to benefit Canadians, Canadian businesses and international clients:

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[16] That sector was eliminated in 2003 as part of an expenditure reduction exercise.

[17] In the latter stages, implementation was transferred to Public Works and Government Services Canada although the Treasury Board Secretariat retained responsibility for policy.

- “group information and services around clients' needs and priorities, NOT around the organization of governments;
- build partnerships among federal departments and agencies and with other levels of governments to cluster services for the benefit of clients, NOT according to jurisdictions.” (p. 1)

Government On-Line was implemented over a six year period from 2000-01 to 2005-06 at total central cost of $880 million in partnership with 34 participating departments and agencies who also provided funding from their own resource base.

Characteristics of particular interest include:

- Similar to Service Canada, the broad concept is not unique but was developed and implemented in a way that suited the federal government’s particular needs and the environment of the time.
- A central source of investment funds was provided that the implementing organization allocated to participating departments and agencies. Although partners were expected to share in the funding, this central fund clearly provided the Government On-Line organization with both leverage and control. However, political commitments to a short implementation time frame and the limited funds available to achieve it provided a significant challenge as did some uncertainty caused by phased release of the full pool of funds by the centre of government.
- Special emphasis was placed on the governance structure of the project with respect to the participating departments and agencies that included a deputy-head level committee.
- As with Service Canada, great store was set by performance information at all stages of the project. Baseline performance data on ‘E-government’ capacity was captured early in the project and performance information was a critical element in deciding on allocations to participating departments and agencies as well as whether allocations were multi-year or were assessed and allocated on an annual basis. Performance targets were negotiated with deputy heads and progress reported back to the deputy-head committee which created peer pressure for performance, not just for the Government On-Line organization.
- Risk and risk mitigation was made a priority and also became a focus of the Auditor General’s attention on the project.
- The project was considered a significant success and received over 50 awards. Notable among these was recognition given by Accenture which ranked Canada as first out of the 22 countries surveyed for e-government maturity for the fifth consecutive year. As well, the project has drawn praise from the Auditor General. Such external recognition can be a major factor in sustaining support for the project throughout implementation.
- Learning became a significant priority and the final report provided extensive information on ‘lessons learned’ (Canada. Public Works and Government Services, 2006).

3. Prudent Budget Planning

Prudent budget planning was a particular approach adopted for fiscal management by the Department of Finance in the mid 1990s and is included because of it has characteristics that are quite different from the two above[18]. When the Chrétien government came to power in 1994, it established deficit and debt reduction as priorities. Annual deficit targets were set in each annual budget and the Minister of Finance of the time made a public declaration, repeated on a number of occasions, that he would meet those targets "come hell or high water". As if that was not sufficient, the Mexican "peso crisis" which resulted in a threat by Moody's to downgrade Canada's credit rating lent further impetus that priority. Prudent budget planning evolved as the basis for managing the risk of not meeting annual deficit targets, as well as the risk to the Finance minister's credibility.

Prudent budget planning itself is not unique, but the way it was applied and evolved in the Canadian federal government was. Principle elements of this approach included:

- A rolling, two-year planning time-frame within which publicly disclosed budget targets were set.
- Use of an average of private sector economic forecasts as the basis for developing the policy status quo fiscal framework used as the starting point for budget planning.
- Introduction into the fiscal framework of prudence factors to lower the forecast budgetary balance (i.e. the impact of these factors was to increase any forecast deficit or decrease any forecast surplus).
- Setting a target level for the planned budgetary balance that then determined how much flexibility was available for allocation decisions (i.e. the difference between the forecast budgetary balance and this target established the flexibility available).

Characteristics of interest with this innovation include:

- The fact that it was stimulated by the necessity to deliver on a new government's priority and to protect the credibility of the Minister of Finance (and so too of Finance officials) given his public 'come hell or high water' commitment.
- The primary objective was to manage the risk that annual deficit targets would not be met i.e. to manage performance at a whole of government level.
- It involved no significant direct costs and thus required no upfront investment to implement.
- Only one performance measure was directly relevant – the annual deficit – which was generated independently of this approach through Canada's public accounts.

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[18] See Joyce (2006) for a more complete assessment of prudent budget planning, from which this summary is drawn.

- It significantly over-achieved its objective generating year after year what somewhat facetiously came to be called ‘surprise surpluses’. Criticism of this outcome, from both within and outside government risked the credibility of the approach. Although the stance of the government of the time was in essence to ignore these criticisms, whether or not it would have “learned’ from that outcome and made significant changes remains a matter of speculation given its defeat in 2005.

Conclusion

One conclusion that can be drawn from this survey is to corroborate from a Canadian perspective what other writers have observed: that more research into innovation in government is needed. This is particularly true if performance information is to be linked to innovation at any of its stages. In that context, the following conclusions should be considered tentative:

- Although there is no shortage of performance information in Canada, there are concerns about its current quality which arise from the immaturity of both the Management and Resources Structure initiative that produces results-based information as well as the current initiative to renew evaluation capacity.

- Even with quality information generated by performance management systems, innovation projects will often require performance information tailored to their own particularly needs, particularly in the earlier formative stages.

- It is unclear to what extent ‘formal’ performance information plays a material role in smaller innovation projects initiated at staff or middle-management levels, though it is reasonable to suggest that formal information could support and sustain innovation that has been stimulated by the potential to improve performance based on informal observation.

- The critical need for and role played by performance information in the two examples of large-scale innovation projects described above strongly suggest that this is likely to be true for all such projects from stimulation of a concept through to its implementation.

- Performance information appears to be an important factor in successful innovation. However, the commonality of a number of obstacles or impediments to innovation that are identified in the literature suggests strongly that addressing these is likely to be equally if not more important than performance information. These issues include: a tendency to ‘over-focus’ on service improvement; dealing with innovation’s inherently higher level of risk in a public service environment with an equally inherent low tolerance for failure; resistance from established groups who see innovation as a threat; accountability and a public service propensity for blame; and, the need for adequate funding to maximize chances of success.

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